



Boustead Singapore Limited
(Co. Reg. No. 197501036K)

82 Ubi Avenue 4
#08-01 Edward Boustead Centre
Singapore 408832

REPLY TO SIAS QUESTIONS ON BOUSTEAD FY2017 ANNUAL REPORT

Singapore, 26 JULY 2017

The Board of Directors (the "Board") of Boustead Singapore Limited ("Boustead" or the "Company") is pleased to share the following answers in reply to questions posed by the Securities Investors Association (Singapore) ("SIAS") on the Boustead FY2017 Annual Report. SIAS, with the support of the SGX, embarked on this initiative to improve the quality of annual general meetings by raising relevant questions addressed to SGX-listed corporations. Questions and content from SIAS' original communications to Boustead have been italicised.

Question 1: In the very candid and informative Chairman's Message (pages 18 to 21 of the annual report), it was disclosed that the group has now broadened its mandate to "opportunities outside of our three divisions and includes evaluating innovators, start-ups and start-up graduates (start-ups that have commercialised but with a short track record), especially those that possess potentially disruptive and innovative technology, a sustainable business model, solutions with a high commercialisation rate, and most importantly, a budding and energetic management team that we can trust" (page 20).

In the group's profile, the group is being described as "a progressive global infrastructure-related engineering services and geo-spatial technology group".

- a) In broadening its search to beyond the group's three established divisions and even considering early stage innovators, where does the group draw the line to ensure that it does not buy into something beyond its core competence? How far is the group willing to stretch from the current core businesses? For example, would the company invest in technology/media start-ups (such as Uber, Snap, Netflix when they were much smaller and younger etc.)?*

Boustead's answer:

Established in 1828, the Boustead Group is Singapore's oldest continuous corporation. Over our illustrious history, we have been involved as co-founders and co-investors in the birth of numerous businesses and industries.

We have also shared in the Chairman's Message that in modern times, two of our three divisions were incubated from start-ups that we established 20 years' ago. Within the Boustead Group, our culture has encouraged organic incubation of businesses that may be complementary to existing businesses. We are familiar with the incubation of new businesses.

That being said, we acknowledge that investing in start-ups, especially tech start-ups, potentially involves different business activities and carries higher risks. As we expand our mandate to evaluate innovators, start-ups and start-up graduates, our natural inclination is to prioritise the evaluation of potential investment opportunities related to

our three divisions. Nonetheless, we have not formalised a structure that would preclude us from reviewing opportunities outside of our three divisions. This is intentional so that we can continue to take an adaptable and flexible approach, which has served us well in the past and helped us to survive and thrive for this long, allowing us to enter into businesses and industries at the beginning of long-term trends.

In order to manage the risks involved with start-ups, we will be limiting our exposure only to affordable risk investments. Mitigating our risk further, we intend to be more focused on tech start-ups where geographic information systems and location analytics play an important role in the business. Given our Geo-Spatial Technology Division's expertise in this area, we expect that our foundation knowledge will assist us in making more informed evaluations of such tech start-ups. This also goes hand-in-hand with Esri Australia's Innovation Hub and Esri Singapore's Innovation & Jumpstart Programme, which are part of an ecosystem supporting tech start-ups with free software, technical advisory support and training. For more information on these programmes, please see this year's annual report on pages 37 to 39.

b) Are non-majority/passive investments being considered or is management looking to invest and actively nurture and grow the early stage companies?

Boustead's answer:

When evaluating potential investment opportunities, we prefer to get in with a controlling shareholding stake or at the very least, associate shareholding stake in mind. In addition, we consider board or management representation to be extremely important. We believe in being actively involved in helping founders or management teams of acquired businesses to chart their futures, given the wide experience, expertise and networks that we can share with them.

At the company level, there is no debt and the company has accumulated cash and cash equivalents of \$68.6 million and a further \$45.4 million of available-for-sale financial assets.

c) In terms of risk management, has the board deliberated on the ticket size for investment into each/any business?

