



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Starburst Holdings Limited

Security: Starburst Holdings Limited

Meeting details:

Date: 25 April 2019

Time: 10.00 a.m.

Venue: Chart Room, Level 2, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404

Company Description

Starburst Holdings Limited is a Singapore-based company, which is engaged in investment holding and provision of management services. The Company specializes in the design and engineering of firearms-training facilities, and the design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems. It operates in three segments: firearm shooting ranges, which pertains to the design, fabrication and installation of firearm shooting; tactical training mock-ups, which pertains to design, fabrication and installation live-firearm and non-live-firearm, full sized tactical training mock-ups, and maintenance services and others, which provides maintenance services for completed firearm shooting ranges and tactical training mock-ups, and design, supply and/or fabricate steel struts and steel beams. It also provides security engineering solutions. The Company's subsidiary, Starburst Engineering Pte Ltd, is engaged in manufacture of ordinary accessories.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40D)

1. As noted in the messages from the chairman and from the managing director, the group's revenue declined 55.0% to S\$7.2 million, from S\$15.9 million in FY2017 and the group slipped into a loss of \$(4.2) million for FY2018 compared to a profit of \$0.1 million in FY2017.

Revenue from firearm shooting ranges dropped from \$4.88 million to \$270,000.

Revenue from the Middle East also dropped from \$2.40 million to \$143,000, accounting for just 2% of the group's revenue in the year.

Some of the financial highlights are (pages 10 and 11):

- Revenue of \$7.15 million; lowest in 5 years, down from the peak of \$39.4 million
- Net loss of \$(4.24) million; third year of losses in the past 5 years
- Total and net assets of \$42.3 million and \$25.4 million respectively; both lowest in 5 years
- Debt to equity ratio of 0.5x; highest in 5 years, from as low as 0.04x in FY2014

Although the heightened geopolitical tensions continue to create strong demand for military equipment, the group appears to have trouble securing new projects.

- (i) Has the board reviewed the recent performance of the group? Has the group maintained its competitiveness and its product range??**
- (ii) Although global spending on defence is projected to continue increasing, how is the group positioning itself to secure projects from potential clients?**
- (iii) For the benefit of new and long standing shareholders, could the company articulate its business model and identify the key value drivers?**
- (iv) What are the pro-active measures to reverse the drop in revenue and profits?**
- (v) Does the group have the appropriate set-up, network, incentives and partners in the Middle East to capture more opportunities? Revenue from the Middle East has decreased to \$143,000.**

2. On 12 September 2018, the group entered into a non-binding Memorandum of Understanding (the "MOU") with an indirect wholly-owned Singapore subsidiary of a renowned German defence specialist company ("Specialist") and Beijing CSSCA Technologies Co., Ltd ("CSSCA") to collaborate on providing live-fire training solutions in China.

- (i) Can management help shareholders understand the potential of the MOU?**
- (ii) What is the addressable market in China? What is the profile of the potential client?**

- (iii) Following the MOU that was signed more than 6 months ago, does the group have any updates? Will a binding agreement be signed or will a joint venture company be formed in China to carry out the activities?**
- (iv) What are some of the opportunities that the group will be exploring in the next 12-18 months?**

3. In FY2017, the company repurchased 1,737,000 shares from the open market for a total of \$435,000. In FY2018, the company repurchased 93,000 shares for a total of \$23,000.

The share repurchase was carried out at the end of February 2019/early March at prices that were between 36.5 cents and 39 cents. The estimated net asset value per share was 10.4 cents.

- (i) Can the board help shareholders understand the rationale of buying back the company's shares?**
- (ii) Has the board reviewed if it is beneficial to the company and to the shareholders?**