

STARBURST

MODERN FIREARMS-TRAINING FACILITIES

# Starburst Holdings Limited

(Company Registration Number: 201329079E)
(Incorporated in the Republic of Singapore on 28 October 2013)

SPECIALIST ENGINEERING GROUP IN A NICHE INDUSTRY







# ANNUAL REPORT 2017

# CORPORATE IDENTITY

## OUR VISION

To Create a Safer Environment for Firearms Training

## OUR MISSION

The Specialist in Modern Firearms-Training Facilities Serving Law Enforcement, Military and Security Agencies Worldwide

## OUR VALUES

### Discipline

An uncompromising behaviour towards compliance

### Quality

An international standard of professionalism

### Safety

A safety-first attitude from design to delivery

## SPONSOR'S STATEMENT

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr. Ong Hwee Li (Telephone: 65-6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

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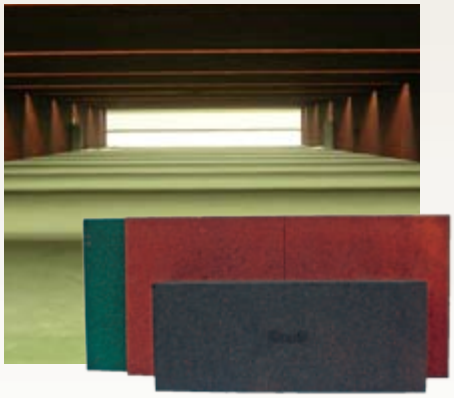
PROXY FORM

# CORPORATE PROFILE

Starburst Holdings Limited ("Starburst" or the "Company") and its subsidiaries (the "Group") was listed on the Catalist Board of the SGX-ST on July 10, 2014. The Group is an engineering group specialising in the design and engineering of firearms-training facilities. With an established track record and experience of close to 18 years in this niche industry, Starburst is one of the few companies operating primarily in Southeast Asia and the Middle East that provides in-house integrated solutions in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for firearm shooting ranges and tactical training mock-ups.







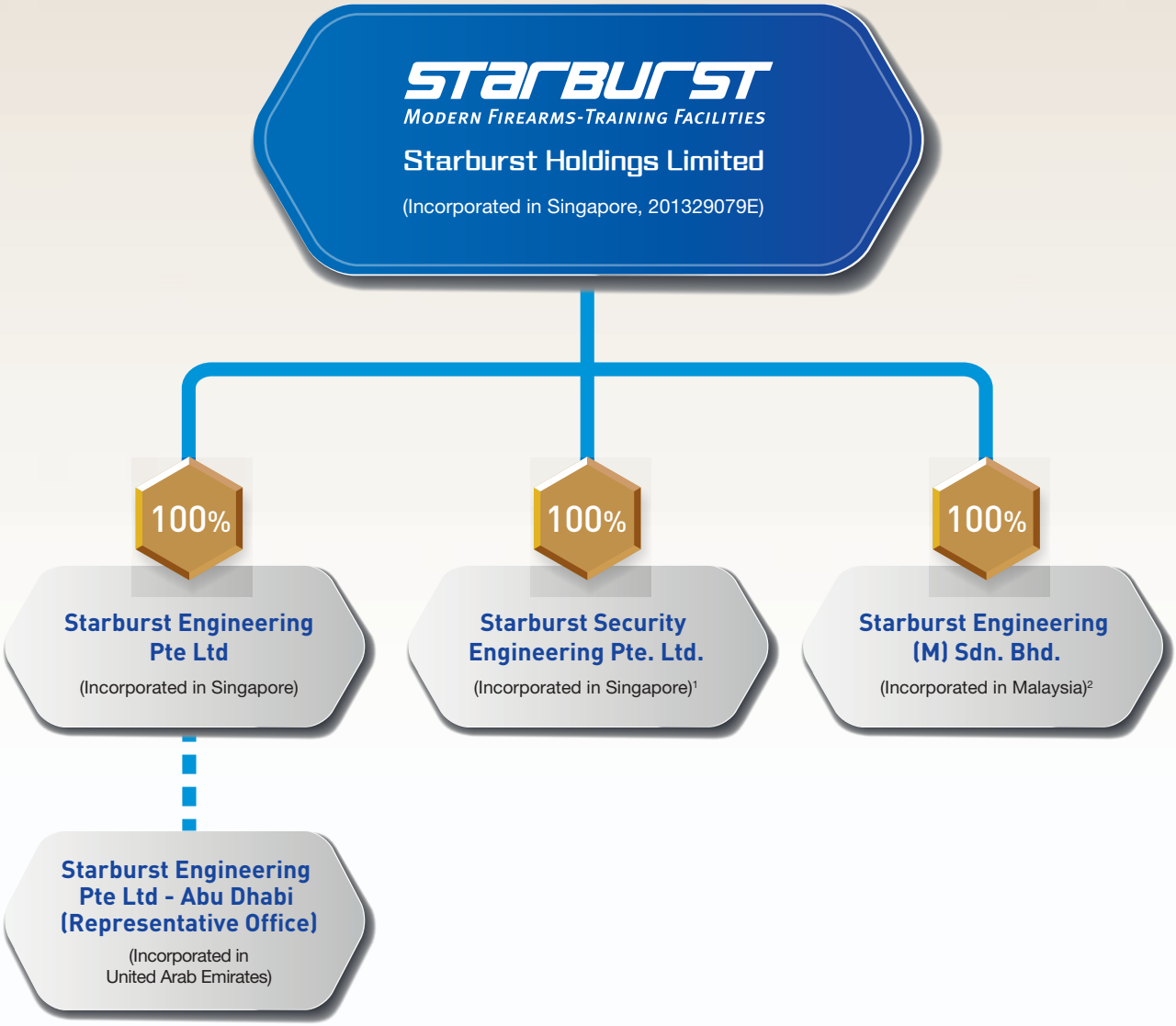
Headquartered in Singapore, Starburst has developed a reputation for providing timely delivery of quality products that meet its customers' specifications, backed by its close business relationships with key global players in the military training software and equipment markets. The Group's products and services are utilised by customers that include law enforcement, military and security agencies as well as civil authorities.

The Group supplies and utilises its proprietary line of anti-ricochet ballistic materials, including anti-ricochet plastic and rubber materials, under the "Searls" trademark. These materials have gained a reputation for quality and safety, setting it apart from other similar generic and unbranded materials. Starburst's utilisation of "Searls" enables it to better manage and control costs and provides it with the ability to offer customised solutions to customers. In addition, the Group also utilises ballistic-absorbing concrete developed by GSL researchers at the U.S. Army Engineer Research and Development Center.

As a part of the Group's commitment to consistently provide products and services that meet its customers' and applicable statutory and regulatory requirements, Starburst achieved the ISO 9001:2015 certification with respect to the supply and installation of detention and security cells, bullet containment systems, anti-ricochet lining systems, defence and military training facilities as well as related maintenance and structural steel works.

The Group envisions a world in which security forces increasingly equip themselves with safe and modern firearms-training facilities. With Starburst helmed by a management team of highly experienced professionals in the Engineering and Construction of Training Facilities industry, the Group is in a secure position to pursue prudent growth in a resilient niche industry.

# GROUP STRUCTURE




[1] Starburst Security Engineering Pte. Ltd. was incorporated on May 25, 2017.

[2] Starburst Engineering (M) Sdn. Bhd. is a dormant company.

# OUR BUSINESS

Starburst specialises in the design and engineering of firearms-training facilities and the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for firearm shooting ranges and tactical training mock-ups for law enforcement, military and security agencies as well as civil authorities in Southeast Asia and the Middle East.



## Firearm shooting ranges

We design, fabricate and install anti-ricochet ballistic protection systems at live-firing ranges to prevent fired rounds from ricocheting. This involves the installation of:

- our proprietary "Searls" anti-ricochet panels;
- rubber lining panels; and
- floor and ceiling baffles at indoor, outdoor and modular live-firing ranges, close quarters battle houses and method of entry training facilities.

With the aim of reducing risks that may be faced by users of the live-firing ranges, we have in place a team of designers, project managers and engineers, who work closely with range consultants, to ensure that a solid foundation is laid right from the start.

## Tactical training mock-ups

We design, fabricate and install tactical training mock-ups to suit each desired training scenario. Our mock-ups provide simulations which are as close to real scenarios as possible and thus we examine each element of the desired mock-up to ensure that details are replicated. Depending on our customers' requirements, we may install tactical training mock-ups for live-firearms-training or non-live-firearms-training.

Our tactical training mock-ups can be used for the following training scenarios:

- rescue and evacuation operations;
- aviation and maritime operations;
- sniper operations; and
- other counter terrorism operations.

## Maintenance services and other activities

We also offer complete service and maintenance programmes to our customers for completed firearm shooting ranges and tactical training mock-ups. As our customers' training activities typically involve live-firearms and/or the use of pyrotechnics, it is critical that the facilities are monitored continually to ensure that they are kept in optimal condition as described in the initial design criteria and maintenance manuals, and that international safety standards are met and updated if necessary. This would ensure that usage of our customers' training facilities is maximised, downtime is minimised and safety is not compromised.

In connection with, and in addition to our principal activities, we also design, construct and install ballistic protection and security systems for various facilities, including high security detention facilities. Additionally, we design, supply and/or fabricate steel struts and steel beams for temporary or permanent structural and architectural steel works on a selective basis.

# MILESTONES

**1999**

Starburst Engineering Pte Ltd ("SEPL") was incorporated in Singapore.

**2000**

SEPL received an ISO 9001:2000 certification in the supply and installation of detention/security cell, bullet containment system, anti-ricochet lining system, defence/military training facilities (e.g. obstacle training facilities) and related maintenance.

Completed our first live-firearm indoor shooting range training facility in Southeast Asia.

**2003**

Completed our first high impact resistant detention facilities in Southeast Asia.

**2004**

Completed our first double-decker live-firearm Boeing 747 aircraft mock-up for anti-terrorist training in the Middle East.

Starburst Engineering (M) Sdn. Bhd. was incorporated in Malaysia.

**2005**

Completed our first seven-storey commercial ship mock-up with indoor live-firearms-training capability and a reconfigurable moveable ballistic protection partitions system in Southeast Asia.

**2008**

SEPL received an ISO 9001:2008 certification in the supply and installation of detention/security cell, bullet containment systems, anti-ricochet lining systems, defence/military training facilities (e.g. obstacle training facilities) and related maintenance, and structural steel works.

**2011**

SEPL was awarded with the OHSAS 18001:2007 Certification of Occupational Health and Safety Management System and the bizSAFE Star by the Workplace Safety and Health (WSH) Council.

**2012**

Completed our first live-firearm multi-storey indoor shooting range training facility in Southeast Asia.

**2013**

SEPL opened its Middle East representative office in Abu Dhabi.

Starburst Holdings Pte. Ltd. was incorporated in Singapore.

**2014**

Starburst Holdings Pte. Ltd. changed its name to Starburst Holdings Limited and was listed on Catalist Board of the SGX-ST.

**2015**

SEPL acquired a new factory with a land area of approximately 8,806 square metres.

**2017**

Starburst Security Engineering Pte. Ltd. was incorporated in Singapore.

Signed Strategic Partnership agreement with Swiss Securitas Group to provide Homeland Security and Engineering Services.

SEPL received an ISO14001: 2015 Certification of Environment Management System.

# MESSAGE FROM THE CHAIRMAN



## DEAR SHAREHOLDERS,

On behalf of the Board of Starburst Holdings Limited, it is my pleasure to present our annual report for the financial year ended December 31, 2017 ("FY2017").

It was a tumultuous year globally for FY2017, with high-profile terrorist attacks in the United Kingdom, Europe, Australia and in various parts of the Middle East, increasing tension within the Korean Peninsula as well as numerous public displays of violence widespread across the United States of America. These developments have made its impact on business sentiments and spurred greater urgency in tightening domestic security in Asia and many parts of the world.

Against the backdrop of geo-political instability and the rising levels of security threats globally, we continued to see a healthy level of enquiries from law enforcement related customers during the year under review, in response to terrorism and extremism.

## PERFORMANCE REVIEW

We are pleased to end FY2017 with a profit, which is a testament to our efforts in effectively managing our project and production costs.

During the year, we focused mainly on additional works undertaken for a firearm shooting range project in the Middle East, two small indoor shooting range projects, a security detention facility project and a supply and installation of entry training equipment project in Southeast Asia.

In view of the smaller scale projects undertaken in FY2017, as compared to those undertaken in the financial year ended December 31, 2016 ("FY2016"), revenue declined 13.3% from S$18.3 million in FY2016 to S$15.9 million in FY2017. Although revenue declined, an improvement in cost management led to lower sub-contractors and overhead costs, thereby leading to a rise in gross profit, and a turnaround in gross profit margin from a negative 16.0% to positive 51.3% over the same period. Overall, the Group achieved a net profit attributable to shareholders of S$0.1 million for the financial year ended December 31, 2017.

Shareholders' equity stood at S$32.1 million while debt-to-equity ratio was healthy at a low of 0.42 time as at December 31, 2017. Net proceeds from the earlier sale of our old factory for approximately S$6.9 million had also increased our working capital and strengthened our financial position.

## STRATEGIC PARTNERSHIP FOR GROWTH

During the year, we entered into a strategic partnership with the Swiss Securitas Group, representing a springboard for us to increase our presence in security engineering solutions both locally and internationally.

The Swiss Securitas Group has deep knowledge in providing security consulting solutions, having accumulated over a century of experience in this industry. With this partnership, we are now well-placed to provide more value-added services in the "security by design" solutions, in addition to handling larger, more complex projects with our enlarged facilities.

As part of this strategic partnership, we plan to work with Swiss Securitas Group to provide enhanced security services to existing and potential customers, through our wholly owned subsidiary, Starburst Security Engineering Pte. Ltd.. We will continue to capitalise on the Starburst brand name in the security and defence industry in Southeast Asia and the Middle East and provide our customers with an expanding suite of comprehensive security risk assessment, security design and planning, blast mitigation, fire engineering, crisis management and business continuity management solutions in the Asia Pacific ("APAC") and Middle East markets.

## OUTLOOK AND PROSPECTS

As a specialist in modern firearms-training facilities, with enhanced capabilities to provide value-added services in the "security by design" solutions following our strategic partnership, we are well-positioned to service security forces in a climate of rising tensions and terrorism threats globally. We continue to receive a healthy level of enquiries from law enforcement-related customers as they respond to the threat of terrorism and extremism. We remain active in responding to these enquiries and requests for tenders from authorities in Southeast Asia and the Middle East.

We have observed that global defence spending will continue to rise, and is forecasted to reach US$1.67 trillion in 2018, representing a 3.3% increase over 2017, the fastest growth rate in a decade. There is also growth in funding for the procurement of military equipment, which is expected to increase from US$295 billion in 2017 to US$315 billion in 2018, another record high in global terms[1].

While there was a slowdown in defence spending in the APAC region in 2017, a return to growth is expected in 2018, with the region remaining a driving force behind long-term growth in global defence spending. APAC is expected to experience a gradual shift in focus from territorial defence to power projection[2], with Chinese actions in the East and South China Sea, the North Korean ballistic missile threat and insurgencies throughout Southeast Asia, causing additional funding to be diverted towards defence[1].

[1] Global Defence Spending to Hit Post-Cold War High in 2018, Jane's by IHS Markit Says – IHS Markit, December 2017

[2] 2016's USD1.57 trillion global defence spend to kick off decade of growth – IHS Markit, March 15, 2017

In Southeast Asia, defence spending remains high. The Indonesian defence ministry received the largest budget allocation amongst the different ministries for 2018[3]; Malaysia and the Philippines also increased their 2018 defence budgets[4,5]. The Singapore government has also indicated that security spending is expected to increase, in response to the country facing its highest security threat in recent years.

Defence budgets in the Middle East returned to growth in 2017, with the challenging security environment protecting defence budgets from cuts in most cases. In 2018, defence budgets are expected to continue to increase but growth will be constrained by a more cautious approach to government spending[6].

We remain optimistic of our ongoing discussions with customers and will continue to leverage on our strong 18 years track record and strategic partnership with the Swiss Securitas Group to further widen our presence in both Southeast Asia and the Middle East to deliver more projects to our customers.

## PROPOSED DIVIDEND

The Board of Directors has recommended a tax exempt one-tier final dividend of 0.25 cent per ordinary share, representing a total dividend payout of approximately S$0.6 million, to thank our shareholders for their support.

## A WORD OF APPRECIATION

I would like to take the opportunity to thank my fellow directors for their support and wise counsel in steering Starburst's strategic direction through a challenging but fulfilling FY2017.