Boustead's answer:

We would like to make reference to the Boustead Group's financial position rather than the Company's financial position. At the end of FY2017, the Boustead Group had a net cash position of S\$188.1 million and available-for-sale financial assets of S\$67.1 million. This places us in a good position to pursue sizeable potential investment opportunities.

With regards to the sizes of potential investment opportunities, our Board has not confined sizes to any specific limits, although our Board has indicated to our senior management team that such opportunities should be assessed on a risk-managed basis. Opportunities of varying sizes have been reviewed. All opportunities evaluated have fallen within sizes which would have been manageable taking into consideration the size of the Boustead Group, management and financial resources. In addition, our Board is briefed on opportunities that reach a relatively advanced stage, before our senior management team proceeds onto more conclusive and detailed documentation and negotiations. As such, our Board's awareness and involvement in risk management of opportunities begins at an early stage.

In any case, major potential investment opportunities that cross thresholds such as 20% of market capitalisation or net asset value would still require shareholders' approval. In such cases, it would be necessary for the Board and Company to strongly demonstrate the merits and potential risks that come with such opportunities and convince shareholders of the business case for concluding the investment. We comply strictly with relevant SGX rules governing this area.

Question 2: China's One Belt, One Road (OBOR) project has caught the group's attention. As the Chairman explained in his message, the OBOR is about global connectivity and integration (if not at least inter-continental) and Singapore "undoubtedly possesses some expertise and knowledge in this area and can play an important role in the world's foremost transnational project of this generation".

In addition, the Chairman added that: "On our part, we certainly will be exploring how we can play a relevant role, whether through our strong network and current businesses or potentially through new contracts, investments and projects" (page 20).

a) Can management help shareholders understand what are some of the potential opportunities through the group's businesses and current network?

Boustead's answer:

We are a provider of infrastructure-related engineering services and geo-spatial technology. We believe that our infrastructure-related offerings – both hard and digital infrastructure offerings – are relevant to the OBOR Project, which is focused on implementing infrastructure that facilitates and supports the efficient and effective movement of ideas, people, products, resources, services and trade.

We have implemented infrastructure-related projects in 85 countries and territories globally including China and in South East Asia, two of the largest regional beneficiaries of the OBOR Project. We continue to maintain a local presence in China and many countries in South East Asia, and have implemented projects in many of the over 60 countries which will be part of the interconnected network of the OBOR Project.

In addition, we have been operating within China for over 20 years. Some of our projects there include:

- Wuxi-Boustead Industrial Development, an industrial park developed by the Boustead Group and Boustead Projects Limited ("Boustead Projects");
- Tianjin University of Commerce Boustead College, a full-fledged university developed by the Boustead Group and our former associated company, EasyCall International Limited; and
- Numerous water and wastewater treatment plants designed and constructed by Boustead Salcon Water Solutions Pte Ltd.

As the OBOR Project is potentially a multi-decade, multi-generational and transnational development, we will review opportunities that appear in the future. At this juncture, we are positioning ourselves for the potential to participate but it would be prudent to say that we are not involved in any specific projects as yet and there are still many factors to consider should potential projects be identified, not least being that we would need to be prequalified or shortlisted for a start. The road map of potential projects crossing across Asia, Europe and Africa within the OBOR Project is also still being delineated and planned by the Chinese Government in partnership with the governments and private sectors of over 60 countries.

b) Has the group identified hotspots or themes that could be low-hanging fruits for the group?

Boustead's answer:

Yes, although we are not at liberty to discuss this in detail given commercial sensitivity. One potential area is in logistics hubs and networks.

c) On a related note, what kinds of projects are envisaged under the Framework Agreement with Guangdong New Co-Op? How long can the gestation period be?

Boustead's answer:

Under this Framework Agreement, Boustead Projects has put in place a formal structure to jointly invest, develop, construct and manage a series of key agricultural and commodities logistics networks within Guangdong, which includes the joint acquisition of land, development and construction of logistics infrastructure and parks, and subsequent management and sale of completed projects. More details on this can be found in Boustead Projects' initial announcement released over the SGX dated 26 September 2016 and in the Boustead Projects FY2017 Annual Report on pages 30 and 31.

