

# INDIGO STAR HOLDINGS LIMITED

## 靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8373

# FIRST QUARTERLY REPORT

## 2018



# Characteristics of the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “Directors”) of Indigo Star Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading. This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.indigostar.sg](http://www.indigostar.sg).*

*All defined terms have the same meanings as set out in the prospectus of the Company dated 31 October 2017, unless otherwise defined.*

## Unaudited Condensed Consolidated Statement of Comprehensive Income

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Notes	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Revenue	6	13,093	10,411
Direct cost		(9,803)	(7,058)
Gross profit		3,290	3,353
Other income, net	7	32	37
Administrative expenses		(1,077)	(2,049)
Finance costs	8	(13)	(10)
<b>Profit before taxation</b>	9	<b>2,232</b>	<b>1,331</b>
Income tax expense	10	(393)	(514)
Profit for the period		1,839	817
<b>Other comprehensive expenses for the period, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(96)	–
<b>Profit and other comprehensive income for the period</b>		<b>1,743</b>	<b>817</b>
<b>Earnings per share:</b>			
— basic and diluted (Singapore cents)	11	0.46	0.27

## Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Share capital	Share premium (note a)	Merger reserves (note b)	Exchange reserves	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 January 2017 (Audited)	3,100	–	–	–	6,697	9,797
Total comprehensive income for the period	–	–	–	–	817	817
As at 31 March 2017 (Unaudited)	3,100	–	–	–	7,514	10,614
As at 1 January 2018 (Audited)	695	8,060	3,100	(11)	4,809	16,653
Total comprehensive income for the period	–	–	–	(96)	1,839	1,743
As at 31 March 2018 (Unaudited)	695	8,060	3,100	(107)	6,648	18,396

Notes:

- Share premium represents the excess of share issue over the par value.
- Merger reserve represents the difference between the cost of acquisition pursuant to the Reorganisation and the total value of share capital of the entities acquired.

# Notes to the Unaudited Condensed Consolidated Financial Statements

FOR THE THREE MONTHS ENDED 31 MARCH 2018

## 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 8 March 2017. The Company's immediate and ultimate holding company is Amber Capital Holding Limited ("Amber Capital"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 November 2017.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Group is at #03-08 Quartz Industrial Building, 5 Upper Aljunied Link, Singapore 367903.

The Company is an investment holding company and the Company's subsidiaries are principally engaged in provision of structural reinforced and concrete works in buildings and civil engineering works. The consolidated financial statements are presented in Singapore dollars ("S\$"), which is the functional currency of its principal subsidiaries. All values are rounded to the nearest thousand ("S\$'000"), except when otherwise indicated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared by the Directors in accordance with International Financial Reporting Standards ("IFRS") 34 "interim financial reporting" issued by the International Accounting Standard Board (the "IASB") and the applicable disclosure requirements of the GEM Listing Rules. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for three months ended 31 March 2018 (the "Reporting Period") are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2017.

The unaudited condensed consolidated financial statements for the Reporting Period have not been audited or reviewed by the Company's independent auditors, but have been reviewed by the audit committee of the Company (the "Audit Committee").

## 3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied all new amendments to IFRS issued by the IASB that are mandatorily effective for the accounting period beginning on or after 1 January 2018.

The application of the new amendments to IFRS in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 4. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the three months ended 31 March 2018 are the same as those followed in the preparation of the financial statements for the year ended 31 December 2017.

#### 5. SEGMENT INFORMATION

The Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works. A single management team reports to the Directors (being the chief operating decision-maker ("CODM")) who comprehensively manage the entire business. The CODM reviews revenue by nature of contracts, i.e. "General Building Projects" and "Civil Engineering Projects" and profit for the period as a whole. Accordingly, the Group does not present separately segment information. No analysis of the Group's results by type of works nor assets and liabilities is regularly provided to the CODM for review. In addition, all of the Group's revenue is generated in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no business or geographical segment information is presented.

The Group principally operates in Singapore, also the place of domicile. All revenue are derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

#### 6. REVENUE

	For the three months ended 31 March	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
General building projects	9,277	8,921
Civil engineering projects	3,816	1,490
	13,093	10,411

## 7. OTHER INCOME, NET

	For the three months ended 31 March	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Interest income	2	–
Government grant	4	–
Sundry income	26	37
	<hr/>	<hr/>
	32	37

## 8. FINANCE COSTS

	For the three months ended 31 March	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Interest on:		
Bank borrowing wholly repayable on demand	11	7
Obligations under finance lease	2	3
	<hr/>	<hr/>
	13	10

## 9. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Current tax — Singapore Income Tax	393	514

The Singapore Corporate Income Tax rate was 17% during the three months ended 31 March 2018 (three months ended 31 March 2017: 17%). Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory income tax rate of 17% in Singapore.

