Chairman's Message



WONG FONG FUI

Chairman &
Group Chief Executive Officer

Summary of message

Not forbearing the COVID-19 global pandemic, Boustead continued to unlock and deliver value to our stakeholders:

- FY2021 was a year of revenue and profit milestones.
- Measures were taken to ensure business continuity in the pandemic.
- Boustead was again named among Singapore's Best Employers.
- Technology will facilitate transformation.

Dear Fellow Shareholders,

It gives me great pleasure to present to you the Boustead FY2021 Annual Report for the financial year ended 31 March 2021.

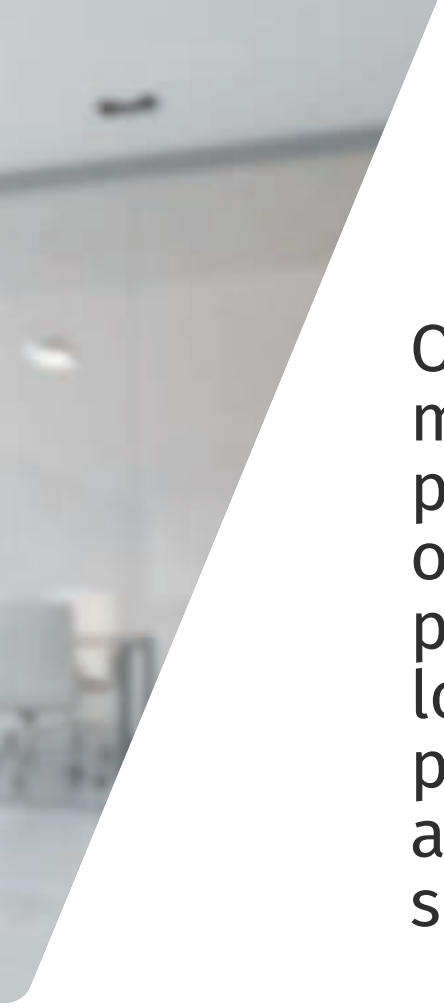
During this most tumultuous year in the world, our leadership has truly been put to the test in many areas, not least in ensuring our business continuity in the midst of all of the extended lockdowns that occurred globally in the past year. In this respect, I am glad to report that our senior leadership teams across our various divisions dug deep into their collective experience to keep our business brands performing and deliver a record profit attributable to you ("net profit") – our fellow shareholders – surpassing the S$100 million mark for the first time in our listed history, which dates back to 1975.

Not to be mistaken, our businesses were certainly affected by the COVID-19 pandemic. But when adversity strikes, there exists the opportunity for our leadership to prove ourselves. We prioritised and put in tremendous efforts to safeguard the wellness, health and safety of our teams, while balancing the needs for performance and productivity.

Overall revenue was 6% lower year-on-year at S$685.7 million, with the largest impact of the pandemic felt on the revenue performance of the Real Estate Division (Boustead Projects), although this was mostly buffered by the significantly positive revenue performances at the Energy Engineering Division and Geospatial Division.

Despite the decline in overall revenue, net profit set a new record of S$113.1 million, thanks to better core performances at the Energy Engineering Division and Geospatial Division, and an eagerly awaited value-unlocking event at Boustead Projects, which allowed Boustead Projects to deliver their own record net profit through the successful launch of Boustead Industrial Fund ("BIF"), with a BIF value-unlocking transaction one-off gain ("BIF Value Unlocking Gain") of S$134.8 million. I wish to applaud our senior leaders – Wong Yu Loon, Brett Bundock, Leslie Wong, Thomas Pramotedham, Stuart Cummings, Thomas Chu and Wong Yu Wei – for credible performances during these difficult times.

Had our net profit been adjusted to exclude other gains/losses net of non-controlling interests (mostly the BIF Value Unlocking Gain), one-off net gain from the sale of the water business, impairment losses, one-off legal settlements and payouts received from the Singapore



Our FY2021 performance was made possible by our global presence, continued cultivation of enduring relationships, progressive reputation and long-term investments in people and technologies, with a focus on creating sustainable shared socio-economic value.

Government's Jobs Support Scheme net of non-controlling interests, net profit for FY2021 would have been 23% higher year-on-year, a respectable signal of the underlying normalised profit that our Group generated.

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FY2021 – A Year of Revenue and Profit Milestones

During FY2021, two divisions delivered revenue growth, while three divisions delivered profit before income tax ("PBT") growth. In total, two divisions set new revenue records and two divisions set new PBT records.