I would also like to express my gratitude to the management and staff for their unwavering commitment and hard work. Lastly, to our shareholders, customers, bankers, business associates and suppliers, I would like to record my appreciation for their strong support over the years.

**Edward Lim Chin Wah**
*Chairman and Executive Director*

3 Defense Ministry gets top allocation in 2018 state budget, The Jakarta Post, October 2017
4 Malaysia announces 5.3% defence budget increase, IHS Janes, October 2017
5 Defense department justifies 2018 budget, CNNC Philippines, August 2017
6 Global Defence Spending to Hit Post-Cold War High in 2018, Jane's by IHS Markit Says – IHS Markit, December 2017

# MESSAGE FROM THE MANAGING DIRECTOR



## DEAR SHAREHOLDERS,

For FY2017, there was a strong focus on securing projects that are part of our core business. We took on additional works for a firearm shooting range project in the Middle East and commenced work on two small indoor shooting range projects, a security detention facility project and a supply and installation of entry training equipment project in Southeast Asia. We also increased our efforts in managing our project and production costs effectively, and we are pleased to report that these efforts have paid off, with our results having swung back to profitability in FY2017.

We are also pleased to have secured a contract totalling approximately S$6.6 million for a project located in the Middle East which we will undertake ballistic protection works to a firearms-training facility.

## REVIEW OF FINANCIAL PERFORMANCE

The Group achieved a commendable set of financial results for FY2017, recording a net profit of approximately S$0.1 million.

Our revenue for FY2017 was mainly contributed by a firearm shooting range project in the Middle East, two small indoor shooting range projects, a security detention facility project and a supply and installation of entry training equipment project in Southeast Asia. In contrast, the projects we undertook in the previous year were larger scale and mostly in the intensive fabrication and installation phases, which translated to higher revenue recognition.

In terms of business segments, 69.2% of the Group's revenue for FY2017 came from Starburst's maintenance services and others segment, with the firearm shooting range segment contributing 30.8%. In terms of geographical segments, Southeast Asia remained the largest contributor of Starburst's revenue, representing 84.9%, while the Middle East made up 15.1% of sales in FY2017.

However, despite the decrease in revenue, the Group also recorded lower sub-contractor and overhead costs in FY2017 as a result of better management of our project and production costs, which led to a corresponding rise in gross profit, improving from a loss of S$2.9 million in FY2016 to a profit of S$8.1 million in FY2017. Gross profit margin also reversed from negative 16.0% in FY2016 to positive 51.3% in the current financial year.

The Group's balance sheet remained healthy, with cash and bank balances totalling S$11.3 million as at December 31, 2017. This puts us in good stead to capitalise on growth opportunities that may arise in the future.

## FORMING STRATEGIC PARTNERSHIPS AND GARNERING BROADER INSTITUTIONAL INTERESTS

In FY2017, Starburst announced that it had formed a strategic partnership with Swiss Securitas Group, from which it hopes to expand the Group's capabilities globally in the security engineering solutions sector. Swiss Securitas Group acquired 10 million vendor shares and 6 million warrants from Starburst's two controlling shareholders for a 5.1% equity stake based on the enlarged share capital, assuming full exercise of the warrants, excluding treasury shares, as at June 6, 2017.

Furthermore, we are pleased to have attracted quality institutional funds and accredited investors, which is a testament to their confidence in our sound business fundamentals and growth prospects, and this is in line with the Group's strategy to institutionalise its shareholder base and increase market liquidity.

Through a married vendor share deal, institutional investors and accredited investors collectively took up 12.4 million ordinary shares in Starburst at S$0.39 per share, representing 5.02% of the Group's issued and paid-up capital of 246,867,650 shares, excluding treasury shares, as at August 18, 2017. Of these, 3.8 million ordinary shares came from Mr. Edward Lim Chin Wah, our Executive Chairman, and the balance 8.6 million ordinary shares came from my shareholding.

## GOING FORWARD

While geo-political tensions and a challenging security environment prevail around the world, this translates to higher defence spending, and Starburst continues to see a healthy level of enquiries from law enforcement related customers as they respond to the threat of terrorism and extremism. We are actively responding to these enquiries and requests for tenders from authorities in Southeast Asia and the Middle East. We remain optimistic of our ongoing discussions and are committed to delivering more projects to our customers in both Southeast Asia and the Middle East.

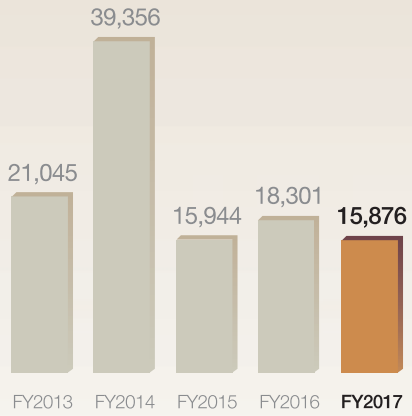
In addition, we are working to strengthen our partnerships with defence contractors, equipment suppliers and consultants to participate with them in joint tenders, or work with some of these parties if they are successful in tenders. Furthermore, the Group will continue to evaluate suitable business opportunities for acquisition so as to offer its customers a wider range of security and defence related services.

Given that we are one of the few companies operating in Southeast Asia and Middle East with a strong track record in the niche industry of developing modern firearms-training facilities, we are confident that we will be able to capitalise on the opportunities present in the market. We will continue to manage our costs effectively and work towards generating sustainable value for our investors in the years ahead.

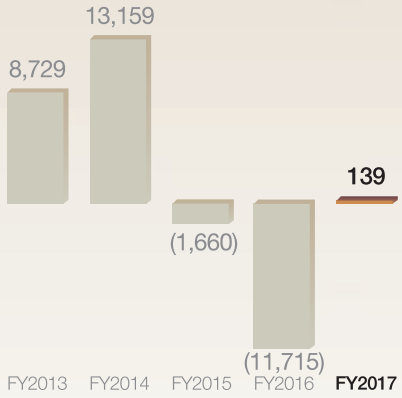
**Yap Tin Foo**
*Managing Director*

# FINANCIAL HIGHLIGHTS

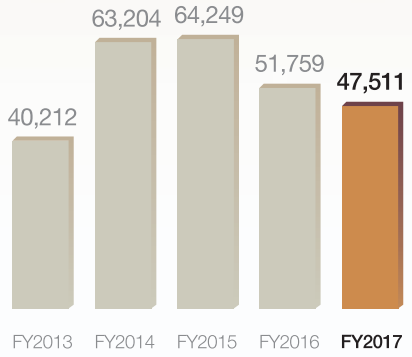
## Revenue (S$'000)



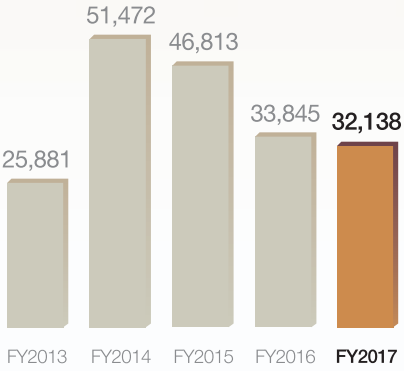

## Net profit/(loss) attributable to owners (S$'000)



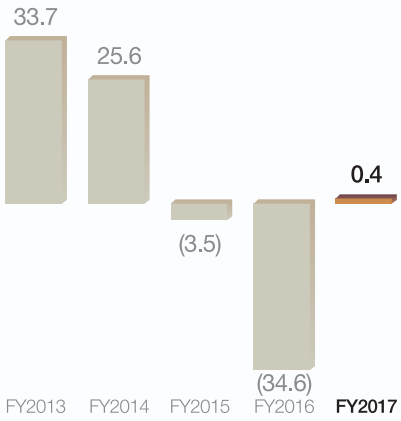

## Total assets (S$'000)



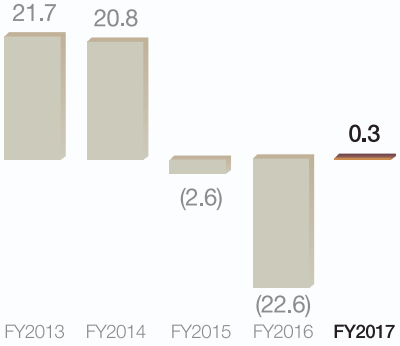

## Net assets (S$'000)




## Return on shareholders' equity (%)

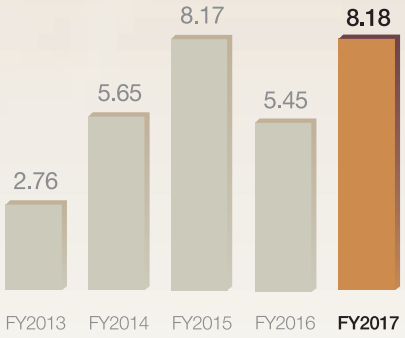



## Return on total assets (%)

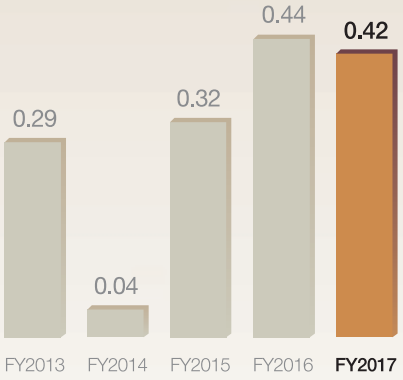


# FINANCIAL HIGHLIGHTS

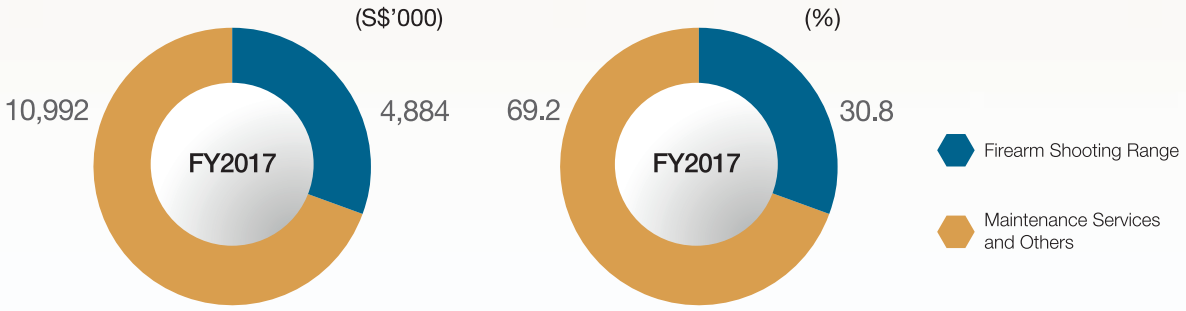
## Current ratio (Times)



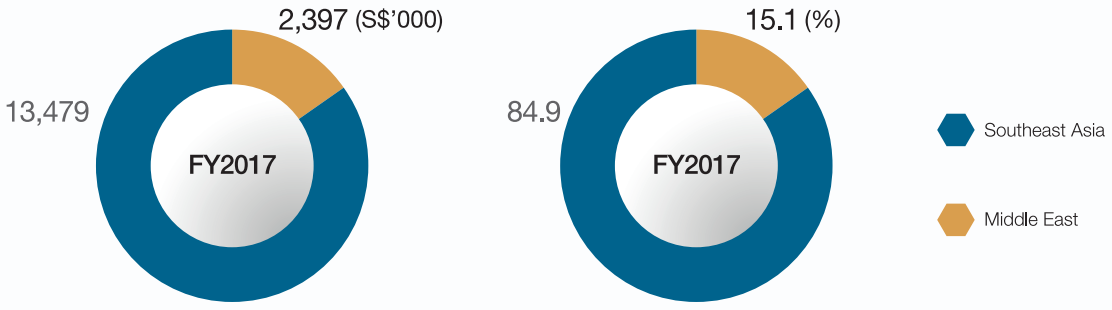

## Debt to equity ratio (Times)




## Revenue by business segments




## Revenue by geographical segments



# BOARD OF DIRECTORS



## EDWARD LIM CHIN WAH CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Edward Lim Chin Wah is one of the founders of the Group. Mr. Lim was appointed as the Chairman and Executive Director of the Company on October 28, 2013. He is responsible for the overall management, strategic planning, technical and engineering activities of the Group.

Mr. Lim has more than 30 years of experience in the engineering and structural steel fabrication business. As one of the Group's founders, Mr. Lim was instrumental in laying the Group's early foundation and has been pivotal in the development of the Group and its expansion into the Middle Eastern markets.

Mr. Lim graduated from Singapore Polytechnic with a Technician Diploma in Mechanical Engineering and is a member of the Singapore Institute of Directors.



## YAP TIN FOO MANAGING DIRECTOR AND EXECUTIVE DIRECTOR

Mr. Yap Tin Foo is one of the founders of the Group. Mr. Yap was appointed as the Managing Director and Executive Director of the Company on October 28, 2013. He is responsible for the overall operations, business development and client relationships of the Group.

Mr. Yap has more than 25 years of experience in construction and project management. Since he founded the Starburst business in 1999 together with the Group's Chairman and Executive Director, Mr. Edward Lim Chin Wah, he has been instrumental in the development and growth of the Group.

Mr. Yap graduated from the University of South Australia with a Bachelor of Building and is a member of the Singapore Institute of Directors.



## GAN LAI CHIANG LEAD INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Gan Lai Chiang was appointed as Lead Independent and Non-Executive Director on May 28, 2014. He is Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Mr. Gan was previously the Managing Director of Swiss Securitas Asia Pte Ltd, a company specialising in providing security management solutions and systems. He is a member of the Corporate Governance Committee at the Institute of Singapore Chartered Accountants and has spent many years in the corporate and financial industry. He was an Advisor to various Grassroots Organisations as well as a Chairman and member of various Community Development Councils. Mr. Gan has previously served as a Member of Parliament for the Marine Parade GRC.

Mr. Gan graduated from the University of Western Australia with a Bachelor of Commerce and a Graduate Diploma in Accounting from the Curtin University. He is a fellow member of the Institute of Singapore Chartered Accountants and a fellow member of CPA Australia.



## GOPAL PERUMAL INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Gopal Perumal was appointed as Independent and Non-Executive Director on May 28, 2014. He is Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr. Perumal has been a practicing lawyer since the beginning of his career and he has more than 30 years of professional experience. He is currently the sole proprietor of Gopal Perumal & Co.

Mr. Perumal graduated from the National University of Singapore with a Bachelor of Laws (with honours) and is a member of the Law Society of Singapore.



## TAN TENG WEE INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Tan Teng Wee was appointed as Independent and Non-Executive Director on May 28, 2014. He is Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr. Tan was previously the Managing Director of PSC Freyssinet (S) Pte Ltd, an international specialist civil engineering contracting company. He has more than 30 years of experience in specialist civil engineering and project management.

Mr. Tan graduated from the National University of Singapore with a Bachelor of Engineering (Civil) and a Graduate Diploma in Marketing from the Marketing Institute of Singapore. He is a professional Engineer and a fellow member of the Institution of Engineers Singapore.

# MANAGEMENT TEAM

## SAMER SIDANI CHIEF EXECUTIVE OFFICER – ABU DHABI OFFICE

Mr. Samer Sidani is the Chief Executive Officer of our Abu Dhabi representative office and is responsible for the management of the office as well as sales activities and project management in the Cooperation Council for the Arab States of the Gulf.

Mr. Sidani began his career in 1998 as a production manager for products with Patchi Silver Factory. In 2000, he joined Zublin-AG as area manager and was responsible for the management of various built projects and held that position until 2005. From 2006, Mr. Sidani was a project manager with Advanced Interactive Systems Limited, where he was responsible for the management of various built projects. He subsequently took on the role of general manager – business development in 2011, where he was responsible for sales and marketing and held this position until 2013 before joining our Group.

Mr. Sidani graduated from the Lebanese University, Lebanon with a Degree of Higher Studies in Architecture.

## WU GUANGYI CHIEF FINANCIAL OFFICER

Mr. Wu Guangyi is the Chief Financial Officer and is responsible for the financial and accounting functions of the Group. Mr. Wu also supports the board of directors in their strategic decision making process as well as the Group's corporate finance and corporate risk management.

Mr. Wu has more than 13 years of experience in accounting and financial management, including 8 years professional experience with international public accounting firms, Deloitte and KPMG. His last held position was audit manager with Deloitte before joining our Group in 2012.

