



## STARBURST HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 28 October 2013)  
(Company Registration No.: 201329079E)

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### UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

For the Third Quarter and Nine Months Ended 30 September 2016

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, DBS Bank Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

|  | Group              |             |           |                   |             |         |
|--|--------------------|-------------|-----------|-------------------|-------------|---------|
|  | Three Months Ended |             |           | Nine Months Ended |             |         |
|  | 30 Sep 2016        | 30 Sep 2015 | Change    | 30 Sep 2016       | 30 Sep 2015 | Change  |
|  | S\$'000            | S\$'000     | %         | S\$'000           | S\$'000     | %       |
| <b>Revenue</b>   | 3,472              | 3,550       | (2.2)     | 18,243            | 10,548      | 73.0    |
| Other operating income   | 20                 | 354         | (94.4)    | 113               | 633         | (82.1)  |
| Project and production costs   | (6,624)            | (1,930)     | 243.2     | (20,151)          | (8,242)     | 144.5   |
| Employee benefit expenses  | (850)              | (839)       | 1.3       | (2,646)           | (2,163)     | 22.3    |
| Depreciation expense   | (449)              | (324)       | 38.6      | (1,269)           | (766)       | 65.7    |
| Other operating expenses   | (466)              | (670)       | (30.4)    | (1,896)           | (1,660)     | 14.2    |
| Finance costs  | (93)               | (66)        | 40.9      | (224)             | (130)       | 72.3    |
| <b>(Loss)/Profit before income tax</b>   | (4,990)            | 75          | (6,753.3) | (7,830)           | (1,780)     | 339.9   |
| Income tax (expense)/benefit   | (738)              | 145         | (609.0)   | (9)               | 85          | (110.6) |
| <b>(Loss)/Profit for the period</b>  | (5,728)            | 220         | (2,703.6) | (7,839)           | (1,695)     | 362.5   |
| <b>Other comprehensive income:</b>   |                    |             |           |                   |             |         |
| <b><u>Items that may be reclassified subsequently to profit or loss:</u></b>   |                    |             |           |                   |             |         |
| Exchange difference on translation of foreign operation                        | *                  | 1           | n.m.      | *                 | 2           | n.m.    |
| <b>Total comprehensive (loss)/income for the period</b>                        | (5,728)            | 221         | (2,691.9) | (7,839)           | (1,693)     | 363.0   |
| <b>(Loss)/Profit attributable to owners of the Company</b>                     | (5,728)            | 220         | (2,703.6) | (7,839)           | (1,695)     | 362.5   |
| <b>Total comprehensive (loss)/income attributable to owners of the Company</b> | (5,728)            | 221         | (2,703.6) | (7,839)           | (1,693)     | 363.0   |

n.m. denotes not meaningful.

\* This represents amount less than S\$1,000.

## 1(a)(ii) Notes to the Statement of Comprehensive Income

Profit before income tax has been arrived at after charging (crediting) the following:

|   | <b>Group</b>              |                        |               |                          |                        |               |
|---|---------------------------|------------------------|---------------|--------------------------|------------------------|---------------|
|   | <b>Three Months Ended</b> |                        |               | <b>Nine Months Ended</b> |                        |               |
|   | <b>30 Sep<br/>2016</b>    | <b>30 Sep<br/>2015</b> | <b>Change</b> | <b>30 Sep<br/>2016</b>   | <b>30 Sep<br/>2015</b> | <b>Change</b> |
|   | <b>S\$'000</b>            | <b>S\$'000</b>         | <b>%</b>      | <b>S\$'000</b>           | <b>S\$'000</b>         | <b>%</b>      |
| Depreciation of property, plant and equipment     | 449                       | 324                    | 38.6          | 1,269                    | 766                    | 65.7          |
| Allowance for inventories                         | 870                       | -                      | n.m.          | 870                      | -                      | n.m.          |
| Gain on disposal of property, plant and equipment | -                         | -                      | n.m.          | (35)                     | (9)                    | 288.9         |
| Amortisation of prepaid insurance                 | 11                        | 11                     | 0.0           | 34                       | 33                     | 3.0           |
| Interest expenses                                 | 93                        | 66                     | 40.9          | 224                      | 130                    | 72.3          |
| Foreign exchange (gains)/loss-net                 | (41)                      | (346)                  | (88.2)        | 139                      | (527)                  | (126.4)       |
| Interest income                                   | (3)                       | (2)                    | 50.0          | (12)                     | (27)                   | (55.6)        |

