

Letter to Shareholders



JOHN LIM KOK MIN

Chairman

WONG YU WEI

Executive Deputy Chairman

Summary of message

Boustead Projects remained committed to unlocking and delivering value to our stakeholders:

- ▶ Profitable performance in FY2022.
- ▶ Technology investments helped to increase productivity while reducing labour reliance at project sites.
- ▶ First full-year contribution from BIF and strengthened recurring income streams through maximisation of real estate platforms.

Dear Fellow Shareholders,

As we present to you the Boustead Projects Limited FY2022 Annual Report for the financial year ended 31 March 2022, the lingering effects of the pandemic and the volatility of the geoeconomic and geopolitical climate continue to assert pressure on the built environment (“BE”) sector and our operations.

Following the record profit in FY2021 which was boosted by the Boustead Industrial Fund (“BIF”) value-unlocking transaction one-off gain of S\$134.8 million (“BIF Value-Unlocking Gain”), our focus for FY2022 was to remain profitable amid the challenging business environment, and to progressively complete pre-pandemic projects that had faced unprecedented pandemic-related cost escalations. Under the guidance of the Board and the leadership of senior management, we delivered a credible performance in the face of multi-faceted challenges.

Our profitable performance in FY2022 was by no means an easy feat. Since the start of the pandemic, management

has had to continually address evolving challenges while remaining agile and focused. Our progressive mindset, strong resilience and prudent execution have formed a stable foundation for us to prevail during this difficult period.

Overall revenue was 13% higher year-on-year at S\$339.1 million, mainly due to higher revenue recognition on Engineering & Construction (“E&C”) projects arising from a gradual resumption of construction activities in the BE sector, as compared to the previous year’s extended shutdown of project sites, imposed by the Singapore Government to rein in the spread of the pandemic. However, our revenue performance was partially offset by a reduction in rental revenue from the Real Estate Business following the sale of interests in 14 properties to BIF at the end of FY2021.

Our net profit attributable to you – our shareholders – was 91% lower year-on-year at S\$11.3 million, largely due to the absence of the BIF Value-Unlocking Gain. However, adjusting for this gain, net profit for FY2022 compared

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favourably to the post-adjustment loss of S\$3.2 million for FY2021, due largely to the commitment and focus of our management team. Our team's commitment and dedication have allowed us to adapt to the challenges and stay focused on creating value for our stakeholders.

FY2022 – Navigating the Pandemic

Throughout the pandemic, the BE sector has been challenged by unprecedented delays and significant inflationary pressure in all parts of the supply chain including labour and materials. Prices of key construction materials like steel rebar sharply increased by 43% in 2021, while the sector faced a constricted labour pool due to pandemic restrictions. On a brighter note, the sector regained lost ground with the ability to execute projects all year-round, as seen in the higher revenue on our E&C projects in FY2022. E&C revenue grew 23% year-on-year to S\$324.5 million, although this was partially offset by lower revenue in 2H FY2022 due to a leaner order backlog of E&C projects. The leaner backlog has helped with

managing the risks that have arisen from labour issues, inflation and supply chain disruptions, and has allowed us to focus on clearing our pre-pandemic backlog. Unfortunately, as a result of executing on projects secured pre-pandemic at margins that did not take into account escalated costs, the E&C Business was in a loss position in FY2022.

FY2022 saw the completion of a number of milestone projects, including Bombardier Singapore Service Centre Phase 2, Razer SEA HQ and Wilmar International HQ, with the latter two adding to the innovative landscape of Singapore's thriving research & development hub, one-north.

We also delivered several projects for the pharmaceutical and semiconductor sectors, including a sizeable project for a Fortune 500 technology corporation in Malaysia. Apart from these, we made progress on our two largest projects secured pre-pandemic – JTC Kranji Green and Surbana Jurong Campus – and are expecting their completion in FY2023.

The adoption of construction and real estate technology – commonly known as ConTech and PropTech – to increase productivity and reduce reliance on labour is more critical today than ever before. Technology investments have not only helped us to address the challenges of the pandemic but have also transformed us into the leading technology-driven player within the BE sector. Meaningful partnerships forged with several ConTech and PropTech partners have helped our integrated digital delivery, building information modelling and technology initiatives to be critical platforms that allowed for remote coordination and minimised disruptions during the pandemic. As we continuously improve our productivity and workflows, our partners are simultaneously benefitting from their opportunities to testbed and finetune technological offerings for the BE sector.

Being a leader in smart, eco-sustainable and future-ready industrial real estate solutions, our journey with the Building & Construction Authority ("BCA")'s evolving Green Mark Certification Scheme and Singapore's emissions

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reduction pledge, is also progressing. As the market leader for Green Mark Platinum-rated new private sector industrial developments, we are currently delivering the most advanced eco-sustainable buildings in Singapore. Surbana Jurong Campus will be Singapore's first Green Mark Platinum – Super Low Energy-rated development in the large-scale business park and industrial real estate sector. We have also expanded our achievements to design-and-build our first Green Mark Platinum – Zero Energy Building, with the almost-complete Takeda Singapore Biologics Manufacturing Support Building, which will be among Singapore's first Zero Energy Buildings in the industrial real estate sector. In our commitment as a responsible developer to address climate change, we have also facilitated tenant commitments which will see five properties within our managed portfolios fitted with industrial solar energy capacity of over 892 kilowatt-peak, capable of generating over 1.1 gigawatt-hours of electricity annually. We continue to press forward with marketing the use of industrial solar energy systems at our developments, together with our solar energy technology partners.

