

## Chairman's Message

**WONG FONG FUI**Chairman &  
Group Chief Executive Officer**Summary of message**

**With our fundamentally robust businesses, Boustead delivered sustained profitability in another turbulent year:**

- ▶ The severe negative impact of the COVID-19 pandemic continued to be deeply felt, with recovery from the pandemic hampered by inflationary pressures, supply chain disruptions and the Russia-Ukraine War.
- ▶ More effort will be expended to successfully transition our divisions to the new normal.
- ▶ As we navigate the long road to full recovery and look ahead with cautious optimism, we need to remain agile and ready for the challenges ahead.

**Dear Fellow Shareholders,**

I am pleased to present to you the Boustead Singapore Limited FY2022 Annual Report for the financial year ended 31 March 2022.

The severe negative impact of the COVID-19 pandemic – extended lockdowns, massive economic disruptions and waves of variants – has been lingering in our world for over two years and continued to be deeply felt throughout FY2022. Even as we start to see COVID-19 abating in many countries, it will take time to get to a new normal, especially when the recovery from the pandemic has been hampered by significant inflationary pressures, supply chain disruptions and major black swan events like the Russia-Ukraine War.

Set against this challenging operating environment, our performance in FY2022 was likewise impacted with overall revenue being 8% lower year-on-year at S\$631.8 million, mainly as a result of a lack of business development opportunities which in turn affected new contract awards. Net profit attributable to you – our shareholders – was 73% lower year-on-year at S\$30.6 million, as the previous year's record results had been boosted by the successful launch of Boustead Industrial Fund ("BIF") and its value-unlocking transaction one-off gain of S\$134.8 million ("BIF Value-Unlocking Gain").

Had our net profit been adjusted for other gains and losses net of non-controlling interests (largely from the BIF Value-Unlocking Gain), impairments and payouts from the Singapore Government's Jobs Support Scheme, net profit would have been 28% lower year-on-year at S\$32.3 million.

**FY2022 – Steadfastness in Adversity**

The Energy Engineering Division successfully weathered another challenging year, affected by the lingering effects of the pandemic with reductions in international travel, oil & gas ("O&G") price volatility, and demand and supply mismatch, which hindered meaningful business development. With a lower order backlog carried forward at the end of FY2021 as compared to FY2020, and fewer new contracts secured in FY2022, division revenue and profit before income tax ("PBT") were 43% and 44% lower year-on-year at S\$112.3 million and S\$15.8 million respectively. Since the start of the O&G sector recession at the end of 2015, global energy corporations have been slower to reach final investment decisions in view of the short and long-term uncertainties affecting the sector and this was most highly apparent in the past year. As a result, the division secured only S\$45 million worth of contracts in FY2022.

Our ability to weather major storms is attributed to maintaining an agile mindset and fortitude, anchored by a business model that creates shared socio-economic value, supported by diversified businesses and strategies to remain ‘in the moment’ and built upon a culture, structure and balance sheet that are fundamentally robust.

Moving forward, FY2023 will not see improved results from the Energy Engineering Division, due to the time lag effect of the lower order backlog carried forward from the end of FY2022. However, with improved market conditions which have led to a healthier enquiry pipeline, we are expecting more encouraging results from the division in the following year.

For the 15th successive year, the Real Estate Division (Boustead Projects) remained the largest revenue contributor of the Boustead Group. Having endured unprecedented and prolonged project site closures and labour shortages that affected productivity in the previous year, the situation was slightly better in FY2022 with engineering & construction activities reaching more normalised levels, leading to division revenue being 13% higher year-on-year at S\$339.1 million. However, division PBT declined by 90% to S\$13.8 million, as the division worked through the pre-pandemic order backlog and without the benefit of the previous year's BIF Value-Unlocking Gain.

The financial impact of the pandemic on Boustead Projects continued to be buffered by real estate activities. Following the successful launch of BIF, FY2022 proved to be another fruitful year for advancing on multiple

initiatives including the sale of ‘351 on Braddell’ to BIF in November 2021. The division also made progress towards a strategic collaboration with Khai Toan Joint Stock Company to acquire, develop and own a portfolio of industrial and logistics properties in Vietnam, as announced recently.

A continued bright spot among our divisions, the Geospatial Division delivered a steady performance in FY2022. The demand for geospatial technology and smart mapping capabilities continued to hold firm, with division revenue remaining stable year-on-year at S\$168.3 million, although division PBT was 9% lower year-on-year at S\$36.9 million as there were two large enterprise agreements which lifted margins in the previous year. Had the revenue recognition of these enterprise agreements been recognised on a straight-line basis over their three-year term, division revenue and PBT would have smooth growth.