n.m. denotes not meaningful.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

|                                      | Group         |               | Company       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | As at         |               | As at         |               |
|                                      | 30 Sep 2016   | 31 Dec 2015   | 30 Sep 2016   | 31 Dec 2015   |
|                                      | S\$'000       | S\$'000       | S\$'000       | S\$'000       |
| <b>ASSETS</b>                        |               |               |               |               |
| <b>Current assets</b>                |               |               |               |               |
| Cash on hand and at bank             | 593           | 8,376         | 87            | 470           |
| Trade and other receivables          | 8,354         | 5,998         | 10,950        | 12,655        |
| Contract work-in-progress            | 7,688         | 7,409         | -             | -             |
| Inventories                          | 2,519         | 4,245         | -             | -             |
| <b>Total current assets</b>          | <b>19,154</b> | <b>26,028</b> | <b>11,037</b> | <b>13,125</b> |
| <b>Non-current assets</b>            |               |               |               |               |
| Fixed deposits pledged               | 4,542         | 4,236         | -             | -             |
| Prepayment                           | 1,033         | 1,067         | -             | -             |
| Property, plant and equipment        | 32,562        | 32,851        | -             | -             |
| Deferred tax assets                  | 67            | 67            | -             | -             |
| Investment in subsidiaries           | -             | -             | 30,438        | 30,438        |
| <b>Total non-current assets</b>      | <b>38,204</b> | <b>38,221</b> | <b>30,438</b> | <b>30,438</b> |
| <b>Total assets</b>                  | <b>57,358</b> | <b>64,249</b> | <b>41,475</b> | <b>43,563</b> |
| <b>LIABILITIES AND EQUITY</b>        |               |               |               |               |
| <b>Current liabilities</b>           |               |               |               |               |
| Bank overdraft and loans             | 3,931         | 644           | -             | -             |
| Trade and other payables             | 2,720         | 2,450         | 55            | 123           |
| Current portion of finance leases    | 86            | 86            | -             | -             |
| Contract work-in-progress            | 1             | -             | -             | -             |
| Income tax payable                   | 11            | 7             | 11            | 7             |
| <b>Total current liabilities</b>     | <b>6,749</b>  | <b>3,187</b>  | <b>66</b>     | <b>130</b>    |
| <b>Non-current liabilities</b>       |               |               |               |               |
| Bank loans                           | 13,528        | 13,999        | -             | -             |
| Finance leases                       | 185           | 250           | -             | -             |
| <b>Total non-current liabilities</b> | <b>13,713</b> | <b>14,249</b> | <b>-</b>      | <b>-</b>      |
| <b>Capital and reserves</b>          |               |               |               |               |
| Share capital                        | 40,570        | 40,570        | 40,570        | 40,570        |
| Asset revaluation reserve            | 5,218         | 5,218         | -             | -             |
| Currency translation reserve         | 1             | 1             | -             | -             |
| Merger reserve                       | (25,438)      | (25,438)      | -             | -             |
| Warrant reserve                      | 422           | -             | 422           | -             |
| Retained earnings                    | 16,123        | 26,462        | 417           | 2,863         |
| <b>Total equity</b>                  | <b>36,896</b> | <b>46,813</b> | <b>41,409</b> | <b>43,433</b> |
| <b>Total liabilities and equity</b>  | <b>57,358</b> | <b>64,249</b> | <b>41,475</b> | <b>43,563</b> |

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

|  | 30 Sep 2016        |                      | 31 Dec 2015        |                      |
|--|--------------------|----------------------|--------------------|----------------------|
|  | Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000 | Unsecured<br>S\$'000 |
| Amount repayable in one year or less, or on demand | 4,017              | -                    | 730                | -                    |
| Amount repayable after one year                    | 13,713             | -                    | 14,249             | -                    |

**Details of any collateral:**

The facilities of the Group are secured by the following:

- 1) First legal mortgage of the leasehold properties;
- 2) Fixed deposits of not less than S\$1.2 million;
- 3) A first legal assignment of all the rights, title, interest and benefits under and arising out of the life insurance policy taken out on the life of the executive directors for a minimum sum insured of US\$1 million each; and
- 4) A corporate guarantee from the Company.