Mr. Wu graduated from Oxford Brookes University with a Bachelor of Science in Applied Accounting and a Master of Business Administration from the University of Manchester. He is a fellow member of The Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

## ANDREW POPPLEWELL REGIONAL DIRECTOR

Mr. Andrew Popplewell is the Regional Director of the Middle Eastern markets and is responsible for technical and project management of all projects in the Cooperation Council for the Arab States of the Gulf.

Mr. Popplewell was a project manager at Woodhouse from 1996 to 2000, and was responsible for the management of various design and build projects. Subsequently, Mr. Popplewell was a design and construct coordinator at Galliford Midlands from 2000 to 2002 and was a design manager at Galliford Rail from 2002 to 2003 in the UK. Mr. Popplewell then joined Advanced Interactive Solutions Limited as a project manager in 2004 and was subsequently promoted to senior project manager in 2005. He was responsible for project management of design and construction projects. Mr. Popplewell held this position until 2010 and was re-designated as operations manager. He held this position until 2013, and joined the Group thereafter.

Mr. Popplewell graduated from Coventry University, UK with a Bachelor's Degree in Civil Engineering (with honours) and, subsequently, a Master's Degree in Civil Engineering.

## NG ENG LONG JOSIAH LAWRENCE SENIOR PROJECT MANAGER

Mr. Ng Eng Long Josiah Lawrence is the Senior Project Manager and is responsible for project management and oversees the execution and progress of our projects in Southeast Asia.

Mr. Ng has more than 20 years of experience in project management in the construction industry. Mr. Ng began his project management career with Permasteelisa Pacific Ltd in 1993. He later joined Mero Asia Pacific Pte Ltd as a project manager from 1998 to 2001. He rejoined Mero Asia Pacific Pte Ltd from 2003 to 2005 in the same capacity after a brief period of self-employment. From 2005 to 2006, he joined Benson Wall System Pte. Ltd. as a project manager. He was with Redwood Interior Pte Ltd as a project manager from 2006 to 2009 before joining the Group.

Mr. Ng holds a Technician Certificate in Architectural Draughtsmanship and a Diploma in Architectural Technology from Singapore Polytechnic. He also holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore and a Diploma in Marketing from the Chartered Institute of Marketing, UK.

## DESENGANO EDUARDO ESPIRITU TECHNICAL MANAGER

Mr. Desengano Eduardo Espiritu is the Technical Manager and is responsible for the Group's engineering design and fabrication drawing activities.

Mr. Desengano has more than 20 years of experience in engineering design and fabrication drawing activities. He began his career as a project engineer with Marfi Realty and Development Corporation in 1989. He joined Union Square 1 Condominium Corp. as an engineering supervisor in 1991. He joined Tostem Philippines Limited, Inc as a curtain wall engineer responsible for the preparation of structural calculations for building facade works in 1995. He was a structural engineer with CAD Solutions Inc. from 1998 to 2000. In 2005, he joined Bescoat Manufacturing Pte Ltd as a senior design engineer before joining us.

Mr. Desengano graduated from the Mapua Institute of Technology, Philippines with a Bachelor of Science in Civil Engineering. He has also been qualified as a civil engineer by the Board of Civil Engineering (Phillippines) since 1989.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Edward Lim Chin Wah *(Chairman and Executive Director)*
Yap Tin Foo *(Managing Director)*
Gan Lai Chiang *(Lead Independent Director)*
Gopal Perumal *(Independent Director)*
Tan Teng Wee *(Independent Director)*

## AUDIT COMMITTEE

Gan Lai Chiang *(Chairman)*
Gopal Perumal
Tan Teng Wee

## NOMINATING COMMITTEE

Tan Teng Wee *(Chairman)*
Gan Lai Chiang
Gopal Perumal

## REMUNERATION COMMITTEE

Gopal Perumal *(Chairman)*
Gan Lai Chiang
Tan Teng Wee

## COMPANY SECRETARIES

Wu Guangyi
Leong Chee Meng, Kenneth

## REGISTERED OFFICE

6 Tuas View Circuit
Singapore 637599
Tel : +65 6862 2282
Fax: +65 6861 2282
Email : mail@starburst.net.sg
Reg. No.: 201329079E

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

## SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-02, AIA Tower
Singapore 048542

## INDEPENDENT AUDITORS

Deloitte & Touche LLP
6 Shenton Way
#33-00, OUE Downtown 2
Singapore 068809

Partner-in-charge: Michael Ng Wee Kiat
(Appointed in financial year 2017)

## PRINCIPAL BANKER

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

## INVESTOR RELATIONS

Citigate Dewe Rogerson Singapore Pte Ltd
#02-01, 55 Market Street
Singapore 048914
Tel : +65 6534 5122
Dolores Phua/Aaron Ng

# CORPORATE GOVERNANCE REPORT

Starburst Holdings Limited (the "Company") is committed to achieving and maintaining high standards of corporate governance principles and processes in managing its business and affairs, so as to improve the performance, accountability and transparency of the Company and its subsidiaries (collectively the "Group"). The Company has complied with most of the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") issued and/or revised by the Corporate Governance Committee from time to time, pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the "Catalist Rules") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

This report describes the corporate governance practices of the Company for the financial year ended 31 December 2017 ("FY2017"), with specific reference made to the principles and guidelines of the Code. Where applicable, deviations from the Code have been explained.

## (A) BOARD MATTERS

### The Board's Conduct of its Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The primary function of the Board is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has overall responsibility to fulfil its role which includes the following:

— Oversees the overall strategic plans including considering sustainability and environmental issues as part of its strategic formulation, strategic human resources framework and financial objectives of the Group;

— Reviews the operational and financial performance of the Group including reviewing the performance of the Management;

— Approves quarterly and full yearly financial results announcements, circulars, audited financial statements and annual report;

— Approves changes in the composition of the Board;

— Oversees and safeguards the shareholders' interest and Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance;

— Oversees and enhancing corporate governance and practices within the Group;

— Deals with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisitions and disposals of material assets, dividend and other distributions to shareholders, and those transactions or matters which require Board's approval under the provisions of the Catalist Rules issued by SGX-ST, from time to time, or any applicable regulations;

— Appoints the senior management, approves the policies and guidelines for the Board and senior management executives' remuneration, in addition to approve the appointment of new directors; and

— Identify key stakeholders groups and recognise that their perceptions affect the Company's reputation.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company allows Board meetings to be conducted via any form of audio or audio-visual communication. The directors are free to discuss any information or views presented by any member of the Board and Management.

The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and responsibilities at all times as fiduciaries in the best interest of the Company.

The attendance record of each director at meetings of the Board and Board Committees during the FY2017 is disclosed below:

| | Number of meetings attended in FY2017 | | | |
|---|---|---|---|---|
| **Name of Director** | **Board** | **AC** | **NC** | **RC** |
| Mr. Edward Lim Chin Wah | 5 | — | — | — |
| Mr. Yap Tin Foo | 5 | — | — | — |
| Mr. Gan Lai Chiang | 5 | 5 | 1 | 1 |
| Mr. Gopal Perumal | 5 | 5 | 1 | 1 |
| Mr. Tan Teng Wee | 5 | 5 | 1 | 1 |
| Number of meetings held in FY2017 | 5 | 5 | 1 | 1 |

All directors are updated regularly on changes in the Company's policies and are provided continual briefings from time to time and are kept updated on relevant new laws and regulations including directors' duties and responsibilities, corporate governance and financial reporting standards. Newly appointed directors will be given briefings and orientation by the executive directors and Management to familiarise them with the businesses and operations of the Group. The newly appointed directors will also conduct a site visit at the Group's production facilities. Upon appointment, the director will receive a letter of appointment setting out their duties and responsibilities. Any newly appointed directors with no prior experience of a listed company will attend training in areas such as accounting, legal and industry specific knowledge as appropriate.

The directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to develop themselves professionally, at the Company's expense.

Directors are aware of their duties and obligations and the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interests in transactions involving the Company, prohibitions on dealings in Company's securities and restrictions on disclosure of price-sensitive information.

## Board Composition and Guidance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

As at the date of this Annual Report, the Board comprises five (5) directors, of whom two (2) are Executive Directors and three (3) are Independent Directors. The Board is of the view that the present board size of 5 directors is adequate to provide for a diversity of views, facilitate effective decision-making and that the Board has an appropriate balance of executive and independent and non-executive directors, taking into account the scope and nature of operations of the Group. The Board comprises the following members:

| | |
|---|---|
| Mr. Edward Lim Chin Wah | Chairman and Executive Director |
| Mr. Yap Tin Foo | Managing Director and Executive Director |
| Mr. Gan Lai Chiang | Lead Independent and Non-Executive Director |
| Mr. Gopal Perumal | Independent and Non-Executive Director |
| Mr. Tan Teng Wee | Independent and Non-Executive Director |

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition. In respect of the review of the independence of each director, the NC assessed the independence of each director and had considered that Mr. Gan Lai Chiang, Mr. Gopal Perumal and Mr. Tan Teng Wee to be independent. Details of directors' qualifications and experiences are set out on pages 13 and 14 of this Annual Report.

The Board has sought and obtained written confirmation from each of the current independent directors that, apart from their office as directors of the Company, none of them has any other relationship (business or otherwise) with the Company, its subsidiaries, related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent judgment with a view to the best interests of the Company. There is no director who is deemed independent by the Board notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. There is no director who has served on the Board beyond nine years from the date of his first appointment.

Each member of the NC has abstained from deliberations in respect of the assessment of his own independence.

The NC reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of engineering, project management, accounting and finance, and professional legal services. The non-executive directors constructively challenge and assist in the development of the business strategies, and assist the Board in reviewing and monitoring the Management's performance against set targets. Where necessary or appropriate, the independent directors may meet separately without the presence of Management and the executive directors. The Lead Independent Director will provide feedback of such meetings to the Chairman.

## Chairman and Managing Director

*Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The roles of the Chairman and Managing Director (the "MD") are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. Mr. Edward Lim Chin Wah is the Chairman of the Board and is an executive director. Mr. Yap Tin Foo is the MD. The Chairman and the MD are not related. To protect shareholders' interests, Mr. Gan Lai Chiang has been appointed as Lead Independent Director and is available to shareholders to whom concerns maybe conveyed to as and when the need arises.

The MD is responsible for the business management and day-to-day operations of the Group whilst the Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are convened as and when necessary and sets the meeting agenda in consultation with the MD and fellow directors and other executives, and if warranted, with professional advisors.

The Chairman also leads the Board discussions and ensures that quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of non-executive directors and independent directors during the Board meetings.

## Board Membership

*Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The Company has established the NC to make recommendation to the Board on all Board appointments. The key duties and responsibilities of the NC include:

(i) to recommend to the Board on board appointments, including re-nominations of existing directors for re-election in accordance with the Constitution, taking into account the director's contribution and performance;

(ii) to review and approve any new employment of related persons and proposed terms of their employment;

(iii) to determine on an annual basis whether or not a director is independent;

(iv) in respect of a director who has multiple board representations on various companies, if any, to review and decide whether or not such director is able to and has been adequately carrying out his duties as director, having regard to the competing time commitments that are faced by the director when serving on multiple boards and discharging his duties towards other principal commitments;

(v) to decide whether or not a director is able to and has been adequately carrying out his duties as a director; and

(vi) to develop a process for evaluation of the performance of the Board, its committees and directors and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value.

The NC comprises three directors, all whom including the NC Chairman, are non-executive and independent. The NC Chairman is not a substantial shareholder or directly associated with a substantial shareholder.

The NC members are:

— Mr. Tan Teng Wee (Chairman)

— Mr. Gan Lai Chiang

— Mr. Gopal Perumal

At each Annual General Meeting ("AGM") of the Company, the Constitution of the Company requires one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) to retire from office by rotation, being one third of those who have been longest in office since their last re-election. The retiring directors may submit themselves for re-nomination and re-election. Newly appointed directors are required to submit for re-election.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor), if applicable, as an independent director.

The NC may also engage external search consultants to search for new directors at the Company's expense. New directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board.

The NC had reviewed, taking into consideration Mr. Yap Tin Foo's ability to contribute through his business acumen, strategic thinking process for the business and his contributions through carrying out his executive responsibilities, recommended that Mr. Yap Tin Foo who will retire by rotation pursuant to Regulation 93 of the Company' Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM, and subject to being duly re-elected, Mr. Yap Tin Foo will remain as the Managing Director. Mr. Yap Tin Foo is one of the founders of the Group and his contributions and experience are instrumental in the development and growth of the Group.

Pursuant to Regulation 93 of the Company's Constitution, Mr. Tan Teng Wee who will retire by rotation pursuant to Regulation 93 of the Company' Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM, and subject to being duly re-elected, Mr. Tan Teng Wee will remain as Chairman of the NC and member of the AC and RC; and be considered independent for the purposes of Catalist Rule 704(7) of the Singapore Exchange Securities Trading Limited ("SGX-ST"). In the NC's review for the recommendation of the Independent Directors for re-election, the NC, save for Mr. Tan Teng Wee, took into consideration the independence of each Independent Director, their respective professional experience and time commitment. Mr. Tan Teng Wee has more than 30 years of experience in specialist civil engineering and project management and provides invaluable industry insights to the Board.

Save for their respective shareholding interests, direct or indirect in the Company, there are no relationships (including immediate family relationships) between Mr. Yap Tin Foo, Mr. Tan Teng Wee and the other directors, the Company, its related corporations, its 10% shareholders or its officers.

The NC also considered, and is of the opinion, that the multiple board representations held by directors of the Company do not impede their performances in carrying out their duties to the Company. For FY2017, the Board did not set any cap on the number of directorships given that all non-executive or independent directors were able to dedicate their time to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular director, they may consider imposing a cap in future.

Details of the appointment of directors including date of initial appointment and date of last re-election and directorships in other listed companies, both current and for the preceding three years, are set out below:

| Name of Director | Age | Date of Initial Appointment | Date of Last Re-election | Current directorships in other listed companies | Past directorships in other listed Companies in the preceding three years |
|---|---|---|---|---|---|
| Mr. Edward Lim Chin Wah | 60 | 28 October 2013 | 27 April 2017 | NA | NA |
| Mr. Yap Tin Foo[(1)] | 54 | 28 October 2013 | 22 April 2016 | NA | NA |
| Mr. Gan Lai Chiang | 69 | 28 May 2014 | 22 April 2016 | NA | Health Management International Ltd |
| Mr. Gopal Perumal | 61 | 28 May 2014 | 27 April 2017 | NA | NA |
| Mr. Tan Teng Wee[(2)] | 61 | 28 May 2014 | 23 April 2015 | NA | NA |

NA – Not applicable

Notes:

(1) Mr. Yap Tin Foo will retire pursuant to Regulation 93 and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 26 April 2018.

(2) Mr. Tan Teng Wee will retire pursuant to Regulation 93 and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 26 April 2018. Mr. Tan Teng Wee, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees, and the Board of Directors (save for Mr. Tan Teng Wee) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

## Board Performance

*Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The NC is responsible for assessing the effectiveness of the Board as a whole and the committees and for assessing the contribution of each individual director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of an individual director includes qualitative and quantitative factors such as performance of principal functions and fiduciary duties, director's attendance, contribution and performance at such meetings. The NC and the Board strive to ensure that each director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2017, one NC meeting was held.

The NC has in place a performance evaluation process whereby the Board and individual directors will complete confidential group and individual assessment questionnaires to assess the effectiveness of the Board, its committees and the contributions of each director, including the NC Chairman. The Board and committee assessment parameters includes areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective committee. The individual assessment areas include attendance and contributions during Board and committee meetings as well as commitment to their role as directors. Individual directors are also evaluated on their respective areas of expertise across business management, industry, finance and legal. The Company secretary had been requested to collate the Board's and directors' evaluation and to provide the summary observations for the NC Chairman and Board Chairman. The Board Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought. Following the review of the assessment of the Board, its committees and individual directors, including the NC Chairman for FY2017, both the NC and the Board are of the view that the Board and its committees have operated effectively and each director has contributed to the overall effectiveness of the Board in FY2017. No external facilitator was used in the process.

## Access to Information

*Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Management including the executive directors keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to the Board meeting.

Prior to any meeting of the Board or committees, directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meeting. On an ongoing basis, all the Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group and will be provided the same in a timely manner.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. Copies of disclosure documents, budgets, forecasts, quarterly internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance would be tabled by Management to the Board for review and discussion during the Board meeting.

The directors also have access to the Company Secretary who attends all the Board and its committees' meetings. The Company Secretary also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes and ensure good information flows within Board and its committees, as well as between management and the independent directors. The Board are given the names and contact details of the Company's senior management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subjected to the approval of the Board as a whole.

