

Chairman's Message

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Dear Fellow Shareholders,

I am pleased to share that the Boustead Group delivered another steady performance for the financial year ended 31 March 2020.

A healthy accumulation of order backlogs at both our Energy Engineering Division and Real Estate Division led to the delivery of record revenue – 54% higher year-on-year at S\$726.6 million. While the profit attributable to shareholders was 5% lower year-on-year at S\$30.9 million, mainly due to one-off impairment losses and an absence of a gain on a property sale, there were strong signs of recovery across the Group.

Had our net profit been adjusted to exclude the impairment losses on legacy projects that ended and the previous year's gain on a property sale, comparative net profit for FY2020 would have been 34% higher year-on-year.

While FY2020 will be remembered by many as a year of great change, where governments, industries and communities were all compelled to embrace a 'new normal', for the Boustead Group, FY2020 will be remembered as a year of transition.

FY2020 saw our long-term investments in people, technologies and *possibility* all come together to deliver an empowering window into the future of the Group. With these insights in hand, and with the commitment and support of the Board and the Boustead Group's extended leadership team, I am confident that we will not only efficaciously navigate the challenges of our time but become stronger through this experience.

FY2020 – A Year of Revenue and Order Milestones

During FY2020, the Group achieved broad-based profitability at all four divisions, with profit before income tax ("PBT") growing at three divisions.

Our Energy Engineering Division has successfully endured a five-year recession that engulfed the global oil & gas ("O&G") sector, significantly impacting many O&G corporations within the value chain. Capitalising on its technology-led solutions and strong standing within the sector, UK-headquartered Boustead International Heaters ("BIH") – under the exceptional leadership of CEO Stuart Cummings – steered the division to reach multiple, notable milestones during FY2020. Among BIH's significant

achievements was the award of the division's largest contract on record – in the region of S\$100 million in value – for the delivery of technically-advanced waste heat recovery units ("WHRUs") for a major energy infrastructure project in Europe. The win contributed to setting another division record of S\$304 million in orders secured for the year. In line with the healthy order backlog, division revenue grew by 41% year-on-year to S\$144.5 million, energised by BIH's performance. Division PBT exponentially climbed by 618% year-on-year to S\$7.9 million and would have been significantly higher if not for the impairment losses from legacy projects and the relatively weak performance of the water and wastewater engineering business. Reassuringly, the division's order backlog carried forward of S\$279 million will effectively help sustain operations for another 18 months; providing some protection against the recent collapse in global crude oil prices.

As our largest revenue contributor for the 13th successive year, the Real Estate Division under Boustead Projects continued executing on its impressive order backlog of design-and-build projects, raising division revenue by 82% year-on-year to a division record



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S\$426.2 million. However, division PBT declined 23% year-on-year to S\$27.5 million, mainly due to lower gross margins, lower quantum of cost savings, higher overhead costs and lower interest income, while grappling with the ongoing asset stabilisation of ALICE@Mediapolis. While Boustead Projects' order backlog carried forward of S\$496 million is sizeable, design-and-build projects in Singapore are being delayed by a combination of the government's strict restart criteria for the phased resumption of construction sites and a shortfall of available foreign worker resources.

These delays will likely affect FY2021 but will be mitigated by projects secured in China, Malaysia and Vietnam, along with prudent cost management and government business support measures. I have full confidence in Boustead Projects' Managing Director Thomas Chu and his extended leadership team to carry Boustead Projects through one of the sector's most challenging periods.

Boosting revenue and PBT for a fourth consecutive year, our Geospatial Division rode on steadfast demand in exclusive markets across Australia and South East Asia to expand division revenue by 12% year-on-year to a division record

S\$137.3 million. Division PBT rose by 9% year-on-year to S\$29.7 million, outweathering strong currency headwinds. Towards the end of FY2020, the division demonstrated a clear resilience to market pressures brought on by COVID-19. Under the direction of the Geospatial Division's Managing Director Brett Bundock and extended leadership team, the division rendered support to government agencies combatting the economic and social impact of the Australian bushfires and COVID-19 pandemic. These efforts served to both build and enrich key agency relationships across the region and has provided a platform for the division to capitalise on the increased awareness – within government – of the value of geospatial technology.

In a first full-year of contribution, our Healthcare Division's revenue improved by 60% year-on-year to S\$18.2 million, with growth registered across rehabilitative care and sports science. However, division PBT of S\$1.1 million excluding an annual amortisation adjustment of S\$0.4 million, was only marginally higher year-on-year. We expect healthy returns once invested programmes begin to bear fruit, given the long-term potential in meeting the currently unmet needs of ageing

populations across the Asia Pacific, especially in China.

