TIONGSENG GROUP 长成控股

21 Fan Yoong Road
Singapore 629796
T: +65 6356 0822
F: +65 6356 0688

FOR IMMEDIATE RELEASE

Tiong Seng posts net profit attributable to shareholders of S$8.8 million for FY2018

- **Group posted revenue of S$379.1 million for FY2018 led by various ongoing projects from its core construction segment**
- **Construction segment maintains an order book of S$545.1 million expected to extend till 2020**
- **The Board of Directors propose a first and final dividend of 0.5 Sing cents per share (FY2017: 1.5 Sing cents) to reward shareholders**

S$'000	FY2018	FY2017 (Restated)	Change(%)
Revenue	379,100	802,771	(52.8)
Net profit attributable to shareholders	8.8	34.0	(74.1)
Earnings per share (Sing cents)[1]	1.98	7.53	(73.7)

	As at 31 December 2018	As at 31 December 2017 (Restated)
Net asset value per share (Sing cents)[2]	**60.35**	**60.96**
Cash & cash equivalents (S$'000)	**39,975**	**143,715**

[1]The earnings per share net of non-controlling interests has been calculated based on 445,517,545 (2017: 451,722,407) weighted average number of shares outstanding excluding treasury shares.
[2]The net asset value per ordinary share net of controlling interests and excluding treasury shares has been calculated based on 444,785,349 shares and 448,381,449 shares as at 31 December 2018 and as at 31 December 2017 respectively.

SINGAPORE – 26 February 2019 – Mainboard-listed construction group and property developer, **Tiong Seng Holdings Limited (長成控股)** ("Tiong Seng", together with its subsidiaries, "the Group"), has announced its financial results for the fourth quarter ("**4Q2018**") and full year ("**FY2018**") ended 31 December 2018.

Underpinned by industry headwinds and an increasingly competitive landscape, the Group's revenue contracted 52.8% year-on-year ("**yoy**") to S$379.1 million for FY2018, attributable mainly to a net decrease in construction work done. On the other hand, the Group's initiatives targeted at improving efficiency have allowed the construction segment to post a 2.8 percentage point expansion in gross profit margin to 12.5% for FY2018. Overall, net profit attributable to shareholders declined 74.1% yoy to S$8.8 million for FY2018. The Group continues to maintain an optimal capital structure with a gearing ratio of

0.36 as at 31 December 2018 (31 December 2017: 0.41), while its balance sheet remains resilient with cash and cash equivalents amounting to S$40.0 million for FY2018.

Mr Pek Lian Guan (白連源), CEO of Tiong Seng Holdings Limited commented, *"A marked increase in competition from both local players and overseas companies continues to weigh on the Group's performance. The current competitive landscape has resulted in competitors bidding lower at tenders, even at or below costs, in order to secure contracts. Internally, we choose to tackle these challenges by focusing on improving operational efficiency through the digitalisation of our operations such as adopting Integrated Digital Delivery ("**IDD**") systems to automate our processes and ultimately lower our cost of production. Furthermore, we will continue to tap on our extensive range of Prefabricated Pre-finished Volumetric Construction ("**PPVC**") technologies and Engineering Solutions to differentiate ourselves against our peers when bidding for new construction projects going forward."*

Financial Review

Major Business Segments	Revenue & profit/loss breakdown (S$'000)	FY2018	FY2017 (Restated)	Change (%)
Construction Contracts	Revenue	313,483	705,335	(55.6)
	Operating Profit	10,876	42,918	(74.7)
Sale of Development Properties	Revenue	64,069	95,503	(32.9)
	Operating Profit/(loss)	6,108	10,868	(43.8)

During the year, the Group adopted a cautious and selective approach in bidding for construction contracts. As newer projects coming onboard were not significant vis-a-vis the older projects that were completed, the Group's core **Construction** segment revenue declined to S$313.5 million for FY2018. As at 31 December 2018, the Group maintains an order book of approximately S$545.1 million which is expected to extend till 2020.

Similarly, revenue from the Group's secondary **Property Development** segment registered a 32.9% yoy decline to S$64.1 million for FY2018, mainly due to the timing of revenue recognition. In line with the Group's revenue recognition policy, approximately S$31.2 million of gross development value was sold but has yet to be recognised as at 31 December 2018. These projects include 51 units (8,701 sqm) of the Equinox Project and 5 units (1,622 sqm) of the Tranquility Residences project.

