

NEWS RELEASE

STARBURST ANNOUNCES RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2017

- *The Group returns to the black, achieves net profit attributable to shareholders of S\$0.4 million*
- *32 percentage point growth in gross profit margin with better project management*
- *Headroom for growth with good cash position*
- *A healthy level of enquiries from existing and potential new clients*

Singapore, May 12, 2017 – Starburst Holdings Limited (“**Starburst**”, and together with its subsidiaries, the “**Group**”), a Singapore-based engineering group specialising in the design and engineering of firearms-training facilities has turned the corner, achieving net profit attributable to shareholders of S\$0.4 million for the three months ended March 31, 2017 (“**1Q2017**”), compared to a net loss attributable to shareholders of S\$0.4 million in the previous corresponding period (“**1Q2016**”).

For 1Q2017, with better management of project and production costs coupled with higher margin shooting ranges projects secured, the Group’s gross profit margin increased 32 percentage points to 55.8%, from 23.8% in 1Q2016.

Mr. Edward Lim Chin Wah (林清华), Executive Chairman of Starburst said, “We are pleased that Starburst has returned to the black, delivering profits to our loyal shareholders. The Group has since recognised the foreseeable costs and losses for the Marina One project, and our concerted efforts to rein in costs has delivered results, as seen in our strong margin improvements. We will continue to keep a close

watch on costs and at the same time, focus on higher margin projects, tapping on our track record and expertise.”

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst remarked, “We are pleased that the Group is starting FY2017 on a firmer footing. Now that we have settled into our larger factory, we can improve our ability to execute larger and more complex projects. We will also continue to optimise our operations and raise the technical capabilities of our engineering manpower.”

“While securing new contracts in the firearm shooting ranges and tactical training mock-up segments will continue to be the core aspect of Starburst’s business, we are also working to widen our portfolio of maintenance service contracts. Our larger factory will also enable us to consolidate our activities under one roof, and improve our ability to execute larger and more complex projects.”

Performance Review

In 1Q2017, as the Group’s projects were mostly in their final installation phases, this translated to lower revenue based on the percentage-of-completion method and led to the 37.8% decrease in revenue, from S\$6.8 million to S\$4.2 million. Such projects included the installation work phase of a firearm shooting range project in Southeast East Asia, a firearm shooting range project in the Middle East, and the Marina One architectural steel project at Marina Way in Singapore as well as maintenance works. By comparison, in 1Q2016, the Group was involved primarily in the design and fabrication work phases of three firearm shooting range projects in the Middle East and the Marina One architectural steel project at Marina Way.

As there were fewer projects in the design and fabrication work phases in 1Q2017 as compared to 1Q2016, the Group’s project and production costs decreased by approximately S\$3.3 million or 64.0%, from S\$5.2 million in 1Q2016 to S\$1.9 million in 1Q2017. The decrease was primarily due to the reduction in material and fabrication costs.

Gross profit similarly improved, rising 43.8% to S\$2.3 million in 1Q2017 from S\$1.6 million in 1Q2016, while gross profit margin improved 32 percentage points from 23.8% to 55.8% during the quarter.

There was also a decrease in other operating expenses of approximately S\$233,000 or 28.8%, and offset by an increase in employee benefit expenses by approximately S\$40,000 or 4.5% in 1Q2017. Correspondingly, Starburst recorded a net profit to shareholders of S\$0.4 million in 1Q2017.

The Group has headroom for growth with cash and bank balances totalling S\$12.0 million as at March 31, 2017.

Outlook

Rising global tensions have led to increasing demand for defense and military equipments and services. In turn, this resulted in increased defense spending globally, especially in the United Arab Emirates (UAE), Saudi Arabia, South Korea, Japan, India, China, Russia¹.

The Asia Pacific region has seen a gradual shift in focus from territorial defence to power projection, which could result in an even faster defence budget growth in APAC in the medium term. Defence spending in APAC has boomed in recent years, driven by economic expansion in the region².

In addition, rising tensions around the South China Sea could see growth in defence spending accelerate further. Between 2011 and 2015, the key states surrounding the South China Sea spent \$166 billion on the procurement of defence equipment. Between 2016 and 2020 that number is expected to increase to \$250 billion².

¹ 2017 Global Aerospace and Defense Industry Outlook: Growth prospects and trends remain upbeat, Deloitte

² 2016's \$1.57 trillion global defence spend to kick-off decade of Growth, IHSMarkit, December 12, 2016

Mr. Lim remarked, “Resurgence of global security threats, expected increases in international and Asia Pacific defense budgets, as well as higher defense spending from other major regional powers underpins demand for our products and services.”

“This has corresponded with encouraging levels of enquiries for our firearm training facilities. We continue to engage with potential customers to secure contracts from the military and law enforcement authorities in our key markets of Southeast Asia and the Middle East.”

“The long-term prospects for our business remain encouraging, and we will work to build up our presence in key markets.”

Due to the nature of Starburst’s business being largely project based, the extent of revenue contribution from each project depends on factors that include the project’s individual size, scope and completion schedule. As such, this may lead to the Group’s overall revenue to fluctuate accordingly.

This press release should be read in conjunction with Starburst’s 1Q2017 results announcement released on May 12, 2017 to the Singapore Exchange.

ABOUT STARBURST HOLDINGS LIMITED

Starburst is an engineering specialist that 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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