Finance leases of S\$271,000 (31 Dec 2015: S\$336,000) are secured by the lessor's title on the leased assets.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|   | Group              |                |                   |                |
|---|--------------------|----------------|-------------------|----------------|
|   | Three Months Ended |                | Nine Months Ended |                |
|   | 30 Sep<br>2016     | 30 Sep<br>2015 | 30 Sep<br>2016    | 30 Sep<br>2015 |
|   | S\$'000            | S\$'000        | S\$'000           | S\$'000        |
| <b>Operating activities</b>   |                    |                |                   |                |
| (Loss)/Profit before income tax   | (4,990)            | 75             | (7,830)           | (1,780)        |
| Adjustments for:  |                    |                |                   |                |
| - Gain on disposal of property, plant and equipment                                       | -                  | -              | (35)              | (9)            |
| - Allowance for inventories   | 870                | -              | 870               | -              |
| - Depreciation expense  | 449                | 324            | 1,269             | 766            |
| - Interest expense  | 93                 | 66             | 224               | 130            |
| - Interest income   | (3)                | (2)            | (12)              | (27)           |
| - Amortisation of prepaid insurance   | 11                 | 11             | 34                | 33             |
| <b>Operating cash flows before movements in working capital</b>                           | (3,570)            | 474            | (5,480)           | (887)          |
| Trade and other receivables   | (237)              | (1,438)        | (2,359)           | 3,663          |
| Contract work-in-progress   | 3,841              | 6,842          | (278)             | 12,110         |
| Inventories   | (25)               | 198            | 856               | (1,529)        |
| Trade and other payables  | (1,584)            | 385            | 270               | (3,902)        |
| <b>Net cash (used in) generated from operations</b>                                       | (1,575)            | 6,461          | (6,991)           | 9,455          |
| Income tax paid   | (1)                | (819)          | (5)               | (2,361)        |
| Interest paid   | (93)               | (66)           | (224)             | (130)          |
| Interest received   | 13                 | 3              | 15                | 24             |
| <b>Net cash (used in) from operating activities</b>                                       | (1,656)            | 5,579          | (7,205)           | 6,988          |
| <b>Investing activities</b>   |                    |                |                   |                |
| (Increase)/Decrease in fixed deposits   | (14)               | (9)            | (306)             | 6,989          |
| Proceeds from disposal of property, plant and equipment                                   | -                  | -              | 35                | 9              |
| Purchase of property, plant and equipment   | (28)               | (219)          | (980)             | (23,459)       |
| <b>Net cash used in investing activities</b>  | (819)              | (228)          | (1,251)           | (16,461)       |
| <b>Financing activities</b>   |                    |                |                   |                |
| Proceeds from bank loans  | -                  | -              | -                 | 15,000         |
| Repayment of finance lease  | (22)               | (21)           | (65)              | (64)           |
| Proceeds from rights issue of warrant, net of transaction costs                           | (53)               | -              | 422               | -              |
| Proceeds from conversion to shares by warrant holders                                     | *                  | -              | *                 | -              |
| Repayment of bank loans   | (162)              | (158)          | (483)             | (1,755)        |
| Dividend paid   | -                  | -              | (2,500)           | (3,000)        |
| <b>Net cash (used in) from financing activities</b>                                       | (237)              | (179)          | (2,626)           | 10,181         |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                               | (1,935)            | 5,172          | (11,082)          | 708            |
| <b>Cash and cash equivalents at beginning of financial period</b>                         | (771)              | 6,233          | 8,376             | 10,696         |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | *                  | 1              | *                 | 2              |
| <b>Cash and cash equivalents at end of financial period</b>                               | (2,706)            | 11,406         | (2,706)           | 11,406         |

\* This represents amount less than S\$1,000.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (con'd).