Upholding our dividend tradition, your Board has proposed a final ordinary dividend of 2 cents per share payable in cash 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 48% and matches the amount paid for FY2019. Separately, Boustead Projects has proposed a final ordinary dividend of 0.8 cents per share.

Planning to Prevail

When COVID-19 first made international headlines in December 2019, few would have predicted how rapidly the outbreak would spread across the globe or the scale of the disruptions to life as we know it. Other than the human and direct healthcare costs, the economic impact of the pandemic has been destabilising, with the International Monetary Fund estimating that close to US\$11 trillion in fiscal measures have been triggered worldwide and expecting global GDP to fall 4.9% in 2020. The UN has predicted that 1.6 billion informal economy workers or nearly half of the global workforce could suffer damage to their livelihoods, with the equivalent of 305 million full-time jobs lost in the second quarter of 2020 alone.

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Despite our long trading history, the Boustead Group is not impervious to the complex mix of challenges presented by the pandemic. While our organisation has endured wars, health and economic crises of equal gravity, it is not our track record that we will be relying on to navigate these uncertain times. Rather, we intend to exercise measured and purposeful caution, preserving cash and implementing prudent cost management measures – including a Group-wide salary freeze. In addition, our capital deployment will undergo more rigorous evaluation, delivered via a strict, risk-based approach. The elevated risks we presently face and imposed restrictive measures have so far been mostly mitigated by our business continuity plans. We have embraced a technology-driven approach, enabling the Group's more than 1,100 team members to maintain productivity through Cloud sharing platforms, telecommuting and virtual meetings. Boustead Projects will leverage technology to reopen project sites and protect stakeholders through geo-fencing and smart building safe management access controls, while the Geospatial Division has already pivoted its operations to maintain its full spectrum of services and client engagements, albeit through digital mediums.

Despite the challenges FY2021 is likely to present, we will remain open to investment opportunities – remaining vigilant in our efforts to identify potential acquisitions.

A Resilient Future Based on Creating Shared Value

Regardless of how COVID-19 may change the way we operate, one thing is indelible – the distinct brand of entrepreneurialism, institutionalised in a corporate culture that links back to Boustead's earliest days of trading. The 'Boustead Way' prioritises the pursuit of business with a greater purpose. For our leadership team and me, it is about creating shared value instead of maximising short-term profit; promoting adaptability and resilience; and favouring longevity over

sentimentality. It's also a position, a value, a commercial sensibility that runs through every layer of our organisation.

The concept of creating shared value was popularised by world-renowned Harvard Professor Michael Porter in the astute observation "that societal needs, not just economic needs, define markets." No organisation is self-contained or unaffected by other stakeholders, or the ecosystems and infrastructure surrounding it. Creating shared value is not a zero-sum game, nor is it about sharing the value already created through a redistribution approach. Instead, creating shared value attempts to expand the total value created both in economic and social terms so that key stakeholders gain greater benefits together; much like the multiplier effect.

Today, the selection of business brands that reside in our Group and the way that we conduct business are based on this premise of creating shared value, shifting from a purely internal economic mindset to a holistic consideration of how our key stakeholders and ecosystems benefit both tangibly and intangibly from our technology-driven solutions in a sustainable manner. Our leadership teams have been inculcated to grasp the interconnection and interdependence of ecosystems and physical, social and symbolic relationships that stretch over space and time. Experts in our domain industries, we also have a keen understanding of cultural norms, history's lessons and its link to the future, ecosystems, relationships and the megatrends that are present before us and will drive our future. Only then can the creation of shared value begin.

Across our global operations, we can see clear evidence of how shared value has been created over the past quarter century.

BIH has executed 250 projects in 58 countries globally, generating about S\$1.5 billion in direct economic value ("EV"). Among BIH's technology suite are technically-advanced WHRUs, a technology that captures thermal

energy from turbine exhaust and flue gases generated by high temperature processes which would otherwise be lost to atmosphere. This recovered energy is efficiently transferred for use by other utilities, thus reducing the overall energy demand of plants and potentially doubling the operational efficiency of gas-fired turbines. WHRUs supplied by BIH have total expected annual thermal energy recovery capacity of 44,955 gigawatt-hours ("GWh"), enough energy to heat 4.4 million UK homes or equal to removing 6.8 million cars off the road each year. Beyond the obvious benefits to clients, significantly reduced pollution and resource wastage accrue to surrounding communities and natural ecosystems.

