

# LETTER TO SHAREHOLDERS



**John Lim Kok Min**  
Chairman

**Thomas Chu Kok Hong**  
Managing Director

As we review our performance in FY2018, we believe it is appropriate for us to highlight some of our **pioneering achievements** since 1996 that have brought us to where we are today.

## Dear Fellow Shareholders,

It gives us great pleasure to present to you the Boustead Projects FY2018 Annual Report for the financial year ended 31 March 2018.

We have delivered a creditable performance for this period. Despite the challenges affecting Singapore's industrial real estate sector which saw our total revenue for FY2018 decline by 12% year-on-year to S\$201.3 million, management worked effectively on business development and margin improvements during the year to ensure continued satisfactory profitability for our Company. Although reported total profit before income tax ("PBT") was 21% lower year-on-year, this would have been 14% higher year-on-year if non-recurring gains in FY2017 from the sale of our interest in TripleOne Somerset and the related adjustments for AusGroup's early lease termination were excluded.

## FY2018 - Managing the Industry Downturn

During FY2018, we continued to manage the challenges of Singapore's industrial real estate business segment that was coming out of a cyclical downturn.

At our design-and-build business, segment revenue declined 13% year-on-year to S\$169.9 million. Segment revenue for the first nine months was affected by the unusually low value of contracts secured in FY2017. However, successful business development efforts in FY2018 resulted in several sizeable contracts, allowing us to increase our revenue in the final quarter and provide a significantly higher order book backlog going into FY2019. Despite lower segment revenue, segment PBT rose 41% year-on-year to S\$21.0 million through productivity improvements, the unlocking of cost savings and conversion of projects with higher margins.

At our leasing business, segment revenue dropped 5% year-on-year to S\$31.5 million, clearly impacted by a full-year vacancy at 36 Tuas Road

(AusGroup's early lease termination) and also the more recent tenancy expiry at 85 Tuas South Road 1 (Caterpillar's consolidation in Singapore). Reported segment PBT fell 32% year-on-year to S\$14.4 million. However, adjusting for the previous year's one-off other gains applicable to this segment, normalised leasing PBT was 11% lower year-on-year.

In FY2018, we were awarded 13 contracts totalling S\$233 million compared to S\$140 million a year earlier. In Singapore, out of the nine contracts secured, four contracts came from the logistics industry and two contracts came from the waste management industry. Outside of our home market, the most active overseas market was Vietnam. We rode on Vietnam's robust economic recovery to secure four contracts, along with taking a 40-year sublease on our first industrial land there. This is to be developed into a sizeable industrial park located just south east of Ho Chi Minh City and will allow us to seize a strategic long-term position in one of South East Asia's fastest growing economies.

On the strategic partnerships front, Boustead Development Partnership – our co-investment partnership with a reputable Middle East sovereign wealth fund – continued to push forward. Commencing operations at the start of FY2018, GSK's beautiful new regional headquarters at one-north, GSK Asia House made an almost full-year rental contribution. Meanwhile, construction progressed on schedule at our landmark project of the year, ALICE @ Mediapolis, one-north, and also at Continental Building Phase 3 at Kallang iPark, which received its temporary occupation permit on the final day of FY2018. GSK Asia House and ALICE demonstrate our successful foray into the business park real estate sector, traditionally seen as higher value real estate and better able to weather challenging economic conditions as compared to the industrial real estate sector. We plan to further diversify

our experience and expand our presence in business parks.

Today, our leasehold portfolio totals 20 wholly-owned and jointly-owned properties (19 completed and one still under construction) spanning over 275,000 square metres of gross floor area in Singapore, China and Malaysia, with a total market valuation approaching S\$800 million. We will continue to expand our portfolio, through various options, to a level that we believe will enable us to unlock and optimise value for all shareholders. At the same time, we are actively seeking replacement long-term leases for current vacancies in our portfolio.

In line with our profit performance, your Board is pleased to recommend a final ordinary dividend of 1.5 cents for your approval. In recommending this dividend, your Board has taken into consideration the capital needed to achieve our twin strategy to both grow and regionalise our design-and-build business, as well as to expand our portfolio of leasehold properties.