Our Energy Engineering Division successfully endured another challenging year in what is now the sixth year of a global oil & gas ("O&G") sector recession that started in 2015. FY2021 also witnessed a mind-boggling negative crude oil price for the first time in history, a sign of the confounding times. Having been fortunate to build up a record order backlog prior to the pandemic, UK-headquartered Boustead International Heaters ("BIH") under CEO Stuart Cummings, powered the Energy Engineering Division to division revenue that was 37% higher year-on-year at S$198.4 million, a new division record. This was managed despite only nine months of revenue contribution from the division's former water business, Boustead Salcon Water Solutions, which was sold in December 2020. Division PBT was 254% higher year-on-year at S$28.0 million, again led by BIH. However, even as division revenue and PBT came in at strong levels, business development activities were severely hampered by volatile crude oil prices, the jarring imbalance between demand and supply – especially during lockdowns – and the global O&G sector's hesitance to proceed to the final investment decision stage during this uncertain period. As such, just S$52 million in contracts were secured, which makes it very difficult for the division to replicate the same performance in FY2022.

Despite our Real Estate Division (Boustead Projects) suffering four months of closure of project sites in Singapore, Boustead Projects was still our largest revenue contributor for the 14th successive year. The prolonged closure of project sites, significantly lower productivity and severe shortage of foreign labour resources after reopening, caused division revenue to be 29% lower year-on-year at S$301.4 million. Boustead Projects also grappled with unprecedented pandemic-related costs – with most projects being affected by lower margins due to being secured pre-pandemic – and lower quantum of cost savings from previously completed projects, affecting normalised division PBT. Nonetheless, credit goes to Wong Yu Wei, Samuel Lim and Ho Tai Wing for guiding the real estate team to the successful launch of BIF, which delivered the BIF Value Unlocking Gain of S$134.8 million and lifted division PBT to S$140.6 million, a new division record. BIF is Boustead Projects' maiden full-fledged private real estate trust and has given Boustead Projects a compelling capital recycling platform, added the new fund management business and brings to completion Boustead Projects' offerings across the entire industrial real estate value chain. While Boustead Projects may have seen difficult conditions in FY2021 that will persist through FY2022, the foundations laid by the team through platforms and partnerships have made it possible for Boustead Projects to bounce back stronger and faster than the competition once conditions improve.

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Our Geospatial Division continues to demonstrate stellar performance, with growth in division revenue and PBT for the fifth successive year. New enterprise agreements and firm demand for geospatial technology and smart mapping capabilities saw division revenue climb 24% higher year-on-year to S$170.4 million, while division PBT was 37% higher year-on-year at S$40.7 million – both marking new division records. Managing Director Brett Bundock and the extended leadership team continued to demonstrate resilience and in fact, confirmed the value of geospatial technology in the fierce battle against the pandemic. The division continued to provide critical smart mapping support to government agencies, who deployed Esri ArcGIS technology in areas including COVID-19 data hubs, healthcare locations, contact tracing, testing and vaccine logistics. I am proud to share how this division has been an integral part of government and community efforts to fight this common enemy and safeguard people's wellness, health and safety, along with providing the underlying support to partially restore economies and livelihoods across the region in the past year. We will continue to support governments and communities to bring this pandemic under control.

Affected by the pandemic, our Healthcare Division's revenue was 16% lower year-on-year at S$15.2 million, while there was a division loss before income tax of S$0.5 million. Excluding the annual amortisation adjustment of S$0.4 million (this is the final year with such an adjustment), then the loss before income tax would have been S$0.1 million, putting the division at roughly breakeven. The division's clients, being hospitals and rehabilitation clinics, were rather preoccupied with containing the pandemic and hence, had less time to evaluate other healthcare initiatives including rehabilitation. While the division's short-term prospects were affected, long-term prospects remain positive due to demographics and ageing populations across the Asia Pacific.

With the respectable performance of our businesses and Boustead Projects' proposed dividend of 15.4 cents per Boustead Projects share after the BIF Value Unlocking Gain, your Board has proposed a final dividend of 3 cents per share and special dividend of 4 cents per share payable in cash for your approval. Together with the interim dividend of 1 cent per share already paid, the total dividend stands at 8 cents per share, the highest cash dividend on a post-split basis.

To wrap things up in an active year with multiple corporate exercises including the successful launch of BIF, we wound down operations and/or disposed of our only non-performing businesses. Both of these businesses – the mini-power plant business and water business – happen to be from the Energy Engineering Division. All material provisions had been made for the mini-power plant business which is no longer executing projects, while the water business was sold off, wiping the slate clean for FY2022.

Business Continuity in the Pandemic

The pandemic has drastically altered the way we live our lives in every respect. When lockdowns occurred across our international operations, our teams were quick to respond, implementing technology to carry out secure remote working arrangements for extended periods, in some cases, almost the whole of FY2021. Even for tasks which required heavy IT processing capabilities such as design, process and detailed engineering, remote working arrangements were seamlessly integrated into workflows. This technology-driven approach enabled our over 1,100 team members to collaborate and connect through Cloud-based sharing platforms, telecommuting and virtual meetings, and progress on schedule with most projects, with the exception of Boustead Projects' inescapable onsite construction activities. Outside of construction activities, productivity was slightly affected but wellbeing, health and safety were prioritised.

