

CHAIRMAN'S MESSAGE



Wong Fong Fui

Chairman & Group Chief Executive Officer

Dear Fellow Shareholders,

It gives me great pleasure to present to you the Boustead FY2019 Annual Report for the financial year ended 31 March 2019.

Over the past year, there was a slight improvement in the business outlook of the sectors that we operate in, supporting our achievement of revenue and profit growth. Revenue was 22% higher year-on-year at S\$470.6 million, while profit attributable to you – fellow owners of our Company – was 24% higher year-on-year at S\$32.5 million, partially assisted by sizeable other gains (compared to sizeable other losses in the previous year). Even if we adjusted net profit for other gains and losses net of non-controlling interests (excluding the sale of a property that was conducted in the ordinary course of business), net profit would have been comparable year-on-year, a steady result in what is still a highly challenging global landscape.

FY2019 – Temporary Respite from the Storm

The global oil & gas (“O&G”) recession that engulfed the four years from FY2015 to FY2018 seemed to abate in FY2019, marked by the trade war’s short truce and providing a moment of temporary respite to some players to restructure and postpone death at the hands of angry creditors.

Given our relatively better position as compared to peers, our Energy-Related Engineering Division returned to profitability, while our Real Estate Solutions and Geospatial Technology Divisions embraced market-leading positions to improve performance. All four divisions achieved broad-based profitability including our new Healthcare Technology Division.

Driven by our O&G businesses’ better performance, our Energy-Related Engineering Division delivered division revenue growth of 8% year-on-year to S\$102.5 million and division

profit before income tax (“PBT”) of S\$1.1 million, reversing the previous year’s loss. However, an S\$1.3 million impairment of receivables and weak performance at our water & wastewater engineering business did some injustice to what would otherwise have been a decent performance. Our division’s announced order book backlog of S\$103 million is adequate to support continued improvement in FY2020.

Our Real Estate Solutions Division under Boustead Projects topped revenue contributors for the 12th successive year. Singapore’s industrial real estate sector remains in a challenging state. However, we continued with our successful transformation, implementing market-leading technologies to enable division revenue growth of 38% year-on-year to S\$234.2 million and division PBT of S\$35.7 million, a minor improvement over the previous year. Design-and-build margins were impacted by a lower

“FRONTING OUR COVER, ‘TRANSCENDING GENERATIONS’ APTLY CAPTURES THE SUCCESSFUL TRANSFORMATION OF BOTH SINGAPORE AS A NATION AND BOUSTEAD AS A CORPORATION OVER THESE TWO CENTURIES. OUR TWO HERITAGES ARE INTERTWINED, WITH THE COMMON GOALS OF ENGENDERING LONGEVITY AND PROGRESS, AND CONSTANTLY SEEKING COMPETITIVE POSITIONING IN A HYPER COMPETITIVE WORLD.”

quantum of cost savings unlocked on previously completed projects, while real estate margins suffered due to one property undergoing additions & alterations and the depreciation expenses incurred by the newly completed ALICE@ Mediapolis, which is still under asset stabilisation. Boustead Projects’ technological transformation was key to capturing a record S\$633 million in new contracts including the S\$242 million JTC Multi-Storey Recycling Facility and over S\$200 million Surbana Jurong Campus, along with four development deals and three new strategic partnerships. A strong foundation has been laid for FY2020 and FY2021 to buffer against the sector’s challenging state.

Clocking in a third successive year of revenue and profit growth, our Geospatial Technology Division achieved a new division revenue record of S\$122.1 million, with division PBT rising 4% year-on-year to S\$27.2 million. Facing off against

strong currency headwinds and two national elections in Australia and Indonesia, our four largest exclusive markets attained broad-based revenue growth and locked in steady demand for technology underlying smart city implementations across the region.

Our new Healthcare Technology Division contributed nine months of maiden division revenue of S\$11.4 million and division PBT of S\$0.6 million. The lower than expected performance was due to two large contracts being delayed to FY2020. The past year aside, we remain excited about our division’s long-term prospects in meeting the currently unmet needs of ageing populations across the Asia Pacific.

Upholding our dividend tradition, your Board has proposed a final ordinary dividend of 2 cents per share payable in cash/scrip for your approval. Together with the interim dividend of 1 cent already paid, the total dividend of 3 cents equates to a dividend payout ratio of 45%

and matches FY2018. Separately, Boustead Projects has proposed a final ordinary dividend of 1.5 cents and special dividend of 0.5 cent per Boustead Projects’ share, an uplift of 33% over FY2018.

Transcending Generations

This year, our heartiest congratulations go out to our home nation, Singapore on the celebration of its historic Bicentennial, 200 years after Sir Stamford Raffles and Major General William Farquhar first stepped onto our shores in 1819. Only nine short years later in 1828, our company’s founder, Mr Edward Boustead chose to establish Boustead in Singapore, thanks to Sir Raffles and General Farquhar’s early initiatives to turn Singapore’s strategic location into the gateway between China, India and South East Asia.