In FY2022, we were appointed as a SkillsFuture Queen Bee – the first and only in the BE sector – to drive workforce upskilling and help our partners, particularly small and medium-sized enterprises, to build up their technology skills capabilities to meet business needs. Beyond a recognition as a market leader, this

appointment will allow us to contribute to building up the interdependent BE ecosystem and resilience of the sector. Our role as a SkillsFuture Queen Bee also complements our existing position as a bizSAFE Mentor, among only eight across Singapore and the only one among our direct competitors.

Our Real Estate Business had another good year, advancing on multiple initiatives in FY2022. The Real Estate Business' inaugural full-fledged real estate fund, BIF, delivered our first full-year contribution and continues to generate recurring income streams through our management and leasing of BIF portfolio properties. Demonstrating our strategy and vision to grow BIF, we further injected '351 on Braddell' into BIF in November 2021. Our phased approach in expanding the BIF portfolio will continue to bring value to Boustead Projects and benefit our shareholders through our 100%-owned management of and 25%-owned unitholding in BIF. In the future, shareholders can expect timely unlocking of value of our non-BIF portfolio in Singapore as and when properties are asset-stabilised and meet all of the necessary requirements for a transfer of ownership.

Outside of BIF, while there was a pause in securing new development opportunities under the Real Estate Business during the pandemic, significant effort was put in to boost recurring income through asset stabilisations and higher occupancies. By the end of FY2022, both ALICE@Mediapolis and Razer SEA HQ were approaching asset stabilisation, with occupancy rates

around 90%. In Vietnam, Boustead Industrial Park Phase 2A was completed and has already achieved 85% committed occupancy.

We continue to actively seek out opportunities to build upon and strengthen our various real estate platforms through increasing assets under management and fund management activities, making strategic investments and monetising developments. These will be supported by existing partnerships under Boustead Development Partnership ("BDP") and BIF in Singapore, forged with reputable joint venture ("JV") partners to scale the business while deepening our track record with institutional real estate investors. Separately, we recently announced our strategic collaboration with Khai Toan Joint Stock Company to co-develop and co-invest in KTG & Boustead Industrial Logistics Fund, marking our strong expansion of real estate activities in Vietnam. However, as we embark on more JV developments, similar to our experience with ALICE@Mediapolis, we should expect 'share of losses' arising from depreciation costs during the asset stabilisation period. The risks would have to be carefully considered and mitigated in such developments to protect the long-term value generated.

Apart from traditional activities under the Real Estate Business, a consortium of which we are part of acquired S\$117 million of mezzanine debt in relation to 28 & 30 Bideford Road ("Bideford Road"), a brand new Grade-A 18-floor mixed development in Singapore's prime

Orchard Precinct. As recently announced in June 2022, together with our consortium partners, we have acquired the development for S\$515 million, representing another value creation opportunity made possible by our strong balance sheet and stable foundation.

With the above factors combined, the Real Estate Business is well-positioned for growth, from uptake in demand for our existing development pipeline to disciplined investment strategy on new development opportunities.

On this note, we are pleased to share that Boustead Projects was awarded the Corporate Excellence & Resilience Award at the Singapore Corporate Awards 2021 Special Edition, in recognition of our resilience, innovative spirit and strong leadership during the pandemic.

Your Board has proposed a final dividend and special dividend of 0.2 cents per share and 0.8 cents per share respectively, subject to shareholders' approval. These dividends have been carefully deliberated on with a balanced view to take into consideration the lower profit, as well as the capital requirements to grow our various real estate platforms including BIF, KTG & Boustead Industrial Logistics Fund and potential new developments.

FY2023 – Poised for a Gradual Recovery

Looking forward, we are poised to ride on the wave of recovery with our full-fledged integrated capabilities that span from E&C to development management, asset management and fund management.

At the end of FY2022, outside of BIF, our completed wholly-owned properties had a total market valuation of over S\$110 million, comprising over 108,000 square metres ("sqm") in gross floor area ("GFA"), with an overall occupancy rate of 95% and WALE of over four years. Outside of BIF, our completed jointly-owned properties had a total market valuation of over S\$516 million*, comprising over 127,000 sqm in GFA, with an overall occupancy rate of 95% and WALE of over nine years.

At the end of FY2022, BIF properties had a total market valuation of over S\$689 million**, comprising over 195,000 sqm in GFA, with an overall occupancy rate of 98% and WALE of over five years.

FY2023 should also see the completion of our investment in KTG & Boustead Joint Stock Company, the holding company for KTG & Boustead Industrial Logistics Fund, envisaged to acquire initial properties with a total market valuation of over US\$84.2 million, comprising over 396,000 sqm in land and buildings, with further acquisition and expansion phases planned thereafter.

In FY2023, the E&C Business expects to turn a new page with the completion of projects secured pre-pandemic and rebuild the order backlog with high value-added sector projects. The Real Estate Business not only expects to unlock further value across different platforms but also leverage our track record with institutional investors via BDP and BIF. We also continue to have

significant debt headroom which has yet to be tapped. Having built a stable foundation on which we will gradually recover from the pandemic, we possess the financial strength and resilience to embrace multiple opportunities in the future, while reducing reliance on traditional E&C activities.

Words of Appreciation

We would like to express our appreciation to our senior leadership and team members for their continued dedication in protecting our progressive reputation and the value of the organisation. We would also like to extend our gratitude to our partners and key stakeholders – our clients, business partners, associates, bankers, suppliers and to you, our shareholders – for your continued support.

Last but not the least, we would also like to thank our fellow Board colleagues for their wisdom, guidance and continued advice as we navigate the challenges and scale the business. The stable foundation which we have created over the years will pave the way for us to emerge stronger.

We look forward to meeting you at our virtual Annual General Meeting. In the meantime, may you and your loved ones stay well and safe.

John Lim Kok Min
Chairman

Wong Yu Wei
Executive Deputy Chairman

* Assumes 100% interest in properties listed on page 37.

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