Letter to Shareholders



JOHN LIM KOK MIN
Chairman

WONG YU WEI
Executive Deputy Chairman

Summary of message

Boustead Projects prevailed over the challenges of the pandemic to deliver another year of profitable performance:

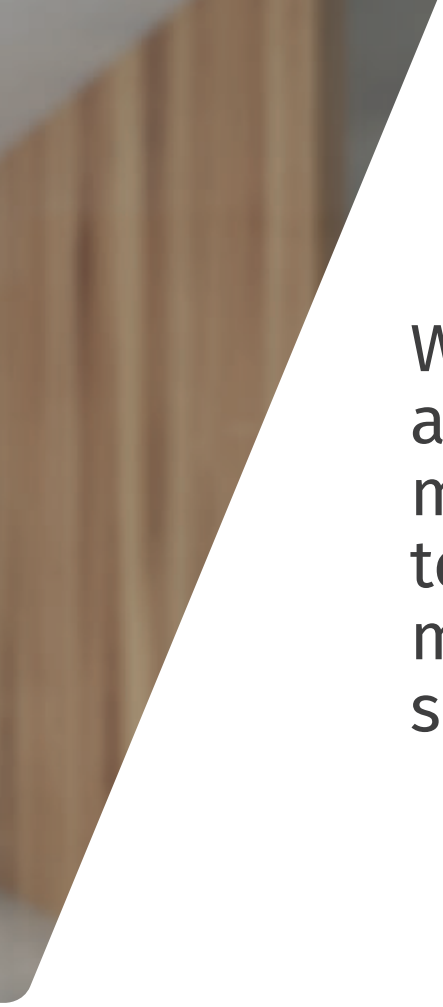
- Improved profitability attributed to substantial completion of projects secured prior to the pandemic, when margins were impacted by escalated costs.
- Experience gained from the pandemic has strengthened the foundation of our business for a more resilient future, allowing us to build forward in a future-ready manner.

Dear Fellow Shareholders,

We are pleased to present to you the Boustead Projects Limited FY2023 Annual Report for the financial year ended 31 March 2023.

The COVID-19 pandemic – which ran its course over the past three years – marked a tumultuous time filled with unprecedented disruptions to every facet of our everyday lives. With COVID-19 no longer a global health emergency, the world has witnessed a resurgence of economic activities as borders reopen and travel resumes. In FY2023, construction activities were largely restored and pandemic restrictions fully lifted. During the past three years, the Boustead Projects Team has been put through an exceptionally trying period and endured prolonged project site closures, escalating costs and labour shortages. Under the steadfast leadership of our senior management team and guidance of your Board, we prevailed over these challenges to deliver another year of profitable performance – an accomplishment made possible by robust business fundamentals and the unwavering dedication of the team.

Boustead Projects' business strategy of executing real estate investments and developments through joint ventures and fund structures means that most of our revenue will always be dependent on Engineering & Construction ("E&C") activities. In FY2023, total revenue was 16% lower year-on-year at S$284.0 million, mainly due to lower revenue contribution from the E&C Business in the first half, arising from a lower order backlog carried forward from FY2022, and lower revenue contribution from the Real Estate Business. However, net profit attributable to you – our shareholders – was 62% higher year-on-year at S$18.4 million, largely boosted by a one-off gain on disposal of a subsidiary of S$8.3 million, more manageable and stable costs, and lower overhead expenses. Our improved profitability in FY2023 can be attributed to the substantial completion of projects secured prior to the pandemic when margins were impacted by the escalated costs, and is an encouraging sign that the worst of the pandemic is now behind us.



With a prudent execution strategy, adaptable and forward-thinking mindset and most importantly, tenacious spirit, we overcame the most difficult time in our history since our establishment in 1996.

Overcoming the Pandemic: A Journey of Tenacity and Adaptability

With a prudent execution strategy, adaptable and forward-thinking mindset and most importantly, tenacious spirit, we overcame the most difficult time in our history since our establishment in 1996. At the height of the COVID-19 crisis, the strict pandemic measures imposed left deep repurcussions across the built environment ("BE") sector and significantly affected productivity, at a time that coincided with the execution of our then two largest projects – JTC Kranji Green and Surbana Jurong Campus. On top of managing severe labour shortages, our E&C Business also endured the challenges of inflation and supply chain disruptions, all of which greatly impacted the margins of projects secured pre-pandemic. To mitigate the risks posed by the pandemic, we proactively embraced construction and real estate technology – also known as ConTech and PropTech – to bolster productivity, reduce reliance on labour and keep our team and subcontractors healthy and safe, while establishing ourselves as a leading technology-driven player within the BE sector.