## 10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the three months ended 31 March	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Materials used	1,861	2,925
Subcontracting charges	4,315	1,041
Depreciation expense	24	38
Listing expenses	–	1,269
Employee benefit expenses (including directors' emoluments)		
Salaries and other benefits	3,514	3,144
Contributions to CPF	26	12
Total employee benefit expenses (including directors' emoluments)	3,540	3,156

## 11. EARNINGS PER SHARE

	For the three months ended 31 March	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	1,839	817
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	400,000	300,000
Basic earnings per share (Singapore cents)	0.46	0.27

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share for the three months ended 31 March 2017 is based on 300,000,000 shares, which were issued pursuant to the capitalisation issue and deemed to have been issued since 1 January 2017.

Diluted earnings per share is the same as the basic earnings per share because there were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2018 and 2017.



# Management Discussion and Analysis

## BUSINESS REVIEW

We are an established subcontractor in Singapore specialising in providing reinforced concrete work, comprising steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers. Our projects can be categorised into general building projects and civil engineering projects.

General building works refer to general construction and major repair works, piling works, finishing works, installation of doors, windows, sanitary products, curtail walling/cladding works, structural works, other special trade construction such as scaffolding and sandblasting, and production of pre-cast components. Our general building works relate primarily to the construction of hotels, hospitals, mixed development and court buildings. During the three months ended 31 March 2018, we recorded revenue from general building projects of approximately S\$9.3 million (three months ended 31 March 2017: approximately S\$8.9 million), which accounted for approximately 70.9% of our total revenue for the same period (three months ended 31 March 2017: approximately 85.7%).

As at 31 March 2018, we had five ongoing general building contracts with an aggregate outstanding contract value of approximately S\$21.2 million.

Civil engineering works refer to non-building construction such as the construction of roads, bridges, tunnels, railways, viaducts, water and gas pipelines, sewers, communications and power lines, marine construction as well as site-preparation and construction-related landscaping works. Our civil engineering works relate primarily to the construction of MRT stations. During the three months ended 31 March 2018, we recorded revenue from civil engineering projects of approximately S\$3.8 million (three months ended 31 March 2017: approximately S\$1.5 million), which accounted for approximately 29.1% of our total revenue for the same period (three months ended 31 March 2017: approximately 14.3%).

As at 31 March 2018, we had one ongoing general building contracts with an aggregate outstanding contract value of approximately S\$17.5 million.

## INDUSTRY OVERVIEW

The Building and Construction Authority ("BCA") in Singapore estimated that there will be between approximately S\$16 billion to S\$19 billion worth of public projects to be awarded in 2018, compared to approximately S\$15.5 billion in 2017. The projection of increased building demand comes amid a challenging in the previous years for the building sectors. With the strengthened overall economic outlook and an upturn in property market sentiment, as well as the redevelopment of collective-sale sites, BCA estimated that construction demand in the private sector improve to between approximately S\$10 billion and S\$12 billion in year 2018, compared to S\$9 billion in year 2017.

## **FUTURE PROSPECTS**

Directors considered that the construction demand in 2018 is expected to continue to increase and the outlook for the construction industry in Singapore remains optimistic. Going forward, the Group will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore.

## **FINANCIAL REVIEW**

### **Revenue**

For the three months ended 31 March 2018, our Group recorded revenue of approximately S\$13.1 million (three months ended 31 March 2017: approximately S\$10.4 million), representing an increase of approximately 25.8% compared with the same period of the previous financial year. The increase of revenue was mainly due to the increase in revenue from our civil engineering project, namely Project Orchard Station, as a result of a greater portion works performed during the three months ended 31 March 2018.

### **Direct costs**

For the three months ended 31 March 2018, our Group recorded direct costs of approximately S\$9.8 million (three months ended 31 March 2017: approximately S\$7.1 million), representing an increase of approximately 38.9% compared with the same period of the previous financial year. Such increase was in line with the increase in revenue for the same period, which was mainly attributable to the increase in our subcontracting charges.

### **Gross profit and gross profit margins**

For each of the three months ended 31 March 2017 and 2018, our Group recorded gross profits remained relatively stable at approximately S\$3.4 million and S\$3.3 million, respectively., while our gross profit margin decreased from approximately 32.2% for the three months ended 31 March 2017 to approximately 25.1% for the three months ended 31 March 2018. The decrease was mainly attributable to lower gross profits margin of Project Orchard Station for the three months ended 31 March 2018 compared with the same period of the previous financial year as a result of the increase in subcontracting charges.