Where the directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available in obtaining such advice at the Company's expense.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The roles, duties and responsibilities of the RC cover the functions described in the Code including but not limited to, the following:

(i) to recommend to the Board a framework of remuneration for the directors and executive officers, as well as specific remuneration packages for each executive director. The quantum of the bonus of the executive directors and MD will be subject to the approval of the RC. The bonus for the other executive officers will be determined solely by the executive directors and MD;

(ii) the scope of responsibilities encompasses all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and

(iii) to review the remuneration of senior management and employees related to directors, if any.

The RC comprises entirely of non-executive directors, all of whom are independent. The RC members are:

— Mr. Gopal Perumal (Chairman)

— Mr. Gan Lai Chiang

— Mr. Tan Teng Wee

All recommendations made by the RC on remuneration of directors and key executives will be submitted for endorsement by the Board. Members of the RC will ensure that they do not set their own remuneration and no member of the RC is involved in setting his/her remuneration package. As and when deemed appropriate by the RC, independent expert advice is or will be sought at the Company's expense. RC shall ensure that existing relationship, if any, between the Company and its appointed remuneration consultant will not affect the independence and objectivity of the remuneration consultant.

The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. In FY2017, one RC meeting was held.

## Level and Mix of Remuneration

*Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the directors' fees to be paid on a quarterly basis for the current financial year once approval is obtained from shareholders at the forthcoming AGM to be held on 26 April 2018.

The remuneration packages take into consideration the performance of the Group and individual assessment of each independent director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the directors.

The Company may terminate a service agreement if, *inter alia*, the relevant executive director or key executive is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Directors' fees do not form part of the terms of these service agreements as these require the approval of the shareholders in a general meeting.

The Company has entered into service agreements with each of the executive director, Mr. Edward Lim Chin Wah and Mr. Yap Tin Foo on 30 May 2014, respectively ("Service Agreements"). Their Service Agreements are for an initial period of three years (the "Initial Term") commencing with effect from the date of admission of the Company and subject to automatic renewal on a yearly basis thereafter unless otherwise agreed in writing between the Company and the executive directors or terminated in accordance with the Service Agreements. During the Initial Term, the parties may terminate the respective Service Agreement by either party giving not less than six months' notice in writing to the other. The parties may by mutual agreement waive or vary the notice requirement. In 2017, the Service Agreements have been renewed with each of Mr. Edward Lim Chin Wah and Mr. Yap Tin Foo, with no changes to the terms of the Service Agreements.

Pursuant to the terms of the Service Agreements, the executive directors will each receive an annual salary of approximately S$360,000 and an annual wage supplement of 3 months' salary. In addition, each of them is entitled to an annual performance bonus, that is computed based on the Group's audited consolidated profit before income tax ("CPBT") for each financial year (before deducting for such performance bonus payments and excluding any gains earned from extraordinary and exceptional items), taking into account the achievement of the pre-agreed CPBT criteria where the bonus will be paid out ranging from nil to 1.75% depending on the pre-agreed CPBT achieved.

Pursuant to the terms of their respective letter of appointment, the two executive officers, Mr. Andrew Popplewell and Mr. Samer Sidani, are entitled to a discretionary bonus and a performance bonus, to be paid on a quarterly basis, subject to statutory deductions. The performance bonus is calculated based on a range of 0.5% to 3% commission on the revenue after deducting 2.5 times of the Abu Dhabi Representative Office operating expenses incurred during the financial year, the exact percentage of commission shall be mutually agreed between the Company and the two executives on a project by project basis.

To encourage non-executive directors to hold shares in the Company so as to better align the interests of such non-executive directors with the interests of shareholders, they are able to participate in the Starburst Performance Share Plan and the Starburst Share Option Scheme. The RC will ensure that the independent directors are not overcompensated to the extent that their independence may be compromised.

During FY2017, the RC reviewed the compensation and remuneration packages and believes that the directors and Management are sufficiently compensated. For FY2017, the Company did not engage any external remuneration consultant to assist in the review of compensation and remuneration packages.

## Disclosure on Remuneration

*Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The breakdown (in percentage terms) of the remuneration of the directors of the Company for FY2017 is set out below:

| | Salary (%) | Bonus (%) | Other benefits (%) | Fees (%) | Total (%) |
|---|---|---|---|---|---|
| **S$250,000 to S$500,000** | | | | | |
| Mr. Edward Lim Chin Wah | 78.1 | 19.5 | 2.4 | — | 100 |
| Mr. Yap Tin Foo | 77.0 | 19.3 | 3.7 | — | 100 |
| **Below S$250,000** | | | | | |
| Mr. Gan Lai Chiang | — | — | — | 100 | 100 |
| Mr. Gopal Perumal | — | — | — | 100 | 100 |
| Mr. Tan Teng Wee | — | — | — | 100 | 100 |

The salary and bonus of the incumbent directors are paid by a subsidiary.

Bonus is computed based on the Service Agreements entered into with each of the executive directors, Mr. Edward Lim Chin Wah and Mr. Yap Tin Foo on 30 May 2014.

The Company believes that the current format of disclosure is sufficient indication, for the time being, of each director's remuneration package, given that remuneration continues to be a sensitive subject.

The breakdown (in percentage terms) of the remuneration of 5 top key executives of the Group for FY2017 is set out below:

| Remuneration and Name of Key Executives | Designation | Salary (%) | Bonus (%) | Other benefits (%) | Total (%) |
|---|---|---|---|---|---|
| **S$250,000 to S$500,000** | | | | | |
| Mr. Samer Sidani | Chief Executive Officer – Abu Dhabi office | 45.3 | 22.1 | 32.6 | 100 |
| Mr. Andrew Popplewell | Regional Director | 45.0 | 21.9 | 33.1 | 100 |
| **Below S$250,000** | | | | | |
| Mr. Wu Guangyi | Chief Financial Officer | 74.4 | 17.6 | 8.0 | 100 |
| Mr. Ng Eng Long Josiah Lawrence | Senior Project Manager | 80.7 | 10.0 | 9.3 | 100 |
| Mr. Desengano Eduardo Espirtu | Technical Manager | 73.4 | 12.2 | 14.4 | 100 |

Bonus is paid based on the Company's and individual performance and letter of appointment where applicable.

Other benefits comprise of the Company's contribution towards the Singapore Central Provident Fund where applicable, allowance and other benefits-in-kind.

Given the highly competitive conditions of the labour market and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual executive as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration of these executives in the bands of S$250,000 and also a breakdown in percentage term.

In aggregate, the total remuneration paid to the 5 top key executives is S$1,390,465 in FY2017.

Apart from Mr. Shaun Lim Wei Long being the son of Mr. Edward Lim Chin Wah, the Chairman and Executive Director who holds the position of "Site Engineer" with a remuneration of S$54,819 for FY2017, the Company does not have any employees who are immediate family members of a director and/or key executives during FY2017. The RC is of the view that the remuneration of Mr. Shaun Lim Wei Long is in line with the staff remuneration guidelines and commensurate with his job scope and level of responsibilities.

## SHARE OPTIONS SCHEME AND PERFORMANCE SHARE SCHEME

On 28 May 2014, the shareholders approved the adoption of the Starburst Performance Share Plan and the Starburst Share Option Scheme (collectively, the "Share-Based Incentive Plans"). The Share-Based Incentive Plans is administered by the NC and the RC (the "Administration Committee"), and no option or share has been awarded to any participant under the Share-Based Incentive Plans since adoption and for FY2017, no option or share has been awarded to any participant, which, in aggregate, represent five percent (5%) or more of the aggregate number of options or new shares available under the Share-Based Incentive Plans and as such, no vesting of shares has taken place.

The primary objective of establishing the Share-Based Incentive Plans is to recognise and reward the directors and employees for their valuable contributions to the growth and success of the Group as well as to retain employees whose services are vital to our success in order to achieve greater growth in the Group. Eligible participants (the "Participants") under the Share-Based Incentive Plans will have the opportunity to participate in the equity of the Company, thereby aligning the interests of the Participants with the interests of the Company and shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

Under the Starburst Share Option Scheme, a Participant will be granted the right to subscribe for shares (the "Options"). An Option represents the right of the Participant to receive fully paid shares upon payment of the Exercise Price (as defined and determined under the Starburst Share Option Scheme) within the Exercise Period (as defined in the Starburst Share Option Scheme). The Exercise Price and Exercise Period shall be determined by the Administration Committee in its absolute discretion in accordance with the Starburst Share Option Scheme. Participants will only be rewarded in the event that the market value of a share is greater than the Exercise Price, thereby motivating Participants toward improving the market value of the shares.

The Starburst Performance Share Plan aims to promote higher performance goals, and recognise and reward the contributions made by employees. The Starburst Performance Share Plan contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met (the "Awards"). The Company believes that the Starburst Performance Share Plan will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals.

Under the Starburst Performance Share Plan, the size of the Award granted to a Participant will be determined based on, amongst others, his rank, job performance, potential for future development and his contribution to the success and development of the Group as determined by the Administration Committee prior to the date of grant. The performance period here is a forward-looking period for which performance conditions and targets are set and measured over the performance period. The final Award is determined by the performance achievement over the performance period. Awards may comprise fully paid shares, cash or a combination of fully paid shares and cash. The performance period, vesting period and other conditions will be determined by the Administration Committee administering the Starburst Performance Share Plan.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides directors on a quarterly basis, with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates. The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

The AC reports to the Board on the financial results announcements for review and approval. The Board approves the financial results announcements after review and authorises the release of the financial results announcements to SGX-ST and the public. The Company also uploads latest announcement(s) which has been disseminated via SGXNET on its website www.starburst.net.sg.

### Risk Management and Internal Controls

*Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and to evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational and compliance controls, information technology and risk management policies and systems established by Management. This ensures that such system is sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding shareholders' interests and the Group's assets. The Group currently does not have a formal risk management committee but the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. The Board is ultimately responsible for the Group's risk management. The Group's financial risk management objectives and policies are discussed further in note 4 to the financial statements.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

For FY2017, the Board had received assurances from the Managing Director and Chief Financial Officer that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- the Company's risk management and internal control systems are adequate and effective.

Based on the review, work done by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks, IT, risk management systems or significant business risks are adequate and effective.

## Audit Committee ("AC")

*Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The duties and functions of the AC include the following:

(i) assist the Board in the discharge of its responsibilities on financial and reporting matters;

(ii) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of audits compiled by internal and external auditors;

(iii) review the quarterly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

(iv) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, reviewing the assistance given by management to the independent auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the independent auditors may wish to discuss without the presence of management where necessary;

(v) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

(vi) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(vii) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(viii) review significant financial reporting issues and judgments with the Chief Financial Officer and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;

(ix) to review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the financial controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

(x) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

(xi) review any potential conflicts of interest;

(xii) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(xiii) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of AC;

(xiv) review and establish procedures for receipt, retention and treatment of complaints received by the Group, amongst others, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

(xv) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC comprises three members, all of whom are non-executive, independent directors. The members of the AC are:

— Mr. Gan Lai Chiang (Chairman)

— Mr. Gopal Perumal

— Mr. Tan Teng Wee

The Board believes that the AC is appropriately qualified to discharge their duties and responsibilities. The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any director or key executive to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The executive directors and key executives were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC met up with the external and internal auditors without the presence of Management in FY2017. The external auditors were also invited to be present at AC meetings, as and when required, held during the year to, *inter alia*, answer or clarify any matter on accounting and auditing or internal controls.

The fee paid to the external auditors, Deloitte & Touche LLP for audit and non-audit services for FY2017 was S$108,000 and S$9,200 (excluding disbursements and GST) respectively. The AC is of the opinion that the independence and objectivity of the external auditors have not been affected based on the amount of non-audit fees paid in FY2017.

The financial statements of the Company and its subsidiaries are audited by Deloitte & Touche LLP. Starburst Engineering (M) Sdn. Bhd., a dormant subsidiary, is audited by Teh & Associates (JB) Chartered Accountants. The AC and the Board are of the view that the audit firms are adequately resourced, of appropriate standing within the international affiliation, have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company and that the Company has complied with Rule 712 and Rule 715 of the Catalist Rules of the SGX-ST.

The AC has recommended to the Board the re-appointment of Deloitte & Touche LLP as external auditors of the Company at the forthcoming AGM of the Company to be held on 26 April 2018.

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly via email to a dedicated email account which will direct the report to the Independent and Non-Executive Directors, or AC Chairman (in case of management conflict of interest). A Special Committee of board of directors of the Company will direct an independent investigation to be conducted or complaint when received in writing or via email. The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility.

For FY2017, the Board has assessed and reviewed, together with the assistance of NC, and of the view that the members of the AC are appropriately qualified to discharge their responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. In addition, the member of the AC has relevant accounting and related financial management expertise, experience and knowledge. The AC chairman is a fellow member of the Institute of Singapore Chartered Accountants and also a fellow member of CPA Australia. The AC is updated annually by management, Company's sponsor and external auditors on any changes in Singapore Financial Reporting Standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statement.

## Internal Audit

*Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The AC relies on reports from the Management and the external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto. For FY2017, the AC had received assurance from the MD and the Chief Financial Officer acknowledging their responsibility on:

— The maintenance of proper accounting and other records and an adequate system of internal accounting controls;

— Preparation of financial information which is in their opinion, presented a true and fair view of the Group's operation and finances, in all material aspect and was in accordance with Singapore's Financial Reporting Standards; and

— The design, implementation and operation and effectiveness of accounting and internal control systems that are design to prevent and detect fraud and errors.

Currently, the Group has outsourced its internal audit function to Nexia TS Risk Advisory Pte. Ltd. (the "IA") which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The IA has unfettered access to all the Company, documents, records, properties, and personnel, individually access to the AC. The work undertaken by the IA, are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, includes the auditing of the Group's system of internal financial, operational and compliance controls over its key operations and is staffed with persons with relevant qualifications and experience. The IA will report their audit findings and recommendations directly to the AC. The internal audit plan, findings and recommendations drawn up by the IA are reviewed and approved by the AC.

The AC reviews the adequacy and effectiveness of the internal audit function and is satisfied that the IA is independent and has the sufficient assistance from the Management to perform their functions effectively.

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

*Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of the shareholders' rights, and continually review and update such governance arrangements.*

*Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

*Principle 16: Companies should encourage shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information are communicated to our shareholders via:

— annual reports – The Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules; and

— SGXNET and press releases on major developments of the Group.

SGXNET disclosures and press releases of the Group are also available on the Company's website at www.starburst.net.sg. The Company holds quarterly briefings on its results announcements a business day after the results announcement are published via SGXNET. The Company also publishes them on its website – www.starburst.net.sg. Once the annual report for FY2017 is completed, a copy will be made available on the website and published via SGXNET.

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial period will make an appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNET.

The Board has recommended a first and final tax-exempt (one-tier) dividend of S$0.0025 per ordinary share for FY2017 for the shareholders' approval at the forthcoming AGM.

The Company encourages shareholders to participate actively in general meeting. At the forthcoming AGM, shareholders will be given the equitable opportunity to air their views and ask directors or Management questions regarding the Company and the Group. There will be separate resolutions on each substantially separate issue. Notices of AGM will be sent together with the annual reports, released on SGXNET and on the Company's website as well as published in the newspapers to inform shareholders of upcoming meetings.

The Board, Management and the external auditors will also be present to address any relevant queries the shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and the minutes of AGM will be made available to shareholders upon their request.

Under the existing Constitution of the Company, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. The Company allows a shareholder who is a relevant intermediary (as defined in Section 181(6) of the Companies Act) to appoint more than 2 proxies to attend and vote in his stead at the forthcoming AGM.

At the forthcoming AGM, pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll, and their detailed results will be announced via SGXNET after the conclusion of the AGM.

## (E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group. The Company will also send a notification via email to notify all its officers and employees a day prior to the close of window for trading of the Company's securities.

Directors and employees of the Company are reminded not to deal in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities & Futures Act, Chapter 289 of Singapore.

The internal code on dealings in securities also makes clear that it is an offence to deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

(i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and

(ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant results of the Company.

## (F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There was no IPT for FY2017 and the Company also does not have any IPT Mandate which is subject to shareholders' approval at the forthcoming AGM.

## (G) UTILISATION OF PROCEEDS

On 15 June 2016, the Company issued 62,500,000 warrants at an exercise price of S$0.25 for each new share. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company. 1,739,300 warrants have been exercised as at 31 December 2017. The proceeds arising from the exercise of 1,739,300 warrants was approximately S$435,000. The Company has not utilised the proceeds.

