Company Announcement

Boustead Projects Limited
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BOUSTEAD PROJECTS FY2020 ANNUAL GENERAL MEETING ADVANCE QUESTIONS AND RESPONSES

Singapore, 24 August 2020

The Board of Directors ("Board") of Boustead Projects Limited (the "Company") wishes to express its appreciation to all shareholders who have submitted questions in advance of the Company's FY2020 Annual General Meeting ("AGM") to be convened and held by way of electronic means on Tuesday, 25 August 2020 at 10.30am. In addition, the Securities Investors Association (Singapore), with the support of SGX, had also submitted questions for the AGM and where relevant, we have responded to them.

The Board is pleased to present both the relevant and significant questions and the Company's responses in advance of the AGM. Due to the overlapping nature and/or high commercial sensitivity of some questions, the Company has not provided a response to every question that has been submitted. Where there are overlaps in questions, the Company has grouped related and similar questions and provided responses.

The questions and responses have been grouped as follows:

It is important to note that these questions and responses should be read in conjunction with the Boustead Projects FY2020 Annual Report and with contextual reference to the proceedings of the AGM including the presentation to be made and resolutions tabled at the AGM, along with the Company's previous announcements.

	TOPIC: IMPACT OF COVID-19 ON BP GROUP
1)	**What is expected to be the financial impact of COVID-19 on the design-and-build business performances in FY2021 and FY2022?**
2)	**In view of the various COVID-19 measures, what are the additional construction costs and would such costs be borne by Boustead Projects or its customers? Are we expecting to see losses for the design-and-build business?**
	Company response to questions (1) and (2): The Singapore Circuit Breaker (7 Apr 2020 to 1 June 2020) saw the suspension of all non-essential construction

	activities, followed by further delays due to the phased resumption of the construction sector administered by the Building & Construction Authority. This has resulted in at least four (4) months of delay per project. While all of the BP Group's Singapore project sites have resumed work, further delays to the projects may be expected as productivity has been impacted by compliance with safe management measures and worker availability. As expected, delays in revenue conversion have materially lowered our design-and-build performance for FY2021 year-to-date, and has also resulted in associated resumption, compliance, prolongation and acceleration costs. The full quantum of costs associated with these delays cannot be reasonably determined at this point given the fluidity of the COVID-19 situation and our ongoing assessment of contractual obligations with clients, suppliers and subcontractors, as well as potential partial mitigation by government support and relief measures. Completion of our ongoing development projects (i.e. Bombardier Aerospace Singapore Service Centre Phase 2, Razer Southeast Asia Headquarters and 351 on Braddell) have been delayed with consequential delays in the commencement of leasing income. We continue to proactively implement measures to mitigate the impact of the delays and to protect the viability and long-term value of our business. Shareholders can refer to our discussion of some of the key mitigation measures in our FY2020 financial results announcement as well as pages 24 and 31 of our FY2020 Annual Report. Barring unforeseen circumstances, the BP Group still expects the abovementioned ongoing development projects to be completed within FY2021, and cautiously expects the BP Group to be profitable for the full-year in FY2021.
3)	**Is the Singapore Government providing any financial assistance to the Company given the shutdown of the country's construction sector due to COVID-19?**
	Company response: The BP Group has mentioned some of the Singapore Government's key support and relief measures in our previous company announcements and disclosures. Shareholders may wish to refer to our related disclosures including our previous announcement dated 4 May 2020 pertaining to the Singapore Extended Circuit Breaker Measures, our FY2020 financial results announcement and page 31 of our FY2020 Annual Report. Most recently on 17 August 2020, the Singapore Government announced that the Jobs Support Scheme would be extended to cover 50% of wages (with a S$4,600 wage ceiling) for eligible employees in the built environment sector for two more months (September and October 2020), with the wage support subsequently lowering to 30% of wages up to March 2021.
4)	**Please provide an up-to-date status of the construction of Bombardier Aerospace Singapore Service Centre Phase 2 and the Subang Aerotech Park project in Malaysia.**
	Company's response: Construction of the Bombardier Aerospace Singapore Service Centre Phase 2 has resumed, with completion expected in FY2021 barring unforeseen circumstances. As stated on page 35 of our FY2020 Annual Report, the BP Group progressed on the marketing of the Subang Aerotech Park development during FY2020.