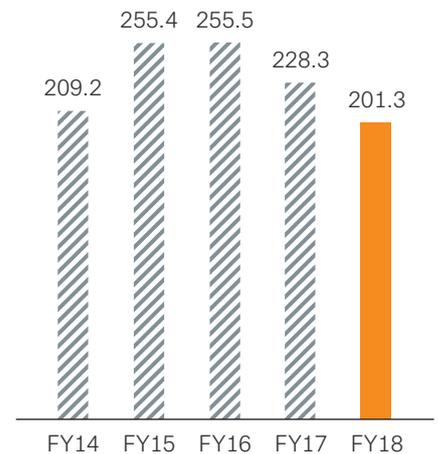
### Over Two Decades of Pioneership

As we review our performance in FY2018, we believe it is appropriate for us to highlight some of our pioneering achievements since 1996 that have brought us to where we are today.

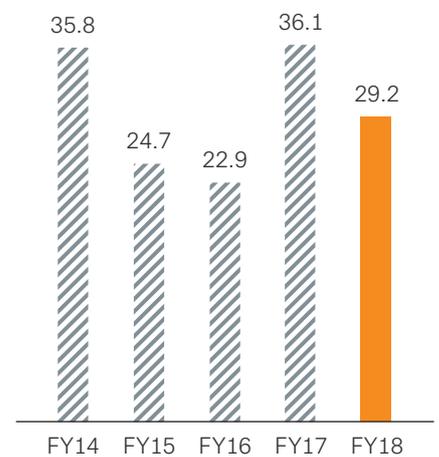
A reality that confronts all corporations is: 'Can we afford to sit back and wait for the industry to force change upon us? Or do we lead positive change in the industry?' At Boustead Projects, the answer is clear. We are constantly challenging ourselves.

The message that fronts our annual report aptly states, 'Two Decades of Pioneership'. For over two decades, we have been the leading pioneer in Singapore's industrial real estate sector, earning a reputation as the preferred industrial real estate solutions partner to numerous Forbes Fortune 500, S&P 500 and Euronext 100 corporations, along with a multitude of global corporations, and reputable small and medium-sized enterprises.

### Group Revenue (\$'m)



### Group Net Profit (\$'m)



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Our journey of pioneership began with our founding in 1996 and a business model based on a design-and-build methodology. As early pioneers of the methodology in Singapore, we have built up one of the best teams in the industry. Our integrated design and construction project delivery system brings various building disciplines under one roof and eliminates significant additional costs, coordination, time and wastage for our clients. We changed the norms by which custom-built facilities are delivered. Today, we remain the design-and-build market leader from the private sector.

In 2003, sensing our clients' changing needs to move from outright ownership to that of long-term leasing, we pioneered the design-build-and-lease methodology, a hybrid development and design-and-build model. Development, asset management and facilities management soon became core capabilities as our leasehold portfolio grew. As the only generally acknowledged integrated industrial real estate solutions provider listed on the SGX Mainboard with multiple capabilities covering 80% of the industry value chain, we continue to advance our position to complete the whole value chain and strengthen our holistic proposition to clients.

Over the past decade, embracing change has extended our market leadership in other areas such as eco-sustainable facilities and

safety. Since the inception of the Building & Construction Authority ("BCA")'s Green Mark Programme, we have delivered about 18% of all new private sector Green Mark Platinum-rated industrial facilities on Business 1 and Business 2 industrial-zoned land. In safety, our wholly-owned design-and-build subsidiary, Boustead Projects E&C Pte Ltd ("BP E&C") is one of only 10 bizSAFE Mentors in Singapore and also the only one among our direct competitors. In recognition of recent efforts, ALICE received the Green Mark Platinum and BP E&C received the Green and Gracious Builder Award (Excellent) at the recent BCA Awards 2018.

## ALICE - The First Truly Smart Building in a Singapore Business Park

In FY2018, our journey of pioneership continued and was best demonstrated in the marketing launch of ALICE in March 2018. The first truly smart building in any business park in Singapore, ALICE will be an 11-floor thriving ecosystem and future home for info-communications, media and technology multinational corporations, and fast-growing ventures when it is completed in 3Q FY2019. ALICE represents best practices in transformative industry processes and technologies, setting a new high standard for Boustead Projects and the industry.

