

NEWS RELEASE

STARBURST ANNOUNCES RESULTS FOR FINANCIAL YEAR ENDED DECEMBER 31, 2018

- ***Healthy financial position with cash and bank balances of nearly S\$8.0 million and a debt-to-equity ratio of 0.50 time***
- ***Net loss attributable to shareholders of the Company at approximately S\$4.2 million in FY2018***
- ***Starburst to collaborate and strengthen partnerships for successful tenders, and work with relevant authorities to expand portfolio of maintenance service contracts and grow recurrent revenue base***
- ***Proposes final dividend of 0.25 Singapore cent per ordinary share***

Singapore, February 25, 2019 – Starburst Holdings Limited (“**Starburst**”, or the “**Company**” and together with its subsidiaries, the “**Group**”), a Singapore-based engineering group specialising in the design and engineering of firearms-training facilities, has recorded a revenue of approximately S\$7.2 million, and net loss attributable to shareholders of approximately S\$4.2 million for the financial year ended December 31, 2018 (“**FY2018**”). Comparatively, the Group’s revenue for the previous corresponding year (“**FY2017**”) was S\$15.9 million, while net profit attributable to shareholders was S\$0.1 million.

During the year under review, the Group worked to strengthen its partnerships with defence contractors, equipment suppliers and consultants, to collaborate in joint tenders to increase chances of success. In September 2018, Starburst announced that it had entered into a non-binding Memorandum of Understanding (the “**MOU**”) with an indirect wholly-owned Singapore subsidiary of a defence specialist company (“**Specialist**”) and Beijing CSSCA Technologies Co., Ltd (“**CSSCA**”) to collaborate on providing live-fire training solutions in China. By complementing each other’s respective strengths, Starburst, the Specialist and CSSCA hope to position themselves to better cater to the needs and requirements of customers and end-users.

Mr. Edward Lim Chin Wah (林清华), Executive Chairman of Starburst, said, “The year under review has been challenging in terms of operations as fewer projects were undertaken compared with the previous corresponding year. However, we take heart that with the signing of the MOU and the strengthening of our partnerships, this will enable us to better cater to the needs and requirements of customers and end-users as we tap into synergies and drive sustainable growth for the Group. At the same time, we strive to expand our portfolio of maintenance services contracts and grow our recurrent revenue base.”

Performance Review

During the year under review, Starburst’s revenue was mainly contributed by maintenance works and smaller ad hoc projects from existing customers in Southeast Asia and the Middle East. In comparison with the previous financial year, the Group’s revenue was generated from maintenance works and projects that comprised of installation works 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. Due to a decrease in projects, the Group’s revenue has decreased by approximately 55.0%, from S\$15.9 million in FY2017 to S\$7.2 million in FY2018.

The Group's project and production costs fell by approximately 44.2%, from S\$7.7 million in FY2017 to S\$4.3 million in FY2018, in line with the decreased revenue and lower material, sub-contractor and overhead costs in FY2018 as fewer projects were undertaken as compared to FY2017.

As a result of the decline in revenue, the Group's gross profit also decreased to S\$2.8 million in FY2018, from S\$8.1 million in the previous corresponding year. The gross profit margin declined from 51.3% in FY2017 to 39.7% for the year under review, mainly due to lesser projects which reduced the cost benefits from economies of scale.

Other operating income rose by approximately 50.0% to S\$177,000 in FY2018 from S\$118,000 in FY2017, mainly due to an increase in foreign exchange gains and grants received from various government agencies.

In FY2018, employee benefits expenses fell by approximately 6.6% to S\$3.2 million, primarily due to a reduction in headcount and no salary adjustment for the year. Other operating expenses decreased by approximately 19.5% to S\$2.1 million in FY2018, from S\$2.6 million in FY2017, primarily due to the decrease in allowance for doubtful debts and land rental, which is recognised as leasehold land in accordance with SFRS(I) 16 Leases¹.

As a result, the Group recorded a net loss to shareholders of approximately S\$4.2 million in FY2018.

The Group's balance sheet remains sound, with cash and bank balances totaling S\$8.0 million, and a low debt-to-equity ratio of 0.50 time as at December 31, 2018.

¹ While SFRS(I) 16 Leases is only effective for the financial year beginning on or after January 1, 2019, the Group has decided to undergo an early adoption

Dividend

The Board of Directors have recommended a tax exempt one-tier final dividend of 0.25 Singapore cent per ordinary share. The proposed dividend represents a dividend payout of approximately S\$0.6 million.