Fronting our cover, ‘Transcending Generations’ aptly captures the successful transformation of both Singapore as a nation and Boustead as a corporation over these two centuries. Our two heritages are intertwined, with the common goals of engendering longevity and progress, and constantly seeking competitive positioning in a hyper competitive world. Passing through the passages of change and time together, both nation and corporation have lived through major upheavals – World War I, the Great Depression, World War II, Malaysia’s and then Singapore’s independence, the Asian Financial Crisis, Dotcom Bubble and Global Financial Crisis. Longevity and progress have been achieved, although these should never be taken for granted.

These days, too often we hear of barriers, divides, tariffs and walls. Whether physical, psychological or social in construct, they all similarly impede progress. We are being battered by strong geoeconomics and geopolitical headwinds led by the ongoing trade war and multiple threats to globalisation and the global economy. Perhaps, it is timely to remember how the Smoot-Hawley Tariff Bill enacted in 1930 by the US served

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to exacerbate the Great Depression, while the Berlin Wall (part of the Iron Curtain) constructed in 1961 literally and figuratively divided Europe for three decades.

Complement this with the valuable lessons of history served up by the Bicentennial. Sir Raffles wrote in 1819 that “our object is not territory but trade; a great commercial emporium and a fulcrum whence we may extend our influence politically as circumstances may hereafter require,” and that his aim was to develop “the utmost possible freedom of trade and equal rights to all, with protection of property and person.” This was carried out dutifully by Singapore’s first Resident and Commandant, General Farquhar who was instrumental in promoting Singapore’s three freedoms as laid out by Sir Raffles – freedoms of immigration, port and trade – and which contributed to Singapore’s rapid progress in its early days, for few places in the world could offer such freedoms at that time.

In 1830, Singapore’s freedoms and competitive position came under serious threat when governance was turned over to the Supreme Government of the East India Company of Bengal. In 1837, Mr Boustead made a plea to fight any attempt by the Supreme Government to restrict freedoms and impose port duties on Singapore. Mr Boustead gathered together with prominent business leaders to become founders of the Singapore International Chamber of Commerce, whose role it was to fight for Singapore’s commercial interests and uphold the freedoms. To this day, supported by modernised versions of the freedoms over multiple generations, our economy, port and trade have continued to flourish as key parts of multi-generational success, supported by the enterprise and industry of Singaporeans. With neither natural resources and hinterland to fall back on, Singapore has had to embrace the world as our oyster.

Connected to this, I highlighted in our inaugural Longevity Report how

longevity is a combination of key ingredients that has allowed us to thrive in a totally interconnected and interdependent ecosystem of physical, social and symbolic relationships that stretch over time. Our leadership and teams are not only experts in their own respective industries but also have a keen understanding of cultural norms, history, the interconnectedness and interdependence of ecosystems across relationships, space and time, and the megatrends that are present before us and will drive our future. As we sense and adapt to shifts in the global landscape, our embrace of change derives progress which ultimately determines our fate as a responsible global corporate citizen. We are in the business of building businesses that can transcend generations and provide a positive impact on future generations, just as they have benefitted multiple generations over the past two centuries.

In FY2020, we will be actively working on capital deployment for various proposed strategic growth programmes, all of which will help us contribute to achieving most – if not all – of the United Nations’ 17 Sustainable Development Goals and underpin our long-term performance.

Our focus will be on areas that promote greater effectiveness and progress in big data, Internet of Things, smart nations, smart cities, smart communities and solve the pain points of society including improving the quality of life for all walks of life. We will continue to invest in transformative technologies across:

- Boustead Projects’ smart eco-sustainable business park and industrial real estate solutions that support Singapore’s Super Low Energy framework (such as for Surbana Jurong Campus) to satisfying the world’s insatiable appetite for data (our partnership with DSCO);
- Our Geospatial Technology Division’s smart mapping capabilities underpinning everything from big data location analytics to smart cities and most importantly, helping clients to gain invaluable

insights on interconnectedness and interdependence of ecosystems across all types of relationships, space and time, given that the human brain processes visual information 60,000 times faster than alphanumeric data; and

- Our Healthcare Technology Division’s aim to address age-related chronic diseases and mobility issues, helping ageing populations to age gracefully and when afflicted by chronic diseases, be able to get up and walk again.

Staying true to our mission, vision, steadfast corporate values and the focus on pursuing business with a greater purpose, will help us to ensure long-term progress for stakeholders by knocking down barriers, opening our minds to new ideas and promoting longevity to transcend generations. The only walls we intend to build up are the walls of business park and industrial developments where progressive ideas, products and solutions take shape to be shared and traded with the world.

A Word of Appreciation

I would like to express my deepest gratitude to our Boustead Men and Women – our management and staff – around the world for their contributions to building businesses that transcend generations. I would like to extend my appreciation to all of our major stakeholders – clients, business partners, associates, bankers, suppliers 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 building businesses to transcend generations. I look forward to seeing you at our upcoming Annual General Meeting.

Wong Fong Fui

Chairman &
Group Chief Executive Officer