



STARBURST HOLDINGS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

For the First Quarter and Three Months Ended 31 March 2017

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.

The contact person for the Sponsor is Mr. Koh Boon Pin, Senior Vice President, Capital Markets, DBS Bank Ltd., at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, telephone +65 6878 8888.

- 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		
	31 Mar 2017	31 Mar 2016	Change
	S\$'000	S\$'000	%
Revenue	4,205	6,765	(37.8)
Other operating income	45	67	(32.8)
Project and production costs	(1,856)	(5,152)	(64.0)
Employee benefits expenses	(925)	(885)	4.5
Depreciation expenses	(394)	(401)	(1.7)
Other operating expenses	(577)	(810)	(28.8)
Finance costs	(61)	(63)	(3.2)
Profit/(loss) before income tax	437	(479)	191.2
Income tax (expense)/benefit	(8)	48	116.7
Profit/(loss) for the period	429	(431)	199.5
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference on translation of foreign operation	*	*	n.m.
Total comprehensive profit/(loss) for the period	429	(431)	199.5
Profit/(loss) attributable to owners of the Company	429	(431)	199.5
Total comprehensive profit/(loss) attributable to owners of the Company	429	(431)	199.5

* n.m. denotes not meaningful.

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

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

	Group		
	Three months ended		
	31 Mar 2017	31 Mar 2016	Change
	S\$'000	S\$'000	%
Depreciation expense	394	401	(1.7)
Amortisation of prepaid insurance	12	11	9.1
Interest expense	61	63	(3.2)
Foreign exchange losses - net	33	230	(85.7)
Gain on disposal of property, plant and equipment	(7)	(35)	(80.0)
Interest income	(2)	(4)	(50.0)

(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	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash on hand and at bank	12,023	787	181	68
Trade and other receivables	7,368	10,110	5,565	5,854
Contract work-in-progress	2,013	3,761	-	-
Inventories	2,281	2,226	-	-
Property held for sale	-	6,935	-	-
Total current assets	23,685	23,819	5,746	5,922
Non-current assets				
Fixed deposits pledged	2,081	2,077	-	-
Prepayment	1,010	1,022	-	-
Property, plant and equipment	24,563	24,841	-	-
Investment in subsidiaries	-	-	36,238	36,238
Total non-current assets	27,654	27,940	36,238	36,238
Total assets	51,339	51,759	41,984	42,160
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts and loans	610	1,120	-	-
Trade and other payables	2,215	2,960	76	77
Current portion of finance leases	106	86	-	-
Contract work-in-progress	956	201	-	-
Income tax payable	13	5	13	5
Total current liabilities	3,900	4,372	89	82
Non-current liabilities				
Bank loans	13,225	13,378	-	-
Finance leases	161	164	-	-
Total non-current liabilities	13,386	13,542	-	-
Capital and reserves				
Share capital	40,570	40,570	40,570	40,570
Treasury shares	(221)	-	(221)	-
Warrant reserve	422	422	422	422
Asset revaluation reserve	-	6,042	-	-
Currency translation reserve	2	2	-	-
Merger reserve	(25,438)	(25,438)	-	-
Retained earnings	18,718	12,247	1,124	1,086
Total equity	34,053	33,845	41,895	42,078
Total liabilities and equity	51,339	51,759	41,984	42,160

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.

	Group			
	31 Mar 2017		31 Dec 2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	716	-	1,206	-
Amount repayable after one year	13,386	-	13,542	-

Details of any collateral:

The facilities of the Group are secured by the following:

- 1) First legal mortgage of the leasehold property;
- 2) Fixed deposits of not less than S\$2.1 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\$267,000 (31 Dec 2016: S\$250,000) 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	
	31 Mar 2017	31 Mar 2016
	S\$'000	S\$'000
Operating activities		
Profit/(loss) before income tax	437	(479)
Adjustments for:		
- Depreciation expense	394	401
- Interest expense	61	63
- Interest income	(2)	(4)
- Amortisation of prepaid insurance	12	11
- Gain on disposal of property, plant and equipment	(7)	(35)
Operating cash flows before movements in working capital	895	(43)
Trade and other receivables	2,740	(1,477)
Contract work-in-progress	2,503	(3,477)
Inventories	(55)	543
Trade and other payables	(745)	(495)
Net cash generated from (used in) operations	5,338	(4,949)
Interest paid	(61)	(63)
Interest received	4	2
Net cash from (used in) operating activities	5,281	(5,010)
Investing activities		
Increase in fixed deposits	(4)	(156)
Proceeds from disposal of property, plant and equipment	7	35
Proceeds from sale of property held for sale	6,935	-
Purchase of property, plant and equipment	(76)	(269)
Net cash from (used in) investing activities	6,862	(390)
Financing activities		
Purchase of treasury shares	(221)	-
Repayment of finance lease	(23)	(22)
Repayment of bank loans	(164)	(160)
Net cash used in financing activities	(408)	(182)
Net increase (decrease) in cash and cash equivalents	11,735	(5,582)
Cash and cash equivalents at beginning of financial period	288	8,376
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	*	*
Cash and cash equivalents at end of financial period (Note A)	12,023	2,794

- 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

	Group	
	Three months ended	
	31 Mar 2017	31 Mar 2016
	S\$'000	S\$'000
Cash on hand and at bank	12,023	2,794
Fixed deposits	2,081	4,392
	14,104	7,186
Less: fixed deposits pledged	(2,081)	(4,392)
Cash and cash equivalents	12,023	2,794

* 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.