	While the development initially attracted a healthy level of interest from aerospace-related and logistics companies, enquiry activity was subsequently slowed down by the global geo-political uncertainties, as well as the pandemic near the end of FY2020.
5)	**The Company mentioned on page 35 of its FY2020 Annual Report that legislative changes have been passed [in Singapore] to mandate that landlords provide additional rental relief to eligible SMEs badly affected by COVID-19. What percentage of the Company's tenants have requested for rental relief and would this have a material impact on the Company's earnings for FY2021?**
	Company's response: The BP Group is still assessing the impact of these legislative changes on our business and is at this point unable to reasonably quantify the financial impact on our earnings for FY2021. However, we endeavour to keep shareholders updated should we expect any material adverse impact on our businesses resulting from these legislative changes. As also mentioned in the response to questions (1) and (2), we cautiously expect the BP Group to be profitable for the full-year in FY2021 barring unforeseen circumstances.
6)	**In view of the COVID-19 pandemic, is management still actively looking to unlock value from its completed leasehold portfolio (including jointly-owned properties)?**
7)	**Will the COVID-19 pandemic affect the property valuations?**
8)	**What is the ideal target size in terms of assets-under-management for a REIT listing?**
	Company's response to questions (6) to (8): During FY2020, the BP Group continued to advance on initiatives to unlock value from our completed leasehold portfolio. Negotiations are continuing with relevant parties and we look forward to sharing more details when all arrangements have been finalised.
9)	**What measures or initiatives has the BP Group taken to ensure the wellbeing and health of its employees (e.g. from burn-out, workloads, stress, etc.)?**
	Company's response: The BP Group recognises that our employees are our best asset. In addition to the measures that we have taken to safeguard the wellbeing and health of our team members against the pandemic as mentioned in our FY2020 Annual Report, free talks and webinars on various wellness and health topics have been and will continue to be organised for team members.
	TOPIC: ORDER BOOK
10)	**Did the orders won in FY2020 include the Braddell development?**
	Company's response: The contracts secured for FY2020 include the design-and-build contract for 351 on Braddell. As the BP Group owns half of this joint venture development, we will only recognise about half of the revenue and profit associated with this design-and-build contract for the development.

11)	**The value of new projects won in FY2020 (S$93 million) was the lowest in the past 5 years. Was this all due to COVID-19?**
	Company's response: As mentioned on pages 22 and 31 of the FY2020 Annual Report, during FY2020 the BP Group shifted our business development efforts towards pursuing projects in strategic and higher value sectors and new geographies so as to better manage our internal resources and execute on the sizeable order backlog carried forward from the end of FY2019. As mentioned on page 24 of the FY2020 Annual Report, the unprecedented scale of global disruption brought about by the pandemic has triggered other unprecedented collapses such as in global crude oil prices and simultaneous plunges in GDP worldwide. On the business development front, we have observed clear signs of business slowdown as many corporations postpone expansion and investment plans and enter a cash conservation mode in anticipation of the potential economic hardship ahead.
	TOPIC: DESIGN-AND-BUILD SEGMENT PROFITABILITY
12)	**Why was the cost of sales so high in FY2020?**
13)	**Is there a way to better manage your cost of sales to improve the bottom line?**
14)	**Are there any timing issues with costs which could potentially lift gross margins in the later stages of the construction projects?**
	Company's response to questions (12) to (14): The higher cost of sales for FY2020 mainly reflect the lower gross margins for ongoing projects, as well as the lower quantum of cost savings from previously completed projects recognised during the year. The lower gross margins for ongoing projects for FY2020 were mainly due to the intense margin pressures in the industry and presence of sizeable projects that are more limited in their scope as compared to turnkey design-and-build projects. Contracts that are more limited in scope generally provide lower margins.
15)	**Can management elaborate further on the 'intense margin pressure' that is impacting the industry? Does management expect this ultra-competitive environment to continue for the foreseeable future?**
16)	**How much pricing power does the group have? As a leader in the design-and-build segment offering market-leading capabilities, how is the BP Group positioning itself to differentiate from its competitors? Specifically, how can management ensure that the BP Group maintains and/or improves its margin so as to capture its fair share of the value from its market-leading capabilities for shareholders?**
	Company's response to questions (15) and (16): The margin pressures impacting Singapore's construction industry have been mainly due to worker availability and aggressive price-cutting behaviour by distressed competitors desperate to secure jobs. In view of the pandemic, the BP Group expects the

