

CHAIRMAN'S MESSAGE



Wong Fong Fui

Chairman & Group Chief Executive Officer

This year, Boustead celebrates **190 years of progress**, truly an unrivalled milestone in Singapore's corporate history as we maintain our position as Singapore's oldest continuous business.

Dear Fellow Shareholders,

It gives me great pleasure to present to you the Boustead FY2018 Annual Report for the financial year ended 31 March 2018.

In line with the prolonged cyclical downturn experienced in our respective industries over the past several years including FY2018, our revenue fell a moderate 5% year-on-year to S\$414.1 million, staying just above the historical revenue low experienced in the past decade. Profit attributable to you – fellow owners of our Company – decreased 24% year-on-year to S\$25.4 million, factoring in other losses of S\$4.3 million in FY2018 which contrasted with the previous year's other gains of S\$17.0 million. The bulk of the previous year's other gains were one-off bonus items from our Real Estate Solutions Division under Boustead Projects Limited ("Boustead Projects").

Adjusting net profit for other gains and losses net of non-controlling interests, normalised net profit would have been a respectable 18% or S\$4.4 million higher year-on-year. Our teams continued to deliver another commendable performance, even in the face of numerous economic and political uncertainties in recent years.

FY2018 – A Year of Bottoming Out

The storm that engulfed FY2015, FY2016 and FY2017 raged on in FY2018, perhaps with reduced force compared to earlier years. More 'ships' sank along the way, not just in the global oil & gas ("O&G") industries but also in other industries where some notable names relying on extreme leverage, lost their balance and fell by the wayside over questionable business models and rising US interest rates.

Slightly battered, we continued to sail through the storm. Sadly, our run of six successive years of broad-based profitability across all three divisions ended, as our Energy-Related Engineering Division registered a first full-year loss before income tax since the global O&G recession began in mid-2014. Nonetheless, excluding currency exchange losses and an allowance for impairment of inventories at an O&G business unit, the Energy-Related Engineering Division would have been profitable.

At our Energy-Related Engineering Division, the prolonged cyclical downturn looked to bottom out. Division revenue contracted by a marginal 2% year-on-year to S\$94.9 million. Division profit before income tax ("PBT") reversed from the previous year's profit to a loss of S\$4.6 million, only because of S\$3.7 million in currency exchange losses and S\$2.7 million in an allowance for impairment of inventories. On a normalised operating level, all three major businesses catering to the downstream and upstream O&G sectors, and also water and wastewater treatment for the energy sector, were profitable. This division is likely to have seen the bottom in FY2018.

Our Real Estate Solutions Division under Boustead Projects topped revenue contributors for the eleventh successive year. Caught in the prolonged cyclical downturn affecting Singapore's industrial real estate sector, division revenue decreased 12% year-on-year to S\$201.3 million, while division PBT declined 21% year-on-year to S\$35.5 million, on an absence of other gains. Despite lower revenue contributions across both the design-and-build and leasing businesses, Boustead Projects performed remarkably well to boost design-and-build

gross margins through productivity improvements and the unlocking of cost savings. Adjusting for the previous year's sizeable one-off other gains, normalised net profit at Boustead Projects for FY2018 would have been a respectable 15% higher year-on-year, representing two consecutive years of normalised net profit growth. With a growing enquiry pipeline of design-and-build and development opportunities, and interesting acquisition and investment opportunities popping up in Singapore and overseas markets, the outlook for Boustead Projects looks exciting. As Singapore's market leader from the private sector for industrial real estate solutions, Boustead Projects is set to be one of the biggest beneficiaries when the industrial real estate sector finally recovers.

On the rise again, our Geo-Spatial Technology Division achieved a new division revenue record, with division revenue up 8% year-on-year to S\$116.6 million. Steady demand was witnessed across Australia and South East Asia from traditional government clients, as well as an expanding base of new corporate clients. Division PBT grew by a stronger 12% year-on-year to S\$24.6 million. As long-term trends in big data, Internet of Things ("IoT") and smart cities continue to be embedded into all aspects of daily life, our division's role as a key player providing big data mapping analysis and infrastructure digitalisation tools, will become more entrenched.

Upholding our dividend tradition, your Board has proposed a final ordinary dividend of 2 cents for your approval. Together with the interim dividend of 1 cent already paid, the total ordinary dividend of 3 cents equates to a dividend payout ratio of 61% and represents a 50% uplift over the total ordinary dividend of 2 cents paid

for FY2017. Separately, Boustead Projects has proposed a final ordinary dividend of 1.5 cents per Boustead Projects' share, matching the final ordinary dividend paid for FY2017.