The pandemic had a relatively strong negative impact on our Healthcare Division, which registered revenue that was 21% lower year-on-year at S\$12.0 million and saw loss before income tax widen to S\$6.3 million. Clients continued to prioritise their needs in addressing the pandemic over rehabilitative care and sports science solutions. While the division's results

can be attributed to the pandemic, it is not a convenient excuse for the division's continued underperformance and we are cognizant that more urgent effort needs to be taken to address the inherent challenges faced by this division. As a start, a senior leadership change was enacted and the sleep care business was sold just after the close of FY2022, with more changes to come in the future.

Upholding our dividend tradition over an unbroken run of two decades, your Board has proposed a final dividend of 2.5 cents per share payable in cash for your approval. Together with the interim dividend of 1.5 cents already paid, the total dividend of 4 cents equates to a dividend payout ratio of 63%. Separately, Boustead Projects has proposed a final dividend and special dividend of 0.2 and 0.8 cents per share respectively.

#### **Boustead – More Than An Enduring Business Legacy**

Our Group's sustained profitability in this turbulent year did not happen simply by chance. As Singapore's oldest continuous business organisation, Boustead has gone through an extraordinary journey spanning almost 200 years, one in which we have witnessed two world wars, numerous economic crises and the evolution of many global sectors. Our ability to

## Chairman's Message

weather major storms is attributed to maintaining an agile mindset and fortitude, anchored by a business model that focuses on creating shared socio-economic value, supported by diversified businesses and strategies to remain 'in the moment' and built upon a culture, structure and balance sheet that are 'Fundamentally Robust' – a theme which we have chosen to front the cover of this Annual Report.

In the book "Leadership to Last: How Great Leaders Leave Legacies Behind", Harvard Professors, Geoffrey Jones and Tarun Khanna studied the reasons behind long-lasting businesses in South Asia and revealed five key ingredients behind their existence for decades – even centuries. Among the reasons include a commitment to social values and leadership that focuses on innovating to generate profit in ways that directly benefit society. These similar qualities are embedded in the **Boustead Way**, which prioritises the pursuit of business with a greater purpose – creating sustainable shared socio-economic value versus maximising short-term profit; promoting adaptability and resilience; and favouring longevity over sentimentality. We want to generate outcomes that clearly benefit multiple stakeholders.

With the pace of the green energy transition intensifying, the world has seen increasing investments flow into low-carbon energy solutions. Even as this trend poses challenges to our Energy Engineering Division, we believe that we can meaningfully contribute to the low-carbon energy transition, beyond just being a financier. In the green energy realm, we have the potential to value-add with our complementary technology, such as in the area of Boustead International Heaters ("BIH")'s waste heat recovery units ("WHRUs") and accompanying technology solutions. Due to increasing global legislation to reduce greenhouse gas emissions, we see a higher demand for WHRUs

designed to recycle exhaust and flue gases, instead of allowing them to be directly released into the environment or wasted as a potential energy source. During FY2022, BIH completed the delivery of their largest contract on record at about S\$100 million, comprising 20 WHRUs that can recover an energy equivalent of 6.4 terawatt-hours annually, enough electricity to power a small country. BIH continues to actively review diversification initiatives to move beyond the O&G sector and deliver customised emissions reduction solutions that address climate change. The incubation of such solutions is already underway but will take time to bear fruits. Nevertheless, some progress has been made in this respect and we stand in a good position to support clients in their endeavours towards greener energy options in the future.

In the past year, Boustead Projects has continued efforts to reshape the industrial real estate landscape through groundbreaking projects and the deployment of progressive and transformative technologies, underpinned by a strong focus on quality, environmental, health and safety management. During FY2022, Boustead Projects progressed on delivering two landmark projects under the Building & Construction Authority ("BCA") Green Mark Certification Scheme, first with Surbana Jurong Campus, Singapore's first Green Mark Platinum – Super Low Energy-rated development in the large-scale business park and industrial real estate sector, and then with Takeda Singapore Biologics Manufacturing Support Building, which will be among Singapore's first Zero Energy Buildings in the industrial real estate sector. Furthermore, Boustead Projects' appointment as a SkillsFuture Queen Bee – the first and only in the built environment ("BE") sector – to enhance the skills capabilities of other smaller businesses in the same sector, has cemented our position as the market

leader for smart, eco-sustainable and future-ready developments. This opportunity will allow us to share our success and contribute to the technology transformation of the interdependent BE ecosystem, uplifting and building up the sector's resilience. Our role as SkillsFuture Queen Bee adds to our market leadership, not just as the industrial real estate market leader for Green Mark Platinum-rated new private sector developments, but also as the market leader in the BCA CONQUAS all-time top 100 industrial list and bizSAFE Mentor – among only eight in Singapore and the only one among our direct competitors.