**Note A: Cash and cash equivalents**

|                              | <b>Group</b>             |                    |
|------------------------------|--------------------------|--------------------|
|                              | <b>Nine months ended</b> |                    |
|                              | <b>30 Sep 2016</b>       | <b>30 Sep 2015</b> |
|                              | <b>S\$'000</b>           | <b>S\$'000</b>     |
| Cash on hand and at bank     | 593                      | 11,406             |
| Fixed deposits               | 4,542                    | 3,528              |
| Bank overdraft               | (3,299)                  | -                  |
|                              | 1,836                    | 14,934             |
| Less: fixed deposits pledged | (4,542)                  | (3,528)            |
| Cash and cash equivalents    | (2,706)                  | 11,406             |

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| <b>Group</b>  | <b>Share capital</b> | <b>Asset revaluation reserve</b> | <b>Currency translation reserve</b> | <b>Merger reserve</b> | <b>Warrant reserve</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|---|----------------------|----------------------------------|-------------------------------------|-----------------------|------------------------|--------------------------|---------------------|
|   | S\$'000              | S\$'000                          | S\$'000                             | S\$'000               | S\$'000                | S\$'000                  | S\$'000             |
| <b>Balance at 1 January 2016</b>                        | 40,570               | 5,218                            | 1                                   | (25,438)              | -                      | 26,462                   | 46,813              |
| Transactions with owners, recognised directly in equity |                      |                                  |                                     |                       |                        |                          |                     |
| Issue of warrants pursuant to the rights issue          | -                    | -                                | -                                   | -                     | 625                    | -                        | 625                 |
| Warrant issue expenses                                  | -                    | -                                | -                                   | -                     | (203)                  | -                        | (203)               |
| Conversion to shares by warrant holders                 | *                    | -                                | -                                   | -                     | -                      | -                        | *                   |
| Dividend  | -                    | -                                | -                                   | -                     | -                      | (2,500)                  | (2,500)             |
|   | 40,570               | 5,218                            | 1                                   | (25,438)              | 422                    | 23,962                   | 44,735              |
| Total comprehensive loss for the period :               |                      |                                  |                                     |                       |                        |                          |                     |
| Loss for the period                                     | -                    | -                                | -                                   | -                     | -                      | (7,839)                  | (7,839)             |
| Other comprehensive income                              | -                    | -                                | *                                   | -                     | -                      | -                        | *                   |
| <b>Balance at 30 September 2016</b>                     | <b>40,570</b>        | <b>5,218</b>                     | <b>1</b>                            | <b>(25,438)</b>       | <b>422</b>             | <b>16,123</b>            | <b>36,896</b>       |
| <b>Balance at 1 January 2015</b>                        | 40,570               | 5,218                            | *                                   | (25,438)              | -                      | 31,122                   | 51,472              |
| Transactions with owners, recognised directly in equity |                      |                                  |                                     |                       |                        |                          |                     |
| Dividend  | -                    | -                                | -                                   | -                     | -                      | (3,000)                  | (3,000)             |
|   | 40,570               | 5,218                            | *                                   | (25,438)              | -                      | 28,122                   | 48,472              |
| Total comprehensive loss for the period                 |                      |                                  |                                     |                       |                        |                          |                     |
| Loss for the period                                     | -                    | -                                | -                                   | -                     | -                      | (1,695)                  | (1,695)             |
| Other comprehensive income                              | -                    | -                                | 2                                   | -                     | -                      | -                        | 2                   |
| <b>Balance at 30 September 2015</b>                     | <b>40,570</b>        | <b>5,218</b>                     | <b>2</b>                            | <b>(25,438)</b>       | <b>-</b>               | <b>26,427</b>            | <b>46,779</b>       |

\* This represents amount less than S\$1,000.