<u>Group</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Warrant reserve</u>	<u>Asset revaluation reserve</u>	<u>Currency translation reserve</u>	<u>Merger reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
	S\$'000	S\$'000	S\$'000	S\$'000	\$'000	\$'000	S\$'000	S\$'000
Balance at 1 January 2017	40,570	-	422	6,042	2	(25,438)	12,247	33,845
Transaction with owners, recognised directly in equity								
Purchase of treasury shares	-	(221)	-	-	-	-	-	(221)
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	-	-	429	429
Other comprehensive income	-	-	-	-	*	-	-	*
Transfer on sale of property	-	-	-	(6,042)	-	-	6,042	-
Balance at 31 March 2017	<u>40,570</u>	<u>(221)</u>	<u>422</u>	<u>-</u>	<u>2</u>	<u>(25,438)</u>	<u>18,718</u>	<u>34,053</u>
Balance at 1 January 2016	40,570	-	-	5,218	1	(25,438)	26,462	46,813
Total comprehensive loss for the period:								
Loss for the period	-	-	-	-	-	-	(431)	(431)
Other comprehensive income	-	-	-	-	*	-	-	-
Balance at 31 March 2016	<u>40,570</u>	<u>-</u>	<u>-</u>	<u>5,218</u>	<u>1</u>	<u>(25,438)</u>	<u>26,031</u>	<u>46,382</u>

* 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> S\$'000	<u>Treasury share</u> S\$'000	<u>Warrant reserve</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Total equity</u> S\$'000
Balance at 1 January 2017	40,570	-	422	1,086	42,078
Transaction with owners, recognised directly in equity					
Purchase of treasury shares	-	(221)	-	-	(221)
Total comprehensive income for the period	-	-	-	38	38
Balance at 31 March 2017	40,570	(221)	422	1,124	41,895
Balance at 1 January 2016	40,570	-	-	2,863	43,433
Total comprehensive income for the period	-	-	-	23	23
Balance at 31 March 2016	40,570	-	-	2,886	43,456

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 and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 31 March 2017, 2,000 warrants were converted to 2,000 new ordinary share of the Company, this brings the total issued share capital to 248,909,400 ordinary shares excluding treasury shares (as at 31 December 2016: 250,002,000 ordinary shares). As at 31 March 2017 and 31 December 2016, there were 62,498,000 outstanding warrants for which ordinary shares may be issued.

During the current financial year, the Company acquired 1,092,600 (31 December 2016: Nil) ordinary shares by way of market purchases on the Singapore Stock Exchange and which were then held as treasury shares.

The total number of issued shares as at 31 March 2017 was 248,909,400 ordinary shares (as at 31 March 2016: 250,000,000 ordinary shares) excluding treasury shares and subsidiary holdings.

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.

	Number of issued shares	
	As at	
	31 Mar 2017	31 Dec 2016
Issued and fully paid ordinary shares		
Balance at beginning of the financial period	250,002,000	250,000,000
Issue of new shares upon exercising of warrants	-	2,000
Balance at end of the financial period	250,002,000	250,002,000
Treasury Shares		
Balance at beginning of the financial period	-	-
Purchase of treasury shares	(1,092,600)	-
Balance at end of the financial period	(1,092,600)	-
Issued ordinary shares excluding treasury shares	248,909,400	250,002,000

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. There were no sales, transfers, disposals, cancellation and/or use of treasury shares.

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

Not applicable. The Company has no subsidiary holdings.

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

Except for the comparative financial statements as at 31 December 2016, 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 2016.

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 2017.

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).

	Group Three months ended	
	31 Mar 2017	31 Mar 2016
Profit/(loss) attributable to owners of the Company (S\$'000)	429	(431)
Weighted average number of ordinary shares excluding treasury shares ('000)	249,184	250,000
Basic and dilute earnings/(loss) per ordinary share (cents)	0.17	(0.17)

Warrants do not carry a dilutive effect as the average market price of ordinary shares during the period is below the exercise price of the warrant of S\$0.25 as at 31 March 2017.

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.

	Group		Company	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
Net asset value per ordinary share (cents)	13.68	13.54	16.83	16.83
Number of ordinary shares excluding treasury shares ('000)	248,909	250,002	248,909	250,002

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 decreased by approximately S\$2.6 million or 37.8%, from S\$6.8 million in the three months ended 31 March 2016 (“1Q2016”) to S\$4.2 million in the three months ended 31 March 2017 (“1Q2017”). This can be attributed to the different work phases that our projects were in, as revenue is recognised based on the percentage-of completion method. In 1Q2017, we were mostly in the final phase, which comprise the installation work for a firearm shooting range project in Southeast East Asia and a firearm shooting range project in the Middle East, Marina One architectural steel project at Marina Way in Singapore as well as maintenance works. In comparison, in 1Q2016, we were involved primarily in the design and fabrication work phases of three firearm shooting range projects in the Middle East and the Marina One architectural steel project at Marina Way.