Boustead Projects has executed over 200 projects in four countries regionally, generating about S\$3.0 billion in direct EV. As the market leader in Green Mark Platinum-rated new private sector industrial developments – where we account for 20% of such projects – Boustead Projects' Green Mark Platinum-rated projects have total expected annual energy and water savings of 44.1 GWh and 131,685 cubic metres, enough energy to power 10,392 Singapore homes and water to fill 52 Olympic-size swimming pools each year respectively. Our efforts in quality – where we account for 10% of projects on the BCA's CONQUAS all-time top 100 industrial projects list – and strong emphasis on health and safety, being one of only eight bizSAFE Mentors, means that we not only care about quality and the wellbeing of our team members but also help to uplift the wellbeing, health and safety of Singapore's subcontractor workforce, our way of protecting the sanctity of life.

Our Geospatial Division – with a presence in eight countries including Australia, Singapore, Malaysia and Indonesia – has generated about S\$1.7 billion in direct EV. As an exclusive distributor of Esri ArcGIS technology – the world's leading geographic information system ("GIS"), smart mapping and location analytics platform – and foremost authority

on geospatial technology in the Asia Pacific, the division's smart mapping capabilities provide deep insights to key decision-makers across all levels of government and within most industries. A study by AlphaBeta, commissioned by Google in 2016 found that GIS multiplier effects added value in industries accounting for nearly 75% of global GDP. In the Asia Pacific, where three of our markets were part of the study, GIS was estimated to have provided consumer benefits of US\$248 billion in time savings, business benefits of up to US\$554 billion sales linked to digital maps and societal benefits including emissions reductions of 1.7 billion metric tonnes and potential employment for six million people.

In the most pressing need of our time, Esri technology has been used by the World Health Organization, John Hopkins University and numerous government agencies globally to create COVID-19 dashboards and data hubs to map and study the pandemic and inform the actions of senior decision-makers. In our respective markets, we are providing smart mapping capabilities to support government agencies in healthcare planning, disease surveillance, contact tracing, safe distancing, disinfection, protection and reopening economies, working towards containing the pandemic, safeguarding the wellbeing of citizens and restoring livelihoods across the region.

Our Healthcare Division similarly has important socio-economic impact. Early rehabilitation soon after a stroke significantly improves the odds that patients regain independence through full mobility recovery. Impaired recovery or loss of mobility causes heavy mental, physical and psychological fatigue on patients, their families and caregivers. Other than direct healthcare costs, societal costs include formal and informal carers, loss of income, government-funded benefits, and equipment and home modifications required in order for patients to return home. The division's technology-driven solutions aim to boost the productivity of physiotherapists and help more

patients regain independence after a mishap or illness, thereby reducing the costs mentioned and improving quality of life for all walks of life. In the battle against the pandemic, the division has also deployed remote digital diagnosis and monitoring platforms, and turned manufacturing capabilities towards producing surgical face masks and is providing personal protective equipment, disinfection products and services.

Professor Porter said, "Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity." We totally agree. Creating shared value underpins our longevity, engenders external and internal resilience, and strengthens relationships with and delivers progress to our key stakeholders in an endearing and enduring manner, with our technology-driven solutions helping to address the world's most complex problems including the pandemic, climate change, ageing populations and most of the United Nations' 17 Sustainable Development Goals.

Be under no misgivings here. It's our full intention to continue to invest in lines of business that have the potential to dominate the niche markets they serve. It's how we serve those markets and the impact we have – the shared value we create – that will continue to guide our actions.

Transitioning Towards a Resilient Future

As the custodian of one of Singapore's most enduring commercial brands, the nature of the legacy I am creating is something I think of often. While together we have achieved many great things over the course of the past three decades, I believe one of my greatest personal achievements has been the assembly of the present leadership team. Among the list of names featured throughout this year's report are a group of professionals I have worked with very closely, many for more than two decades. I have both mentored and been

educated by this group and I have come to trust their judgement implicitly.

As we move forward, transitioning towards Boustead's next grand advance, the issue of leadership succession has been firmly in focus. At Group HQ, our leadership team has been rejuvenated, with the next generation of highly qualified professionals in place. Among this impressive group of leaders are Wong Yu Loon, Chan Shiok Faun – an almost 30-year Boustead veteran who took over as our Group's CFO in the past year – Keith Chu, Yeo Wee Leong and Karen Kor. Our extended leadership team, those at the helm of our global operations, are top-notch. Adaptable, capable, honourable and extremely hardworking, they represent our best investment for a resilient future.

A Word of Appreciation

I would like to express my deepest gratitude to our leadership and dedicated team members – Boustead Men and Women – who serve around the world, for their valuable contributions to creating shared value everyday, striving to make the world a better place.

I would like to extend my appreciation to all of our key stakeholders – clients, business partners, associates, bankers, suppliers, government agencies 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 cultivating business with a greater purpose; for partaking in creating shared value. I look forward to meeting with you at Boustead's very first virtual Annual General Meeting.

May you and your loved ones stay well, healthy and safe during these tumultuous times.

Wong Fong Fui

Chairman &
Group Chief Executive Officer