Letter to Shareholders

JOHN LIM KOK MIN
Chairman

THOMAS CHU KOK HONG
Managing Director

Summary of message

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

- FY2021 was a year of record profit.
- Measures were taken to ensure business continuity in the pandemic.
- A business model uniting the entire industrial real estate value chain has been effective and has been transformed by the Boustead Industrial Fund.

Dear Fellow Shareholders,
It is our pleasure to present to you the Boustead Projects FY2021 Annual Report for the financial year ended 31 March 2021.

FY2021 has been a milestone year, in which we delivered a record profit attributable to you ("net profit") – our fellow shareholders – crossing the S$100 million mark for the first time and finishing 493% higher year-on-year at S$131.7 million. This significant accomplishment was underpinned by the successful launch of Boustead Industrial Fund ("BIF"), a value-unlocking event that had been anticipated by shareholders and which we prioritised to deliver. Nonetheless, hidden beneath this achievement was an environment fraught with the toughest challenges that we have had to face as an organisation, brought on by the COVID-19 pandemic.

Under the guidance of our senior leadership team, significant sacrifices were made and deep experience tapped upon to coordinate business continuity activities in this complex environment. The team should be commended for remaining committed to meeting the challenges head on. This helped our organisation to navigate unprecedented disruptions at our engineering & construction ("E&C") business segment (previously known as design-and-build business segment) and make strong progress at our real estate business segment.

Our total revenue was 29% lower year-on-year at S$301.4 million. Traditionally, our E&C business segment has been the key driver of revenue and also a substantial profit contributor. However, during FY2021, the pandemic and ensuing spread of COVID-19 within the community and foreign labour dormitories, forced the Singapore Government to impose a four-month shutdown of the built environment sector, which affected all of our Singapore project sites. Following the reopening of the built environment sector, we enacted a gradual ramp-up in construction activities in line with government advisories and safe management measures, although this was far from our pre-pandemic peak.

Our record net profit of S$131.7 million was supported by BIF's value-unlocking transaction one-off gain of S$134.8 million (the "BIF Value Unlocking Gain") recorded following our sale of interests in 14 leasehold properties to BIF – full disposal of 11 properties and partial disposal of equity interests in a subsidiary and two joint ventures – selected from our portfolio of 25 leasehold properties. The BIF Value Unlocking

FY2021 has been a milestone year, in which we delivered a record profit attributable to you – our fellow shareholders – crossing the S$100 million mark for the first time and finishing 493% higher year-on-year at S$131.7 million.

Gain more than offset the E&C business segment's elevated pandemic-related costs, lower margins on current projects and lower quantum of cost savings from previously completed projects. Had net profit been adjusted to exclude the BIF Value Unlocking Gain, there would have been a net loss but this was contained at S$3.2 million, thanks to our entire team's commitment, progressive transformative technologies put in place in past years and a number of cost management measures implemented during FY2021.

FY2021 – A Tale of Two Businesses

In FY2021, the fortunes of our two key business segments – E&C and real estate – were a striking contrast which also revealed the effectiveness of our business model that unites the entire industrial real estate value chain.

E&C business segment revenue was 32% lower year-on-year at S$264.7 million, due to the prolonged closure of Singapore project sites and conditions imposed by and in response to the pandemic. E&C business segment profit before income tax ("PBT") was 84% lower year-on-year at S$3.1 million, hit by elevated pandemic-related costs on multiple fronts, although this was buffered by this business segment's S$19.9 million share of the BIF Value Unlocking Gain, due to the reversal of previously eliminated construction margin attributable to the E&C business segment. FY2021 has been by far the most challenging year in our history since 1996. While the Asian Financial Crisis, Dot-com Bust and Global Financial Crisis significantly affected the E&C business segment during those crises, they were largely financial crises in nature that reduced foreign direct investments in Singapore and in turn the pipeline of enquiries for this business segment's solutions. In contrast, this pandemic has dented not only business development activities but has directly affected project execution, from prolonged project closures to significantly lower productivity and a severe shortage of foreign labour resources. This combination of multiple simultaneous impacts has left behind sector-wide repercussions.