### **Administrative expenses**

Administrative expenses decreased significantly to approximately S\$1.1 million for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately S\$2.0 million), which was mainly because the corresponding period of the previous year recorded non-recurring listing expenses.

### **Profit for the period**

As a result of the foregoing, our profit for the period increased significantly to approximately S\$1.8 million (three months ended 31 March 2017: approximately S\$0.8 million).

# Management Discussion and Analysis

## Foreign Currency Exposure

Most of the transactions of the Group are denominated in Singapore dollars and therefore the Group is not exposed to significant foreign exchange exposure.

## Capital Commitments

As at 31 March 2018, the Group did not have any material capital commitments.

## Contingent Liabilities

Save for the Group had involved in certain litigation cases, the Group did not have any material contingent liabilities as at 31 March 2018.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 31 March 2018 and up to the date of this report, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

## DISCLOSURE OF INTERESTS

### Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated Corporations

As at 31 March 2018, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Position in Shares

Name of Directors	Capacity	Number of Shares	Percentage of the Company's issued share capital
Mr. Goh Cheng Seng ("Mr. Goh")	Interest in controlled corporation <sup>(Note 1)</sup> Interest of spouse <sup>(Note 2)</sup>	300,000,000	75%

Name of Directors	Capacity	Number of Shares	Percentage of the Company's issued share capital
Ms. Tan Soh Kuan ("Ms. Tan")	Interest in controlled corporation <sup>(Note 1)</sup> Interest of spouse <sup>(Note 2)</sup>	300,000,000	75%

Notes:

1. Amber Capital Holdings Limited ("Amber Capital") holds 300,000,000 Shares, representing 75% of the Company's issued share capital. Mr. Goh and Ms. Tan hold 96.77% and 3.23% of the entire issued share capital of Amber Capital, respectively. Therefore, pursuant to the SFO, Mr. Goh and Ms. Tan are deemed to be interested in the Shares held by Amber Capital.
2. Each of Mr. Goh and Ms. Tan is spouse to each other. Therefore, pursuant to the SFO, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa.

## Long Position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Approximate Percentage of Shareholding
Mr. Goh	Amber Capital <sup>(Note 1)</sup>	Beneficial owner	9,677	96.77%
Ms. Tan	Amber Capital	Beneficial owner	323	3.23%

Note:

1. Amber Capital holds more than 50% of the issued share capital of the Company. Therefore, Amber Capital is the holding company and an associated corporation of the Company.

Saved as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations

As at 31 March 2018, so far as it is known to the Directors, the following person, not being a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required pursuant to section 336 of the SFO to be recorded in the register of the Company or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

### Long Position in Shares

Name of Shareholders	Capacity	Number of Shares	Percentage of the Company's issued share capital
Amber Capital	Beneficial owner	300,000,000	75%

Save as disclosed above, as at 31 March 2018, the Directors are not aware of any interests and short positions owned by any parties (other than a Director) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required pursuant to section 336 of the SFO to be recorded in the register of the Company or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### COMPETING INTEREST

As at the date of this report, the Directors are not aware of any controlling shareholders of the Company (the "Controlling Shareholders") or Directors or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

## **INTEREST OF THE COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited (“Guotai Junan”) to be its compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Guotai Junan.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SHARES**

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company’s listed securities during the Reporting Period.

## **CORPORATE GOVERNANCE CODE**

During the Reporting Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules except for the following deviation:

### **Code Provision A.2.1**

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and the chief executive officer of an issuer should be segregated and should not be performed by the same individual.

However, the Company does not have a separate chairman and chief executive officer and Mr. Goh Cheng Seng (“Mr. Goh”) currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient strategic planning for the overall development for the Group. The Directors also consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Group to make and implement effective and expedient decisions. The Company will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors had made specific enquiries with all Directors and all of them confirmed their compliance with the Code of Conduct during the Reporting Period.

## DIVIDENDS

The Board did not recommend any payment of dividend for the Reporting Period.

## SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 March 2018.

## AUDIT COMMITTEE

The Company established the Audit Committee on 24 October 2017 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo and Mr. Yip Ki Chi Luke. The chairman of the Audit Committee is Mr. Ma Yiu Ho Peter, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee of the Company has discussed and reviewed with management, the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018, and is of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

By order of the Board  
Indigo Star Holdings Limited  
Goh Cheng Seng  
Chairman and Chief Executive Officer

Hong Kong, 9 May 2018

*As at the date of this report, the executive Directors are Mr. Goh Cheng Seng, Ms. Tan Soh Kuan and Mr. Ng Sai Cheong; and the independent non-executive Directors are Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo, Mr. Yip Ki Chi Luke and Mr. Zhou Guangguo.*