



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Boustead Projects Limited

Stock code: AVM

Meeting details:

Date: 25 August 2020

Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. For the financial year ended 31 March 2020, the group recognised a record-high revenue of \$426 million although profit attributable to shareholders declined by 27% to \$22.2 million.

In the group's Design-and-Build segment, it has an integrated digital delivery ("IDD") which is guided by Industry 4.0 transformation standards and incorporates 7D building information modelling, virtual design and construction, and design for manufacturing and assembly. In addition, the progressive game-changing methodologies include 3D scanning, artificial intelligence and machine learning, data analytics, drone technology and virtual reality. The group has stated that these are market-leading capabilities.

Revenue from the design-and-build segment was \$391.9 million, 91% higher year-on-year. However, profit before income tax was 13% lower at \$19.6 million. One of the reasons was the lower gross margins on ongoing projects. The group had also incurred higher costs of sales and overhead costs in relation to mobilising and scaling up resources to manage several large projects.

- (i) **Can management elaborate further on the "intense margin pressure" that is impacting the industry?**
- (ii) **How much pricing power does the group have?**
- (iii) **As a leader in the design-and-build segment offering market-leading capabilities, how is management positioning the group to differentiate itself from the competitors?**

Specifically, how can management ensure that the group maintains and/or improves its margin so as to capture its fair share of the value from its market-leading capabilities for shareholders? The ability to maintain/improve margins can be achieved by commanding above-market rates (for the group's superior services, such as its IDD), or by achieving a higher productivity and hence lower costs via its more efficient systems and processes, or both.

Q2. In the group's Real estate business, the portfolio has increased to 22 properties totaling over 351,000 square metres in gross floor area. These wholly-owned and jointly-owned properties have a combined market valuation exceeding \$932 million.

The segment profit before income tax was \$7.9 million, approximately 8% higher than the adjusted segment profit if the one-off \$5.9 million pre-tax gain on sale of 25 Changi North Rise was excluded.

The segment profit before income tax since FY2016 is shown on page 32 and reproduced below:



(Source: company annual report)

- (i) **As the real estate business is a major strategic thrust for the group, would management consider providing a breakdown showing the segment profit due to leasing income, fee income and one-off gains?** This would allow shareholders to understand the progress by the group over the years in expanding its asset base for recurring income and in growing the management-fee business.
- (ii) **Would management help shareholders understand the reasons for the steady decline in segment profit in the real estate business since FY17 despite the portfolio increasing in size?**
- (iii) **Given the geo-political uncertainties and the COVID-19 pandemic, has the group made adjustments to its long-term growth plans, including the pace of acquisitions/divestments?**
- (iv) **Has the board deliberated on and determined an optimal capital allocation by country?**

- (v) **Has management evaluated good assets/land bank that may be available as an opportunistic acquisition during this challenging time?**
- (vi) **Given that the group invests with its own balance sheet or may choose to team up with several strategic capital partners, how does the board/management determine the group's effective stake in each project? In particular, did the group value-add to the "351 on Braddell" project before the syndication of a 49% stake to one of its strategic capital partners?**

Q3. On page 84, the company listed the interested person transactions with Boustead Singapore Limited and its subsidiaries amounting to \$292,000 for FY2020. This was a large increase from the \$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.

INTERESTED PERSON TRANSACTIONS

All transactions with interested persons must be negotiated and made at arm's length and reviewed by the Audit & Risk Committee.

For FY2020, the following transactions that the Group entered into would be regarded as interested person transactions pursuant to the Listing Manual of the SGX-ST:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000)	
	31.3.20 S\$'000	31.3.19 S\$'000
Boustead Singapore Limited ("BSL") & its subsidiaries ("BSL Group")		
Lease of office common area from the BSL Group ⁽¹⁾ (includes shared expenses such as IT, utilities and common area usage)	292	169

⁽¹⁾ This is deemed to have been specifically approved by shareholders upon the distribution of shares by dividend in specie following the extraordinary general meeting of Boustead Singapore Limited held on 16 April 2015 and is therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there are no subsequent changes to the terms of such agreement.

(Source: company annual report)

In the past three years from FY2017-FY2019, the amounts ranged from \$169,000 - \$178,000 per year.

As disclosed, the lease of office common area from the BSL Group is deemed to have been specifically approved by shareholders upon the distribution of shares by dividend in specie following the extraordinary general meeting of Boustead Singapore Limited held on 16 April 2015 and is therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST to the extent that there are no subsequent changes to the terms of such agreement.

- (i) **Would the board help shareholders understand the reason(s) for the 73% increase (from \$169,000 to \$292,000) for the lease of office common area?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)