In 2017, following a comprehensive economic consultation and review,

the Singapore Government laid out Industry Transformation Maps ("ITMs") for 23 industries to keep Singapore at the forefront of the global economy. Three key themes consistently appeared in these ITMs: Industry 4.0, automation and digitalisation. ALICE converges the ideals of ITMs for three industries - construction, real estate and infocomm media - and breaks new ground, especially in the deployment of integrated digital delivery ("IDD") throughout every aspect of the development lifecycle, as well as in new proven smart technologies.

A showcase in IDD, ALICE extensively uses building information modelling ("BIM"), and virtual design and construction. Although BCA codes of practice require BIM for all new developments at only the submission stage of a project, we took it several steps further with ALICE, extending BIM through the design, project management, construction management and rectification stages and thereafter, into facilities management, operations and maintenance for the entire 30-year building lifecycle. This has maximised the potential of BIM so as to significantly reduce costs and manpower throughout ALICE's lifecycle. In addition, ALICE was constructed virtually (before the actual construction) so that most issues could be anticipated during construction, operations and maintenance, and proactive solutions could be generated. Marking another first for the industry,

## Pioneering Achievements

1996

Established Boustead Projects and pioneered design-and-build methodology in Singapore

2003

Pioneered design-build-and-lease methodology in Singapore

2009

Delivered first Green Mark Platinum-rated facility in heavy industry category

2011

Named bizSAFE Mentor, currently one of only 10 in Singapore and only one among direct competitors

2011

Delivered first Green Mark Platinum-rated facilities in aerospace category

ALICE used prefabricated, prefinished volumetric construction for the first large-scale prefabricated bathroom units to be deployed in any business park project.

Complementing IDD, we trained a team of four drone pilots, tasked with conducting comprehensive building surveys at all stages of projects. As ALICE shot towards the skies, our team of drone pilots and drones flew into action, capturing important data which fed into BIM and augmented reality project management, and which will eventually allow potential tenants to appreciate the view from different floors and units without having to step into a completed building.

ALICE's transformative processes and technologies have not been confined to our activities as a developer and design-and-build specialist. To turn ALICE into the first truly smart building in a business park in Singapore, we are working with Habitap – a leading homegrown proptech firm – to customise a smart building app that allows tenants to access detailed control over amenities under a comprehensive and convenient tenant management system on a single app platform tied directly to our backend facilities management system. With a vast improvement to the tenant experience and drastic reduction in manual facilities management activities, ALICE will be nothing short of a smart community.

The best practices at ALICE are standards which we intend to bring to future projects.

### FY2019 – A Year of Opportunities

FY2019 is already shaping up to be a promising year. With a healthy order book backlog of S\$218 million (unrecognised project revenue remaining at the end of FY2018 plus the total value of new orders since then) and an increasing enquiry pipeline across both design-and-build and real estate development, plus other potential synergistic acquisition and investment opportunities, we believe that we will be able to capitalise on at least some of these opportunities in the coming year to strengthen our long-term market leadership and value creating capabilities.

In line with the ITMs for 23 industries, we intend to help our clients to successfully shift into Industry 4.0, automation and digitalisation. One such industry where transformation is already taking place is in the logistics industry, where we were awarded four contracts in FY2018. In three instances, the world's leading third-party logistics providers selected us to deliver their new next generation logistics facilities. These extremely advanced facilities, integrating the latest in proven smart technologies that automate most processes, pack more into smaller footprints both horizontally and vertically, and reduce reliance on expensive manpower, will be completed in FY2019. As industry

transformations take place according to ITMs, we are in the right place to help our clients to see through their successful transformations.

Along with our core activities in design-and-build, development and leasing, we will also be looking to expand our leasehold portfolio, adding on potentially more business park and industrial developments, and translating our success in Singapore to targeted overseas markets.

### A Word of Appreciation

We would like to thank our management and staff for their dedicated efforts in a challenging market, and for taking on change and transformation with enthusiasm. 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.

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

2012

Delivered first Green Mark Platinum-rated facility in logistics category

2012

Delivered first Green Mark-rated industrial facility in Vietnam

2017

Pioneered full integrated digital delivery platform, with BIM to cover entire 30-year building lifecycle and drone technology for aerial imaging, site surveillance and marketing

2017

Pioneered ALICE, first truly smart building in any Singapore business park and first in industry to adopt large-scale prefabricated bathroom units