

FREQUENTLY ASKED QUESTIONS ABOUT BOUSTEAD INDUSTRIAL FUND

SINGAPORE, 9 FEBRUARY 2021

The Board of Directors (“Board”) of Boustead Projects Limited (the “Company”) wishes to express its appreciation to all shareholders and investors who had posed questions regarding the Company’s announcement dated 31 December 2020 (the “Announcement”), which pertains to the Company’s Establishment of its Boustead Industrial Fund (“BIF”) and the Proposed Transactions (Comprising the Proposed Subscription and the Proposed Divestment).

The Board is pleased to present both the relevant and significant frequently asked questions and the Company’s responses in respect of the Announcement. Due to the high commercial sensitivity of some questions, the Company has not provided a response to every question that had been posed. 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:

- Rationale for establishment of BIF (page 2)
- Structure of BIF (pages 3 to 4)
- Notes to be issued by BIF Trustee (page 4)
- Rental guarantee (page 4)
- Sale consideration (page 5)
- BIF’s Initial Industrial Properties (page 5)
- Company’s remaining properties (pages 5 to 6)
- Use of proceeds (page 6)
- Expected financial effects on Company (pages 7 to 8)

It is important to note that these frequently asked questions and responses should be read in conjunction with the Notice of the Extraordinary General Meeting (the “EGM”) and related Circular to Shareholders (the “Circular”) which were released through the Singapore Exchange along with this announcement, and with contextual reference to the proceedings of the EGM including the presentation to be made and resolutions tabled at the EGM, along with the Company’s disclosures in its previous announcements and annual reports.

In view that shareholders will not be able to ask questions “live” during the webcast of the Company’s upcoming EGM at 10.30am on 25 February 2021, and even though these frequently asked questions and responses have been made available, shareholders may still submit questions relating to the business of the EGM by 10.30am on 22 February 2021:

- a) via the pre-registration website at <https://agm.convneagm.com/bousteadprojectsEGM>;
- b) by email to bousteadprojects.egm2021@boustead.sg; or
- c) by post to the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, shareholders are strongly encouraged to submit their questions via the pre-registration website or by email. The Company will endeavour to answer all substantial and relevant questions prior to, or at this EGM, by electronic means.

	TOPIC: RATIONALE FOR ESTABLISHMENT OF BIF
<p>1)</p> <p>Response:</p>	<p>Why does the Company need to raise cash now when there is already over S\$100 million of cash sitting on your balance sheet?</p> <p>The Company has shared in its previous announcements and annual reports about its various growth strategies, which include but are not limited to the following:</p> <ul style="list-style-type: none"> i) expanding regionally in fast-growing markets; ii) growing its leasehold portfolio; iii) transforming its business through adoption of game-changing methodologies such as 3D scanning, artificial intelligence, machine learning, data analytics and virtual reality; iv) focusing on increasingly capital-intensive, sophisticated and complex development projects or high-tech development projects; and v) exploring opportunities in mergers and acquisitions. <p>The endeavours mentioned above are envisaged to be long-term and capital-intensive in nature.</p> <p>As also elaborated in the Announcement, the objective of setting up BIF is not only to allow the Company to unlock value and recycle capital from its stabilised properties but also allow the Company to play the roles of a strong sponsor as well as a fund manager. BIF will provide the Company with an additional platform that can acquire and hold stabilised and income-generating assets on a long-term basis. As such, the Company’s development management, asset management and fund management fees are envisaged to grow over time as it undertakes additional developments and stabilised assets are injected into BIF.</p> <p>Additionally, as a result of the impact of the COVID-19 pandemic and the resulting changes to the construction industry, it is expected that more working capital may be required for future projects.</p>
<p>2)</p> <p>Response:</p>	<p>Why did BPL go with a private trust instead of a public-listed REIT? Was it primarily due to valuation?</p> <p>In consideration of the initial portfolio size of BIF (approximately S\$472.2 million based on the aggregate independent market valuations of BIF’s share of the Initial Industrial Properties) and the well-documented predicament faced by smaller REITs (e.g. consolidation pressures, difficulties in raising new capital, depressed unit prices hindering new acquisitions, among others), the Company concluded that a private fund would be the most logical and viable choice to pursue as compared to a publicly-listed REIT.</p> <p>It is also envisaged that with the smaller number of investors in BIF (i.e. three including the Company) as compared to a publicly-listed REIT, BIF would be able to enjoy easier, faster and more flexible decision-making, particularly on matters of strategic importance. It is envisaged that BIF’s investment base of institutional or sophisticated investors will also help provide stability to BIF, as such established real estate investors typically have longer term holding periods.</p>