With the return of many of our teams to offices in the past year, we reconfigured working arrangements and implemented a slew of safe management measures. At Boustead Projects, technology has also been a key part of the solution to safely reopen project sites. Among Boustead Projects' various technology initiatives, they partnered with TraceSafe, provider of wearable safety devices, through the Singapore Government's Open Innovation Platform. Attached to helmets, the devices can withstand the rugged conditions of the built environment sector and are able to provide real-time contact tracing, safe distancing and geo-fencing capabilities onsite. The devices send signals to individual workers when they have breached safe boundaries of separated work zones or are too close to one another, making everybody onsite safer. With the successful implementation at the first project site, TraceSafe is now in the process of being rolled out across all project sites.

Grooming Boustead Men and Women

Our Boustead Men and Women are at the centre of everything we do, the very proponents of the ***Boustead Way***. As a knowledge-driven, business-to-business and people-to-people organisation, the continuous elevation of our Team Development Programme is paramount.

I am pleased to share that in April 2021, Boustead was again named among Singapore's Best Employers published by *The Straits Times* and global research

firm Statista, our second year running on this list which was first published in 2020. We are ranked 40th overall in Singapore and 1st in our respective sector category of Business Services & Supplies (including Real Estate), based on over 200,000 evaluations conducted across 26 sectors for corporations employing at least 200 people, of which there are about 1,700 such corporations in Singapore including Fortune 500 corporations, large multinational corporations and homegrown corporations. This endorsement of our Team Development Programme shows that we are moving in the right direction. At the same time, we recognise that uplifting our organisation to higher standards is a continuous journey, strategically important in order to attract new talent and retain existing talent, as good talent is always hard to come by.

With leadership succession and named successors in place for almost the entire senior leadership team across the Group, we will emphasise the grooming of the leadership bench, particularly middle management and those demonstrating leadership potential, to strengthen our core further, as we navigate this turbulent environment and chart our future direction.

Technology as a Facilitator of Transformation

As we continue to push forward with our mission to create sustainable socio-economic value in the ***Boustead Way***, the pandemic has laid bare that the way to navigate this difficult environment is to provide our Boustead Men and Women with technology, to support our team members' efforts to transform our organisation and that of our clients as well.

Technology in and of itself is not very useful unless applied in the right context. Thus far, among our technology portfolios, our Geospatial Division has demonstrated the application and enablement that technology provides – particularly smart mapping capabilities – across all types of industries and in a manner that covers high-level strategy to business continuity activities and daily operations, all while trying to keep people of all walks of life – well, healthy and safe. Central to the application of technology, we continue to help our clients, primarily government agencies and increasingly the private sector to build smarter, greener and safer communities, with the implementation of smart eco-sustainable solutions that drive future smart cities, climate change resilient infrastructure and support the United Nations' 17 Sustainable Development Goals. Across the rest of the Group, we are also evaluating how our existing technology portfolios can be combined with other technologies to deliver solutions that are relevant to addressing humanity's needs under prevailing megatrends and also outside of the industry applications we have built a niche in.

Interesting propositions have been generated. However, finding the right technologies, especially those that can be turned into economically-feasible solutions is not an easy task. If the start-up world is any indication, 90% of all start-ups will fail and two-thirds may never generate a profit for various reasons including poor leadership and management, value propositions, business models and execution. This will not deter us from exploring or investing in potential technological innovators but we do have to apply a strict risk-based approach to acquisitions and investments. If we go down this path, some failures should be expected and plenty of patience is required. As new technologies may not always be familiar – as is the case with most disruptive technologies – we may also have to change our investment strategy to make smaller bite-sized investments rather than taking majority or controlling shareholder stakes as we have done with past businesses. Much of our evaluation will be centred on gaining comfort with management, value propositions and business models, aspects of business that we have honed over our long trading history. In addition, the synergistic effects of acquisitions and investments will be thoroughly assessed.

A Word of Appreciation

I would like to express my deepest gratitude to our leadership and dedicated team members – Boustead Men and Women – who serve around the world for creating sustainable shared socio-economic value everyday and for helping to make our brand globally enduring, while upholding our credible and progressive reputation. I would like to extend my appreciation to all of our key stakeholders – clients, business partners, associates, bankers, suppliers, government agencies and shareholders – for your continuous support. Last but not least, I would also like to thank my fellow Board colleagues for their invaluable advice.

Thank you for supporting us and joining us on this journey of longevity, progress and cultivating business with a greater purpose; for partaking in creating sustainable shared socio-economic value; for being a supporter of the ***Boustead Way***. I look forward to meeting you at our virtual Annual General Meeting.

May you and your loved ones stay well, healthy and safe during these tumultuous times.

Wong Fong Fui
Chairman &
Group Chief Executive Officer