Apart from dividends, we also conducted a mega share buy-back exercise during FY2018, equating to about 29.3 million shares or 5.4% of our total shares. This brings total treasury shares to 8.8% of total shares. Separately, Boustead Projects also conducted a sizeable share buy-back exercise. These capital allocation measures are certain to enhance the earnings per share and net asset value per share in coming years, especially given the underappreciated price levels that the share buy-back exercises were conducted at.

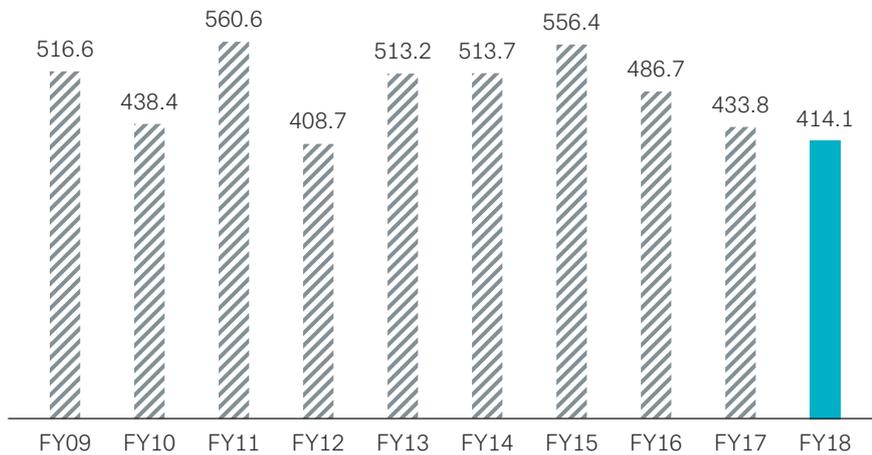
190 Years of Progress

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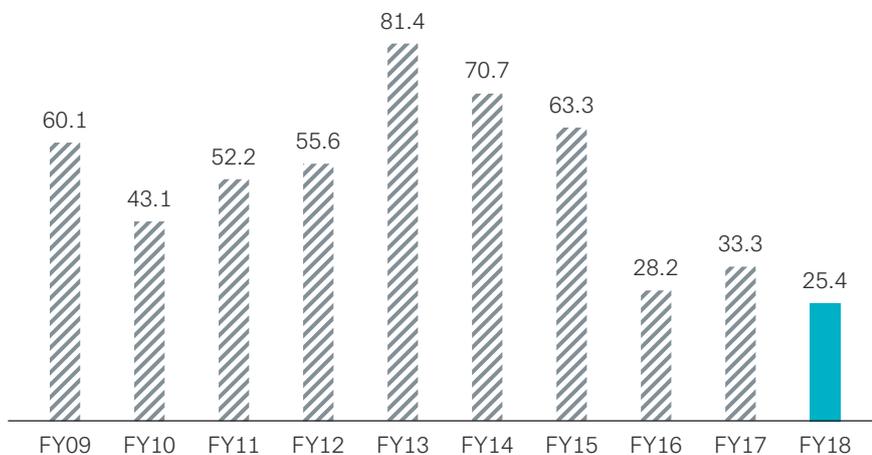
What does it take to stay around for 190 years? Determination and grit are certainly not enough. As we reflect on our longevity, a few key ingredients stand out as being fundamental to our long-term success. First, generations of leadership at Boustead, past and present, have accepted that change is the only constant. Second, we have strived to adapt and remain relevant to the times. Third, we have conducted business as upholders of progress for key stakeholders involved and with a greater purpose in mind. Lastly, as an incubator of sustainable businesses, run by Boustead Men and Women of talent and good character, we have stayed true to our founding principles and a reputation for integrity, quality, reliability and trust.

CHAIRMAN'S MESSAGE

Group Revenue (S\$m)



Group Net Profit (S\$m)



No strangers to change, we have witnessed and survived more economic and financial crises, upheavals, wars, and births and deaths of industries, than most. We regularly participate in what is transformative rather than simply disruptive. We also learned that letting go of a dear long-time business or industry may be as important as having developed it, as this can result in long-term success or failure. This also explains why we have been through so many businesses and industries over 190 years.

When Boustead was first established here in Singapore in 1828, we were one of the greatest merchant trading houses of the Far East, essentially providing the flourishing trade of commodities. We also played important roles in the early development of the shipping, O&G, rubber and tin industries and were significant co-founding investors in the Tanjong Pagar Dock Company (today known as PSA) and the Straits Trading Company, among others. Many of today's prominent institutions received our philanthropic contributions that led to the beginnings of their own long histories: St Andrew's Cathedral, Cathedral of the Good Shepherd, Raffles Institution and St Joseph's Institution.

