

LETTER TO SHAREHOLDERS



John Lim Kok Min

Chairman

Thomas Chu Kok Hong

Managing Director

Dear Fellow Shareholders,

It gives us great pleasure to present to you the Boustead Projects FY2019 Annual Report for the financial year ended 31 March 2019.

This past year, we recorded a strong performance even as Singapore's industrial real estate sector remained somewhat subdued. During this period, we secured S\$633 million of new contracts which is a historic high, including one private and one public sector contract each worth over S\$200 million. In addition, we completed Singapore's first truly smart business park development, ALICE@Mediapolis ("ALICE"), secured four development deals and formed three new strategic partnerships while continuing with the adoption of new technologies to transform our business, all aligned with our progressive nature.

Total revenue for the year at S\$234.2 million, supported by a 48% increase in design-and-build revenue, was 38% higher than the previous year. Total profit before income tax ("PBT") of S\$35.7 million was, however, only marginally higher than the previous year due to a significant increase in manpower cost as we began to build up our capacity in anticipation of the substantially higher volume. This was also compounded by lower cost savings achieved on projects that had been previously completed, as compared to the prior year, and the commencement of depreciation charges on ALICE where asset stabilisation is still in progress. Total profit benefitted from the sale of 25 Changi North Rise, conducted in the ordinary course of business as part of optimising our fast growing leasehold portfolio.

FY2019 – Outperforming the Sector

During FY2019, we continued to lay the foundation to take Boustead Projects to greater heights, even as the cyclical downturn in Singapore's industrial real estate sector did not abate as expected.

At our design-and-build business, segment revenue climbed 48% year-on-year to S\$205.1 million, supported by the healthy order book backlog carried forward at the end of FY2018. Segment PBT improved 23% year-on-year to S\$23.4 million. Design-and-build margins were affected by the lower quantum of cost savings from previously completed projects versus the previous year.

At our real estate business, segment revenue declined 5% year-on-year to S\$29.2 million, mainly due to the

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lease expiry of 85 Tuas South Avenue 1 in January 2018. Credit goes to our team for successfully securing a replacement long-term tenant within four months. However, no rental revenue was earned in the year as the property underwent additions & alterations. As a result, segment PBT at S\$12.3 million was down 25% over the previous year despite a gain from the sale of an asset at 25 Changi North Rise, net of the depreciation charges on ALICE mentioned earlier.

Our design-and-build business was awarded 13 contracts totalling a record S\$633 million compared to S\$233 million the previous year. These include our largest contract in history and first Singapore Government GeBIZ contract for the S\$242 million JTC Multi-Storey Recycling Facility (“JTC MSRF”) and our largest private sector contract

for the over S\$200 million Surbana Jurong Campus (“SJC”), an iconic global headquarters designed by Safdie Surbana Jurong. Outside Singapore, we secured three new contracts in Vietnam and one in Malaysia, small by comparison to Singapore but important to our expansions in these markets.

Our real estate business also had a fruitful year, capturing development deals for Amcor’s integrated facility and Bombardier Aerospace’s Singapore Service Centre Phase 2 under the Boustead Development Partnership (“BDP”); and the iconic Razer Southeast Asia Headquarters at one-north under a joint venture (“JV”) with a consortium led by Razer’s co-founder. Previously, we completed Phase 1 for Bombardier Aerospace at the Seletar Aerospace Park and are pleased to once again be part of

their adjacent expansion. In addition, we secured land at Braddell Road, which similar to ALICE, will be developed into a smart development in a very central location where no new industrial developments have been built in many years.

During the year, the BDP commenced full operations for Continental Building Phase 3 in 1Q FY2019, while ALICE received temporary occupation permit in 3Q FY2019. ALICE’s asset stabilisation is in progress and will continue for much of FY2020, with about 80% of the property’s net leasable area either committed or under advanced negotiations. The lag effect is due to the fact that leases committed today may not begin until months later.

Three new strategic partnerships were established, expanding our robust capabilities regionally. Echo Base, a JV real estate fund management platform will focus on development, investment and management of smart buildings and integrated developments across the Asia Pacific. Our JV with Malaysia Airports to develop sizeable tracts of Subang Aerotech Park gives us an important runway in Malaysia and will tap on our market-leading expertise in Singapore’s aerospace industry. Last but not least, our 25% shareholding investment in DSCO – completed the day after FY2019 ended – will expand our data centre experience given DSCO’s leading data centre consultancy footprint across the Asia Pacific.

