

NEWS RELEASE

STARBURST ANNOUNCES RESULTS FOR THE HALF YEAR ENDED JUNE 30, 2018

- *Enquiries and requests for tenders from law enforcement-related authorities remain strong and the Group is ready to seize the opportunities*
- *Healthy net working capital of S\$12.8 million with cash and bank balances of S\$8.0 million and debt-to-equity ratio of 0.49 time*
- *Net loss attributable to shareholders of the Company at approximately S\$2.6 million in HY2018*

Singapore, August 10, 2018 – 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\$3.1 million, and net loss attributable to shareholders of approximately S\$2.6 million for the half year ended June 30, 2018 (“**HY2018**”), as compared to a revenue of S\$10.0 million, and net profitable attributable to shareholders of S\$0.6 million in the previous corresponding period (“**HY2017**”).

As a result of the decline in revenue, the Group’s gross profit also decreased, from S\$4.6 million in HY2017 to S\$1.0 million in HY2018. The gross profit margin for HY2018 was 33.6% as compared to 45.8% in HY2017, a drop of 12.2 percentage points.

Mr. Edward Lim Chin Wah (林清华), Executive Chairman of Starburst said, “Amidst competitive market conditions, Starburst remains committed to secure more contracts in both the Southeast Asian and Middle Eastern markets. We are also working with the relevant authorities to expand the Group’s portfolio of maintenance service contracts and grow our recurrent revenue base.”

Performance Review

In HY2018, as Starburst’s revenue was mainly contributed by maintenance works, whereas in HY2017, its revenue comprised of installation work for a firearm shooting range project in Southeast Asia and a firearm shooting range project in the Middle East, the Marina One architectural steel project, and maintenance works. This contributed to a decrease in revenue, by approximately S\$6.9 million or 69.4% to S\$3.1 million in HY2018, from S\$10.0 million in HY2017.

The Group’s project and production costs also fell by S\$3.4 million or 62.6%, from S\$5.4 million in HY2017 to S\$2.0 million in HY2018, in line with the decreased revenue and primarily attributable to the decrease in material, sub-contractor and overhead costs in HY2018 as fewer projects were undertaken as compared to HY2017.

Other operating expenses decreased by approximately S\$0.1 million or 7.2%, from S\$1.3 million in HY2017 to S\$1.2 million in HY2018, primarily due to the decrease in land rental, which has been recognised as leasehold land in accordance with SFRS(I) 16 Leases. The Group has decided to undergo an early adoption of the SFRS(I) 16 Leases, which is effective for the financial year beginning on or after January 1, 2019. Employee benefits expenses decreased by approximately 10.2%, from S\$1.8 million in HY2017 to S\$1.6 million in HY2018.

Overall, the Group recorded a net loss to shareholders of approximately S\$2.6 million in HY2018.

The Group’s balance sheet remained sound, with net working capital of S\$12.8 million, cash and bank balances totalling S\$8.0 million as at June 30, 2018, and a debt-to-equity ratio of 0.49 time for the financial period.

Outlook

Over the horizon, geopolitical risks in troubled regions continue to run high. According to a conflict tracker of the Council on Foreign Relations, there is an aggravation of military strife in the Middle East and the Asia-Pacific region – mainly the war in Afghanistan, war in Yemen, conflict between Turkey and armed Kurdish groups, Rohingya crisis in Myanmar and the North Korea crisis¹. Closer to Singapore, metrics point to an increased terrorism threat, as well as increasing number of actual attacks, such as in Indonesia and the Philippines².

Against this backdrop of continued geopolitical tensions and economic uncertainties, it is estimated that global defence spending is anticipated to grow at a compound annual growth rate of about 3.0% over the 2017-2022 period, crossing the US\$2 trillion mark by 2022³. Military expenditure in the Asia-Pacific region is expected to increase from US\$456 billion in 2016 to US\$609 billion in 2022, an approximately 33% jump. Similarly, the Middle East's military budget is poised to increase from US\$162 billion in 2016 to US\$200 billion in 2022.

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst commented, “Enquiries and requests for tenders from law enforcement-related authorities remain strong in tandem with the continued high levels of terrorist threats and extremism. 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. However, the progress and final award of contracts are very much dependent on the timelines set by the various authorities and the Group is ready to seize the opportunities.

Starburst is also working to strengthen its partnerships with defence contractors, equipment suppliers and consultants to participate with them in joint tenders or collaborate with these parties if they are successful in tenders.”

¹ *Global Conflict Tracker – Council on Foreign Relations, July 12, 2018*

² *Singapore Terrorism Threat at Highest Since 9/11, Minister Says – Bloomberg, June 30, 2018*

³ *2018 Global Aerospace and Defence Industry Outlook – Deloitte, April 2018*

This press release should be read in conjunction with Starburst's HY2018 results announcement released on August 10, 2018 on SGXNET.

ABOUT STARBURST HOLDINGS LIMITED

Starburst is an engineering specialist in a niche industry, and 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

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