

Chairman's Message



WONG FONG FUI

Chairman &
Group Chief Executive Officer

Summary of message

Sustaining progressive agility remains a key priority as:

- ▶ FY2023 represented a period of recovery and progression from the worst of the COVID-19 pandemic.
- ▶ Although the world is now in a better position exiting the pandemic, the past year has not been devoid of significant challenges for the Group, as the business environment continues to be plagued by high inflation, rising interest rates, volatile global economic conditions and geopolitical tensions.
- ▶ A mindset of progressive agility assumes that complexity, uncertainty and volatility can only be overcome where agility of mindset moves beyond formulaic approaches to truly comprehend the business context and design ecosystem solutions that readily benefit people and planet.

Dear Fellow Shareholders,

It gives me great pleasure to present to you the Boustead Singapore Limited FY2023 Annual Report for the financial year ended 31 March 2023.

FY2023 represented a period of recovery and progression from the worst of the COVID-19 pandemic. In the past three years, the world endured multiple disruptions and lockdowns, while many grappled with the loss of lives and livelihoods. With the end of COVID-19 as a global health emergency during the past year, economies have reopened with a resurgence of business activities – a promising sign that the world has overcome the most challenging of times brought on by COVID-19.

I am glad to see these positive sentiments also reflected in our Group's business performance for FY2023. While the Group's overall revenue was 11% lower year-on-year at S\$561.6 million, net profit attributable to you – our fellow shareholders – was 48% higher year-on-year at S\$45.3 million. This was despite the fact that our additional consolidated shareholding in Boustead Projects Limited has yet to be fully reflected in the net profit. Adjusting net profit for

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other gains and losses, impairments and payouts from the Singapore Government's Jobs Support Scheme, all net of non-controlling interests, net profit fell by a marginal 3% year-on-year to S\$31.5 million.

Upholding our dividend tradition, your Board has proposed a final ordinary dividend of 2.5 cents per share for your approval. Together with the interim dividend of 1.5 cents per share already paid, the total dividend of 4 cents per share matches that of FY2022 and equates to a dividend payout ratio of 42%.

FY2023 – Progressive Agility

Although the world is now in a better position exiting the pandemic, the past year has not been devoid of significant challenges for the Group, as the business environment continues to be plagued by high inflation, rising interest rates, volatile global economic conditions and geopolitical tensions. This year, the theme 'Progressive Agility' graces the cover of the Annual Report, representing the Group's adaptive mindset, resilience and agile posture to adapt to rapidly evolving circumstances. This mindset assumes that complexity, uncertainty and volatility can only be overcome where agility of mindset

moves beyond formulaic approaches to truly comprehend the business context and design ecosystem solutions that readily benefit people and planet. Indeed, thanks to this mindset, the Group has prevailed over the challenges and delivered a credible performance for FY2023.

Benefitting from a cyclical upturn, the Energy Engineering Division enjoyed recovery in FY2023 following the post-pandemic reopening of borders and economies, and global demand for greater energy security. Riding on an improving outlook for the energy sector, the division captured S\$164 million in new contracts, an amount more than that combined for FY2021 and FY2022. However, due to significantly lower order backlog carried forward at the end of FY2022 which impacted revenue contribution in the first half, the division's revenue and profit before income tax ("PBT") for FY2023 were 13% and 4% lower year-on-year at S\$98.0 million and S\$15.2 million respectively. The full effects of recovery are expected to take place in FY2024.

Continuing their position as the top revenue contributor, the Real Estate Division (Boustead Projects) saw an improvement in profitability as

engineering & construction ("E&C") business activities regained momentum with the lifting of pandemic restrictions. Boustead Projects' revenue in FY2023 was 16% lower year-on-year at S\$284.0 million due to lower revenue contributions from a leaner order backlog carried forward at the end of FY2022. However, PBT improved 92% year-on-year to reach S\$26.5 million, partially riding on better cost management, a one-off gain on disposal of a subsidiary (holding Boustead Industrial Park) to a joint venture in Vietnam and lower overhead expenses.

Boustead Projects' E&C business turned the corner and returned to profitability from a loss position in the prior year. The award of a S\$300 million E&C contract – Boustead Projects' largest on record – boosted their order backlog at the end of FY2023 to S\$402 million. Two large projects secured pre-pandemic – JTC Kranji Green and Surbana Jurong Campus – were substantially completed, giving Boustead Projects a clean slate to focus on rebuilding their order backlog with high value-added sector projects. Nonetheless, high inflation, tight business conditions and greater competition are expected to create significant challenges for Boustead Projects going forward.