Outlook

<u>Construction</u>

Construction demand in 2019 is expected to lie within the range of S$27.0 to S$32.0 billion, as compared to approximately S$30.5 billion worth of contracts awarded during 2018[1]. This outlook is expected to be fueled by sustained demand from the public sector, whereby a pipeline of major industrial building and infrastructure projects such as the Thomson-East Coast Line, Changi Terminal 5 and Tuas Mega Port are due to roll out[2]. Furthermore, construction demand from the private sector is expected to remain steady at between S$10.5 billion and S$12.5 billion in 2019, driven mainly from the spate of en-bloc sales concluded prior to the second half of 2018. In spite of the ramp up in construction activities expected, industry observers believe local construction firms will continue to face heightening competitive pressures as a result of the influx of overseas construction companies from countries such as the People's Republic of China, South Korea and Japan.

Property Development in China and Singapore

China

As a result of years of strict regulatory controls put in place by the Chinese government, the property market in China has shown signs of slowing, and growth could potentially be at an inflexion point. Property prices had skyrocketed until the middle of the 2018, when cooling measures at the national and local level began to kick in, causing prices to rise less quickly in big cities like Beijing, and even in medium-sized cities like Hangzhou, Xiamen and Tianjin[3]. Some cities have already begun taking incremental steps to lessen the impact of prior cooling measures, such as lifting price caps and removing re-sale restrictions.

Singapore

In July 2018, the Government imposed a new set of regulations such as higher stamp duties and tougher loan-to-value rules to curb aggressive land bids by developers and an explosion in collective sales efforts by private apartment owners which first began in the second half of 2017. As a result, private home prices posted their first decline in six quarters in the last three months of 2018[4]. Contrary to popular opinion however, industry observers believe the Singapore housing market is not oversupplied. Unsold units in the pipeline originating from the previous spate of en-bloc sales are likely to be short-lived, as new en-bloc sales of condos have fallen from an average of more than S$1.0 billion a month to virtually zero since July 2018[5]. In addition, fewer land banks released from Government Land Sales (GLS) sites should stifle inflows of saleable inventory, meaning unsold inventory levels are likely to get tighter in the near future.

---

[1] "Singapore's Total Construction Demand To Remain Strong This Year", BCA, 14 January 2019
[2] "Construction industry to grow 3.3% in 2019-2028 amidst transport megaproject boom", Singapore Business Review, 6 February 2019
[3] "Will China take out the axe to fix the slowing property market?", South China Morning Post, 24 January 2019
[4] "Singapore private home prices not set for 'big bump,' says CapitaLand", The Straits Times, 20 February 2019
[5] "Outlook for Singapore property expected to improve in 2019" The Business Times, 30 January 2019

In conclusion, **Mr Pek** added, "*We remain cognisant of industry headwinds and competitive pressures present in both the construction and real estate sectors that we operate in. However, we choose to perceive these challenges as opportunities to strengthen our internal capabilities so that we are able to steer our Group back on its growth trajectory. Going into 2019, we will drive growth via three key thrusts: ramping up our efforts in exporting Engineering Solutions to the region, engaging the support of IDD systems and an Integrated Project Delivery approach, as well as adopting a "Lean" philosophy based on the principles of maximising value and minimising waste. Through these key thrusts, we are actively laying the foundation for our internationalisation drive as we plan to expand our footprint to other regions over the coming years.*

While we adopt a prudent approach in utilising our cash resources, it is equally important for us to reward our loyal shareholders. As such, the Board is pleased to recommend a first and final dividend of 0.5 Sing cents per share (FY2017: 1.5 Sing cents)."

# # #

About Tiong Seng Holdings Ltd.

Tiong Seng is principally engaged in building construction and civil engineering in Singapore, and property development in China and Singapore.

With an established track record of close to 60 years, Tiong Seng is one of the leading building construction and civil engineering contractors in Singapore. It holds the highest grading of A1 from the Building Construction Authority of Singapore (BCA) for both general building and civil engineering, which qualifies the Group to undertake public sector construction projects with unlimited contract value.

Tiong Seng's property development business focuses on developing residential and commercial projects in various second- and third-tier cities in the China. The Group has successfully developed properties in Tianjin, Suzhou and Yangzhou and it currently has four on-going projects in the Bohai Economic Rim, which is one of the main economic zones in the China.

Issued on behalf of Tiong Seng Holdings Ltd. by:
Financial PR
Mr. Kamal Samuel / Mr. Jonathan Wee
Investor Relations Consultants
Tel: (65) 6438 2990 | Fax: (65) 6438 0064
Email: tiongseng@financialpr.com.sg