	need to comply with safe management measures and the probable impact on productivity to further pressure margins. However, we do not rely on pricing alone to competitively position ourselves, given our market-leading capabilities and progressive approach. Shareholders may refer to pages 26 to 31 of the FY2020 Annual Report which extensively detail our market-leading capabilities in design-and-build, as well as the positive results that we continue to observe from our business transformation and digitalisation efforts. We will continue to focus on targeting higher-value projects and diversifying our business overseas to improve our margins. It should be noted that with the Singapore Government's accelerated pivot towards technological transformation of industries including the construction and real estate sectors, especially in light of the pandemic, we believe that we are in a much stronger position to weather the construction industry's crisis as many of our digital initiatives were implemented prior to the pandemic and a number of them have secondary applications towards safeguarding wellbeing, health and safety. As the crisis continues, we expect a certain level of market consolidation to take place which will likely remove weaker and distressed competitors from the scene.
	TOPIC: LEASEHOLD PROPERTIES
17)	**What was the commercial rationale behind the acquisition of the 6 Tampines Industrial Avenue 5 property?**
18)	**Why was the decision made to purchase the property at a price higher than the previous price sold by the seller, considering the building is now older and the lease period shorter?**
	Company's response to questions (17) and (18): 6 Tampines Industrial Avenue 5 was purchased through the Boustead Development Partnership ("BDP"), a strategic joint venture partnership which has its own investment mandate and returns expectations. The BDP's S$77.4 million purchase price reflects the prevailing market valuations during FY2020 and has accounted for the upfront land premium, the property's fit-out value invested in by the previous owner, as well as the rental income of the anchor tenant that was simultaneously secured with the acquisition.
19)	**Under Note 15 of the Company's FY2020 Annual Report, the Company reported a receivable of S$58.6 million relating to loans to a joint venture. A similar amount appears under Note 18 as a financial liability for the Company's BP-TPM LLP joint venture. Does BP-TPM LLP owe the Company S$58.6 million as part of the purchase consideration for 6 Tampines Industrial Avenue 5?**
	Company's response: Yes. The S$58.6 million represents the bridging loan (including interest) which the Company extended to BP-TPM LLP for the BDP's acquisition of 6 Tampines Industrial Avenue 5.
20)	**The aggregate market valuation of the Company's wholly-owned leasehold properties fell from S$425.8 million in FY2019 to S$370.1 million in FY2020. Was this mainly due to the reclassification of the**

	351 on Braddell property from a wholly-owned property to a JV development?
	Company's response: Yes. The reclassification of 351 on Braddell to a joint venture property was in turn due to the BP Group's syndication of approximately half of the equity interest in the development to our South Korean strategic partner during FY2020.
21)	**Can the Company provide a ballpark figure on the levels of debt at its joint venture developments?**
	Company's response: The loan-to-valuation ratio for the BP Group's joint venture developments was approximately between 60% to 70% as at the end of FY2020.
22)	**With respect to Note 22 on pages 138-139 of the Company's FY2020 Annual Report on investment properties, what would have been the valuation loss/gain in FY2020 if these assets were measured at fair value and excluding ROU assets, and what would be the reasons for the valuation loss/gain?**
	Company's response: As disclosed on page 139 of our FY2020 Annual Report, the aggregate fair value of our assets classified as investment properties was S$277,423,000 as at end of FY2020, compared to S$332,470,000 as at the end of FY2019. The main reason for the year-on-year decrease is the reclassification of the 351 on Braddell development to a joint venture property as mentioned earlier in our response to question (20).
23)	**What is the current occupancy rate of ALICE@Mediapolis?**
	Company's response: As mentioned on page 34 of our FY2020 Annual Report, most of the building's business park and white space has been leased, with the remaining vacancy comprising largely of Venture Suite space mandatorily set aside for SMEs and JTC's LaunchPad graduates. Venture Suite space comprises approximately 29% of the building's net leasable area. The current market conditions have made leasing out this space even more challenging.
	TOPIC: REAL ESTATE SEGMENT PROFITABILITY
24)	**As the real estate business is a major strategic thrust for the BP Group, would management consider providing a breakdown showing the segment profit due to leasing income, fee income and one-off gains?**
	Company's response: The BP Group is committed to helping our shareholders and investors better understand the profitability of our businesses. In recent years, we have provided a breakdown of the one-off gains in our segment profit before tax. While the fee income attributable to the management of third-party capital does not yet contribute significantly to our real estate income, we will look into enhancing our disclosures as the proportion of fee income grows with the expansion of our jointly-owned leasehold portfolio.
25)	**Would management help shareholders understand the reasons for the steady decline in segment profit before tax ("PBT") in the real estate business since FY2017 despite the portfolio increasing in size?**