## (H) MATERIAL CONTRACTS

Save for the service agreements entered with the executive directors and the sale and purchase agreements entered into in relation to the restructuring exercise as disclosed in the Offer Document, there were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any directors or controlling shareholders for the financial year ended 31 December 2017.

## (I) NON-SPONSORSHIP FEES

There was no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited, during the financial year under review.

# FINANCIAL REPORT


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# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 50 to 111 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Edward Lim Chin Wah

Yap Tin Foo

Gan Lai Chiang

Gopal Perumal

Tan Teng Wee

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

| Name of director and Company in which interests are held | Shareholdings registered in name of director | |
|---|---|---|
| | At beginning of year | At end of year |
| | Ordinary shares | |
| The Company | | |
| Edward Lim Chin Wah | 100,413,800 | 90,133,800 |
| Yap Tin Foo | 100,080,000 | 85,180,000 |
| Gan Lai Chiang | — | 10,000 |
| Gopal Perumal | 20,000 | 20,000 |

The directors' interests in the shares of the Company at January 21, 2018 were the same at December 31, 2017.

## 4 WARRANTS

On June 15, 2016, the Company issued 62,500,000 warrants pursuant to a renounceable non-underwritten rights issue on the basis of one warrant for every four existing ordinary shares held in the capital of the Company. On June 17, 2016, the warrants were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of S$0.25 for each new share.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

| Date of issue | Warrants issued | Warrants exercised | Warrants outstanding | Date of expiry |
|---|---|---|---|---|
| June 15, 2016 | 62,500,000 | 1,739,300 | 60,760,700 | June 14, 2021 |

| Name of director in which interests are held | Warrantholdings registered in name of director | |
|---|---|---|
| | At beginning of year | At end of year |
| Edward Lim Chin Wah | 25,019,750 | 13,019,750 |
| Yap Tin Foo | 25,020,000 | 11,020,000 |

The directors' interests in the warrants of the Company at January 21, 2018 were the same at December 31, 2017.

## 5 OPTIONS AND SHARE AWARDS

### (a) Options to take up unissued shares

During the financial year, no share awards were granted and no options to take up unissued shares of the Company or any corporation in the Group were granted.

### (b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option or vesting of a share award to take up unissued shares.

### (c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options or share awards.

## 6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent directors, is chaired by Mr. Gan Lai Chiang, an independent director, and includes Mr. Gopal Perumal, an independent director and Mr. Tan Teng Wee, an independent director. The Audit Committee has met four times since the last Annual General Meeting ("AGM"), and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) The Group's financial and operating results and accounting policies;

c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditor's report on those financial statements;

d) The quarterly, half yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) The co-operation and assistance given by the management to the Group's external and internal auditors; and

f) The re-appointment of the external and internal auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**Edward Lim Chin Wah**
*Chairman and Executive Director*

**Yap Tin Foo**
*Managing Director*

Singapore
March 16, 2018

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF STARBURST HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of Starburst Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 111.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition of contracts work-in-progress

The Group recognises contract revenue and costs using the percentage of completion ("POC") method. The POC is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of costs incurred for the work performed to date, relative to the projected total costs to completion approved by management.

Significant judgement is required to estimate the projected total costs to completion which include estimation for variation works and any other claims from contractors. When it is probable that total costs exceed total contract revenue, management records the expected loss as an expense in the period in which they are incurred. Any changes to the projected total costs to completion will impact the POC, resulting in an impact to the revenue recognised as well as potential foreseeable loss.

The accounting policy for revenue recognition for contract work-in-progress is disclosed in Note 2 and the amount of revenue recognised based on POC and provision for foreseeable loss are disclosed in Notes 21 and 9 respectively.

Our audit performed and responses thereon

We have performed the following procedures:

- Obtained an understanding and evaluated the design and implementation of the relevant controls that addressed the significant risks associated with revenue recognition;
- Performed substantive tests of details on a sampling basis for the costs incurred during the reporting period and checked that costs incurred were recorded in the correct accounting period;
- Obtained an understanding of the cost budgeting process by management;
- Obtained the projected total costs to completion and assessed the reasonableness of the estimates used by management, including on a sampling basis, agreed the estimates to the supporting documents and performed retrospective review on completed projects;
- Agreed the contract sum or any variation orders to the signed agreements; and
- Re-computed the stage of completion based on the costs incurred for work performed relative to the projected total costs to completion as approved by management and checked that the revenue was recognised based on the POC.

## Valuation of trade receivables

The valuation of trade receivables involves significant judgement by management as recoverability may be subject to overall progress of the projects. Management evaluates the recoverability of trade receivables taking into consideration payment trends, ageing, and status of the project.

Details of trade receivables are disclosed in Note 8.

Our audit performed and responses thereon

We have performed the following procedures:

- Obtained an understanding and evaluated the design and implementation of relevant controls relating to the valuation of trade receivables;
- Obtained and reviewed management's assessment of impairment of receivables;
- Reviewed the appropriateness of the Group's allowance as estimated by management; and
- Reviewed the appropriateness of the disclosures on the assumptions and basis for estimating the allowance for trade receivables in the financial statements.

## Valuation of inventories

The Group has inventories of $2,042,000 as at December 31, 2017. The Group purchases inventory customised for use on certain projects. As a result, the valuation of any excess inventory is subject to valuation estimation which requires significant management judgement since these inventories may not be suitable for use on other projects. Management evaluates the valuation of inventory based on ageing analysis, condition of the inventory, taking into consideration similar projects in which the inventory can be utilised.

Details of inventories are disclosed in Note 10.

Our audit performed and responses thereon

We have performed the following procedures:

- Obtained an understanding and evaluated the design and implementation of relevant controls relating to the valuation of inventories;
- Discussed with management on the appropriateness of the obsolescence policy for inventory;
- Attended and observed cycle inventory count and reviewed any reconciliation, including any significant adjustments;
- Obtained an understanding on nature and intended usage of the materials procured for the different types of projects and checked against the profitability to assess if any allowance is required; and
- Obtained and reviewed management's assessment of the estimate relating to calculation of inventory obsolescence.

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the other sections of the annual report ("Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Michael Ng Wee Kiat.

**Deloitte & Touche LLP**
*Public Accountants and*
*Chartered Accountants*

Singapore
March 16, 2018

# STATEMENTS OF FINANCIAL POSITION

December 31, 2017

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash on hand and at bank | 7 | **8,292** | 787 | **191** | 68 |
| Fixed deposits | 7 | **3,010** | — | **—** | — |
| Trade and other receivables | 8 | **5,221** | 10,110 | **4,089** | 5,854 |
| Contract work-in-progress | 9 | **1,561** | 3,761 | **—** | — |
| Inventories | 10 | **2,042** | 2,226 | **—** | — |
| Property held for sale | 11 | **—** | 6,935 | **—** | — |
| Total current assets | | **20,126** | 23,819 | **4,280** | 5,922 |
| **Non-current assets** | | | | | |
| Fixed deposits pledged | 7 | **2,394** | 2,077 | **—** | — |
| Prepayments | 8 | **977** | 1,022 | **—** | — |
| Investment in subsidiaries | 12 | **—** | — | **36,438** | 36,238 |
| Property, plant and equipment | 13 | **23,564** | 24,841 | **—** | — |
| Intangible assets | 14 | **450** | — | **—** | — |
| Total non-current assets | | **27,385** | 27,940 | **36,438** | 36,238 |
| **Total assets** | | **47,511** | 51,759 | **40,718** | 42,160 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank overdrafts and loans | 15 | **563** | 1,120 | **—** | — |
| Trade and other payables | 16 | **1,662** | 2,960 | **75** | 77 |
| Current portion of finance leases | 17 | **106** | 86 | **—** | — |
| Contract work-in-progress | 9 | **119** | 201 | **—** | — |
| Income tax payable | | **11** | 5 | **11** | 5 |
| Total current liabilities | | **2,461** | 4,372 | **86** | 82 |

See accompanying notes to financial statements.

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| **Non-current liabilities** | | | | | |
| Bank loans | 15 | **12,829** | 13,378 | **—** | — |
| Finance leases | 17 | **83** | 164 | **—** | — |
| Total non-current liabilities | | **12,912** | 13,542 | **—** | — |
| **Capital and reserves** | | | | | |
| Share capital | 18 | **41,005** | 40,570 | **41,005** | 40,570 |
| Treasury shares | 19 | **(1,658)** | — | **(1,658)** | — |
| Warrant reserve | 20 | **422** | 422 | **422** | 422 |
| Asset revaluation reserve | 20 | **—** | 6,042 | **—** | — |
| Currency translation reserve | | **1** | 2 | **—** | — |
| Merger reserve | 20 | **(25,438)** | (25,438) | **—** | — |
| Retained earnings | | **17,806** | 12,247 | **863** | 1,086 |
| Total equity | | **32,138** | 33,845 | **40,632** | 42,078 |
| **Total liabilities and equity** | | **47,511** | 51,759 | **40,718** | 42,160 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2017

| | Note | Group | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **$'000** | $'000 |
| **Revenue** | 21 | **15,876** | 18,301 |
| Other operating income | 22 | **118** | 440 |
| Project and production costs | 23 | **(7,731)** | (21,225) |
| Employee benefits expenses | | **(3,465)** | (3,526) |
| Depreciation expense | 13 | **(1,572)** | (1,696) |
| Other operating expenses | 24 | **(2,728)** | (2,680) |
| Finance costs | 25 | **(352)** | (328) |
| **Profit (Loss) before income tax** | | **146** | (10,714) |
| Income tax expense | 26 | **(7)** | (1,001) |
| **Profit (Loss) for the year** | 27 | **139** | (11,715) |
| **Other comprehensive income (net of tax):** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Loss on revaluation of property | | **—** | (107) |
| Reversal of deferred tax relating to the reclassification of property | | **—** | 931 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operation | | **(1)** | 1 |
| Other comprehensive (loss) income for the year, net of tax | | **(1)** | 825 |
| **Total comprehensive income (loss) for the year** | | **138** | (10,890) |
| **Basic earnings (loss) per share (cents)** | 29 | **0.06** | (4.69) |
| **Diluted earnings (loss) per share (cents)** | 29 | **0.05** | (4.69) |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

| | Share capital $'000 | Treasury shares $'000 | Warrant reserve $'000 | Asset revaluation reserve $'000 | Currency translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | |
| **Balance at January 1, 2016** | 40,570 | — | — | 5,218 | 1 | (25,438) | 26,462 | 46,813 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Issue of warrants net of transaction costs (Note 20) | — | — | 422 | — | — | — | — | 422 |
| Exercise of warrants (Note 18) | —* | — | — | — | — | — | — | —* |
| Dividend (Note 28) | — | — | — | — | — | — | (2,500) | (2,500) |
| Total | —* | — | 422 | — | — | — | (2,500) | (2,078) |
| Total comprehensive income for the year: | | | | | | | | |
| Loss for the year | — | — | — | — | — | — | (11,715) | (11,715) |
| Other comprehensive income | — | — | — | 824 | 1 | — | — | 825 |
| Total | — | — | — | 824 | 1 | — | (11,715) | (10,890) |
| **Balance at December 31, 2016** | 40,570 | — | 422 | 6,042 | 2 | (25,438) | 12,247 | 33,845 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

| | Share capital $'000 | Treasury shares $'000 | Warrant reserve $'000 | Asset revaluation reserve $'000 | Currency translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Group (cont'd) | | | | | | | | |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Repurchase of shares (Note 19) | — | **(1,658)** | — | — | — | — | — | **(1,658)** |
| Exercise of warrants (Note 18) | **435** | — | — | — | — | — | — | **435** |
| Dividends (Note 28) | — | — | — | — | — | — | **(622)** | **(622)** |
| Total | **435** | **(1,658)** | — | — | — | — | **(622)** | **(1,845)** |
| Total comprehensive income for the year: | | | | | | | | |
| Profit for the year | — | — | — | — | — | — | **139** | **139** |
| Other comprehensive loss | — | — | — | — | **(1)** | — | — | **(1)** |
| Transfer on sale of leasehold building | — | — | — | **(6,042)** | — | — | **6,042** | — |
| Total | — | — | — | **(6,042)** | **(1)** | — | **6,181** | **138** |
| **Balance at December 31, 2017** | **41,005** | **(1,658)** | **422** | — | **1** | **(25,438)** | **17,806** | **32,138** |

* This represents amount less than $1,000.

See accompanying notes to financial statements.

| | Share capital $'000 | Treasury shares $'000 | Warrant reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| Company | | | | | |
| **Balance at January 1, 2016** | 40,570 | — | — | 2,863 | 43,433 |
| Transactions with owners, recognised directly in equity | | | | | |
| Issue of warrants net of transaction costs (Note 20) | — | — | 422 | — | 422 |
| Exercise of warrants (Note 18) | —* | — | — | — | —* |
| Dividend (Note 28) | — | — | — | (2,500) | (2,500) |
| Total | —* | — | 422 | (2,500) | (2,078) |
| Profit for the year, representing total comprehensive income for the year | — | — | — | 723 | 723 |
| **Balance at December 31, 2016** | 40,570 | — | 422 | 1,086 | 42,078 |
| Transactions with owners, recognised directly in equity | | | | | |
| Repurchase of shares (Note 19) | **—** | **(1,658)** | **—** | **—** | **(1,658)** |
| Exercise of warrants (Note 18) | **435** | **—** | **—** | **—** | **435** |
| Dividend (Note 28) | **—** | **—** | **—** | **(622)** | **(622)** |
| Total | **435** | **(1,658)** | **—** | **(622)** | **(1,845)** |
| Profit for the year, representing total comprehensive income for the year | **—** | **—** | **—** | **399** | **399** |
| **Balance at December 31, 2017** | **41,005** | **(1,658)** | **422** | **863** | **40,632** |

* This represents amount less than $1,000.

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| **Operating activities** | | |
| Profit (Loss) before income tax | **146** | (10,714) |
| Adjustments for: | | |
| (Reversal of) Write-downs of inventories | **(507)** | 1,031 |
| Depreciation expense | **1,572** | 1,696 |
| Interest expense | **352** | 328 |
| Interest income | **(23)** | (14) |
| Write-off of property, plant and equipment | **2** | 1 |
| Provision for foreseeable losses | **—** | 670 |
| Revaluation loss on leasehold building | **—** | 161 |
| Amortisation of prepaid insurance | **45** | 45 |
| Gain on disposal of property, plant and equipment | **(7)** | (35) |
| Impairment loss on property held for sale | **—** | 93 |
| Allowance of doubtful trade receivables | **166** | — |
| Amortisation of intangible assets | **150** | — |
| Operating cash flows before working capital changes | **1,896** | (6,738) |
| Trade and other receivables | **4,726** | (4,115) |
| Inventories | **691** | 989 |
| Contract work-in-progress | **2,118** | 3,179 |
| Trade and other payables | **(1,298)** | 510 |
| Cash generated from (used in) operations | **8,133** | (6,175) |
| Income tax paid | **(1)** | (6) |
| Interest paid | **(352)** | (328) |
| Interest received | **20** | 17 |
| Net cash from (used in) operating activities | **7,800** | (6,492) |

See accompanying notes to financial statements.

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| **Investing activities** | | |
| (Increase) Decrease in fixed deposits (Note 7) | **(3,327)** | 2,159 |
| Purchase of property, plant and equipment (Note A) | **(257)** | (983) |
| Purchase of intangible assets | **(600)** | — |
| Proceeds from disposal of property held for sale | **6,935** | — |
| Proceeds from disposal of property, plant and equipment | **7** | 35 |
| Net cash from investing activities | **2,758** | 1,211 |
| **Financing activities** | | |
| Purchase of treasury shares | **(1,658)** | — |
| Proceeds from issuance of warrants, net of transaction costs | **—** | 422 |
| Repayment of finance lease | **(101)** | (86) |
| Proceeds from exercise of warrants | **435** | — |
| Repayment of bank loans | **(607)** | (644) |
| Dividend paid | **(622)** | (2,500) |
| Net cash used in financing activities | **(2,553)** | (2,808) |
| Net increase (decrease) in cash and cash equivalents | **8,005** | (8,089) |
| Cash and cash equivalents at beginning of year | **288** | 8,376 |
| Effect of foreign exchange rate charges on the balance of cash held in foreign currencies | **(1)** | 1 |
| **Cash and cash equivalents at end of year (Note 7)** | **8,292** | 288 |

Note A

In 2017, the Group acquired property, plant and equipment amounting an amount of $297,000 of which $40,000 was financed by hire-purchase arrangement (Note 17).

See accompanying notes to financial statements.