During this crisis, priorities were first and foremost placed on safeguarding the wellbeing of our stakeholders including our team, subcontractors and their employees, clients and surrounding communities by implementing strict health checks, social distancing measures, split teams and remote working arrangements. Following the reopening of our offices and project sites, whether here in Singapore or overseas, the emphasis was placed on disinfecting, reconfiguring our mental frames of mind and physical spaces to ensure safe distancing and implementing strict safe management measures. We also initiated difficult but important conversations with our team, clients and subcontractors on topics such as project schedule revisions, cost sharing and how to progress forward in the face of unprecedented challenges. Great efforts were expended to understand the positions of all key stakeholders to ensure that collectively we would be able to survive this pandemic.

We also proactively took several measures to mitigate the impact of delays and to protect the viability and long-term value of our businesses. Cost management measures included organisation-wide cost reviews, a salary freeze for our entire team and a reduction in Board fees and senior management salaries since June 2020. Our Board and executive directors took 10% reductions in directors' fees and base salaries respectively, while the rest of our senior management team was subjected to tiered 5% to 7.5% reductions in base salaries.

Following the reopening of Singapore project sites close to midway through FY2021, the E&C business segment commenced on making up lost ground on several projects in Singapore

Letter to Shareholders

including our two largest projects for JTC Kranji Green and Surbana Jurong Campus. By the end of FY2021, the E&C business segment was also able to secure the temporary occupation permits for joint development projects – 351 on Braddell and Bombardier Singapore Service Centre Phase 2 – while another joint development, Razer SEA HQ received its temporary occupation permit just after the end of FY2021.

While Singapore projects faced pandemic-related delays, specified extensions of time were also received under the COVID-19 (Temporary Measures) Act 2020. Overseas, the situation was much better for projects in China and Malaysia. Sizeable projects in these two overseas markets – including our largest project captured in FY2021 to design and build an advanced integrated high-tech manufacturing and office facility in Penang, Malaysia for a Fortune 500 technology corporation – progressed on schedule, facing only minor disruptions.

Technology continued to play a key role in mitigating risks associated with the pandemic, allowing for highly collaborative activities including integrated digital delivery ("IDD"), design, value engineering and construction to be conducted in a productive and safe manner. During FY2021, our IDD team continued to push forward with transformative technologies implementation and strengthened value propositions in 7D building information modelling ("BIM") by utilising 3D scanning, artificial intelligence and machine learning, augmented reality ("AR") and virtual reality ("VR"), data analytics and drone technology. Our team and stakeholders were able to tap on a combination of AR and VR and Cloud-based sharing platforms to review virtual 7D BIM models simultaneously, without the need for stakeholders to be present in the same room.

Technologies were also implemented to enhance onsite safe management measures – among the world's strictest measures – at project sites. In a partnership with TraceSafe under the Open Innovation Platform, we outfitted our team and subcontractors' employees at one project site with TraceSafe's wearable safety devices. Attached to helmets, these 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. These devices send signals to individual workers when they breach 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.

In contrast to the impact on the E&C business segment, real estate business segment revenue was 7% higher year-on-year at S$36.7 million, mainly due to a full-year of rental contribution from the fully-leased Boustead Industrial Park Phase 1 in Vietnam, a short-term sublease for 36 Tuas Road and increased management fees from the Boustead Development Partnership. Real estate business segment PBT was exponentially higher after adding in this business segment's super majority share of the BIF Value Unlocking Gain.

Other than being instrumental in the successful launch of BIF, the real estate business segment was also responsible for securing a number of sizeable leases for leasehold properties, both completed and under development. New leases totalled over 53,700 square metres of net lettable area – with the likes of Zuellig Pharma, NETS, Shopee, JustCo and a Fortune 500 technology corporation – over the course of FY2021. 351 on Braddell and Razer SEA HQ also achieved at least two-thirds committed occupancy prior to receiving temporary occupation permits.

In consideration of the successful unlocking of value and capital recycling from BIF, your Board is proposing a final dividend of 0.9 cents per share and a special dividend of 14.5 cents per share for FY2021, subject to shareholders' approval, after taking into consideration expected capital allocation plans to fund strategic growth and the foreseeable challenging built environment sector.

Transforming Our Business Model with Boustead Industrial Fund

The Board had made the establishment of BIF a priority pre-pandemic but it was thanks to the commitment of our team that BIF was able to launch during the pandemic, even as stakeholder engagements had become more complex and global travel restrictions had taken effect. Had our team not gone through extraordinary efforts, any launch would likely have been delayed by another year.

