STARBURST HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 28 October 2013)
(Company Registration No.: 201329079E)

RESPONSES TO SIAS'S QUESTIONS ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of Starburst Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following responses to the questions received from Securities Investors Association (Singapore) (the "**SIAS**") on 21 April 2021 in relation to the Company's annual report for the financial year ended 31 December 2020.

SIAS Question 1:

On 15 November 2020, the company made an announcement with the title "General Announcement: Announcement pursuant to Rule 703(1) of the Catalist Rules" in which it stated that certain directors and executives of the group, namely Mr. Edward Lim Chin Wah, Mr. Yap Tin Foo and Mr. Wu Guangyi and Mr. Ng Eng Long Josiah Lawrence, were interviewed by the Corrupt Practices Investigation Bureau on 12 November 2020 in connection with Starburst Engineering Pte Ltd ("SEPL").

It was later announced that, each of Mr. Edward Lim Chin Wah (executive chairman) and Mr. Yap Tin Foo (managing director) were being investigated for offences under Section 6(b) of the Prevention of Corruption Act (Chapter 241) of Singapore ("PCA") whilst Mr. Ng Eng Long Josiah Lawrence (senior project manager) was being investigated for abetting the commission of an offence under the PCA.

The board (with Mr. Lim and Mr. Yap recusing themselves) are of the view that Mr. Lim, Mr. Yap and Mr. Ng should continue with their respective responsibilities and duties in the operation of the group's businesses to ensure business continuity and the board will reassess its position where appropriate in due course.

(i) **Can the board help shareholders understand if the investigations have affected the group in its day-to-day running or when bidding for projects?**

(ii) **What is the depth of the management and technical bench strength of the group?**

(iii) **What is the board's assessment of the group's key-men risks? What are the Measures taken by the board to improve on the group's business continuity?**

(iv) Since December 2020, the group has announced contract wins in the Middle East and in Southeast Asia. **Can management confirm the value of the new contract in the Middle East? Does the group have sufficient human resources, management expertise and focus to successfully execute on these three contract wins that were secured in quick succession?**

Company's Response:

(i) The investigations have not affected the day-to-day running of the Group's activities and there has not been any ascertainable material impact arising therefrom.

Since the announcement of the investigations, the Group has secured three (3) new contracts and one (1) variation order on an existing contract since December 2020. The following were the contracts secured:

- December 2020: Awarded S$7.9 million contract for a firearms training facility in the Middle East

- February 2021:
    - Awarded S$6.4 million contract for a firearms training facility in Southeast Asia
    - Awarded S$9.7 million maintenance service contracts from two unrelated vendors for security detention facilities and firearm shooting range facilities in Southeast Asia

- March 2021: Received S$2.4 million of variation order in relation to a Middle East Contract award announcement that was released on 26 June 2020

To the best of the Company's knowledge, the Group has not been precluded from bidding for any project solely as a result of the investigation.

(ii) The Group is a well-established specialist in the range facilities business with a track record of close to 20 years for the design, fabrication, installation and maintenance of range facilities. The Group has a group of qualified range certifiers, professional engineers and project management team who is able to execute any projects on timely basis without compromising quality and international standard of professionalism. The Company will look for external sources if there is a need to further increase the management and technical strength of the Group.

(iii) The Board views that the key persons of the Group have been instrumental to the growth and success of the Group's business and there is key man insurance secured by the Group for the two Executive Directors.

Notwithstanding the above, the Group has always had business continuity in mind, and the Group has a number of management professionals and technical experts who are able to step up and assume more senior leadership roles if an unexpected event or situation occurs.

(iv) The Group has two contracts in the Middle East, including one (1) contract secured in December 2020 worth S$7.9 million. With regards to the variation order secured in March 2021, the aggregate value of the two new variation orders is worth approximately S$2.4 million. This brings the total value of the contract secured in June 2020 to approximately S$7.5 million, up from S$5.1 million as announced on 26 June 2020.

The Group has sufficient human resources, management expertise and is well-equipped to deliver effectively and in a timely manner on these contracts. The Group only bids for projects after ensuring that there are sufficient resources to handle such projects.

SIAS Question 2:

In addition, in December 2020, the audit committee appointed Messrs. BDO Advisory Pte Ltd ("BDO") to conduct an internal review on the group's relevant internal controls for anti-corruption and anti-bribery. The internal review was completed in March 2021 with the findings reported to the AC.

Findings from the internal review were not of a high-risk nature and all recommended practices by BDO have been accepted and in the midst of implementation.