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	TOPIC: STRUCTURE OF BIF
3) Response:	Is BIF an open-ended or close-ended fund? BIF is an open-ended fund.
4) Response:	What appetite or capacity would BIF have for further acquisitions and/or new developments? BIF may acquire new assets that satisfy certain key criteria and its fund manager may also recommend that BIF invest in new developments subject to thresholds on value of investment and such projects satisfying key criteria. More information on these key criteria are set out on page 21 of the Circular.
5) Response:	How does BIF intend to fund future acquisitions and/or new developments? What would be the frequency of such acquisitions, if any? It is envisaged that BIF will fund any future acquisitions and/or new developments that satisfy the requisite key criteria with bank borrowings and the issuance of new Units and Notes.
6) Response:	Is there an intention for BIF to be listed eventually? While the future listing for BIF is a possibility (subject to the approvals of BIF's investors), the Company's immediate focus for BIF will be for it to be fully-operational and be able to grow sustainably, along with the Company's other fund management platforms, through participation in new acquisitions and/or developments.
7) Response:	What is the total amount to be raised by BIF in Units? As stated on page 25 of the Circular, an aggregate of up to 75,499,999 Units will be issued to BIF's Initial Fund Investors (including the Company) at an issue price of S\$1.00 per Unit. This amount has taken into account the consideration for the remaining 51% partnership interests in Continental Building Phase 3, which BIF is required to acquire after the expiry of the assignment prohibition period (which is due to expire approximately four years after the Proposed Initial Subscription as defined on page 16 of the Circular) imposed by JTC Corporation in respect of the property's underlying land lease.
8) Response:	The total initial amount to be raised in Units and Notes seem way below the aggregate consideration for the Initial Industrial Properties. How does BIF intend to fund the balance of the aggregate consideration? The balance of the aggregate consideration will be funded by bank borrowings. As mentioned on page 21 of the Circular, BIF will have a maximum borrowing limit of up to 45.0% of the value of the deposited property in BIF, with a maximum borrowing limit of up to 70.0% at an individual property level. Also, as mentioned on page 45 of the Circular, BIF will have access to banking facilities of up to the aggregate principal amount of S\$298 million provided by DBS and UOB.
9) Response:	Will the level of the Company's holdings in BIF subsequently increase or decrease? The Company is expected to maintain a substantial shareholding interest in BIF, which is in line with the market practice where the manager of a sponsored fund would typically hold a substantial shareholding in the fund. The exact shareholding, however, may fluctuate depending on a number of factors, including but not limited to: (i) the size and speed of future acquisitions by BIF; (ii) whether such acquisitions consist of assets owned or co-owned by the Company and third-parties; and (iii) other capital requirements that the Company may have to fund its various growth strategies.

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10)	What is the risk of Metrobilt not participating eventually in the Proposed Subscription?
Response:	The Company has assessed the risk of Metrobilt not participating to be low.

TOPIC: NOTES TO BE ISSUED BY BIF TRUSTEE	
11)	The 7% interest rate on the Notes seems to be a bit high. Is this a standard rate for loans against Singapore industrial properties?
Response:	The 7% Notes have to be seen in the context of providing a form of guaranteed returns to the Noteholders who are in the case of BIF, also the Initial Fund Unitholders. The 7% interest rate on the Notes has taken into account the projected distributions from the income generated from BIF's initial portfolio. There is also flexibility in that the Fund Trustee may at its option redeem all or some of the Notes provided the Fund Trustee satisfies the Notes Trustee that BIF has available excess funds or uses funds raised from borrowings and/or capital market transactions for such redemption. The Initial Fund Unitholders will hold the same proportional holding of 7% Notes (as a % of total Notes issued) as they hold in proportional holding of Units (as a % of total Units issued).
12)	Will the Company enjoy any benefits from the Notes (in addition to the interest income)?
Response:	As mentioned on pages 24 to 25 of the Circular, the Notes are intended to be 'qualifying debt securities' for the purposes of the Income Tax Act, Chapter 134 of Singapore, which entail a 10% concessionary tax rate on the net interest income earned by the Noteholders (including the Company) on the Notes. The Notes must meet a number of conditions in order to qualify as qualifying debt securities, one of which includes the requirement to be either: (i) issued to at least four persons; or (ii) not having 50% or more of the issued Notes held or funded, directly or indirectly by related parties of the Fund Trustee (being the issuer of the Notes).