Project and production costs

Our project and production costs decreased by approximately S\$3.3 million or 64.0%, from S\$5.2 million in 1Q2016 to S\$1.9 million in 1Q2017. The decrease was primarily due to the reduction in material and fabrication costs in 1Q2017 as fewer projects were under the design and fabrication work phases as compared to 1Q2016.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased from S\$1.6 million in 1Q2016 to S\$2.3 million in 1Q2017. Our gross profit margin increased from 23.8% in 1Q2016 to 55.8% in 1Q2017. The improvement in gross profit margin is mainly due to the better management of project and production costs and the addition of higher profit margin projects.

Other operating income

Our other operating income remained stable at approximately S\$67,000 in 1Q2016 and S\$45,000 in 1Q2017.

Employee benefits expenses

Our employee benefits expenses increased by approximately S\$40,000 or 4.5% from S\$885,000 in 1Q2016 to S\$925,000 in 1Q2017. The increase was primarily due to the increase in staff levy and annual pay adjustments.

Depreciation expenses

Our depreciation expenses remained stable at approximately S\$0.4 million in 1Q2016 and 1Q2017.

Other operating expenses

Our other operating expenses decreased by approximately S\$0.2 million or 28.0%, from S\$0.8 million in 1Q2016 to S\$0.6 million in 1Q2017, primarily due to the decrease in foreign exchange loss arising from the projects in the Middle East.

Finance costs

Our finance costs remained stable at approximately S\$63,000 in 1Q2016 and S\$61,000 in 1Q2017.

Income tax expenses

Our income tax expense increased by approximately S\$56,000 or 116.7%, from S\$48,000 of tax benefit in 1Q2016 to S\$8,000 in tax expenses in 1Q2017. The increase in income tax expense was in line with the increase in profit before income tax.

Net profit for the period

As a result of the foregoing, we recorded a net profit of approximately S\$0.4 million in 1Q2017.

Review of the Group's Financial Position

Current assets

Our current assets decreased by approximately S\$0.1 million from S\$23.8 million as at 31 December 2016 to S\$23.7 million as at 31 March 2017. The decrease in current assets was mainly due to the decrease in trade and other receivables of approximately S\$2.7 million, property held for sale of approximately S\$6.9 million and contract work-in-progress of approximately S\$1.7 million, which was partially offset by an increase in cash on hand and at bank of S\$11.2 million.

Non-current assets

Our non-current assets decreased by approximately S\$0.2 million from S\$27.9 million as at 31 December 2016 to S\$27.7 million as at 31 March 2017, primarily due to the decrease in property, plant and equipment.

Current liabilities

Our current liabilities decreased by approximately S\$0.5 million from S\$4.4 million as at 31 December 2016 to S\$3.9 million as at 31 March 2017. The decrease in current liabilities was primarily due to the decrease in bank overdraft and loans of approximately S\$0.5 million and trade and other payables of approximately S\$0.7 million, which was partially offset by an increase in contract work-in-progress of approximately S\$0.7 million.

Non-current liabilities

Our non-current liabilities decreased by approximately S\$0.1 million from S\$13.5 million as at 31 December 2016 to S\$13.4 million as at 31 March 2017, primarily due to the repayment of term loan and finance leases.

Review of the Group's Statement of Cash Flows

Net cash from operating activities

Net cash from operating activities was approximately S\$5.3 million in 1Q2017, which was a result of operating cash inflows before movements in working capital of approximately S\$0.9 million and a decrease in working capital of approximately S\$4.4 million. The decrease in working capital was primarily due to the decrease in trade and other receivables of approximately S\$2.7 million and a decrease in contract work-in-progress of approximately S\$2.5 million, partially offset by a decrease in trade and other payables of approximately S\$0.8 million.

Net cash from investing activities

Net cash from investing activities was approximately S\$6.9 million in 1Q2017, which was primarily due to the proceeds from the disposal of leasehold property at 6 Tuas West Street.

Net cash used in financing activities

Net cash used in financing activities was approximately S\$0.4 million in 1Q2017, which was primarily due to purchase of treasury shares and repayment of bank loans and finance leases.

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.

Law enforcement authorities around the world are responding to the threat from extremism by providing better training for their security personnel on the use of live firearms. This has resulted in us receiving an 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. Notwithstanding market conditions remaining competitive, however, the Group remains committed to secure more contracts in both the Southeast Asian and Middle Eastern markets and the sale of the old factory will provide additional working capital to support growth.

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 service 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/recommended, a statement to that effect

No dividend has been declared or recommended for the first quarter and three months ended 31 March 2017.

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 first quarter and three months ended 31 March 2017 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

12 May 2017