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (con'd).

| <u>Company</u>  | <u>Share capital</u> | <u>Warrant reserve</u> | <u>Retained earnings</u> | <u>Total equity</u> |
|---|----------------------|------------------------|--------------------------|---------------------|
|   | S\$'000              | S\$'000                | S\$'000                  | S\$'000             |
| <b>Balance at 1 January 2016</b>                        | 40,570               | -                      | 2,863                    | 43,433              |
| Transactions with owners, recognised directly in equity |                      |                        |                          |                     |
| Issue of warrants pursuant to the rights issue          | -                    | 625                    | -                        | 625                 |
| Warrant issue expenses                                  | -                    | (203)                  | -                        | (203)               |
| Conversion to shares by warrant holders                 | *                    | -                      | -                        | *                   |
| Dividend  | -                    | -                      | (2,500)                  | (2,500)             |
|   | 40,570               | 422                    | 363                      | 41,355              |
| Total comprehensive income for the period               | -                    | -                      | 54                       | 54                  |
| <b>Balance at 30 September 2016</b>                     | <b>40,570</b>        | <b>422</b>             | <b>417</b>               | <b>41,409</b>       |
|   |                      |                        |                          |                     |
| <b>Balance at 1 January 2015</b>                        | 40,570               | -                      | 3,254                    | 43,824              |
| Transactions with owners, recognised directly in equity |                      |                        |                          |                     |
| Dividend  | -                    | -                      | (3,000)                  | (3,000)             |
|   | 40,570               | -                      | 254                      | 40,824              |
| Total comprehensive income for the period               | -                    | -                      | 84                       | 84                  |
| <b>Balance at 30 September 2015</b>                     | <b>40,570</b>        | <b>-</b>               | <b>338</b>               | <b>40,908</b>       |

**1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

On 15 June 2016, the Company issued 62,500,000 warrants at an issue price of S\$0.01 for each warrant. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.25 for each new share on the basis of one warrant for every four existing ordinary share in the capital of the Company. The exercise price and the number of warrants held by each warrant holder may be adjusted under certain terms and conditions being met. The warrants expire on 14 June 2021.

As at 30 September 2016, 2,000 warrants were converted to 2,000 new ordinary share of the Company, this bringing total of issued share capital to 250,002,000 ordinary shares (as at 30 September 2015: 250,000,000 ordinary shares).

As at 30 September 2016, there were 62,498,000 outstanding warrants for which ordinary shares may be issued.

Save for the above outstanding warrants, there were no outstanding convertibles or treasury shares held by the Company as at 30 September 2016 and 30 September 2015.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

|   | <b>Number of<br/>ordinary<br/>shares</b> |
|---|--|
| As at 31 December 2015 and 1 January 2016       | 250,000,000                              |
| Issue of new shares upon exercising of warrants | 2,000                                    |
| As at 30 September 2016                         | <u><u>250,002,000</u></u>                |

There were no treasury shares held by the Company as at 30 September 2016 and 31 December 2015.

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

Except for the comparative statement of financial position of the Group as at 31 December 2015, the financial statements have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The financial information for the current financial period reported on have been prepared using the same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2015.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to the Group and effective for financial period beginning on 1 January 2016.

The adoption of these new/revised FRS and INT FRS does not result in any substantial change to the Group's accounting policies and has no material impact on the financial statements of the Group for the current reporting period or the prior year's reporting period.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

- (a) Based on the weighted average number of ordinary shares on issue; and  
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

|   | <b>Group</b>              |                        |                          |                        |
|---|---------------------------|------------------------|--------------------------|------------------------|
|   | <b>Three Months Ended</b> |                        | <b>Nine Months Ended</b> |                        |
|   | <b>30 Sep<br/>2016</b>    | <b>30 Sep<br/>2015</b> | <b>30 Sep<br/>2016</b>   | <b>30 Sep<br/>2015</b> |
| (Loss)/Profit attributable to owners of the Company (S\$'000)               | (5,728)                   | 220                    | (7,839)                  | (1,695)                |
| Weighted average number of ordinary shares for computing basic EPS ('000)   | 250,002                   | 250,000                | 250,001                  | 250,000                |
| Weighted average number of ordinary shares for computing diluted EPS ('000) | 252,632                   | 250,000                | 251,024                  | 250,000                |
| Basic (loss)/earnings per ordinary share (cents)                            | (2.29)                    | 0.09                   | (3.14)                   | (0.68)                 |
| Diluted (loss)/earnings per ordinary share (cents)                          | (2.27)                    | 0.09                   | (3.12)                   | (0.68)                 |

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current period reported on; and  
 (b) immediately preceding financial year.