BIF represents our maiden full-fledged private real estate trust. Strategically, BIF has transformed our business model and integrated platform that unites all parts of the industrial real estate value chain – from value-added capabilities spanning E&C and real estate development and asset management services to fund management services. This significantly enhances our offerings to clients and adds greater flexibility to our structuring of potential development opportunities.

Even as the bulk of our wholly-owned leasehold properties has now been sold into BIF, we still retain a pipeline of leasehold properties – mainly under joint ventures – with over S$700 million in expected market valuation. Once eligible assets in Singapore are stabilised, they will have the potential to be injected into BIF. With our existing portfolio and future pipeline of secured development projects, we expect that there will be a steady stream of sponsor assets that can be progressively injected into BIF over several years. As the 100% manager and 25% unitholder of BIF, Boustead Projects will continue to reap the benefits of properties sold to BIF, especially when it expands. Holding the manager role, we will be entitled to base management fees, development fees, acquisition fees, divestment fees and property management fees, similar to what listed REIT managers would receive for managing their respective listed REITs.

BIF has also established our new fund management business, in which we are now able to bring in and manage third-party investors' funds for investments in stabilised recurring-income assets. This flexibility opens our business model to a new set of partners, especially those more interested in investments in de-risked assets rather than partnerships for joint development projects which carry higher risk profiles.

BIF represents a model on which we can base potential future real estate trusts on, if we are able to build up other sizeable leasehold portfolios, particularly in overseas markets.

FY2022 – Another Difficult Year on the Path to Recovery

Given that the margins for projects secured pre-pandemic do not take into consideration subsequent elevated costs, the E&C business segment's performance will continue to be affected in FY2022, as we complete the last of such projects. Despite the pandemic, we secured about S$178 million in contracts during FY2021 that are contractually more risk-mitigated and protected against pandemic-related disruptions, which will help us even if the pandemic persists. Nonetheless, lower productivity and foreign labour shortages are expected to remain in the foreseeable future.

Although things may remain slow in some areas, this will not deter us from building upon our credible reputation for being progressive, as demonstrated by our continuing enhancement of our business model, transformative technological implementations and most recent addition of BIF. Our cash levels and balance sheet have never been stronger.

Many questions have been posed on our next steps after the formation of BIF, especially our capital expenditure plans and how we plan to reinvest. As seen with our recent announcement of the signing of the option agreement for the intended formation of KTG & Boustead Industrial Logistics Fund ("KBILF"), we have already taken our next steps. Once consummated, KBILF Phase 1 will allow our joint venture fund to acquire seed assets amounting to about US$141 million in gross asset value covering about 840,000 square metres of land area and about 550,000 square metres of gross leasable area. KBILF Phase 2 will lead to the acquisition of other potential industrial real estate assets under an identified pipeline of targets, which would have the potential to double the land area and gross leasable area in the portfolio. As one of the only economies to witness GDP growth during the pandemic, Vietnam's potential remains intact. Demographically, Vietnam enjoys a sizeable young population and a skilled workforce catered to the industrial sector. Geo-politically, Vietnam is well located geographically and has been a beneficiary of the world's political situation.

Apart from KBILF, we are also pursuing a number of development opportunities, both here in Singapore and overseas, and possess the financial strength to diversify our revenue and profit streams in multiple industrial sectors and geographic markets.

Our progressive reputation for transformation continues to contribute in-built resilience that will help us to prevail in this difficult environment.

Words of Appreciation

We would like to thank our leadership and team members for their continued dedication and efforts in not only protecting our progressive reputation but also enhancing the viability and value of our organisation. We would also like to extend our gratitude to all of our partners and key stakeholders – our clients, business partners, associates, bankers, suppliers and you, our shareholders for your continuing support. Last but not least, we would like to express our appreciation to our fellow Board colleagues for their wisdom, guidance and continued advice as we collectively tackle these complex challenges. We believe that our progressive reputation and mindset, and our resilient partnerships set the foundations for us to emerge stronger.

We look forward to meeting you at our virtual Annual General Meeting. In the meantime, may you and your loved ones stay well, healthy and safe during these tumultuous times.

John Lim Kok Min
Chairman

Thomas Chu Kok Hong
Managing Director