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Boustead Project's real estate business achieved higher occupancy and income despite the challenges of increasing interest rates and property expenses. Notable progress was made in asset class diversification, first with the acquisition of mixed development 28 & 30 Bideford Road at Singapore's prime Orchard Precinct and then with the secured partnership of COMO Group to establish COMO Orchard at the property. Boustead Projects also strategically diversified income streams geographically, through a strategic collaboration with Khai Toan Joint Stock Company ("KTG") in Vietnam, under which Boustead Industrial Park was injected into the flagship KTG & Boustead Industrial Logistics Fund.

As demand for geospatial technology and smart mapping capabilities continued to hold firm, the Geospatial Division's revenue remained comparable year-on-year at S\$168.0 million, while PBT was 4% lower year-on-year at S\$35.4 million due to variations in revenue mix and exchange rate headwinds. The division's clients continued to utilise geospatial solutions as a foundational technology to recover from the pandemic and counter the challenges of a business landscape increasingly shaped by geopolitical tensions and climate concerns. The division also maintained a healthy deferred services backlog of S\$92 million at the end of FY2023.

Despite the easing of the pandemic, the Healthcare Division continued to be challenged by the lingering effects of the pandemic. Across the world, the priority given to addressing pandemic-related needs in the past three years has led to delays and disruptions in elective medical procedures and neglect of rehabilitative care and sports science solutions. In FY2023, steps to address the poor performance of the division included significant management changes, hiving off the loss-making sleep care business, shutting down the labour-intensive disinfection business and right-sizing the team for the current level of business activities. Admittedly, while our efforts to address the challenges

have narrowed the loss in FY2023, the division still demands great effort to effectively turnaround the business and see meaningful returns.

Strengthening Our Business – To Help Build A Better World Forward

The Group's steadfast performance in FY2023 will never be a reason for us to rest on our laurels but a reminder that we need to be well-prepared for more volatility ahead. We continue to refine our strategies, leverage market opportunities and optimise operational efficiencies to strengthen our business. While prioritising innovation and deepening existing domain expertise, we also continue to search for synergistic partnerships that will further enhance our capabilities and broaden revenue streams to drive long-term growth while creating sustainable shared socio-economic value for our key stakeholders.

The global energy sector is facing a 'trilemma' of concerns – one that demands a delicate balance between energy security, accessibility and environmental sustainability. Heightened concerns over high commodity prices and energy security, exacerbated by geopolitical tensions, have accelerated the pace of the energy transition. On this note, our diversification efforts to move beyond the traditional oil & gas sector are beginning to bear fruits. Among such projects by Boustead International Heaters ("BIH"), our Energy Engineering Division's largest subsidiary, is an innovative project for the design and delivery of a thermal treatment system for a newly developed process that recycles end-of-life and hard-to-recycle plastic waste into chemical feedstock for the production of recycled plastic or other petrochemicals, contributing to a circular economy and thereby reducing environmental impacts. Since BIH's inception, they have secured contracts for 230 heat recovery systems which are expected to generate annual thermal energy recovery of 52.8 terawatt-hours, equivalent to reducing 86.5 million barrels of oil consumed or saving approximately S\$4.8 billion in industrial gas tariffs.

As a leading provider of innovative real estate solutions, Boustead Projects continues to advance and shape Asia's landscape with smart, eco-sustainable and future-ready developments. In addition to driving construction and property technology – ConTech and PropTech – Boustead Projects is also working on fostering a data-driven culture to improve the quality and speed of decision-making through data and data visualisation, critical moves that will help to sharpen their competitive advantage and reduce reliance on labour. In FY2023, Boustead Projects completed JTC Kranji Green, Singapore's national landmark project for recycling waste streams, playing a role in advancing Singapore's vision of a circular economy and Zero Waste Master Plan. Boustead Projects also delivered Takeda Singapore Biologics Manufacturing Support Facility – their first ever Green Mark Platinum Positive Energy ("GMP PE") Building and also Singapore's first GMP PE in the biomedical and pharmaceutical sector. Capable of operating without drawing electricity from the national grid, this project is a hallmark of technology adoption, with 95% of its construction documentation and processes digitalised – a rare feat in Singapore's real estate sector.

Separately, Boustead Projects undertook the rigorous EcoVadis sustainability assessment and achieved a Silver EcoVadis Medal, ranking Boustead Projects in the 88th percentile for sustainability among rated corporations globally. EcoVadis is not only the world's largest and most trusted provider of business sustainability ratings with a global network of more than 100,000 corporations rated across over 200 sectors and 175 countries but is also used as the cornerstone of over 1,000 sustainable procurement programmes of multinational corporations.