## 1 GENERAL

The Company (Registration Number 201329079E) was incorporated in Singapore with its principal place of business and registered office at 6 Tuas View Circuit, Singapore 637599. The Company is listed on the Catalist Board of Singapore Exchange Securities Trading Limited. The consolidated financial statements are expressed in Singapore dollars, which is also the functional currency of the Company.

The principal activities of the Company are those of investment holding and provision of management services.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2017 were authorised for issue by the Board of Directors on March 16, 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payments, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**BASIS OF ACCOUNTING *(Continued)***

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On January 1, 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

**ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018** - In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 *(Continued)***

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below).

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

- SFRS(I) 9 Financial Instruments[1]
- SFRS(I) 15 Revenue from Contracts with Customers (with clarifications issued)[1]
- SFRS(I) 16 Leases[2]

1 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
2 Applies to annual periods beginning on or after January 1, 2019, with early application permitted if SFRS(I) 15 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 *(Continued)***

*SFRS(I) 9 Financial Instruments*

SFRS(I) 9 was issued in December 2017, and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9 that are relevant to the Group:

In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Consequently, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management evaluated the potential effect of the above change based on the existing profile of financial instruments and the expected credit loss model will result in a change in timing and basis of estimating doubtful debts. Historically, the Group has low incidence of bad debt and future change to the expected credit risk model is not expected to have a significant effect on operating results.

*SFRS(I) 15 Revenue from Contracts with Customers*

In December 2017, SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 *(Continued)***

*SFRS(I) 15 Revenue from Contracts with Customers (Continued)*

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

With regards to revenue from construction contracts and maintenance services, management has preliminarily assessed that revenue from construction contracts should be recognised over time and that the method used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under SFRS(I) 15.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 *(Continued)***

*SFRS(I) 16 Leases*

SFRS(I) 16 was issued in December 2017 and will supersede FRS 17 Leases and its associated interpretative guidance. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the application of SFRS(I) 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Accordingly, operating leases disclosed in Note 30 may be recorded in the Statement of Financial Position.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**BASIS OF CONSOLIDATION *(Continued)***

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Investments in subsidiaries are stated at cost less any impairment in net recoverable value that has been recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

### Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**FINANCIAL INSTRUMENTS *(Continued)***

### Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**FINANCIAL INSTRUMENTS *(Continued)***

### Financial liabilities and equity instruments *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Treasury shares

When the Company purchase its own equity share capital, the consideration paid, including any directly attributable costs, is recognised as 'Treasury shares' within equity. When the treasury shares are subsequently disposed, the realised gains or losses on disposal of the treasury shares are recognised in equity.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**FINANCIAL INSTRUMENTS *(Continued)***

### Financial liabilities and equity instruments *(Continued)*

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

**CONTRACT WORK-IN-PROGRESS** - Where the outcome of a contract work-in-progress can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract work cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**NON-CURRENT ASSETS HELD FOR SALE** - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a first in, first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**INTANGIBLE ASSETS** - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

**PROPERTY, PLANT AND EQUIPMENT** - Leasehold building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such leasehold building is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such leasehold building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment (except for revalued leasehold building as disclosed above) are carried at cost less accumulated depreciation and any impairment losses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**PROPERTY, PLANT AND EQUIPMENT *(Continued)***

Depreciation is charged so as to write off the cost over their estimated useful lives using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Office equipment | — | 3 years |
| Plant and machinery | — | 5 years |
| Motor vehicles | — | 5 years |
| Furniture and fittings | — | 3 years |
| Computers | — | 3 years |
| Renovation | — | 5 years |
| Leasehold building | — | over the remaining lease period of 41 years |

Depreciation on revalued leasehold building is charged to profit or loss. On subsequent sale or retirement of a revalued leasehold building, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable.

Contract revenue

Contract revenue is recognised by reference to the stage of completion of the contract which is stated in Note 2 to the consolidated financial statements.

Maintenance service revenue

Revenue from maintenance services is recognised upon the completion of the services rendered.

Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

**FOREIGN CURRENCY TRANSACTIONS** - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (i) Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements apart from those involving estimates which are dealt with below.

### (ii) Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of inventories

The Group purchases inventory customised for use on certain projects. As a result, the valuation of any excess inventory is subject to valuation estimation which requires significant management judgement since these inventories may not be suitable for use on other projects. Management evaluates the valuation of inventory based on ageing analysis, condition of the inventory, taking into consideration similar projects in which the inventory can be utilised. The carrying amount of the Group's inventories is disclosed in Note 10 to the consolidated financial statements.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

### (ii) Key sources of estimation uncertainties *(Continued)*

Valuation of trade receivables

The valuation of trade receivables involves significant judgement by management as recoverability may be subject to overall progress of the project. Management evaluates the recoverability of trade receivables taking into consideration payment trends, ageing, and status of the project. The carrying amounts of the Group's and the Company's trade receivables are disclosed in Note 8 to the consolidated financial statements.

Revenue recognition

Revenue and costs arising from contract are recognised using the percentage of completion method determined by reference to the stage of completion of the contract activity at the end of each reporting period. Management exercises considerable judgement in estimating the projected total costs to completion, including post completion warranty cost and the likely amounts at which additional claims from subcontractors or additional claims to the main contractor would eventually be settled. Total revenue recognised based on percentage of completion amounted to $7,815,000 (2016: $12,849,000).

Provision for foreseeable loss

Management records a provision for foreseeable loss when it is probable that total costs for a contract exceed total contract revenue. The carrying amounts of contract work-in-progress stated in Note 9 to the consolidated financial statements have been determined by management after considering the latest available information relating to individual contracts.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and bank balances) | **18,424** | 12,307 | **4,264** | 5,918 |
| **Financial liabilities** | | | | |
| Amortised cost | **15,243** | 17,708 | **75** | 77 |

### (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

### (c) Financial risk management policies and objectives

The Group is exposed to various financial risks arising in the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

There has been no change to the Group's exposure to these financial risks or the manners in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including United States dollar, United Arab Emirates dirhams, Qatari riyal, and Kuwait dinar and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| United States dollar | **345** | 162 | **14** | 492 |
| United Arab Emirates dirham | **41** | 329 | **—** | — |
| Qatari riyal | **652** | 4,938 | **10** | — |
| Kuwait dinar | **166** | 177 | **—** | — |
| Euros | **160** | — | **133** | — |
| Malaysian ringgit | **—** | — | **96** | — |

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

(i) Foreign exchange risk management *(Continued)*

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, profit (2016: loss) will increase (decrease) by approximately:

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| United States dollar | **17** | 17 |
| United Arab Emirates dirham | **2** | (16) |
| Qatari riyal | **32** | (247) |
| Kuwait dinar | **8** | (9) |
| Euros | **1** | — |
| Malaysian ringgit | **(5)** | — |

The impact will be vice-versa if the relevant foreign currencies weaken by 5% against the functional currency of each Group entity.

(ii) Interest rate risk management

The Group is exposed to interest rate risk arising from changes in interest rates for interest-earning cash balances and fixed deposits and interest-bearing debts.

The interest rates for bank overdrafts and bank loans are disclosed in Note 15 to the consolidated financial statements. No hedging has been taken by the Group for borrowings which bear floating interest rates.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

(ii) Interest rate risk management *(Continued)*

*Interest rate sensitivity*

The sensitivity analyses below have been determined on the exposure to interest rates for the Group's bank overdrafts and bank loans throughout the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of possible change in interest rates.

If interest rates increase/decrease by 100 basis points with all other variables held constant, the Group's profit (2016: loss) for the year would have been lower (2016: higher)/higher (2016: lower) by approximately $134,000 (2016: $145,000) respectively as a result of higher (2016: lower) interest expense on floating rate bank borrowings.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables. Cash and cash equivalents are placed with reputable financial institutions.

The carrying amount of financial assets recorded in the consolidated financial statements, which are net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Note 8 to the consolidated financial statements.

At the end of the reporting period, the Group has a certain concentration of credit risk as about 46% (2016: 64%) of the total trade and other receivables were due from the Group's 3 (2016: 3) largest customers.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

(iv) Liquidity risk management

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage this risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

The Group also utilises loans from financial institutions for working capital purposes. The Group has uncommitted credit line of approximately $8,265,000 (2016: $5,501,000) which is unutilised as at the end of the reporting period.

*Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statements of financial position.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

(iv) Liquidity risk management *(Continued)*

*Non-derivative financial liabilities (Continued)*

| | Weighted average effective interest rate % | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Adjustment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2017** | | | | | | |
| Non-interest bearing | | **1,662** | **—** | **—** | **—** | **1,662** |
| Variable interest rate instruments | **3.57** | **1,040** | **4,266** | **13,174** | **(5,088)** | **13,392** |
| Finance lease liability (fixed rate) | **3.84** | **118** | **94** | **—** | **(23)** | **189** |
| | | **2,820** | **4,360** | **13,174** | **(5,111)** | **15,243** |
| **2016** | | | | | | |
| Non-interest bearing | — | 2,960 | — | — | — | 2,960 |
| Variable interest rate instruments | 3.91 | 1,428 | 4,237 | 14,296 | (5,463) | 14,498 |
| Finance lease liability (fixed rate) | 3.72 | 97 | 186 | — | (33) | 250 |
| | | 4,485 | 4,423 | 14,296 | (5,496) | 17,708 |

All financial liabilities of the Company are on demand or due within one year.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(CONTINUED)*

### (c) Financial risk management policies and objectives *(Continued)*

(iv) Liquidity risk management *(Continued)*

*Non-derivative financial assets*

All financial assets of the Group are on demand or due within one year except for retention trade receivables of $701,000 (2016: $2,425,000) and the pledged fixed deposits of $2,394,000 (2016: $2,077,000) which are due within 2 to 5 years.

All the financial assets and liabilities of the Company are on demand or due within one year.

(v) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

### (d) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Notes 15 and 17, issued capital and retained earnings. The Group is required to maintain specified gearing ratio in order to comply with covenants in loan agreements with banks.

The Group's overall strategy remains unchanged from the preceding year.

## 5 RELATED COMPANY TRANSACTIONS

Related companies in these consolidated financial statements refer to the subsidiaries of the Company. There are transactions and arrangements with the subsidiaries in the Group and the effect of these on the basis determined between the parties is reflected in these consolidated financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless stated otherwise. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are therefore not disclosed in this note.

## 6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these consolidated financial statements. Balances are unsecured, interest-free and repayable on demand unless otherwise stated.

### Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Short-term benefits | **2,406** | 2,649 |
| Post-employment benefits | **73** | 79 |
| | **2,479** | 2,728 |

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 7 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Fixed deposits | **5,404** | 2,077 | **—** | — |
| Cash on hand and at bank | **8,292** | 787 | **191** | 68 |
| | **13,696** | 2,864 | **191** | 68 |
| Less: Fixed deposits pledged (non-current)^ | **(2,394)** | (2,077) | **—** | — |
| Less: Bank overdrafts (Note 15) | **—** | (499) | **—** | — |
| Less: Fixed deposits with maturity date that is more than 3 months from the end of the reporting period | **(3,010)** | — | **—** | — |
| Cash and cash equivalents in the consolidated statement of cash flows | **8,292** | 288 | **191** | 68 |

Fixed deposits bear interest at an average effective interest rate of 0.42% (2016: 0.32%) per annum and for a weighted average tenure of approximately 248 days (2016: 325 days).

^ The fixed deposits are pledged to a bank to secure banking facilities for the Group (Note 15).

## 8 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Unbilled revenue | **397** | 781 | **—** | — |
| Retention sum receivables | **701** | 2,425 | **—** | — |
| Trade receivables from outside parties | **3,557** | 6,011 | **—** | — |
| Allowance for doubtful debts | **(172)** | (6) | **—** | — |
| | **4,483** | 9,211 | **—** | — |
| Prepayment^ | **1,470** | 1,689 | **16** | 4 |
| Amount owing by subsidiaries – non-trade | **—** | — | **4,073** | 5,850 |
| Other receivables | **194** | 174 | **—** | — |
| Deposits | **51** | 58 | **—** | — |
| | **6,198** | 11,132 | **4,089** | 5,854 |
| Less: Prepayment (non-current) | **(977)** | (1,022) | **—** | — |
| Trade and other receivables (current) | **5,221** | 10,110 | **4,089** | 5,854 |

^ An amount of $1,022,000 (2016: $1,067,000) relates to life insurance policy premium for certain directors which are pledged to secure bank facilities (Note 15).

In 2016, included in trade receivables from outside parties were amount of $2,752,000 which were backed by letters of credit from banks.

The credit period on trade receivables ranges from 30 to 90 days (2016: 30 to 90 days). No interest is charged on the overdue trade receivables. Allowance for doubtful debts are recognised against trade receivables based on irrecoverable amounts, determined by reference to past default experience.

As at December 31, 2017, the Group has retention monies held by customers for contract work totalling $701,000 (2016: $2,425,000) that is due for settlement after more than 12 months. These amounts have been classified as current because they are expected to be realised in the normal operating cycle.

## 8 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The table below is an analysis of trade receivables as at December 31:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not past due and not impaired | **3,550** | 7,057 | **4,073** | 5,850 |
| Past due but not impaired [(i)] | **933** | 2,154 | **—** | — |
| | **4,483** | 9,211 | **4,073** | 5850 |
| Impaired receivables - individually assessed [(ii)] | | | | |
| – Past due more than 12 months and no response to repayment demands | **172** | 6 | **—** | — |
| Less: Allowance for impairment | **(172)** | (6) | **—** | — |
| | **—** | — | **—** | — |
| Total trade receivables, net | **4,483** | 9,211 | **4,073** | 5,850 |

(i) Aging of receivables that are past due but not impaired

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| < 3 months | **241** | 1,903 | **—** | — |
| 3 months to 6 months | **296** | — | **—** | — |
| > 6 months | **396** | 251 | **—** | — |
| Total | **933** | 2,154 | **—** | — |

(ii) These amounts are stated before any deduction for impairment losses.

## 8 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Included in the Group's trade and other receivables balance are debtors with a carrying amount of $933,000 (2016: $2,154,000) which are past due at the end of the reporting period for which the Group has not made any allowance as there has not been a significant change in credit quality and these amounts, including those not past due and not impaired, are considered recoverable.

Movements in allowances for doubtful trade receivables were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Balance at beginning year | **6** | 6 | **—** | — |
| Charged to profit and loss | **166** | — | **—** | — |
| Balance at end of year | **172** | 6 | **—** | — |

## 9 CONTRACT WORK-IN-PROGRESS

Contracts in progress at end of the reporting period:

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Amounts due from contract customers | **1,561** | 3,761 |
| Amounts due to contract customers | **(119)** | (201) |
| | **1,442** | 3,560 |

## 9 CONTRACT WORK-IN-PROGRESS *(CONTINUED)*

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Breakdown of amounts due from contract customers: | | |
| Contract costs incurred plus recognised profits less recognised losses to date | **12,084** | 48,545 |
| Less: Progress billings | **(10,523)** | (44,114) |
| Less: Provision for foreseeable losses | **—** | (670) |
| | **1,561** | 3,761 |

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Breakdown of amounts due to contract customers: | | |
| Contract costs incurred plus recognised profits less recognised losses to date | **10,087** | 18 |
| Less: Progress billings | **(10,206)** | (219) |
| | **(119)** | (201) |

## 10 INVENTORIES

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Materials | **2,042** | 2,226 |

The cost of inventories recognised as an expense includes a credit of $507,000 (2016: an expense of $1,031,000) in respect of the reversal of write-downs (2016: write-downs) of inventories to net realisable value.

## 11 PROPERTY HELD FOR SALE

In 2016, the Group entered into a non-cancellable agreement with a third party to sell the property situated at 6 Tuas West Street, Singapore 637442, for a consideration of $6,935,000 (net of estimated transaction costs). Accordingly, the carrying amount of the property, had been classified as held for sale. The property was used for the Group's operations as a whole and not specific to any segment of the Group. The transaction was completed on March 10, 2017.

## 12 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Unquoted equity shares, at cost | **30,638** | 30,438 |
| Deemed investment | **5,800** | 5,800 |
| | **36,438** | 36,238 |

Deemed investment represents advances to a subsidiary which was reclassified as deemed capital investment in Starburst Engineering Pte Ltd.

## 12 INVESTMENT IN SUBSIDIARIES *(CONTINUED)*

| Name of subsidiaries | Country of incorporation/ operation | Proportion of ownership interest and voting power held | | Principal activity |
|---|---|---|---|---|
| | | **2017** | 2016 | |
| | | **%** | % | |
| Starburst Engineering Pte Ltd[1] | Singapore | **100** | 100 | Manufacturing of ordinary accessories, training, protection and containment system; and building construction including major upgrading works |
| Starburst Engineering (M) Sdn. Bhd. [2] | Malaysia | **100** | 100 | Dormant |
| Starburst Security Engineering Pte. Ltd.[1][3] | Singapore | **100** | — | Provision of security services and installation of fire protection and security alarm systems |

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Teh & Associates (JB) Chartered Accountants.