(i) **What were the key findings from the internal review?**

The group reiterated that all employees of the group have been informed on the relevant policies relating to anti-corruption and anti-bribery and the group's zero tolerance towards any unethical behavior.

(ii) **How does the board/senior management set the tone at the top with regard to the group's zero tolerance policy?**

(iii) **In addition, what were the key recommendations by BDO?**

(iv) **What is the board's level of oversight in the implementation of the recommended practices?**

Company's Response:

(i) BDO highlighted certain controls to be added to the existing policies and procedures on procurement and subcontractor management, and anti-corruption and anti-bribery policy. The other findings were related to instances where controls were not complied with such as requiring approving parties to sign on internal control forms, relating supporting documents for transactions and where certain control activities were not performed such as getting the required number of competitive quotations for relevant purchases. None of the findings were assessed to be high risk to the Group in BDO's report.

(ii) The Group strives to foster an environment where our employees act lawfully and with integrity in every aspect of our business. To safeguard the interest of our stakeholders, the senior management has adopted a firm stand against corruption and malpractice in the Group and have zero tolerance towards unethical behaviour. We have established a channel for the employees of the Group and third parties to raise concerns about wrongdoing, malpractice or misconduct within the Group. The whistleblowing email, whistleblowing@starburst.net.sg is currently monitored by the Audit Committee. In addition, the Group has implemented anti-corruption and anti-bribery policy together with Employee Code of Conduct.

(iii) BDO has recommended additional areas to be included in the existing financial and operational policies and procedures such as for selection of suppliers or subcontractors and details to be documented for entertainment and travelling claims.

For transactions that did not comply internal control procedures, they have recommended that management should perform more stringent oversight of transactions to avoid recurrence of such lapses.

(iv) The Internal Review was completed in March 2021 with the findings reported to the AC. Findings from the internal review were not of a high-risk nature and all recommendations have been accepted and target to implement before 1 June 2021 and the Company is in the midst of implementation. The AC will be following-up closely on the implementation of the recommendations.

SIAS Question 3:

As noted in the message from the chairman, the group welcomed ICH Capital Pte. Ltd. and Eternal Glade Investment Pte. Ltd. as strategic investors in FY2020.

In the company's announcement dated 13 August 2020, it was disclosed that the founders of the group sold a total of 6.4 million shares (representing approximately 2.6% of the total issued share capital) to the strategic investors. The investors acquired 3.2 million vendor shares each from the executive chairman and the managing director at a consideration of S$0.39 per share. The consideration amounted to $2.496 million.

The company stated that the sale will mark the first step in diversifying and institutionalising its shareholder base.

(i) **Can the company help shareholders understand its working capital needs and does the group have the resources to fund its growth?**

(ii) **At this stage of the company's growth, has the board identified institutionalising its shareholder base as a priority for the company?**

(iii) **If so, does the board/company think that it should take the pro-active approach of identifying strategic investors for any possible (and direct) strategic investment in the company, instead of the directors selling their vendor shares?** Although the company welcomed the two strategic investors, the company would receive no proceeds from the strategic investors. All the proceeds of $2.496 million was paid to the executive directors, and not the company, since it was a sale of vendor shares.

Company's Response:

(i) The Group typically need 3 - 9 months working capital during the design and fabrication phases for the project. We have sufficient internal working capital for the ongoing projects given that these projects are in different phases.

Additionally, the Group is in a secure and comfortable position to fund its growth. The Group has recorded a strong financial position with S$9.8 million cash and cash equivalents as at 31 December 2020 coupled with the strong cash flow of the Group ensures that the Group is well-poised to explore any business opportunities and projects which may arise along the way.

(ii) Whilst institutionalising the shareholder base of the Company is not a priority, the Group is constantly on the lookout for strategic partners and institutional investors who can add value to the current growth momentum of the Group, including expanding into new markets. The Board is of the view that finding the right strategic investor who shares the same business philosophy of Starburst will always add value to the stakeholders of the Group in long run.

(iii) The Company has recorded a healthy balance sheet with positive cash flows in FY2020 and did not require additional funding. In addition, even following the vendor sale, the two founders of the Company together hold approximately 69.7% of the total issued share capital of the Company, excluding treasury shares as at 31 December 2020. The vendor sale would potentially increase the market liquidity without diluting the existing shareholders' interest in the Company.

BY ORDER OF THE BOARD

EDWARD LIM CHIN WAH
Executive Chairman

27 April 2021