|  | <b>Group</b>           |                        | <b>Company <sup>(1)</sup></b> |                        |
|--|------------------------|------------------------|-------------------------------|------------------------|
|  | <b>30 Sep<br/>2016</b> | <b>31 Dec<br/>2015</b> | <b>30 Sep<br/>2016</b>        | <b>31 Dec<br/>2015</b> |
| Net asset value per ordinary share (cents) | 14.76                  | 18.73                  | 16.56                         | 17.37                  |
| Number of ordinary shares ('000)           | 250,002                | 250,000                | 250,002                       | 250,000                |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group specialises in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for firearm shooting ranges and tactical training mock-ups used by military and law enforcement authorities in Southeast Asia and the Middle East.

**Review of the Group's Performance**

**Revenue**

Our revenue increased by approximately S\$7.7 million or 73.0%, from S\$10.5 million in the nine months ended 30 September 2015 ("**9M2015**") to S\$18.2 million in the nine months ended 30 September 2016 ("**9M2016**"). This can be attributed to the different work phases that our projects are in, as revenue is recognised based on the percentage-of-completion method. In 9M2016, we are involved primarily in the fabrication and installation work phases of Marina One architectural steel project at Marina Way in Singapore, and design and fabrication work phases for three firearm shooting range projects in the Middle East. In comparison, our projects in 9M2015 were mostly in their final phase, which is the installation work phase of a firearm shooting range project and a tactical training mock-up project in Southeast Asia, and a firearm shooting range project in the Middle East.

**Project and production costs**

Our project and production costs increased by approximately S\$11.9 million or 144.5%, from S\$8.2 million in 9M2015 to S\$20.1 million in 9M2016. The increase was primarily due to the rise in fabrication and installation costs and foreseeable losses provided for the Marina One architectural steel project, and material and fabrication costs for firearm shooting range projects in the Middle East over the same period.

### **Gross profit or loss**

As a result of the foregoing, our gross profit decreased from S\$2.3 million in 9M2015 to a loss of S\$1.9 million in 9M2016. The gross loss was mainly due to the additional project costs incurred and foreseeable losses provided for the Marina One architectural steel project at Marina Way in Singapore as a result of a delay in building construction.

### **Other operating income**

Our other operating income decreased by approximately S\$520,000 or 82.1%, from S\$633,000 in 9M2015 to S\$113,000 in 9M2016. The decrease was primarily due to the decrease in foreign currency exchange gain of approximately S\$527,000 from a firearm shooting range project in the Middle East in 9M2015.

### **Employee benefit expenses**

Our employee benefits expenses increased by approximately S\$0.4 million or 22.3%, from S\$2.2 million in 9M2015 to S\$2.6 million in 9M2016. The increase in employee benefits expenses was primarily due to the recruitment of additional staff and provision of bonus.

### **Depreciation expenses**

Our depreciation expenses increased by approximately S\$0.5 million or 65.7%, from S\$0.8 million in 9M2015 to S\$1.3 million in 9M2016, primarily due to the purchase of new machines, motor vehicles, equipment and leasehold property at 6 Tuas View Circuit.

### **Other operating expenses**

Our other operating expenses increased by approximately S\$0.2 million or 14.2%, from S\$1.7 million in 9M2015 to S\$1.9 million in 9M2016, primarily due to the increase in foreign currency exchange loss arising from the projects in the Middle East and additional land rent and property taxes incurred for the new leasehold property at 6 Tuas View Circuit.

### **Finance costs**

Our finance costs increased by approximately S\$94,000 or 72.3%, from S\$130,000 in 9M2015 to S\$224,000 in 9M2016, primarily due to a new term loan drawdown in May 2015 for the new leasehold property and increase in the utilisation of bank overdrafts in 9M2016 as compared to 9M2015.

### **Income tax expense**

Our income tax expense increased by approximately S\$94,000 from an income tax benefit of S\$85,000 in 9M2015 to income tax expense S\$9,000 in 9M2016, which was mainly due to the recognition of a deferred tax asset in 9M2015.

### **Net loss for the period**

As a result of the foregoing, we recorded a net loss of S\$7.8 million in 9M2016.