The dark clouds of the pandemic have since been lifted for the BE sector and we are heartened to see that our E&C Business turned the corner in FY2023 with construction activities largely returning to normalcy. E&C revenue in 2H FY2023 grew 6% year-on-year to S$160.7 million, a reflection of improved project management and construction management activities. However, E&C revenue for FY2023 was 17% lower year-on-year at S$269.8 million, due to lower revenue contribution in 1H FY2023. Having substantially completed our pre-pandemic backlog following extended pandemic-related delays and with a more manageable cost base, our E&C Business also returned to profitability from a loss position in the prior year. E&C profit before income tax ("PBT") reached S$10.3 million in FY2023, a decent result given the circumstances although this was nowhere near the levels registered pre-pandemic.

Despite the multitude of challenges, the pandemic has imparted us with valuable lessons that have strengthened our foundation to better weather any storms ahead. The experience gained has taught us to be more focused and pragmatic in our approach when bidding for new projects, a strategy which we believe will help to better manage resources, mitigate risks and build greater resilience for the business. In the past year, we continued to cautiously rebuild our order backlog in targeted high value-added sectors like pharmaceutical and technology, and went on to secure a total of S$401 million in new contracts. This amount includes a record S$300 million design-and-build contract secured from a repeat Fortune 500 technology client for an integrated manufacturing, logistics and office facility in Singapore. We also secured two contracts in the overseas market of Malaysia, riding on a more established presence there.

Our Real Estate Business advanced on multiple growth initiatives and platforms, and achieved notable progress in asset class diversification efforts, despite being weighed down by increasing interest rates and property expenses. In FY2023, Real Estate revenue was 3% lower year-on-year

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at S$14.1 million, mainly due to lower rental income following the sale of a subsidiary holding Boustead Industrial Park to a joint venture in Vietnam, a vacant property at 36 Tuas Road due to impending redevelopment, as well as lower non-recurring acquisition and performance fees.

Following the successful acquisition of the mixed development 28 & 30 Bideford Road, a new destination concept was unveiled through an exciting partnership with COMO Group to establish COMO Orchard at the property. Scheduled to open in successive phases, COMO Orchard will house COMO Metropolitan Singapore hotel, a multi-label fashion store, a new wellness space and gourmet concepts by Michelin-starred restaurant chefs which together, will add to the vibrancy of Orchard Road, one of the world's most recognised boulevards. We expect that the recovery of Singapore's tourism sector will benefit and be timely for the official opening of 28 & 30 Bideford Road in 2H FY2024.

In line with the strategy to scale up through third-party acquisitions, Boustead Industrial Fund ("BIF"), our Real Estate Business' inaugural full-fledged real estate fund, completed the acquisition of J'Forte Building for S$98.8 million, shortly after the end of FY2023. As BIF's maiden acquisition in the open market, J'Forte Building – an eight-floor F&B-focused industrial property at 26 Tai Seng Street – marks a good addition to the BIF portfolio given its high specifications, prime location, long remaining leasehold land tenure of about 44 years and zoning for food processing operations, which is in limited supply in the area. The injection of J'Forte Building into BIF sets the fund on track for growth not just via the pipeline of sponsor properties but also through third-party acquisitions. Moving ahead, our Real Estate Business will continue to build our development pipeline using a disciplined approach and diversify income streams overseas. At the end of FY2023, BIF had interests in 15 completed properties with a total market valuation of S$690 million, comprising over 195,000 square metres ("sqm") in gross floor area ("GFA"), an overall committed occupancy rate of 98% and weighted average lease expiry ("WALE") greater than five years.

In FY2023, we continued to diversify income streams geographically, in particular via the expansion of real estate activities in Vietnam. During FY2023, through our strategic collaboration with Khai Toan Joint Stock Company ("KTG") and acquisition of KTG & Boustead Joint Stock Company, we launched the flagship KTG & Boustead Industrial Logistics Fund ("KBIL"), our full-fledged private real estate fund in Vietnam, and injected Boustead Industrial Park into KBIL. At the end of FY2023, KBIL had interests in eight completed properties with a total market valuation of S$175 million, comprising over 260,000 sqm in GFA, an overall committed occupancy rate of 76% and WALE greater than two years.

In consideration of our improved business performance, your Board is proposing a final dividend of 0.7 cents per share and special dividend of 0.7 cents per share for your approval.

Building Forward

The experience gained from COVID-19 has strengthened the foundation of our business for a more resilient future, allowing us to build forward in a future-ready manner. Based on estimates from the Building & Construction Authority ("BCA"), private-sector construction demand is anticipated to reach S$11 billion to S$13 billion in 2023 with the planned development of new high-specification industrial buildings, a level which is comparable with the previous year. Despite the favourable market conditions – including the lifting of all pandemic restrictions on construction activities – we remain mindful of the future challenges, including the shortage of skilled labour, growing risk of recession in major economies, supply chain pressures and climate change.