	Company's response: During FY2017, the lease for the BP Group's single-tenanted property at 36 Tuas Road was terminated early by AusGroup. This was a sizeable property (11,470 square metres in gross floor area) which accordingly also contributed a sizeable amount of leasing income. In relation to this early lease termination by AusGroup, we recognised a net compensation of approximately S$4.9 million during FY2017 which was included in real estate PBT for that year. Excluding this one-off net gain from the AusGroup compensation, real estate PBT would have slightly increased from FY2017 to FY2018. The lower real estate PBT for FY2019 compared to FY2018 was mainly due to the lease expiry of 85 Tuas South Avenue 1 in late FY2018, sizeable depreciation incurred on the ALICE@Mediapolis joint venture development which was under asset stabilisation, the absence of a one-off gain from an associated company THAB Development Sdn Bhd and higher employee compensation. These were partially offset by the net gain of S$5.9 million in relation to our sale of 25 Changi North Rise. The lower real estate PBT for FY2020 compared to FY2019 was mainly due to the absence of the gain on the sale of 25 Changi North Rise. While we continue to expand our leasehold portfolio, developments like ALICE@Mediapolis, Razer Southeast Asia HQ, 351 on Braddell and 6 Tampines Industrial Avenue 1 are sizeable multi-tenanted developments that will accordingly incur sizeable depreciation upon their completion. Such depreciation will continue to impact our real estate PBT until asset stabilisation of the properties is achieved.
26)	**Can the Company provide an update on the progress of the Beijing Tongzhou Integrated Development Phase 1? Can the Company share more information about the development in terms of its value contribution to the BP Group and where there could be any potential capital calls from the investors?**
	Company's response: Construction of the Beijing Tongzhou Integrated Development Phase 1 commenced in December 2019, with completion expected progressively from 2023. The original cost of investment for the BP Group's 4% effective interest in the development was approximately S$20.5 million in September 2012. This investment is currently classified on the BP Group's balance sheet as a financial asset, at fair value through other comprehensive income (FVOCI), with a fair value of S$31.3 million as at the end of FY2020.
	TOPIC: CAPITAL DEPLOYMENT
27)	**Given the geo-political uncertainties and the COVID-19 pandemic, has the BP Group made adjustments to its long-term growth plans, including the pace of acquisitions/divestments?**
28)	**Has management evaluated good assets/land bank that may be available as an opportunistic acquisition during this challenging time?**
29)	**Has the Board deliberated on and determined an optimal capital allocation by country?**
	Company's response to questions (27) to (29): On page 24 of the FY2020 Annual Report, the BP Group has stated our need to conserve cash to buffer

	against global uncertainties in the months ahead. Accordingly, we expect to be even more prudent and stringent in our capital deployment in an environment of cash conservation. Notwithstanding this, we recognise that the economic fallout from the pandemic may present distressed yet quality businesses/assets at attractive valuations which we will evaluate and review in the ordinary course of business. We endeavour to keep our shareholders informed of relevant or material developments when such developments have reached a definitive stage or the appropriate juncture. We do not fix capital allocation by country. However, we do intend to increase capital allocation to selected overseas markets to increase the size and percentage of our non-Singapore revenue and profits in the medium-term. Potential investment opportunities in line with our growth strategies and risk appetite, along with associated capital expenditure plans, are routinely identified by management for our Board's review and approval.
30)	**Given that the BP Group invests with its own balance sheet or may choose to team up with several strategic capital partners, how does the BP Group determine its effective stake in each project? In particular, did the BP Group value-add to the 351 on Braddell project before the syndication of a 49% stake to one of its strategic capital partners?**
	Company's response: In deciding on the effective stake in a joint development project, the BP Group takes into considerations the projected returns, investment timeframe and risk appetite. In general, we do not envision owning more than half of the effective stake in each joint development over the long-term. For 351 on Braddell, it should be noted that the land was secured directly by the BP Group in a competitive land tender and thereafter, construction of the development was only at the early stages when we syndicated 49% of the economic interest to our South Korean strategic partner. This syndication included a novation of a portion of the capitalised development costs to the co-investor. In arriving at the consideration for the syndication, we had also considered our value-add to the development prior to the transaction.
	TOPIC: FY2020 AUDITED FINANCIAL STATEMENTS
31)	**What constituted interest income from non-related parties that fell in FY2020?**
	Company's response: The lower interest income from non-related parties for FY2020 mainly relates to the completion of a project under a deferred payment arrangement which contributed interest income during the course of construction and was completed in FY2019.
32)	**As reported on page 84 of its FY2020 Annual Report, the Company's interested person transactions with Boustead Singapore Limited and its subsidiaries ("BSL Group") amounted to S$292,000 for FY2020. This was a large increase from the S$169,000 recognised in FY2019 for the lease of office common area from the BSL Group, which includes shared expenses such as IT, utilities and common area usage. In the past three years from FY2017-FY2019, the amounts ranged from S$169,000 to S$178,000 per year. Would the Board help shareholders understand the reason(s) for the 73% increase year-on-year in FY2020?**