## **Review of the Group's Financial Position**

### **Current assets**

Our current assets decreased by approximately S\$6.8 million from S\$26.0 million as at 31 December 2015 to S\$19.2 million as at 30 September 2016. The decrease in current assets was mainly due to the decrease in cash on hand and at bank of approximately S\$7.8 million and inventories of approximately S\$1.7 million, which was partially offset by an increase in trade and other receivables of approximately S\$2.4 million and contract work-in-progress of approximately S\$0.3 million.

### **Non-current assets**

Our non-current assets remained stable at approximately S\$38.2 million as at 31 December 2015 and as at 30 September 2016.

### **Current liabilities**

Our current liabilities increased by approximately S\$3.5 million from S\$3.2 million as at 31 December 2015 to S\$6.7 million as at 30 September 2016. The increase in current liabilities was mainly due to the increase in bank overdraft of approximately S\$3.3 million to finance the working capital and higher trade and other payables of approximately S\$0.2 million.

### **Non-current liabilities**

Our non-current liabilities decreased by approximately S\$0.5 million from S\$14.2 million as at 31 December 2015 to S\$13.7 million as at 30 September 2016. The decrease in non-current liabilities was mainly due to the repayment of term loan.

## **Review of the Group's Statement of Cash Flows**

### **Net cash used in operating activities**

Net cash used in operating activities was approximately S\$7.2 million in 9M2016, which was a result of operating cash outflows before movements in working capital of approximately S\$5.5 million, an increase in working capital of approximately S\$1.5 million and interest payment of approximately S\$0.2 million. The increase in working capital was primarily due to the increase in trade and other receivables of approximately S\$2.4 million and contract work-in-progress of approximately S\$0.3 million and partially offset by a decrease in inventories of approximately S\$0.9 million and an increase in trade and other payables of approximately S\$0.3 million.

### **Net cash used in investing activities**

Net cash used in investing activities was approximately S\$1.3 million in 9M2016, which was primarily due to the increase in fixed deposits of approximately S\$0.3 million and purchase of property, plant and equipment of approximately S\$1.0 million.

## **Net cash used in financing activities**

Net cash used in financing activities was approximately S\$2.6 million in 9M2016, which was primarily due to dividends payment of S\$2.5 million, repayment of bank loans and finance lease of approximately S\$0.5 million and partially offset by net proceeds from rights issue of warrant of approximately S\$0.4 million.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable as there was no forecast or any prospect statement previously disclosed to shareholders.

### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The threat of extremism is one of the top concerns of nations around the world. Law enforcement authorities in many countries have responded by providing better training for their security personnel on the use of live firearms. This trend has resulted in receiving encouraging level of enquiries for firearm shooting ranges and tactical training mock-ups from authorities in Southeast Asia and the Middle East. The Group is actively responding to these enquiries and requests for tenders, as well as engaging in post tender discussions with potential customers. Whilst the Group expects competition, it is in a position to seek to secure more contracts in both the Southeast Asian and Middle Eastern markets.

As sophisticated and complex firearm training facilities are subject to more vigorous trainings with higher calibre live firearms, such ranges require proper and timely maintenance by reputable service providers to prolong their operational efficiency. In this regard, the Group is working with the relevant authorities to expand its portfolio of maintenance services contracts and grow its recurrent revenue base.

With a major portion of the Group's business being project based, the revenue contribution from the Group's project based business may vary from quarter to quarter, depending on the size and scope of the projects on hand and their completion schedules. At the same time, the Group will continue to focus on managing our project and production costs more effectively to ensure sustainable operating performance.

### **11. Dividend**

#### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? - No.

#### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? - No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

No dividend has been declared or recommended for the third quarter and nine months ended 30 September 2016.

**13. If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for interested person transactions.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).**

The Company confirms that undertakings have been procured from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

**15. Negative Confirmation pursuant to Rule 705(5) of the Listing Manual.**

On behalf of the Board of Directors of the Company, we confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for the third quarter and nine months ended 30 September 2016 to be false or misleading in any material aspect.

On behalf of the Board

Edward Lim Chin Wah  
Executive Chairman

Yap Tin Foo  
Managing Director

**BY ORDER OF THE BOARD**

Edward Lim Chin Wah  
Executive Chairman

11 November 2016