TIONGSENG GROUP 长成控股

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FOR IMMEDIATE RELEASE

Tiong Seng records net profit attributable to shareholders of S$6.8 million for 9M2018

- **Driven by various ongoing projects from its core construction segment, the Group posted revenue of S$274.6 million for 9M2018**
- **Group's balance sheet remains healthy with a low gearing ratio of 0.32 as at 30 September 2018 (31 December 2017: 0.41)**
- **Guided by its Engineering Solutions segment, the Group intends to position itself abroad as a one-stop solution providing design, production and construction management services**

S$'000	3Q2018	3Q2017	Change (%)	9M2018	9M2017	Change(%)
Revenue	77,962	190,033	(59.0)	274,645	535,216	(48.7)
Net profit attributable to shareholders	767	10,333	(92.6)	6,821	19,521	(65.1)
Earnings per share (Sing cents)[1]	0.17	2.28	(92.5)	1.53	4.31	(64.5)

	As at 30 September 2018	As at 31 December 2017
Net asset value per share (Sing cents)[2]	**59.59**	**60.56**
Cash & cash equivalents (S$'000)	**38,683**	**143,715**

[1]The earnings per share net of non-controlling interests has been calculated based on 445,764,292 (2017: 452,708,138) 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 30 September 2018 and as at 31 December 2017 respectively.

SINGAPORE – 12 November 2018 – 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 third quarter ("**3Q2018**") and nine months ended 30 September 2018 ("**9M2018**").

Mr Pek Lian Guan (白連源), CEO of Tiong Seng Holdings Limited commented, *"The current competitive construction landscape has resulted in firms bidding lower at tenders, even at or below costs, in order to secure contracts. Supported by a healthy order book of S$607.0 million which extends till 2022, we will in contrast continue to bid selectively to preserve our gross profit margins and ensure earnings resiliency. Equipped with our own in-house construction equipment and pre-cast production capacity readily in place, we remain well-positioned to capitalise on any supply-chain shortages in the coming* *quarters should there be an increase in construction demand from private sector en-bloc projects and potential public sector projects that roll out."*

On the backdrop of a competitive industry landscape, the Group recorded a 48.7% decrease in revenue to S$274.6 million for 9M2018, attributable mainly to a net decrease in construction work done. In spite of a slower 9M2018, the Group's prudent bidding approach and value engineering efforts resulted in the construction segment recording a 4.1 percentage point improvement in gross profit margin to 13.8% during the period.

Due to the lower revenue recorded for 9M2018 as compared to 9M2017, the Group reported net cash used in operating activities amounting to S$39.4 million. The Group's balance sheet however remains healthy, maintaining a gearing ratio of 0.32 as at 30 September 2018 (31 December 2017: 0.41).

Financial Review

Major Business Segments	Revenue & profit/loss breakdown (S$'000)	9M2018	9M2017	Change (%)
Construction Contracts	Revenue	254,722	507,633	(49.8)
	Operating Profit	14,084	31,304	(55.0)
Sale of Development Properties	Revenue	18,487	26,170	(29.4)
	Operating Profit/(loss)	(745)	319	N.M.

In line with management's objective to conserve profit margins to ensure earnings resiliency, the Group adopted a cautious and selective approach in bidding for construction contracts. As newer projects were not significant enough to cover older projects that were completed, the Group's core **Construction** segment revenue declined to S$254.7 million for 9M2018.

Similarly, revenue from the Group's secondary **Property Development** segment registered a 29.4% yoy decline to S$18.5 million for 9M2018, mainly due to the timing of revenue recognition. In line with the Group's revenue recognition policy, approximately S$70.2 million of gross development value was sold but has yet to be recognised as at 30 September 2018. These projects include 124 units (20,885 sqm) of the Equinox Project and 6 units (1,750 sqm) of the Tranquility Residences project.

Outlook

Construction

Despite the recent property en-bloc boom, more builders – especially small and mid-sized ones – have been struggling to stay afloat amid a liquidity squeeze and mounting debt. Derailment of the High-Speed Rail (HSR) project and new property cooling measures announced in July 2018 further exacerbated the sector's pains[1]. Over time, construction firms may potentially be forced to bid lower, even at or below costs, in order to win bids. In the longer term however, the situation should likely improve for firms with healthy cashflows or deep pockets, as counter measures or new projects are likely to be announced when the market outlook dampens further.

Property Development in China and Singapore

China

Real estate prices are surging throughout China despite controls put in place to ward off a property bubble[2]. Analysts have projected that residential prices in China – where a near-three-year real estate boom has spilled over from megacities to the hinterland – will rise 5.0 per cent this year and 3.3 per cent in the first half of 2019[3]. Market observers noted that the domestic housing market is still largely driven by local supply and demand so it is unlikely to change course in the short term. Additionally, it is also expected that less-regulated cities will continue to ride the boom for longer.

Singapore

Private home prices in Singapore barely managed to hold on to gains for the third quarter as new cooling measures implemented by the government on the 6 July 2018 took their toll. Industry observers noted that while the pace of growth has slowed, there is the expectation of continued property price growth to reflect higher land costs in the next few quarters. Additionally, prices are not expected to tumble as property developers are 'locked' in by their high land bid costs. Demand is therefore expected to remain resilient and many are still positive on the long-term prospects of the private residential market in Singapore[4].

In conclusion, **Mr Pek** added, "While we cautiously anticipate a lift in domestic construction demand in the coming quarters, we remain mindful of opportunities overseas that will allow us to expand our revenue streams and increase the return on investment of our construction technologies. Guided by our Engineering Solutions segment, we continue to embark on plans to establish ourselves beyond our shores as a one-stop solution where we provide design, production and construction management services. Leveraging on our broad spectrum of technologically-driven construction capabilities, we believe that our

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[1] "Construction firms challenged as business shrinks, cashflow hit", The Business Times, 11 October 2018
[2] "China's property prices rise again, driven by smaller cities", Nikkei Asian Review, 16 August 2018
[3] "China house prices to rise faster in 2018 in boost for cooling economy: Reuters poll", Reuters, 10 September 2018
[4] "Private home prices slow sharply to 0.5% rise in Q3 after cooling measures: URA flash data", The Straits Times, 1 October 2018

innovative and practical solutions will continue to garner greater interest abroad and allow us to build a sustainable and profitable business model for the long term."

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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.

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