(3) Newly incorporated during the year

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Office equipment $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Furniture and fittings $'000 | Computers $'000 | Renovation $'000 | Leasehold buildings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Cost or valuation:** | | | | | | | | |
| At January 1, 2016 | 33 | 2,560 | 1,616 | 27 | 345 | — | 30,955 | 35,536 |
| Additions | 165 | 276 | — | 197 | 60 | 285 | — | 983 |
| Disposals | — | (92) | — | — | — | — | — | (92) |
| Write-off | (1) | (8) | — | — | (5) | — | — | (14) |
| Revaluation | — | — | — | — | — | — | (1,055) | (1,055) |
| Reclassified as held for sale | — | — | — | — | — | — | (7,900) | (7,900) |
| At December 31, 2016 | 197 | 2,736 | 1,616 | 224 | 400 | 285 | 22,000 | 27,458 |
| Additions | **6** | **59** | **175** | **6** | **51** | **—** | **—** | **297** |
| Disposals | **—** | **(154)** | **(47)** | **(3)** | **—** | **—** | **—** | **(204)** |
| Write-off | **(1)** | **(4)** | **—** | **—** | **(6)** | **—** | **—** | **(11)** |
| Revaluation | **—** | **—** | **—** | **—** | **—** | **—** | **(536)** | **(536)** |
| At December 31, 2017 | **202** | **2,637** | **1,744** | **227** | **445** | **285** | **21,464** | **27,004** |
| **Comprising:** | | | | | | | | |
| At December 31, 2016 | | | | | | | | |
| At cost | 197 | 2,736 | 1,616 | 224 | 400 | 285 | — | 5,458 |
| At valuation | — | — | — | — | — | — | 22,000 | 22,000 |
| | 197 | 2,736 | 1,616 | 224 | 400 | 285 | 22,000 | 27,458 |
| At December 31, 2017 | | | | | | | | |
| At cost | **202** | **2,637** | **1,744** | **227** | **445** | **285** | **—** | **5,540** |
| At valuation | **—** | **—** | **—** | **—** | **—** | **—** | **21,464** | **21,464** |
| | **202** | **2,637** | **1,744** | **227** | **445** | **285** | **21,464** | **27,004** |

## 13 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

| | Office equipment $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Furniture and fittings $'000 | Computers $'000 | Renovation $'000 | Leasehold buildings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group (cont'd)** | | | | | | | | |
| **Accumulated depreciation:** | | | | | | | | |
| At January 1, 2016 | 16 | 820 | 682 | 19 | 221 | — | 927 | 2,685 |
| Depreciation | 33 | 472 | 304 | 43 | 79 | 33 | 732 | 1,696 |
| Disposal | — | (92) | — | — | — | — | — | (92) |
| Write-off | (1) | (7) | — | — | (5) | — | — | (13) |
| Revaluation | — | — | — | — | — | — | (787) | (787) |
| Reclassified as held for sale | — | — | — | — | — | — | (872) | (872) |
| At December 31, 2016 | 48 | 1,193 | 986 | 62 | 295 | 33 | — | 2,617 |
| Depreciation | **63** | **475** | **303** | **70** | **68** | **57** | **536** | **1,572** |
| Disposal | **—** | **(154)** | **(47)** | **(3)** | **—** | **—** | **—** | **(204)** |
| Write-off | **(1)** | **(2)** | **—** | **—** | **(6)** | **—** | **—** | **(9)** |
| Revaluation | **—** | **—** | **—** | **—** | **—** | **—** | **(536)** | **(536)** |
| At December 31, 2017 | **110** | **1,512** | **1,242** | **129** | **357** | **90** | **—** | **3,440** |
| **Carrying amount:** | | | | | | | | |
| At December 31, 2017 | **92** | **1,125** | **502** | **98** | **88** | **195** | **21,464** | **23,564** |
| At December 31, 2016 | 149 | 1,543 | 630 | 162 | 105 | 252 | 22,000 | 24,841 |

Carrying amount of assets that would have been included in the consolidated financial statements had the assets been carried at cost less depreciation:

| | Office equipment $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Furniture and fittings $'000 | Computers $'000 | Renovation $'000 | Leasehold buildings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group (cont'd)** | | | | | | | | |
| At December 31, 2017 | **92** | **1,125** | **502** | **98** | **88** | **195** | **21,625** | **23,725** |
| At December 31, 2016 | 149 | 1,543 | 630 | 162 | 105 | 252 | 22,162 | 25,003 |

## 13 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Leasehold building is located at 6 Tuas View Circuit, Singapore 637599 with an unexpired leasehold tenure of approximately 41 years (2016: 42 years). The fair value of the leasehold building is $21,500,000 (2016: the leasehold building is $22,000,000) based on valuations provided by independent valuers who have appropriate professional qualification. The valuations were based on the open market value, by reference to market evidence of recent transactions for broadly similar properties after taking into consideration differences including the different remaining lease terms for these comparable properties and investment method.

Management has not adjusted the carrying amount of the leasehold building to its fair value as at December 31, 2017 as the fair value gain has been deemed insignificant by management.

In 2016, management had recognised a revaluation loss of $161,000 as part of other operating expenses to adjust the leasehold building to its fair value as at December 31, 2016.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's leasehold buildings are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation as follows:

1) An increase in the transacted price of broadly similar properties will lead to an increase in the fair value of the leasehold buildings.

2) A decrease in the lease term of the land will lead to a decrease in the fair value of the leasehold buildings.

3) An increase in the capitalisation rate will lead to a decrease in the fair value of the leasehold buildings.

## 13 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at December 31, 2017 and 2016:

| Description | **Fair value at December 31, 2017 $'000** | **Valuation technique(s)** | **Significant unobservable input(s)** | **Range $** |
|---|---|---|---|---|
| 6 Tuas View Circuit Singapore 637599 | **21,500** | **Direct comparison method** | **price per square meter** | **1,661 to 2,881** |
| | | **Investment method** | **annual capitalisation rate** | **5.5%** |

| Description | Fair value at December 31, 2016 $'000 | Valuation technique(s) | Significant unobservable input(s) | Range $ |
|---|---|---|---|---|
| 6 Tuas View Circuit Singapore 637599 | 22,000 | Direct comparison method | price per square meter | 1,648 to 7,243 |
| | | Investment method | annual capitalisation rate | 5.5% |

Management has assessed and classified the Group's leasehold buildings as Level 3 of the fair value hierarchy for 2017 and 2016.

The Group has motor vehicles with carrying amounts of $86,000 (2016: $120,000) under finance leases (Note 17).

The leasehold building is mortgaged to a bank to secure a bank loan (Note 15).

## 14 INTANGIBLE ASSETS

| | Customer list |
|---|---|
| | $'000 |
| **Group** | |
| **Cost:** | |
| At January 1, 2016, December 31, 2016 | — |
| **Addition during the year** | **600** |
| **At December 31, 2017** | **600** |
| **Amortisation:** | |
| At January 1, 2016, December 31, 2016 | — |
| **Amortisation for the year** | **(150)** |
| **At December 31, 2017** | **(150)** |
| **Carrying Amount** | |
| **At December 31, 2017** | **450** |
| At December 31, 2016 | — |

On June 6, 2017, the Group through its wholly-owned subsidiary entered into an agreement with a company which a director has significant influence, to acquire a customer list with a 2 year anti-competition clause for a consideration of $600,000. The consideration is amortised over the estimated useful life of 2 years. The remaining useful life as at December 31, 2017 is 1.5 years.

## 15 BANK OVERDRAFTS AND LOANS

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Secured - at amortised cost | | |
| Bank overdrafts | **—** | 499 |
| Bank loans | **13,392** | 13,999 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(563)** | (1,120) |
| Amount due for settlement after 12 months | **12,829** | 13,378 |

The Group's bank loans of $13,392,000 (2016: $13,999,000) bear floating interest ranging from 1.68% to 3.97% (2016: 1.68% to 3.97%) per annum. They are repayable in 240 monthly instalments from May 2015.

The average effective interest rates were as follows:

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **%** | % |
| Bank overdrafts | **—** | 5.75 |
| Bank loans | **3.84** | 3.84 |

The bank loans are secured on the Group's:

(1) The first legal mortgage of the leasehold building at 6 Tuas View Circuit (Note 13);

(2) Fixed deposits of not less than $2,061,000 (Note 7);

(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 certain directors (Note 8); and

(4) A corporate guarantee from the Company.

Management is of the view that the fair values of the bank loans approximate their carrying amounts.

## 15 BANK OVERDRAFTS AND LOANS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | January 1, 2017 $'000 | **Financing cash flows (i) $'000** | **New finance leases (Note 17) $'000** | **December 31, 2017 $'000** |
|---|---|---|---|---|
| Bank Loans (Note 15) | 13,999 | **(607)** | **—** | **13,392** |
| Finance leases (Note 17) | 250 | **(101)** | **40** | **189** |
| | 14,249 | **(708)** | **40** | **13,581** |

(i) The cash flows make up the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows.

## 16 TRADE AND OTHER PAYABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017 $'000** | 2016 $'000 | **2017 $'000** | 2016 $'000 |
| Retention payables | **—** | 104 | **—** | — |
| Trade payables due to outside parties | **126** | 811 | **—** | — |
| | **126** | 915 | **—** | — |
| Other payables | **298** | 317 | **17** | 28 |
| Accrued expenses | **1,238** | 1,728 | **58** | 49 |
| | **1,662** | 2,960 | **75** | 77 |

The credit period on trade payables ranges from 30 to 60 days (2016: 30 to 60 days).

Trade payables principally comprise amounts outstanding for trade purchases and ongoing project costs.

## 17 FINANCE LEASES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **118** | 97 | **106** | 86 |
| In the second to fifth years inclusive | **94** | 186 | **83** | 164 |
| | **212** | 283 | **189** | 250 |
| Less: Future finance charges | **(23)** | (33) | **—** | — |
| Present value of lease obligations | **189** | 250 | **189** | 250 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(106)** | (86) |
| Amount due for settlement after 12 months | | | **83** | 164 |

It is the Group's policy to lease motor vehicles under finance leases. The average lease term is 5 years (2016: 7 years). For the year ended December 31, 2017, the average effective borrowing rate was 3.84% (2016: 3.72%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

## 18 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Number of shares ('000)** | | **$'000** | $'000 |
| Issued and fully paid: | | | | |
| At beginning of year | **250,002** | 250,000 | **40,570** | 40,570 |
| Exercise of warrants | **1,737** | 2 | **435** | —* |
| At end of year | **251,739** | 250,002 | **41,005** | 40,570 |

* This represents amount less than $1,000.

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

## 19 TREASURY SHARES

| | Group and Company | | | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **Number of shares ('000)** | | **$'000** | $'000 |
| At the beginning of the year | **—** | — | **—** | — |
| Repurchased during the year | **4,869** | — | **1,658** | — |
| At the end of the year | **4,869** | — | **1,658** | — |

The Company acquired 4,869,200 of its own shares through purchases on the Singapore Exchange during the year. The amount paid to acquire the shares was $1,658,306 and is presented as a deduction from shareholders' equity. The shares are held as 'treasury shares'.

The Company intends to either reissue these shares to the market at an appropriate time or to employees who exercise their options under the Starburst Employee Share Option Scheme.

## 20 RESERVES

### Warrant reserve

During the financial year ended December 31, 2016, the Company issued 62,500,000 of warrants at an issue price of $0.01 for each warrant. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the capital of the Company at the exercise price of $0.25 for each new share. The warrant reserve represents the gross proceeds from the issuance of warrants, net of direct issuance costs.

### Asset revaluation reserve

The property revaluation reserve arises on the revaluation of building. Where revalued building is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The revaluation reserve is not available for distribution to the Company's shareholders.

Movement in asset revaluation reserve arising on the property held for sale (Note 11):

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Balance at beginning of year | **6,042** | 5,218 |
| Revaluation changes during the year recognised in other comprehensive income | **—** | (107) |
| Related income tax | **—** | 931 |
| Transfer to retained earnings pertaining to disposal | **(6,042)** | — |
| Balance at end of year | **—** | 6,042 |

### Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date when they were acquired by the Company and the nominal amount of the share capital issued as consideration for the acquisition using the principles of merger accounting applicable to entities under common control.

## 21 REVENUE

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Contract revenue | **4,884** | 8,730 |
| Maintenance services and others | **10,992** | 9,571 |
| | **15,876** | 18,301 |

The Group has total revenue recognised based on percentage of completion of $7,815,000 (2016: $12,849,000).

## 22 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Net foreign exchange gain | **—** | 295 |
| Interest income | **23** | 14 |
| Gain on disposal of property, plant and equipment | **7** | 35 |
| Others | **88** | 96 |
| | **118** | 440 |

## 23 PROJECT AND PRODUCTION COSTS

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Materials costs | **1,753** | 2,610 |
| Fabrication costs | **2,945** | 3,292 |
| Sub-contracting costs | **2,213** | 10,664 |
| Provision for foreseeable losses | **—** | 670 |
| (Reversal of) Write-downs of inventories | **(507)** | 1,031 |
| Other costs | **1,327** | 2,958 |
| | **7,731** | 21,225 |

Other costs include site equipment rental charges, project expendables, freight and handling charges, project related travelling costs and project consultant fees.

## 24 OTHER OPERATING EXPENSES

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Net foreign exchange loss | **114** | — |
| Professional fees | **862** | 846 |
| Rental expense | **388** | 505 |
| Sales and marketing expenses | **364** | 401 |
| Revaluation loss on leasehold building | **—** | 161 |
| Allowance of doubtful trade receivables | **166** | — |
| Amortisation of intangible asset | **150** | — |
| Others | **684** | 767 |
| | **2,728** | 2,680 |

## 25 FINANCE COSTS

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Interest on bank overdrafts and loans | **340** | 314 |
| Letter of credit interest | **—** | 3 |
| Interest on finance leases | **12** | 11 |
| | **352** | 328 |

## 26 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Current tax | **10** | 5 |
| Adjustments recognised in the current year in relation to the current tax of prior years | **(3)** | (2) |
| Deferred tax | **—** | 998 |
| | **7** | 1,001 |

## 26 INCOME TAX EXPENSE *(CONTINUED)*

The income tax is calculated at 17% (2016: 17%) of the estimated assessable profit (loss) for the year. The total charge for the year can be reconciled to the accounting profit (loss) as follows:

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Profit (Loss) before income tax | **146** | (10,714) |
| Income tax expense (benefit) at statutory rate of 17% | **25** | (1,821) |
| Effect of non-deductible expenses | **520** | 63 |
| Tax concession | **(20)** | (1,239) |
| Effect of previously recognised and unused tax losses and tax offsets now derecognised from deferred tax assets | **—** | 1,059 |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets | **27** | 3,007 |
| Effect of utilisation of deferred tax benefits previously not recognised | **(541)** | — |
| Overprovision in prior years | **(3)** | (2) |
| Others | **(1)** | (66) |
| Total income tax expense for the year | **7** | 1,001 |

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses and capital allowances of $12.9 million (2016: $17.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The realisation of the future income tax benefits from tax losses carried forward are available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 27 PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Costs of inventories recognised as expense | **1,753** | 2,610 |
| Directors' remuneration – of the Company | **1,088** | 1,091 |
| Employee benefits expense (inclusive of directors' remuneration) | **3,723** | 3,526 |
| Cost of defined contribution plans included in employee benefit expense | **272** | 244 |
| Audit fees: | | |
| - paid to auditors of the Company | **108** | 85 |
| - paid to other auditors | **- *** | - * |
| Non-audit fees: | | |
| - paid to auditors of the Company | **9** | 9 |
| (Reversal of)/Write-down of inventories | **(507)** | 1,031 |
| Revaluation loss on leasehold building | **—** | 161 |
| Depreciation expense | **1,572** | 1,696 |
| Amortisation of prepaid insurance | **45** | 45 |
| Amortisation of intangible asset | **150** | — |
| Allowance of doubtful trade receivables | **166** | — |

* This represents amount less than $1,000.

## 28 DIVIDEND

During the financial year, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per ordinary share amounting to $622,000 in respect of the financial year ended December 31, 2016.