Contributions came not only in business or monetary terms but also through the training of Boustead Men and Women, who in time would make their own vast contributions to society. Apart from our founder, Mr Edward Boustead, many individual employees left behind legacies. For example, Mr Chia Ann Siang (whose namesake legacy lies in Ann Siang Hill) spent 40 years as Boustead chief produce storekeeper before starting his own flourishing merchant business, while Boustead partner, Mr Isaac Henderson went on to become a founding director of Shell Transport & Trading Company. Many employees were also unsung heroes who gave their lives in defending humanity in World War I and World War II, and many more

were heavily involved in subsequent nation rebuilding efforts including those for Singapore.

Today, as staunch upholders of progress in the global communities we serve, our businesses across energy, real estate and geo-spatial technology are helping to develop smart nations, smart cities, smart communities and smart buildings. Our current businesses achieve profit, purpose and are responsive to our changing world:

- Boustead International Heaters has delivered waste heat recovery units that recover total energy equivalent to heating about 2.4 million homes in the UK every year;
- Boustead Salcon Water Solutions, since our acquisition, has delivered total water and wastewater treatment capacity of over 587 million cubic metres per year, enough to fill 235,000 Olympic size swimming pools every year;
- Boustead Projects has constructed Green Mark Platinum-rated buildings that provide an estimated total energy and water savings of over 37.1 gigawatt hours and 87,100 cubic metres respectively per year, equivalent to providing electricity to over 7,800 homes in Singapore and enough water to fill over 34 Olympic size swimming pools every year; and
- The Geo-Spatial Technology Division is behind almost every smart city transformation in Australia, Singapore, Malaysia and Indonesia.

As we sense and adapt to shifts in the business, economic, political and social landscape, our embrace of change derives progress which ultimately determines our fate as a global corporate citizen. Later this year, we will release our inaugural Longevity Report, which covers a more holistic review from a mainly non-financial perspective. Stay tuned for that.

FY2019 – Welcome Healthcare, Our Fourth Leg

I have always believed that four legs are more stable than three. This is where healthcare comes into the picture.

As you know, we have been working in earnest to make the right acquisition over the past decade. That in itself is a long time. Finding the right one has not been easy, almost as difficult as finding the right spouse.

Just completed, our acquisition of the Asian healthcare platform under WhiteRock Incorporation Pte Ltd (“Boustead WhiteRock”) represents not only our fourth division but also in many respects, aligns with what Boustead has stood for over the past 190 years. Boustead WhiteRock is expected to be a strong growing business and ultimately serve Asian communities with a greater purpose in mind.

Being part of the world’s ageing population mainly made out of ‘Baby Boomers’, I understand only too well how favourable the space is that Boustead WhiteRock operates in. The undeniable demographics of Asia’s ageing populations and formation of the largest middle class groups in Asia’s history, also point to a fast growing market that is greatly in need of assistance. As an equipment and services provider for rehabilitative care, sleep care and sports science, we address the growing healthcare needs of the elderly, who also make up the highest proportion of chronic disease sufferers such as cardiac and stroke patients. Our focus on niche innovative technologies and patient care services help us to attend to the pain points of mainstream healthcare institutions by promoting faster recovery and higher productivity, both aimed at alleviating the resource shortages and complexities of rehabilitative care caused by higher incidences of chronic diseases faced by the healthcare industry.

Integrating technologies into our patient care services offer us competitiveness in our market

positioning and help build up stable recurring revenue streams. Our wide market reach from China to South East Asia provides opportunities to replicate business models that we have built. This will be the focus going forward to maximise the platform that we have.

I wish to warmly welcome the entire Boustead WhiteRock Team, which brings to the Group a keen understanding of the Asian healthcare scene and many decades of experience in the industry.

With our combined resources, Boustead WhiteRock is set to climb to greater heights.

Looking Forward with Cautious Optimism

Setting aside the recent start of a global trade war, we remain cautiously optimistic on our prospects in FY2019. We anticipate that our Energy-Related Engineering Division and Real Estate Solutions Division stand at the cusps of industry recoveries. Our Geo-Spatial Technology Division should continue to perform well, while we eagerly await the first contributions from our newly formed Healthcare Division.

A Word of Appreciation

I would like to express my deepest gratitude to the Boustead Men and Women – our management and staff – around the world for their efforts and contributions to global progress. I would like to extend my appreciation to all of our 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 progress. I look forward to seeing you at our upcoming Annual General Meeting.

Wong Fong Fui

Chairman &
Group Chief Executive Officer