As a leading provider of innovative eco-sustainable real estate solutions, we have built an extensive track record in delivering best-in-class industrial developments over the years, setting the benchmark for others in the sector to follow. FY2023 saw the completion of JTC Kranji Green, Singapore's national landmark project for recycling waste streams. This achievement represents our contribution in advancing Singapore's vision of a circular economy and Zero Waste Master Plan. We also delivered the Takeda Singapore Biologics Manufacturing Support Facility – our 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 positive example of a green building is a blueprint for future-ready buildings that demonstrate climate action and represents a step better than net zero. With 95% of the project's construction documentation and processes digitalised, this project stands out as a hallmark of technology adoption and a rare achievement in Singapore's real estate sector.

Moving ahead, our E&C Business will continue with its current approach of targeting high value-added sectors in the bidding for new projects. Beyond having the expertise and familiarity, these high value-added sectors will offer us the opportunity to readily embrace ConTech and PropTech in project execution, allowing us to

enhance our competitive advantage in this highly competitive sector and reduce dependence on labour. We will also continue to push forward with the implementation of transformative technologies and foster a data-driven culture within the organisation, particularly in improving the quality and speed of decision making through data and data visualisation. Lastly, we will be encouraging building design, construction and operations that fuse a conducive BE for well-being together with technological advancement and clean technology – also known as CleanTech – right through the multi-decade building lifecycle.

As we continue to play our role in building a more sustainable future, we will gradually raise the sustainability standards of our portfolio, beginning with the certifications for BCA Green Mark Gold and better for properties under the BIF portfolio – with more in the pipeline. In FY2023, Boustead Projects E&C also achieved a Silver EcoVadis Medal following the rigorous EcoVadis sustainability assessment, a third-party comprehensive evaluation framework that measures and rates the sustainability performance of corporations. EcoVadis has recognised us in the 88th percentile for sustainability among more than 100,000 corporations that they have rated globally. This achievement places us in good stead in our showcase of sustainability efforts, putting us ahead and setting us apart from competition in the sector. In our commitment to address climate change, we will also continue working closely with our CleanTech partners to market the use of industrial solar energy systems and electric vehicle charging stations across our developments.

Just recently in June 2023, we also announced plans to jointly redevelop our property at 36 Tuas Road in Singapore with two other leading real estate players. Upon redevelopment, the property is expected to be a modern five-floor multi-tenanted logistics hub that will cater to the needs of logistics players in the region and is earmarked to attain Green Mark Platinum Super Low Energy certification – one of the first developments to attain this for the logistics and manufacturing sectors under the refreshed BCA Green Mark: 2021.

At Boustead Projects, our people are the pillar behind our achievements. On this note, we are pleased to share that we have been conferred the SkillsFuture Employer Award (Gold), an honour given to exemplary employers who are strong advocates of continuous learning and supporters of national manpower objectives. We will continue to invest in training and upskilling every valuable member of the team, building a competent pool of team members that drive our long-term success.

Looking ahead, there are signs of a weakening of global demand and industrial output amid a volatile interest rate environment and capital markets. Despite a strong backlog and asset base, supported by a healthy balance sheet, we will continue to traverse the road ahead with cautious optimism and prudence, focusing on our key sectors, markets and strengths. Since our listing in 2015, much of the business landscape has evolved, with stronger competition and increasing compliance and regulatory requirements imposed not just on listed corporations but also those operating in the BE sector, leading to greater costs, effort and time being expended. Coupled with the uncertain and volatile times ahead, we recognise the importance of continuing to leverage the combined strengths and synergies of the Boustead Group to enhance our resilience. In February 2023, our controlling shareholder, Boustead Singapore Limited ("BSL"), launched a voluntary unconditional general offer for shares that were not owned by BSL and their concert parties. Following this exercise, BSL and their concert parties further consolidated their effective interest in Boustead Projects from 73.98% at the end of FY2022 to 95.5% by the end of FY2023. Our Board understands that BSL continues to explore various options to eventually delist and privatise Boustead Projects according to their stated intentions. Notwithstanding this, Boustead Projects' senior management team will continue to focus on executing our business strategies as previously articulated to deliver sustainable shared socio-economic value and progress to all our key stakeholders.

Words of Appreciation

We would like to thank our senior leadership and team members for their continued dedication and hard work in building the success of Boustead Projects all these years. We would also like to extend our appreciation to our clients, business partners, associates, bankers, suppliers and our shareholders – both past and present – for their support. Last but not least, we would also like to thank our fellow Board colleagues for their wisdom, advice and guidance, especially during the challenging years of the pandemic.

Thank you once again for journeying with Boustead Projects. We look forward to meeting you in person at our upcoming Annual General Meeting.

John Lim Kok Min
Chairman

Wong Yu Wei
Executive Deputy Chairman