TOPIC: RENTAL GUARANTEE	
13)	Is the S\$25.5m (Maximum Guaranteed Rent Amount) mentioned on page 13 of the Announcement equivalent to the actual rent on the properties they are guaranteed for? What is the quantum of the aggregate shortfall amount payable by the Company?
Response:	<p>The S\$25.5 million represents the expected rental income in respect of the Relevant Properties as defined on page 13 of the Announcement and page 42 of the Circular. While most of BIF's initial portfolio comprises fully-occupied single-tenanted properties with existing mid to long-term leases, there are a few properties with partial vacancy (i.e. multi-tenanted buildings) or in respect of which certain rent-free periods have been granted for tenant fit-outs, and the rental guarantee is in place to cover the monthly rental shortfall for such properties for the guarantee period (i.e. 12 months from BIF's transaction completion date involving the Relevant Properties).</p> <p>As further mentioned on page 42 of the Circular, the Company expects to pay an aggregate amount of S\$2.2 million as rental guarantee to the Fund Trustee based on known vacancies and contractual rent-free periods for the Relevant Properties as at 31 December 2020.</p>

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TOPIC: SALE CONSIDERATION	
14)	Why is BIF paying only S\$8.4m for 49% of Continental Building Phase 3, which works out to \$17.1m for 100%, if the entire property is independently valued at S\$25m? Similarly, why is BIF paying only S\$2.7m for 49% of 11 Seletar Aerospace Link, which works out to \$5.5m for 100%, if the entire property is independently valued at S\$12m?
Response:	The sale consideration relates specifically to the partnership interests and interest-free partner's loans pertaining to Continental Building Phase 3 and 11 Seletar Aerospace Link, and do not take into account the bank borrowings taken up for either property.
15)	What is the implied cap rate on the sale consideration for BIF's initial portfolio?
Response:	While the Company cannot divulge the exact cap rate due to commercial sensitivity, it would be close to the 7% interest rate on the Notes.

TOPIC: BIF'S INITIAL INDUSTRIAL PROPERTIES	
16)	How much longer does the Company and/or its co-owners have to hold the 51% remaining stake in 10 Tukang Innovation Drive, Continental Building Phase 3 and 11 Seletar Aerospace Link?
Response:	As disclosed on page 2 of the Announcement and page 16 of the Circular, the assignment prohibition period in respect of Continental Building Phase 3 is expected to expire approximately four years after the Proposed Subscription. The assignment prohibition periods in respect of 10 Tukang Innovation Drive and 11 Seletar Aerospace Link are expected to expire in the next two to three years.

TOPIC: COMPANY'S REMAINING PROPERTIES	
17)	What is the market valuation of the Company's remaining properties (i.e. not injected into BIF) split between wholly-owned and jointly-owned?
Response:	Based on current valuations, the Company has assessed that the aggregate market value of its remaining properties (including its joint venture partners' respective shares in completed developments, developments under construction and the remaining interest in 10 Tukang Innovation Drive, Continental Building Phase 3 and 11 Seletar Aerospace Link) is in excess of S\$0.7 billion. It should also be noted that the majority of these remaining properties are joint venture developments.
18)	Why are these properties not injected into BIF? Are any of these stabilised assets?
Response:	The remaining properties that are owned and co-owned by the Company and/or its subsidiaries are not considered as eligible initial assets for BIF either because they are under the assignment prohibition period and/or under construction, asset stabilisation or planned redevelopment. In addition, some of these assets are overseas properties and BIF is only focused on Singapore industrial properties.
19)	Is the intention to inject these properties into BIF eventually and if so, what would be the timing for this?
Response:	As stated on page 1 of the Announcement and pages 22 to 23 of the Circular, the Company has, as sponsor of BIF, proposed to grant to BIF a conditional right of first refusal in respect of the disposal of any interest in industrial properties that are owned

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	and/or managed by the Company and/or its subsidiaries. The timing for the injection of such properties are in turn dependent on: <ul style="list-style-type: none"> i) when they are completed; ii) when they are stabilised; iii) when their assignment prohibition period expires (if applicable); and iv) whether they have met the requisite return hurdles at the development level and at BIF's level.
20) Response:	What is the Company's strategy for its properties outside of Singapore? While the Company will continue to hold these properties for lease or sale, the Company may also explore country or region-specific platform options similar to BIF for such properties should critical mass be achieved in terms of the aggregate size of these properties.

TOPIC: USE OF PROCEEDS	
21) Response:	When does the Company expect to receive the proceeds from the Proposed Divestment? As mentioned on page 35 of the Circular, the Company expects to receive the gross proceeds from the Proposed Divestment on the date on which BIF completes the acquisition of the Initial Industrial Properties.
22) Response:	Would the Company be taxed on its proceeds and what would be the expected quantum? As the Company intends to apply for tax exemptions for certain eligible assets, the taxable amount will depend on the outcome of such applications for tax exemption. Notwithstanding the outcome of such applications, the Company will take the prudent approach of providing for the full tax exposure when reporting its financial results.
23) Response:	What would be the Company's return hurdles for reinvesting the proceeds? Is the Company confident of underwriting a mid-teens internal rate of return ("IRR") over the long-term when reinvesting? The Company's return hurdles for its investments are generally dependent on the type, profile and geographic location of an investment opportunity. Depending on the macro-market situation and property-specific factors, the Company expects to maintain at least a mid-teen leveraged IRR for some but not all of its investments.
24) Response:	Would it make sense for the Company to pay out a substantial part of the excess proceeds as a special dividend when one of the reasons for the unlocking of value (from its leasehold portfolio) is to recycle capital to scale up its development business? While the Company intends to use the excess proceeds to further grow its businesses (which is one of the reasons for the establishment of BIF), the Company strives to strike a balance between maintaining sufficient capital for business expansion and paying out dividends so that Shareholders may enjoy some returns gained from the Company's previous investments made in disposed properties.
25) Response:	Does the Company intend to continue its development business in Singapore given the (shorter) land tenure situation, and in view of its plans to expand overseas? Yes, the Company intends to continue its development business in Singapore and also overseas.

