

NEWS RELEASE

STARBURST SUSTAINS PROFITABILITY FOR NINE MONTHS ENDED SEPTEMBER 30, 2017

- ***The Group remains profitable for third consecutive quarter, with net profit attributable to shareholders of the Company at S\$1.3 million in 9M2017***
- ***Healthy balance sheet with cash and bank balances of S\$11.0 million and debt-to-equity ratio of 0.41 time***
- ***Awarded a S\$6.6 million contract for a project located in the Middle East***
- ***Sees encouraging level of enquiries from existing and potential new clients***

Singapore, November 7, 2017 – 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 continued its recovery back to profitability, achieving net profit attributable to shareholders of S\$1.3 million for the nine months ended September 30, 2017 (“**9M2017**”), compared to a net loss attributable to shareholders of S\$7.8 million in the previous corresponding period (“**9M2016**”).

Mainly as a result of the Group’s project and production costs decreasing sharply by approximately S\$13.2 million, from S\$20.2 million in 9M2016 to S\$7.0 million in 9M2017, Starburst’s gross profit margin achieved a turnaround, from negative 10.4% in 9M2016 to positive 50.8% in 9M2017.

Mr. Edward Lim Chin Wah (林清华), Executive Chairman of Starburst said, “We are pleased to be able to deliver our third consecutive quarter of profits. This shows that our focused efforts in managing our project and production costs effectively have borne fruit. Moving forward and notwithstanding competitive market conditions, while we remain committed to deliver more projects to our customers in both Southeast Asia and the Middle East, we will also work with the relevant authorities to expand our maintenance service contracts and grow our recurrent revenue base.”

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst added, “We are delighted to have attracted quality institutional funds and accredited investors in the past quarter. The strong interest by investors is testament that they have confidence in our sound business fundamentals and growth prospects, and this is in line with the Group’s strategy to institutionalise its shareholder base and increase market liquidity. This follows closely from our recent strategic partnership with the Swiss Securitas Group, which we hope to leverage to expand our Group’s capabilities globally in the security engineering solutions sector.”

Through a married vendor share deal, institutional investors and accredited investors collectively took up 12.4 million ordinary shares in Starburst at S\$0.39 per share, representing 5.02% of the Group’s issued and paid-up capital of 246,867,650 shares, excluding treasury shares as at August 18, 2017. Of these, 3.8 million ordinary shares came from Mr Edward Lim Chin Wah, Executive Chairman and 8.6 million ordinary shares from Mr Yap Tin Foo, Managing Director.

Following the vendor shares sale, the collective shareholdings of the two founders remain sizeable at approximately 70.97% of the total issued share capital of Starburst, excluding treasury shares.

Performance Review

In 9M2017, Starburst reported a decrease in revenue by 22.6%, from S\$18.2 million in 9M2016 to S\$14.1 million in the current period. Revenue in 9M2017 included additional works undertaken 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. By comparison, the Group's projects in 9M2016 comprised primarily of fabrication and installation work phases of Marina One architectural steel project at Marina Way in Singapore ("**Marina One Project**"), and design and fabrication work phases for three firearm shooting range projects in the Middle East.

In line with the decrease in revenue and lower sub-contractor and overhead costs in 9M2017, the Group's project and production costs decreased by approximately S\$13.2 million to S\$7.0 million, from S\$20.2 million in 9M2016. There was also a provision of foreseeable loss of S\$2.0 million for the Marina One Project in 9M2016.

Correspondingly, gross profit improved, reversing from a loss of S\$1.9 million in 9M2016 to a profit of S\$7.2 million in 9M2017, and gross profit margin also improved from negative 10.4% in 9M2016 to positive 50.8% in the current period.

Overall, the Group recorded a net profit attributable to shareholders at S\$1.3 million in 9M2017 due mainly to a higher gross profit and lower other operating and depreciation expenses, which more than offset the lower other operating income and the marginal increase in finance costs.

The Group's balance sheet remained healthy, with cash and bank balances totalling S\$11.0 million as at September 30, 2017 and a low debt-to-equity ratio of 0.41 time as at September 30, 2017.

Outlook

In tandem with rising global tensions and an increasing threat from extremism, law enforcement authorities around the world are increasing their expenditure on defence and military equipment and services, led by the United States (US), China, Russia, Saudi Arabia and India¹.

In the Asia Pacific (APAC) region, there is a gradual shift in focus from territorial defence to power projection, which is new for the region and likely to increase military-to-military contact between states. Jane's by IHS Markit expects this to prompt even faster budget growth in the APAC region in the medium term². As it stands, the region's defence spending rose by 64%, reflecting the geopolitical tension in the Korean peninsula, East and South China Sea and between India and Pakistan³. China also announced that it will increase defence spending by about 7% this year "mainly to support the deepening of national defence and military reforms"⁴.

Defence budgets in the Middle East is also expected to return to growth in 2017 as the region increases its drive to acquire new military capabilities to conduct operations beyond its border⁵. The US' defence budget is also up, with the Senate recently passing a roughly US\$700 billion National Defense Authorisation Act for 2018.

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- ¹ *The Top 15 Countries For Military Expenditure In 2016 – Forbes, April 2017*
<https://www.forbes.com/sites/niallmccarthy/2017/04/24/the-top-15-countries-for-military-expenditure-in-2016-infographic/#6cd7cffc43f3>
- ² *2016's USD1.57 trillion global defence spend to kick off decade of growth – IHS Markit, March 15 2017*
<http://blog.ihs.com/2016s-usd157-trillion-global-defence-spend-to-kick-off-decade-of-growth>
- ³ *US upped military spending, Asia militarization accelerated in 2016: report – CNBC.com, April 23, 2017*
<https://www.cnbc.com/2017/04/21/us-upped-military-spending-asian-militarization-accelerated-in-2016-report.html>
- ⁴ *China to raise defence spending by 7% to \$213 billion in 2017 – The Straits Times, March 6, 2017*
<http://www.straitstimes.com/asia/east-asia/china-to-raise-defence-spending-by-7-to-213-billion-in-2017>
- ⁵ *Middle East Increases Emphasis on Military Capabilities and Pushes Defence Spending Back to Growth, IHS Markit Says – IHS Markit, February 17, 2017*
<http://news.ihsmarket.com/press-release/aerospace-defense-security/middle-east-increases-emphasis-military-capabilities-and-pu>

Mr. Lim remarked, “Given the geo-political tensions and instability the world is facing, we continue to see an encouraging level of enquiries for our firearm shooting ranges and tactical training mock-ups from law enforcement authorities, in line with their response to the threat of extremism globally. Starburst is actively responding to these enquiries and requests for tenders, including engaging in post tender discussions with potential customers.”

The Group recently announced that Starburst Engineering Pte Ltd (“**Starburst Engineering**”), a wholly owned subsidiary of Starburst, has been awarded a contract totalling approximately S\$6.6 million for a project located in the Middle East. The project will see Starburst Engineering undertake ballistic protection works to a firearm training facility in the Middle East. It is scheduled to commence in June 2018 and be completed in September 2019.

With a major portion of Starburst’s business being 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 from quarter to quarter. At the same time, the Group will continue to focus on managing its project and production costs more effectively to ensure sustainable operating performance.

This press release should be read in conjunction with Starburst’s 9M2017 results announcement released on November 7, 2017 to the Singapore Exchange.

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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