The Geospatial Division delivered the implementation of a 3D digital twin of Australia's largest energy infrastructure network for Energy Queensland ("EQ"). The digital twin maps EQ's

network over the 1.8 million square kilometre state (both above and below ground) with assets including 178,000 kilometres of overhead power lines, 153,000 substations and 33 power stations. Not only is this project the world's largest implementation of Esri Utility Network, it also achieves real-time management and promotes superior network resilience, while being ready to support future energy integration of renewable energy sources: hydro, solar, wind and thermal.

A Commitment to People Development

Given how important geospatial technology has become to data analytics underpinning everything from smart cities to Internet of Things to climate change, promising long-term prospects abound for the sector. Yet, I cannot help but feel that our Geospatial Division's growth has not matched up with our expectations and more can be done to help the division to achieve a quantum leap to success.

The global geospatial sector now faces the challenge of a lack of skilled talent. Customer requirements have become increasingly complex and a capable workforce is needed to keep pace with this change. While there will be growth factors for the sector, a lack of talent will be an impediment to realising its fullest growth potential. Despite the obvious strong demand for geospatial talent, there is no education institution so far that specifically provides geospatial education and training in the Asia Pacific where we operate. This has motivated us to work together with the University of New South Wales ("UNSW") to develop a geospatial innovation and learning centre that links training to high-impact industry research. We are glad to be partnering with UNSW in this meaningful endeavour, sharing in a commitment to ensuring the long-term success of the industry. Our subsidiary, Esri Australia, a dominant player in the Asia Pacific, is equally committed to driving technological innovation and promoting workforce development together with UNSW.

Our people have been our greatest asset and the driving force behind our success. This year, I am happy to share that Boustead has, for the third time, been recognised as one of Singapore's best employers in an extensive survey conducted by Statista and *The Straits Times*, placing 5th in our category and 155th overall. Separately, Boustead Projects was also awarded the SkillsFuture Employer Award (Gold), an honour given to exemplary employers who are strong advocates of continuous learning and supporters of national manpower objectives.

A Step Towards a Reunited Boustead Group

When we take a look back at our enduring heritage of close to two centuries, it is clear that Boustead is no stranger to change, having been seasoned by the challenges of wars, economic depressions and recessions, pandemics and the inevitable passage of time. Where we are today can be attributed to an ability to embrace change and adapt to evolving times – attributes that are key to our longevity.

In 2015, we distributed Boustead Projects' shares as a dividend-in-specie and separately listed Boustead Projects for many good reasons. However, over the past eight years, the circumstances and support to separately list Boustead Projects have changed significantly, just like how the business and geopolitical environment have evolved. Increasing compliance and regulatory requirements have mounted on listed corporations over the years, which have led to significant costs, effort and time being expended. The current structure of two separately listed entities has also resulted in a smaller market capitalisation for each, lowering our visibility and limiting our ability to attract sizeable shareholders and to reflect our true value.

These changes have spurred us to call for a simplified structure that allows for greater control and flexibility in the use of business resources and for management to focus on rebuilding the business post-pandemic without the shortcomings of having two separately

listed entities. In February 2023, we launched a voluntary unconditional general offer to consolidate our effective interest in Boustead Projects. Our effective interest in Boustead Projects increased from 54% at the end of FY2022 to 75.5% at the end of FY2023. As a sign that our offer was well received, an overwhelming 82% of available shares was acquired through open market transactions and acceptances at the offer price, which translated to about S\$61 million being used to acquire almost 21% of shareholding in Boustead Projects.

Our intention to delist and privatise Boustead Projects still remains a work in progress. We thank you for your continued support in this and your patience as we explore various options to reach our goal, a reunited Boustead Group that will stand stronger and infuse the progressive agility to withstand the complexities of our evolving world.

A Word of Appreciation

I would like to express my deepest gratitude to our management and staff around the world for their dedication and invaluable contributions. The past few years have not been an easy time for many, and our steadfast performance has demonstrated the commitment of our team members in the face of adversity.

I would also like to thank our key stakeholders – clients, business partners, associates, bankers, suppliers, government agencies and you, our fellow shareholders – for your continuous support. I look forward to reconnecting with you in person at our upcoming Annual General Meeting.

Finally, I wish you and your loved ones, good health and peace. Thank you once again for partnering us in our pursuit of business with a greater purpose.

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