Mr. Lim commented, “While we incurred a loss during the year largely due to fewer projects undertaken, we remain committed to generating sustainable value for our investors in the years ahead. The proposed dividend recommended by the Board serves to reward shareholders for their steadfast support and to demonstrate the Board's confidence in Starburst's future prospects.”

Outlook

Heightened geopolitical tensions in the Middle East and North Korea are creating strong demand for military equipment, which is expected to be one of the key drivers of defence sector growth in the near term². Global defence expenditure had its fifth consecutive year of growth as it expanded 4.9% to reach a total of US\$1.78 trillion in 2018. Overall defence expenditure, for NATO countries, is predicted to exceed US\$1 trillion in 2019³.

² 2019 global aerospace and defense industry outlook – Deloitte, January 2019

³ NATO Members Drive Fastest Increase in Global Defence Spending for a Decade, Jane's by IHS Markit Reveals – IHS Markit, December 18, 2018

In Asia, countries like India, China and Japan have been increasing their defence budgets on the back of enduring security threats⁴. Closer to home, the Singapore government has revealed in the Singapore Budget 2019 that it is expected to spend about S\$22.7 billion, or about 30% of its total expenditure in 2019, on defence, security and diplomacy⁵. In the Middle East, defence spending is expected to recover as oil prices stabilize at much higher levels compared to the 2015–2017 period⁶. It was recently forecasted that the Gulf Cooperation Council member states, consisting of Saudi Arabia, UAE, Kuwait, Qatar, Bahrain and Oman will spend over US\$100 billion on their defence capabilities for the first time in 2019⁷.

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst, commented, “As we look forward into the new year, with geopolitical tensions showing no signs of abating, coupled with heightened threats of terrorism and extremism, we firmly believe that our expertise in matters relating to firearm training facilities remains in healthy demand with the relevant law-enforcement authorities. The flow of enquiries and requests for tenders from them remain strong and the Group has been actively responding to these requests and is pursuing opportunities in the design and engineering of customised training solutions for existing and potential customers. We anticipate the securing of new contracts in the upcoming year ahead.”

With a major portion of the Group’s business being project-based, the revenue contribution from the Group’s project-based business may vary from quarter to quarter, depending on the size and scope of the projects on hand and their completion schedules. The Group will also continue to focus on ensuring effective cost management of its projects and production costs to achieve a sustainable operating performance.

This press release should be read in conjunction with Starburst’s FY2018 results announcement released on February 25, 2019 on SGXNET.

⁴ 2019 global aerospace and defense industry outlook – Deloitte, January 2019

⁵ Budget 2019: 30% of Government expenditure to go towards defence, security and diplomacy – Channel NewsAsia, February 18, 2019

⁶ NATO Members Drive Fastest Increase in Global Defence Spending for a Decade, Jane’s by IHS Markit Reveals – IHS Markit, December 18, 2018

⁷ Gulf States’ Defence Spending to Hit Record High Amid Ongoing Regional Conflict, Jane’s by IHS Markit Says – IHS Markit, September 6, 2018

ABOUT STARBURST HOLDINGS LIMITED

Starburst is an engineering specialist which designs, fabricates, installs and maintains anti-ricochet ballistic protection systems for firearm shooting ranges and tactical training mock-ups. The Group's firearms-training facilities and tactical training mock-ups are utilised by law enforcement, military and security agencies as well as civil authorities in Southeast Asia and the Middle East. In addition, Starburst offers complete service and maintenance programmes to ensure that the completed firearm shooting ranges and tactical training mock-ups are kept in optimal operating conditions.

Starburst is one of the few companies operating primarily in Southeast Asia and the Middle East, which provides in-house integrated solutions in the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for firearms training facilities and tactical training mock-ups. With its established track record in the niche business of anti-ricochet ballistic protection systems for firearm shooting ranges and tactical training mock-ups, Starburst is able to meet the requirements of government agencies in its key markets. Starburst maintains close business relationships with key global players in the military training software and equipment markets, which also enables the Group to secure contracts in Southeast Asia and the Middle East.

In addition, Starburst has developed a proprietary line of anti-ricochet ballistic protection materials, including anti-ricochet plastic and rubber materials, under its "Searls" trademark. By using and supplying its proprietary line of anti-ricochet ballistic protection materials, Starburst is able to better manage and control costs and offer customised solutions to its customers.

For more information, please visit www.starburst.net.sg

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

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

ISSUED ON BEHALF OF	:	Starburst Holdings Limited
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 55 Market Street #02-01 SINGAPORE 048941
CONTACT	:	Ms Dolores Phua / Mr Aaron Ng at telephone
DURING/ OFFICE HOURS	:	6534-5122
EMAIL	:	dolores.phua@citigatedewerogerson.com aaron.ng@citigatedewerogerson.com

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