Today, our leasehold portfolio has 24 wholly-owned and jointly-owned properties (19 completed and five still under construction) spanning over 370,000 square metres of gross floor area in Singapore, China, Malaysia and Vietnam, with a projected total market valuation surpassing S\$1 billion. We have reached a stage where various options to monetise the value of our leasehold portfolio are under active review by your Board.

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In line with our profit performance, your Board is pleased to recommend a final ordinary dividend of 1.5 cents and special dividend of 0.5 cent per share for your approval, which is 33% above FY2018.

Transforming Industry

Let us take a moment to express our heartiest congratulations to Singapore on the celebration of its historic Bicentennial. With no natural resources, Singapore has had to be innovative in its approach to industry over the past several decades to provide the optimal business environment to attract investments in pivotal industries and help these industries to tap on the industry of Singaporeans.

Fronting our cover, 'Transforming Industry' aptly captures how we have been contributing to the transformation of Singapore's industrial landscape over the past two decades. In addition, our success would not have been possible had it not been for our progressive nature, accompanied by the technological transformation that has shaped Boustead Projects over the past few years.

As we move ahead of the curve on the Singapore Government's Industry Transformation Maps for construction and real estate, our investments in technologies have sharpened our edge as one of Singapore's leading smart eco-sustainable real estate solutions providers.

At the forefront of our transformation has been integrated digital delivery ("IDD"), with an emphasis on virtual design and construction, and 7D building information modelling ("BIM"). Today, before we clear the ground for any project, we construct a project virtually, in the process creating a BIM that best digitally represents the real development in every aspect and allows for accurate forecasting and management of processes and thereafter is used in

facilities management until the very end of the building's multi-decade lifecycle. IDD greatly improves data governance, with digitalisation a driving force in the institutionalisation of data, processes, project management and standards.

Complementing this, drones directly monitor construction activities and all views of the project including what may not be in the line of sight of manual inspections, feeding back into BIM to create a positive reinforcing loop.

Along with technological implementations, we are in close collaboration with precast concrete specialists to design extremely large prefabricated construction elements for industrial scale, which is in itself a challenge given the size of these elements and logistics issues. As we progress in this, productivity gains will likely be returned to us incrementally in lower costs and time.

Our technological transformation – currently best represented in ALICE – is taking us forward elsewhere. During FY2019, the awards of JTC MSRF and SJC further validate our technology-driven strategy, which has gained clients who value Industry 4.0 transformation standards. JTC MSRF has been touted as one of the Singapore Government's landmark projects to shift the nation increasingly towards the circular economy, where maximum value is extracted from resources through recovery, recycling and regeneration. SJC is Singapore's first large-scale industrial development to be awarded the Green Mark Platinum – Super Low Energy, a huge step towards minimal to zero carbon footprints.

We have successfully demonstrated to clients that smart eco-sustainable business park and industrial developments are present-day realities, designed from the ground up to fulfil the promise of Industry 4.0 transformation standards while simultaneously minimising emissions.

We aim to play our part in providing smart eco-sustainable solutions that promote longevity of ecosystems and transform industry, both literally and figuratively.

Our announced order book backlog of S\$660 million (unrecognised project revenue remaining at the end of FY2019 plus the total value of new orders since then) has laid a firm foundation for FY2020 and FY2021 from which we can build upon our initiatives. We look forward to updating the market as we progress on our many initiatives.

A Word of Appreciation

We would like to thank our management and staff for their dedicated efforts in a challenging market and for transforming our business with commitment. We would also like to extend our gratitude to all of our clients, business partners, associates, bankers, suppliers and you, our shareholders for your continuing support. Last but not least, we would like to express our appreciation to our fellow Board colleagues for their wisdom, guidance and continued advice including Mr James Lim, who has contributed his considerable experience and knowledge to our Board since listing and will step down at our upcoming Annual General Meeting. At the same time, we would like to welcome Professor Yong Kwet Yew and Mr Tam Chee Chong, who both joined our Board as independent directors recently. We look forward to their advice, inputs and wisdom as we continue to build our business.

We look forward to seeing many of you at our upcoming Annual General Meeting.

John Lim Kok Min
Chairman

Thomas Chu Kok Hong
Managing Director