	Company's response: More than half of the year-on-year increase relates to a one-off, short-term sublet of office space – at prevailing market rates and on an arms-length basis – by the BSL Group to the BP Group at Edward Boustead Centre from June 2019 to August 2019. The sublet space was made available following the relocation of Esri Singapore Pte Ltd, a subsidiary of the BSL Group. After August 2019, the sublet space was leased directly to the BP Group by the joint venture landlord of Edward Boustead Centre. This leasing of additional office space was intended to cater to the expansion of the BP Group's team, which increased from 214 to 277 over the course of FY2020 in line with the ongoing expansion of our design-and-build and real estate businesses. As disclosed on page 138 of Boustead Projects' Introductory Document, the BP Group has entered into an IT Support and General Administration Services with a subsidiary of the BSL Group for the provision of such IT support and general administration services to the BP Group, and the fees charged for such services should not exceed S$220,000 per year. While there was an increase in such fees for FY2020 due to the Company's co-sharing of certain BSL Group-level programmes, the total amount was well below the S$220,000 cap.
	TOPIC: OTHERS
33)	**What keeps the Managing Director up at night?**
	Company's response: At the moment, it would be the risk of a second wave of COVID-19 infections which could lead to further business disruptions, as well as further travel restrictions impeding business travel to the BP Group's overseas operations and for business development. There is also great uncertainty on the impact and finality of the pandemic.

By Order of the Board

Tay Chee Wah
Company Secretary

About Boustead Projects Limited

Established in 1996, Boustead Projects Limited (SGX:AVM) is a leading real estate solutions provider in Singapore, with core engineering expertise in the design-and-build and development of smart eco-sustainable business park and industrial developments for clients including Fortune 500, S&P 500 and Euronext 100 corporations. To date, we have constructed and developed more than 3,000,000 square metres of real estate regionally in Singapore, China, Malaysia and Vietnam. Our wholly-owned design-and-build subsidiary, Boustead Projects E&C Pte Ltd ("BP E&C") is approved by Singapore's Building & Construction Authority ("BCA") for Grade CW01-A1 and General Builder Class 1 Licence to execute building construction contracts of unlimited value.

Our transformative technologies – full-fledged integrated digital delivery and Industry 4.0 transformation standards – are shaping future-ready, custom-built developments. Our in-depth experience covers the aerospace, business park, food, healthcare and pharmaceutical, high-tech manufacturing, logistics, research & development, technology and waste management industries, among others. We are the market leader in pioneering advanced eco-sustainable industrial developments under the BCA's Green Mark Programme and also the quality leader on the BCA's CONQUAS all-time top 100 industrial projects list. In Singapore, BP E&C is one of only eight bizSAFE Mentors and also a bizSAFE Star, the highest qualification that can be attained in recognition of a company's workplace safety and health ("WSH") management programmes. Our WSH efforts have been further recognised with five prestigious WSH Performance Silver Awards and 13 Safety & Health Award Recognition for Projects (SHARP) to date.

On 30 April 2015, Boustead Projects listed on the SGX Mainboard. We were awarded the Singapore Corporate Governance Award in the Newly Listed Category at the Securities Investors Association (Singapore) Investors' Choice Awards 2017. We are one of only 95 SGX-listed corporations on the SGX Fast Track Programme, a programme that aims to affirm listed issuers that have been publicly recognised for high corporate governance standards and have maintained a good compliance track record, with prioritised clearance for their corporate action submissions. We are also listed on the MSCI World Micro Cap Index and FTSE ST Fledgling Index.

Boustead Projects is a 53%-owned subsidiary of Boustead Singapore Limited (SGX:F9D), a progressive global infrastructure-related engineering and technology group which is separately listed on the SGX Mainboard.

Visit us at www.bousteadprojects.com.

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