In the financial year 2016, the Company declared and paid a final one-tier tax exempt dividend of $0.01 per ordinary share amounting to $2,500,000 in respect of the financial year ended December 31, 2015.

Subsequent to the financial year, the Company proposed a final one-tier tax exempt dividend of 0.25 cents per ordinary share amounting to approximately $617,000 in respect of the financial year ended December 31, 2017. This dividend is subject to approval by shareholders at the Annual General Meeting and it has not been included as a liability for the current financial year in accordance with *FRS 10 – Events After The Reporting Period*.

## 29 EARNINGS (LOSS) PER SHARE

The calculation of the earning (loss) per share attributable to ordinary equity holders of the Company is based on the following data:

| | **2017** | 2016 |
|---|---|---|
| | **$'000** | $'000 |
| Profit (Loss) for the purpose of basic and diluted earnings (loss) per share attributable to owners of the Company | **139** | (11,715) |

| | **2017** | 2016 |
|---|---|---|
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share | **248,154** | 250,001 |
| Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share | **264,641** | 250,001 |

In 2016, the warrants that were outstanding did not have a dilutive effect as the average market price of the ordinary shares during the period does not exceed the exercise price of the warrants. There were no other potential dilutive equity instruments for 2016.

In 2017, the warrants that are outstanding have a dilutive effect as the average market price of the ordinary shares during the period exceeds the exercise price of the warrants.

## 30 OPERATING LEASE ARRANGEMENTS

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Minimum lease payments under operating lease included in the profit or loss | **388** | 505 |

At the end of the reporting period, the outstanding commitments in respect of operating leases for the rental of office premises and residential premises were as follows:

| | Group | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Within 1 year | **256** | 303 |
| In the second to fifth years inclusive | **478** | 555 |
| After five years | **689** | 4,609 |
| | **1,423** | 5,467 |

Leases are negotiated for a term ranging from 1 to 43 years and rentals are fixed for a period ranging from 1 to 2 years.

## 31 SEGMENT BUSINESS INFORMATION

The Group operates in two principal geographical areas - Southeast Asia and Middle East.

The Group is organised into three principal business segments namely the firearm shooting ranges, tactical training mock-ups and maintenance services and others.

The firearm shooting ranges business segment pertains to the design, fabrication and installation of firearm shooting ranges for military and law enforcement organisations. This includes the design, fabrication and installation of indoor, outdoor and modular live-firing ranges as well as close quarters battle house and method of entry training facilities.

The tactical training mock-ups business segment pertains to design, fabrication and installation live-firearm and non-live-firearm, full sized tactical training mock-ups which simulate specific training scenarios, including rescue and evacuation operations, aviation, maritime and other counter terrorism operations and sniper operations.

## 31 SEGMENT BUSINESS INFORMATION *(CONTINUED)*

The maintenance services and other business segment provide maintenance services for completed firearm shooting ranges and tactical training mock-ups; and design, supply and/or fabricate steel struts and steel beams for temporary or permanent structural and architectural steel works on an ad hoc basis. Additionally, the Group designs, constructs and installs ballistic protection and security systems for various facilities, including high-security detention facilities.

### (a) Analysis by Business Segments

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

| | Revenue | | Net profit (loss) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Firearm shooting range | **4,884** | 8,730 | **1,470** | 3,068 |
| Maintenance services and others* | **10,992** | 9,571 | **6,675** | (5,992) |
| Total | **15,876** | 18,301 | **8,145** | (2,924) |
| Other operating income | | | **118** | 440 |
| Other operating expenses | | | **(7,765)** | (7,902) |
| Profit (Loss) from operations | | | **498** | (10,386) |
| Finance costs | | | **(352)** | (328) |
| Profit (Loss) before income tax | | | **146** | (10,714) |
| Income tax expense | | | **(7)** | (1,001) |
| Total | | | **139** | (11,715) |

* Included reversal of write-downs of inventories of $507,000 (2016: write-downs of $1,031,000) and provision for foreseeable loss of $Nil (2016: $670,000).

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in 2017 and 2016.

## 31 SEGMENT BUSINESS INFORMATION *(CONTINUED)*

### (b) Analysis by Geographical Segments

Segment revenue: Segment revenue is analysed based on the location of customers regardless of where the goods are produced.

Segment assets: Segment assets (non-current assets) are analysed based on the location of those assets.

| | Revenue | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Southeast Asia | **13,479** | 9,911 |
| Middle East | **2,397** | 8,390 |
| | **15,876** | 18,301 |

| | Non-current assets | |
|---|---|---|
| | **2017** | 2016 |
| | **$'000** | $'000 |
| Southeast Asia | **27,369** | 27,908 |
| Middle East | **16** | 32 |
| | **27,385** | 27,940 |

Information about major customers

Included in revenues arising from the firearm shooting range segment of $4,884,000 (2016: $8,730,000) were revenue of $4,297,000 (2016: $8,219,000) which arose from services rendered to the Group's two largest customers (2016: Group's two largest customers).

# STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | S$41,004,622 |
| Number of issued shares (excluding treasury shares and subsidiary holdings) | : | 246,892,225 |
| Number of treasury shares held | : | 4,869,200 |
| Number of subsidiary holdings held | : | nil |
| Class of shares | : | ordinary shares |
| Voting rights | : | one vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

As at 15 March 2018

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 75 | 8.02 | 596 | 0.00 |
| 100 – 1,000 | 48 | 5.13 | 29,270 | 0.01 |
| 1,001 – 10,000 | 404 | 43.21 | 2,539,100 | 1.03 |
| 10,001 – 1,000,000 | 393 | 42.03 | 32,002,762 | 12.96 |
| 1,000,001 and above | 15 | 1.61 | 212,320,497 | 86.00 |
| **TOTAL** | 935 | 100.00 | 246,892,225 | 100.00 |

Based on information available to the Company as at 15 March 2018, 28.99% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual, Section B: Catalist Rules of the Singapore Exchange Securities Trading Limited is complied with.

The Company holds 4,869,200 treasury shares as at 15 March 2018, representing 1.97% of the total number of issued ordinary shares excluding treasury shares and subsidiary holdings.

## TWENTY LARGEST SHAREHOLDERS

As at 15 March 2018

| | NAME OF SHAREHOLDERS | NO. OF SHARES | % |
|---|---|---|---|
| 1 | EDWARD LIM CHIN WAH | 90,113,800 | 36.50 |
| 2 | YAP TIN FOO | 85,180,000 | 34.50 |
| 3 | RHB SECURITIES SINGAPORE PTE. LTD. | 12,659,100 | 5.13 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 4,111,712 | 1.67 |
| 5 | OPTIMUS CAPITAL INTERNATIONAL LIMITED | 3,450,000 | 1.40 |
| 6 | TAN KIM SENG | 2,607,200 | 1.06 |
| 7 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,397,400 | 0.97 |
| 8 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 1,881,600 | 0.76 |
| 9 | TANG CHONG SIM | 1,725,400 | 0.70 |
| 10 | PHILLIP SECURITIES PTE LTD | 1,658,800 | 0.67 |
| 11 | OCBC SECURITIES PRIVATE LIMITED | 1,605,700 | 0.65 |
| 12 | UOB KAY HIAN PRIVATE LIMITED | 1,362,700 | 0.55 |
| 13 | LEOW CHIN YEE | 1,320,000 | 0.53 |
| 14 | RAFFLES NOMINEES (PTE) LIMITED | 1,198,450 | 0.49 |
| 15 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 1,048,635 | 0.42 |
| 16 | SNG SIEW LIN | 1,000,000 | 0.41 |
| 17 | SNG THIAM HOCK | 1,000,000 | 0.41 |
| 18 | CHUA CHOON KIAT (CAI JUNJIE) | 820,000 | 0.33 |
| 19 | HSBC (SINGAPORE) NOMINEES PTE LTD | 728,200 | 0.29 |
| 20 | CHOW MUN YIN | 650,000 | 0.26 |
| **TOTAL** | | 216,518,697 | 87.70 |

## SUBSTANTIAL SHAREHOLDERS

As at 15 March 2018

| NAME OF SHAREHOLDERS | DIRECT INTEREST | % |
|---|---|---|
| EDWARD LIM CHIN WAH | 90,113,800 | 36.50% |
| YAP TIN FOO | 85,180,000 | 34.50% |

# STATISTICS OF WARRANTHOLDINGS

As at 15 March 2018

## DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS

As at 15 March 2018

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 – 99 | 3 | 1.23 | 150 | 0.00 |
| 100 – 1,000 | 16 | 6.53 | 13,425 | 0.02 |
| 1,001 – 10,000 | 119 | 48.57 | 579,351 | 0.96 |
| 10,001 – 1,000,000 | 97 | 39.59 | 6,099,550 | 10.04 |
| 1,000,001 and above | 10 | 4.08 | 54,046,099 | 88.98 |
| **TOTAL** | 245 | 100.00 | 60,738,575 | 100.00 |

## TWENTY LARGEST WARRANTHOLDERS

As at 15 March 2018

| | NAME OF WARRANTHOLDERS | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | RHB SECURITIES SINGAPORE PTE. LTD. | 18,721,000 | 30.82 |
| 2 | EDWARD LIM CHIN WAH | 13,019,750 | 21.44 |
| 3 | YAP TIN FOO | 11,020,000 | 18.14 |
| 4 | UOB KAY HIAN PRIVATE LIMITED | 3,295,200 | 5.43 |
| 5 | LEOW CHIN YEE | 1,984,100 | 3.27 |
| 6 | SOEHASONO | 1,300,000 | 2.14 |
| 7 | TANG CHONG SIM | 1,283,349 | 2.11 |
| 8 | DIANA SNG SIEW KHIM | 1,201,400 | 1.98 |
| 9 | SEAH KHENG LUN | 1,172,900 | 1.93 |
| 10 | CHUA CHAI TIANG | 1,048,400 | 1.73 |
| 11 | TAN KIM SENG | 460,750 | 0.76 |
| 12 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 426,100 | 0.70 |
| 13 | SNG SIEW LIN | 275,800 | 0.45 |
| 14 | SNG THIAM HOCK | 275,800 | 0.45 |
| 15 | DAVID LIM HEE BOON | 261,000 | 0.43 |
| 16 | DBS NOMINEES (PRIVATE) LIMITED | 232,000 | 0.38 |
| 17 | KONG YOKE CHUN | 208,600 | 0.34 |
| 18 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 199,400 | 0.33 |
| 19 | TAN PANG KOK | 186,475 | 0.31 |
| 20 | WONG SOOK ENG | 162,125 | 0.27 |
| **TOTAL** | | 56,734,149 | 93.41 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **STARBURST HOLDINGS LIMITED** will be held at Chart Room, Level 2, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Thursday, 26 April 2018 at 10.00 a.m., to transact the following businesses:

## ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon.

   **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of S$0.0025 per ordinary share for the financial year ended 31 December 2017.

   **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Regulation 93 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Mr. Yap Tin Foo **(Resolution 3)**

   Mr. Tan Teng Wee **(Resolution 4)**

   *The detailed information of the above mentioned directors as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 can be found under the section entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report.*

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$160,000 for the financial year ending 31 December 2018, payable quarterly in arrears.

   [See Explanatory Note (ii)] **(Resolution 5)**

5. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

   **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50 (the "Companies Act") and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

(a) (i) allot and issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

8. Authority to allot and issue shares under the Starburst Employee Share Option Scheme (the "Share Option Scheme")

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Scheme provided always that the aggregate number of new shares to be allotted and issued pursuant to the Share Option Scheme, Starburst Performance Share Plan, and all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company shall not exceed fifteen per centum (15%) of the total number of issued share (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time, as determined in accordance with the provisions of the Share Option Scheme.

[See Explanatory Note (iv)] **(Resolution 8)**

9. Authority to allot and issue shares under the Starburst Performance Share Plan

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Starburst Performance Share Plan and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Starburst Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the Starburst Performance Share Plan, when added to (i) the number of shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under the Share Option Scheme, all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the day preceding the relevant date of the award.

[See Explanatory Note (v)] **(Resolution 9)**

10. Proposed Renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares ("Shares") in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST") transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the directors of the Company as they consider fit, such scheme satisfying all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held;

(ii) the date on which the purchase or acquisition of Shares have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;

(c) in this Resolution:-

"Prescribed Limit" means the number of Shares representing 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of passing of this Resolution, unless the Company has reduced its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares as altered (excluding treasury shares and subsidiary holdings);

"Relevant Period" means the period commencing from the date of the passing of this Resolution and expiring on the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price, where:

"Average Closing Price" is the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-market day period;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (vi)] **(Resolution 10)**

**By Order of the Board**

**Wu Guangyi**
**Kenneth Leong**
*Company Secretaries*

Singapore
11 April 2018

EXPLANATORY NOTES:

(i) Mr. Yap Tin Foo, upon re-election as a Director of the Company, will remain as Managing Director.

Mr. Tan Teng Wee, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees, and the Board of Directors (save for Mr. Tan Teng Wee) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

(ii) Ordinary Resolution 5, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2018 in which the fees are incurred which is payable quarterly in arrears.

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company pursuant to the Starburst Employee Share Option Scheme which was approved at the Extraordinary General Meeting of the Company on 28 May 2014. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

(v) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Starburst Performance Share Plan in accordance with the provisions of the Starburst Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Starburst Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the Starburst Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the Starburst Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

(vi) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company, during the period commencing from the date on which the Ordinary Resolution 10 is passed and expiring on the earliest of the date on which the next Annual General Meeting is held or is required by law to be held, the date on which the purchase of shares has been carried out to the full extent of the mandate or the date the said mandate is revoked or varied by the Company in a general meeting, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in Ordinary Resolution 10.

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of shares by the Company pursuant to the Share Purchase Mandate is set out in greater detail in the Appendix dated 11 April 2018 to the Annual Report.

## NOTICE OF BOOKS CLOSURE AND PAYMENT DATE FOR DIVIDEND

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 4 May 2018 for the purpose of determining Members' entitlements to the proposed first and final dividend of S$0.0025 per ordinary share for the financial year ended 31 December 2017 ("Proposed Dividend").

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 4 May 2018 will be registered to determine shareholders' entitlements to the Proposed Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with the Company's shares at 5.00 p.m. on 4 May 2018 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by members at the Annual General Meeting to be held on 26 April 2018, will be paid on 15 May 2018.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("**Meeting**") of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Tuas View Circuit, Singapore 637599 not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.

## PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**IMPORTANT**

A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**STARBURST HOLDINGS LIMITED**
(Company Registration No: 201329079E)
(Incorporated in the Republic of Singapore)

# PROXY FORM
## ANNUAL GENERAL MEETING

*I/We _____(Name)

_____(NRIC/Passport No./Company Registration No.)

of _____(Address)

being *a Member/Members of Starburst Holdings Limited (the "Company") hereby appoint:

| Name | Address | NRIC/ Passport No. | Proportion of shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

*and/or (delete as appropriate)

| | | | | |
|---|---|---|---|---|
| | | | | |

or failing *him/her, the Chairman of the Annual General Meeting (the "Meeting") of the Company as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Meeting of the Company, to be held at Chart Room, Level 2, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Thursday, 26 April 2018 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting.

**(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)**

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| **ORDINARY BUSINESS** | | | |
| 1 | To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon. | | |
| 2 | To approve a first and final tax exempt (one-tier) dividend of S$0.0025 per ordinary share for the financial year ended 31 December 2017. | | |
| 3 | To re-elect Mr. Yap Tin Foo as a Director. | | |
| 4 | To re-elect Mr. Tan Teng Wee as a Director. | | |
| 5 | To approve of Directors' fees of S$160,000 for the financial year ending 31 December 2018, payable quarterly in arrears. | | |
| 6 | To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| **SPECIAL BUSINESS** | | | |
| 7 | To authorise Directors to allot and issue new shares. | | |
| 8 | To authorise Directors to allot and issue shares pursuant to the Starburst Employee Share Option Scheme. | | |
| 9 | To authorise Directors to allot and issue shares pursuant to the Starburst Performance Share Plan. | | |
| 10 | To approve the Proposed Renewal of the Share Purchase Mandate. | | |

Dated this _____day of _____2018

| Total number of Shares in | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_____

Signature(s) of Member(s)/Common Seal

* *Delete accordingly*

**IMPORTANT: PLEASE READ NOTES ON THE REVERSE**

**NOTES:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Such proxy need not be a member of the Company.

3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Tuas View Circuit, Singapore 637599 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Cap. 50.

**GENERAL:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STARBURST

MODERN FIREARMS-TRAINING FACILITIES

Address: 6 Tuas View Circuit Singapore 637599

Website: http://www.starburst.net.sg