Gestation could be quite long as the joint venture partners have not identified an initial project that meets the Framework Agreement's investment mandate and all requirements of the joint venture partners. In addition, if we do enter into any projects, these could be multi-year development projects.

Question 3: In Note 21 (page 114 – Available-for-sale financial assets), the company increased its quoted equity shares exposure from \$1.93 million to \$21.1 million during the financial year. At the same time, the company's exposure to debt securities was reduced from \$34.8 million to \$24.5 million as at 31 March 2017.

a) Is this a deliberate and considered effort by management to reduce the company's exposure to debt securities and to increase the exposure to listed equities?

Boustead's answer:

The answer to this question is two-fold.

There is no correlation between our decrease in quoted debt securities and increase in quoted equity securities.

Our investments in quoted debt securities are part of the Boustead Group's Cash Management Programme, which was a programme started in 2010 to optimise the yield on part of the Boustead Group's excess cash and cash equivalents by investing in relatively liquid and safe debt securities, with the view that cash resources should generate yields above prevailing bank deposit rates while still being readily accessible when the right acquisition and investment opportunities appear. Our exposure to quoted debt securities decreased from S\$34.8 million to S\$24.5 million as a result of the timing of maturities of quoted debt securities. The decrease was not intentional. In FY2018, we identified suitable investments in quoted debt securities and have reinvested part of the cash returned from the maturities of quoted debt securities during FY2017.

Our investments in quoted equity securities increased from S\$1.9 million to S\$21.1 million, mainly due to strategic intention in relation to a potential acquisition and investment opportunity. We are not at liberty to name the opportunity except as to state that the opportunity was not concluded as planned.

b) Are these strategic investments or are these pure investments made that are not related to the group's core business?

Boustead's answer:

The answer to this question is explained above.

c) How does the company manage its debt/equity securities investments? Is there an investment committee or an oversight board?

Boustead's answer:

Our investments in quoted debt securities are managed by the Boustead Group's Investment Committee and governed by an investment mandate that has been reviewed and approved by the Board.

Our investments in quoted equity securities are managed by our senior management team.

About Boustead Singapore Limited

Established in 1828, Boustead Singapore Limited (SGX:F9D) is a progressive global Infrastructure-Related Engineering Services and Geo-Spatial Technology Group listed on the SGX. Focusing on the engineering and development of key infrastructure to support economic growth in global markets, our strong suite of engineering services comprises Energy-Related Engineering and Real Estate Solutions.

Under our Geo-Spatial Technology arm, we provide professional services and exclusively distribute Esri geo-spatial technology – the world’s leading geographic information system – to major markets across Australia and parts of South East Asia. Our intelligent mapping platform and digital infrastructure are essential to create smart nations, smart cities and smart communities by solving the world’s largest problems through effective and sustainable planning, deployment and management of key infrastructure and resources.

With a vast global network stretching across Asia, Australia, Europe, Africa and the Americas, Boustead is ready to serve the world. To date, we have undertaken infrastructure-related projects in 85 countries and territories globally.

In 2008 and 2009, we were recognised in the prestigious Forbes Asia 200 Best Under A Billion as one of the Asia Pacific’s 200 best public-listed corporations under US\$1 billion in revenue. In 2015, we were also the winner of the Singapore Golden Jubilee Business Award, in recognition of the best 50 Singapore corporations who have achieved and contributed to Singapore’s progress and success over the past 50 years since independence. In 2017, we were ranked by FinanceAsia as Singapore’s Best Small-Cap in the annual Asia’s Best Companies Poll. We are also listed on the MSCI World Small Cap Index for Singapore and the FTSE ST Small Cap Index.

Visit us at www.boustead.sg.

Contact Information

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

Mr Keith Chu
Senior Vice President
Corporate Marketing & Investor Relations

Main: +65 6747 0016
DID: +65 6709 8112
Fax: +65 6741 8689
E-mail: keith.chu@boustead.sg