

**NEWS RELEASE**

**STARBURST ACHIEVES A TURNAROUND FOR  
THE HALF YEAR ENDED JUNE 30, 2017**

- *The Group returns to profitability for the second consecutive quarter, with net profit attributable to shareholders of S\$0.6 million in HY2017*
- *With better project management, gross profit margin expanded to 45.8%*
- *Starburst to leverage on the strategic partnership with Swiss Securitas Group to offer its customers a broadened suite of security solutions*
- *A healthy level of enquiries from existing and potential new clients*

**Singapore, August 11, 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 returned to profitability, achieving net profit attributable to shareholders of S\$0.6 million for the half year ended June 30, 2017 (“**HY2017**”), compared to a net loss attributable to shareholders of S\$2.1 million in the previous corresponding period (“**HY2016**”).

For HY2017, with better management of project and production costs, the Group’s gross profit margin increased 37.7 percentage points to 45.8%, from 8.1% in HY2016.

Mr. Edward Lim Chin Wah (林清华), Executive Chairman of Starburst said, “We are pleased to have delivered our second consecutive quarter of profit, a clear signal that our efforts to control costs have continued to bear fruit. Going forward, apart from focusing on higher margin projects, we will also look for opportunities to expand into complementary areas of growth, leveraging on our core competencies. Our recent strategic partnership with the Swiss Securitas Group is a springboard for us to increase our presence in security engineering solutions both in Singapore and internationally, tapping on our core expertise in the design and engineering of modern firearms-training facilities.”

Mr. Jonathan Yap (叶鼎富), Managing Director of Starburst added, “We are pleased with our recent collaboration with the Swiss Securitas Group, given their deep knowledge in providing security consulting solutions, having accumulated over a century of experience in this industry. With this partnership, we are now well-placed to provide more value added services in the “security by design” solutions, in addition to handling larger, more complex projects with our enlarged facilities.”

As part of this strategic partnership, Starburst Holdings through its wholly owned subsidiary, Starburst Security Engineering Pte. Ltd. plans to work with Swiss Securitas Group to provide enhanced security services to existing and potential customers. Starburst anticipates that it will gain a footing in providing specialised “security by design” solutions, including a suite of comprehensive security risk assessment, security design and planning, blast mitigation, fire engineering, crisis management and business continuity management solutions in the Asia-Pacific and Middle East markets.

The Swiss Securitas Group has acquired 10 million vendor shares and 6 million warrants from Starburst’s two controlling shareholders, which equates to about 5.1% equity stake in Starburst Holdings based on the enlarged share capital, assuming full exercise of the warrants, excluding treasury shares.

## **Performance Review**

In HY2017, the Group registered lower revenue, with a 32.1% decrease from S\$14.8 million to S\$10.0 million. These projects included additional work of a firearm shooting range project in the Middle East, two shooting range projects and a security detention facility project in Southeast Asia. By comparison, in HY2016, the Group was involved primarily in the design and fabrication work phases of three firearm shooting range projects in the Middle East and the fabrication and installation work phases of the Marina One architectural steel project at Marina Way.

In line with the lower revenue, the Group's project and production costs decreased by approximately S\$8.1 million or 59.8%, from S\$13.5 million in HY2016 to S\$5.4 million in HY2017. The decrease was primarily due to the reduction in sub-contractor and overhead costs.

Correspondingly, gross profit improved, rising significantly by over 3.5 times to S\$4.6 million in HY2017 from S\$1.3 million in HY2016, while gross profit margin rose from 8.1% to 45.8% over the same period.

Overall, the Group registered a turnaround in net profit attributable to shareholders at S\$0.6 million in HY2017 due mainly to a higher gross profit and lower other operating and depreciation expenses, which more than offset a lower other operating income and the marginal increase in finance costs.

The Group' balance sheet remained healthy, with cash and bank balances totalling S\$5.0 million as at June 30, 2017 and a low debt-to-equity ratio of 0.42 time as at June 30, 2017.

## Outlook

Rising global tensions is fueling growing demand for defence and military equipment and services. In turn, this has resulted in increased defence spending globally, especially in the United Arab Emirates (UAE), Saudi Arabia, South Korea, Japan, India, China and Russia<sup>(1,2)</sup>.

The Asia Pacific is the fastest growing region in terms of defence spending. Countries in the region spent \$450 billion on defence in 2016, which is 4.6% higher than the previous year. For the past decade, regional defence spending rose by 64%, reflecting the geopolitical tension in the Korean peninsula, East and South China Sea and between India and Pakistan<sup>(3)</sup>. To guard against 'outside meddling' of its disputed regional territorial claims in East and South China Sea, China will increase defence spending by about 7% this year<sup>(4)</sup>.

Defence budgets in the Middle East will return to growth in 2017 as the region increases its drive to acquire new military capabilities to conduct operations beyond its border. Defence procurement activity is starting to pick up in the Middle East and IHS Jane's expects 2% to 3% growth a year by 2018 in real terms. Defence spending in the Middle East and North Africa region will rise to about \$180 billion by 2020<sup>(5)</sup>.

Mr. Lim remarked, "We have seen an encouraging level of enquiries for our firearm training facilities, in line with law enforcement authorities' response to the threat of extremism globally. We are actively responding to these enquiries and requests for tenders, including engaging in post tender discussions with potential customers."

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

<sup>2</sup> Middle East, South China tensions to spur global defence spending – The National, January 15, 2017

<sup>3</sup> US upped military spending, Asia militarization accelerated in 2016: report – CNBC.com, April 23, 2017

<sup>4</sup> China defense spending to rise around 7% – The Manila Times, March 4, 2017

<sup>5</sup> Middle East to increase defence spending – IT Industry News Daily, February 20, 2017

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. 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 HY2017 results announcement released on August 11, 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](http://www.starburst.net.sg)

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