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	TOPIC: EXPECTED FINANCIAL EFFECTS ON COMPANY
<p>26)</p> <p>Response:</p>	<p>Of the approximately S\$98.0 million allocated to discharge the existing encumbrances over the Initial Industrial Properties, is this amount just referring to bank borrowings, and what is the split between the debt on the Company's balance sheet and that at the joint venture level?</p> <p>As the majority of the Initial Industrial Properties are wholly-owned by the Company, the majority of the approximately S\$98.0 million will be used repay most of the debt on the Company's existing balance sheet, with a smaller portion reserved for the Company's share of debt on the jointly-owned properties.</p>
<p>27)</p> <p>Response:</p>	<p>In terms of the Company's capital structure, what other line items (other than debt) on the Company's balance sheet are expected to change substantially assuming the proposed transactions are approved and completed?</p> <p>In addition to borrowings, the following line items are envisaged to be substantially changed post-completion of the Proposed Transactions:</p> <ul style="list-style-type: none"> • Cash and cash equivalents; • Properties held for sale; • Investment properties; • Investments in joint ventures; and • Right-of-use assets and lease liabilities (both of a current and non-current nature) – as these pertain to the land rent payable in respect of Properties held for sale.
<p>28)</p> <p>29)</p> <p>Responses for questions 28 and 29:</p>	<p>What are the types and quantum of management fees that Boustead Industrial Fund Management Pte Ltd ("BIFM") is expected to earn from the management of BIF? How meaningful would this income stream be?</p> <p>What is the value that can be ascribed to the fund management business under BIFM and would it be at least profitable?</p> <p>BIFM is expected to earn fees similar to what would be earned by private property trust managers or public-listed REIT managers. As mentioned on page 22 of the Circular, this includes base fees, performance fees, acquisition fees, divestment fees and development management fees.</p> <p>While the Company cannot disclose the exact quantum of these fees due to commercial sensitivity, the fees are expected to be in line with market standards and are not expected to exceed 5% of the Company's reported revenue for 1H FY2021 ended 30 September 2020). The Company expects the fund management business under BIFM to be profitable from the onset and the fee income is envisaged to grow as the assets under BIFM's management grow.</p>
<p>30)</p> <p>Response:</p>	<p>Does the illustrative post-transaction earnings per share figure in the Announcement and Circular include the projected management fees from BIFM?</p> <p>Yes, the illustrative earnings per share figure provided on pages 16 to 19 of the Announcement and page 50 of the Circular has taken into account the projected management fees that BIFM is expected to earn from BIF.</p>

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31)	Would it be correct to assume that the Company's development business would be substantially bigger going forward? And would most of the expansion be overseas?
Response:	<p>The Company has stated in its previous disclosures that regional expansion into fast-growing markets forms one of its growth strategies. As mentioned on page 25 of the Company's FY2020 Annual Report, the enhancement of the Company's pool of strong, synergistic development partnerships have enabled it to undertake a wider range and greater number of developments across more real estate sectors and geographic markets; this is expected to be further boosted by the capital unlocked from the establishment of BIF. In addition, the Company's management team is working on growing the Boustead Projects Group's income contributions from targeted overseas markets, an endeavour that would definitely be aided by a larger capital pool. As a case in point, the Company had recently announced on 1 February 2021 its proposed acquisition of a 49% interest in KTG Industrial Bac Ninh Development Joint Stock Company, which holds certain industrial properties in Vietnam.</p> <p>Notwithstanding the Company's enhanced capital resources following the unlocking of capital from BIF, the scale of the Company's future development business would depend on the availability and viability of investment opportunities.</p>

-- END OF COMPANY ANNOUNCEMENT --

By Order of the Board

Tay Chee Wah
Company Secretary

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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 also a leader in pioneering advanced eco-sustainable 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 16 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, which 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.

Contact Information

For investor and media enquiries related to Boustead Projects Limited, please contact:

Mr Winson Teo
Manager
Corporate Marketing & Investor Relations

T +65 6748 3945
D +65 6709 8109
E winson.teo@boustead.sg