During the pandemic, Esri ArcGIS technology has proven to be an invaluable tool in the battle against COVID-19 regionally, such as implementing contact tracing and testing programmes, safe distancing measures and vaccine rollouts. These ultimately contributed to the containment of the pandemic, safeguarding the wellbeing of people and allowing for the phased reopening of borders and resumption of international travel. Even as the pandemic recedes, geospatial technology continues to enrich our understanding of Earth and be a great enabler in advancing the UN Sustainable Development Goals with the powering of the UN Open SDG Data Hub by Esri ArcGIS, along with adapting to and mitigating climate risks and contributing to the betterment of lives around the world. Recently, a postdoctoral research fellow and Boustead-Esri Geospatial Scholarship recipient, Li Yangyang, created a Singapore-first soil database that can identify slopes that are susceptible to erosion and landslides, with such incidents more likely to occur with climate change and more volatile weather.

More than just being a service provider, the Geospatial Division has been nurturing geospatial professionals and

empowering the broader ecosystem of users and global technology partners, through active engagement and consistent education on the use of geospatial technology to enhance and address clients' business and environmental, social and governance needs. Within the division, the Geospatial Skills Black Belt Framework has been used to boost our team members' technical skills and service competencies, ultimately to better serve clients. Ongoing projects supporting Australia's Clean Energy Regulator, the region's agricultural sector and several programmes including the Esri Disaster Response Program, GIS for Schools Program and Startup Program, are just some of the few examples of the positive socio-economic impact we are creating in the sectors that we operate in, cultivating impactful relationships – externally and internally – to ensure the longevity of our business and the wider ecosystem.

On this note, I am pleased to share that both of our listed organisations, Boustead and Boustead Projects, received the Corporate Excellence & Resilience Award at the Singapore Corporate Awards 2021 Special Edition, in recognition of listed corporations that have displayed exemplary performance in upholding best practices in corporate governance, leadership, innovation and resilience during the pandemic. This Award is not just a strong endorsement of our achievements in the past year but a culmination of the hard work of our entire team over a sustained period of time.

#### **Adapting for Longevity**

The road ahead of us will certainly not be a breeze, although we have started to see some recovery of economic activities. Today, we live in a much more complex world, complicated by major geopolitical events like AUKUS, the Quad and Russia-Ukraine War which all have equally impactful geoeconomic consequences for many nations and sectors worldwide,

touching on energy security to food security. As we navigate the long road to full recovery and look ahead with cautious optimism, we need to remain agile and ready for the challenges that lie ahead.

During this period of complexity, it remains more urgent that we maintain our strong balance sheet and fundamentally robust position to achieve two things: demonstrate to clients our financially sound position to complete any awarded contracts that they entrust us with in the short-term, and to make acquisitions and investments in the right opportunities in the long-term. The capability to deploy our cash into acquisitions and investments with rapid pace and without needing to undertake an often-lengthy equity raising capital exercise, may just be the difference between a seller selecting our proposition over that of other potential investors. In addition, with the transformation required to meet geoeconomic and geopolitical challenges, not to mention adapting to and mitigating climate risks, we will ultimately require acquisitions and investments to be made in newly emerging resilient teams, businesses and technologies of the future.

Within our existing divisions, more effort will be expended to successfully transition them to the new normal. When the Healthcare Division was acquired in 2018, it was our firm belief that the division will have long-term prospects in meeting the needs of ageing populations across the Asia Pacific – and it still is. However, in the past few years, this division's performance has fallen short of our expectations, partly attributable to bad timing but also due to poor execution. The sale of the sleep care business under the division is our first step in the rationalisation of this division, which we have come to realise has too many fragmented entities, product lines and services. Changes are afoot to bring this division to the

fullest potential. The responsibility to do so lies with our Board and senior management, beginning with the stepping up of efforts to enhance talent management and implement processes to improve execution.

As I approach 80 next year, one will wonder about the readiness of our next generation of Boustead leaders. When the time comes for me to hand over the reins, you can be assured that I will be doing so to a highly astute and resilient leadership team who is equally committed to preserving our enduring business brand. With the unceasing commitment and dedication of our Boustead Men and Women, and an enduring spirit which has seen us through the most difficult of times over the past two centuries, I am confident that our Group and businesses possess the attributes, tenacity and balance sheet that will enable us to prevail in these challenging times and continue to deliver sustainable shared socio-economic value to our stakeholders.

#### **A Word of Appreciation**

The success of Boustead today would never have been possible without the dedication of our team members around the world. I extend my appreciation to our Boustead Men and Women for their contributions in the past year. I would also like to thank all of our key stakeholders – clients, business partners, associates, bankers, suppliers, government agencies and you, fellow shareholders – for your continuous support.

Thank you for partnering us in this journey of longevity, progress and cultivating business with a greater purpose. I look forward to meeting you at our virtual Annual General Meeting.

I wish you and your loved ones good health, wellness and peace.

#### **Wong Fong Fui**

Chairman &  
Group Chief Executive Officer