



STARBURST HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 28 October 2013)

(Company Registration No.: 201329079E)

RESPONSES TO SGX QUERIES ON THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

The Board of Directors (the “**Board**”) of Starburst Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the following responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 20 August 2021 in relation to the Company’s unaudited condensed interim financial statements for the financial period ended 30 June 2021 (“**HY2021**”).

SGX Query 1:

The Group has current trade and other receivables balance of S\$4.1m and non-current trade and other receivables balance of S\$2.9m. Please disclose:

- (i) the nature and breakdown of the Group’s current other receivables as well as non-current other receivables;
- (ii) aging of the Group’s current and non-current trade and other receivables balances;
- (iii) the Board’s assessment of the recoverability of the current and non-current trade and other receivables balances.

Company’s Response:

- (i) The Group’s current and non-current other receivables comprised mainly of prepayment (advance payment to suppliers and life insurance policy premium for certain directors), deposits (project guarantee deposits, utility and rental deposits), grant receivables and other receivables. These were all items that were similarly disclosed in the prior year’s audited financial statements.

Breakdown of the Group’s current and non-current other receivables

	30 June 2021	31 December 2020
	\$’000	\$’000
<u>Current</u>		
Prepayment	1,469	772
Deposits	202	56
Grant receivables	6	76
Other receivables	63	326
	<u>1,740</u>	<u>1,230</u>
<u>Non-current</u>		
Prepayment	819	842
Deposits	2,005	775
Other receivables	83	177
	<u>2,907</u>	<u>1,794</u>

(ii) The aging of the Group's current trade and other receivables balances

	30 June 2021	31 December 2020
	\$'000	\$'000
Not past due	4,006	3,590
Past due less than 3 months	91	2,714
Past due more than 3 months	13	15
	<u>4,110</u>	<u>6,319</u>
Less: allowance for doubtful debts	(13)	(13)
	<u>4,097</u>	<u>6,306</u>

The aging of the Group's non-current trade and other receivables balances

	30 June 2021	31 December 2020
	\$'000	\$'000
After 1 year	2,132	870
Between 2 to 5 years	180	262
After 5 years	595	662
	<u>2,907</u>	<u>1,794</u>

- (iii) Pursuant to SFRS(I) 9 *Financial Instruments* and in determining the credit losses, the Management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The Board agrees with the Management's assessment on the recoverability of the current and non-current trade and other receivables balances. The Management has assessed that both current and non-current trade and other receivables have immaterial credit losses.

SGX Query 2:

Contract assets relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Please explain the increase in contract assets balances from S\$6.4m to S\$10.1m. Why is there a lag time in invoicing the customer such that the balances are recognized as contract assets instead of trade receivables?

Company's Response:

The increase in contract assets to S\$10.1m as at 30 June 2021 from S\$6.4m as at 31 December 2020 was mainly attributable to the commencement of a tactical training mock-up project and a firearm shooting range project in Southeast Asia, and a firearm shooting range project in the Middle East as the Group has performed works under these contracts. The contract assets will be transferred to trade receivables when the invoice is issued to the customer after receiving the certified progress claim from our customer.

SGX Query 3:

Please provide the reason(s) for trade and other payables of S\$2.7m and bank loans of S\$10.9m when the Group recorded a cash and cash equivalent of S\$10.1m as at 30 June 2021.

Company's Response:

The Group manages trade and other payables in conjunction with other working capital items such as trade and other receivables and inventories, to achieve an optimal working capital level for the Group. In part the cash position is held to ensure that there is sufficient funding to make good when those obligations do come due.

In the Company's latest Annual Report 2020, the Group has reported (in page 112 of the Annual Report 2020):

- a. A loan of \$5,000,000 obtained during FY2020 with a fixed interest rate of 2.75% per annum on monthly rests and for a tenure of 12 months.
- b. Bank loan of \$11,761,000 (2019: \$12,101,000) which bear floating interest of 1.68% (2019: 2.48%) per annum. They are repayable in 240 monthly instalments from May 2015.

(Collectively, the "**Bank Loans**")

The Bank Loans are secured on:

- (1) The first legal mortgage of the building at 6 Tuas View Circuit;
- (2) Fixed deposits of not less than \$2,061,000;
- (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; and
- (4) A corporate guarantee from the Company.

As seen above, the Bank Loans are secured and the interest rates are of a low-bearing nature, which have fixed term of repayment.

The loan proceeds from the Bank Loans are meant for the Group's working capital and the factory mortgage loan respectively. Since the Group has not reached the tenure of its loans, the loan repayments are of a commercial nature based on the Group's working capital management.

The Board with the help of Management carefully manages the Group's borrowing level to achieve an optimal capital structure by balancing various funding options available to it to achieve a reasonable cost of capital, taking into account various factors including borrowing costs, matching with project funding that may have impact to the balance sheet and/or profit and loss statement of the Group, as well as the Group's credit and liquidity risk profile.

BY ORDER OF THE BOARD

EDWARD LIM CHIN WAH
Executive Chairman

24 August 2021

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. David Yeong (Telephone: 65-6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.