TIONGSENG GROUP 长成控股

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FOR IMMEDIATE RELEASE

Tiong Seng's net profit increased to S$30.9 million for FY2017

- **Continues to generate robust operating cash flows of S$45.9 million for FY2017; net gearing ratio improves to 0.15# (FY2016: 0.26#)**
- **Restructures Construction segment with the introduction of Engineering Solutions as a new business segment to monetise existing suite of technologies**
- **In view of positive financial performance, the Board of Directors propose a first and final dividend of 1.5 Sing cents per share (FY2016: 0.8 Sing cents) to reward shareholders**

S$'000	FY2017	FY2016	Change(%)
Revenue	742,796	774,258	(4.1)
Net profit attributable to shareholders	30,928	15,289	102.3
Earnings per share (Sing cents)[i]	6.85	3.35	104.5

	As at 31 December 2017	As at 31 December 2016
Net asset value per share (Sing cents)[ii]	**62.57**	**57.31**
Cash & cash equivalents (S$'000)	**144,120**	**92,248**

i) The earnings per share net of non-controlling interests has been calculated based on 451,722,047 (2016: 455,989,038) weighted average number of shares outstanding excluding treasury shares.
ii) The net asset value per ordinary share net of controlling interests and excluding treasury shares has been calculated based on 448,381,449 shares and 454,014,149 shares as at 31 December 2017 and as at 31 December 2016 respectively.

SINGAPORE – 23 February 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 fourth quarter ("**4Q2017**") and full year ("**FY2017**") ended 31 December 2017.

The Group posted a 102.3% year-on-year ("**yoy**") increase in earnings attributable to shareholders of S$30.9 million for FY2017, despite overall revenue declining marginally by 4.1% yoy to S$742.8 million. Favourable earnings growth was partly attributable to improving gross profit margins for the construction segment as it increased 1.9 percentage points to 10.4% for FY2017, mainly due to differences in profile and profitability of construction projects recognised over FY2017 as compared to the year before.

Underpinned by strong cash inflows generated from the construction segment, the Group posted net positive cash flow from operating activities of approximately S$45.9 million for FY2017. This has contributed positively to improving the Group's balance sheet. Correspondingly, the Group's net gearing ratio has contracted to 0.15[#], improving from 0.26[#] as at 31 December 2016.

Mr Pek Lian Guan (白連源), CEO of Tiong Seng Holdings Limited commented, *"In spite of a challenging year stemming from slowing growth of construction demand in Singapore, our prudent approach in bidding for contracts coupled with an emphasis on nurturing the use of cutting-edge technologies and concepts to elevate productivity has borne fruit – for FY2017, we are pleased to announce a 102.3% yoy increase in earnings attributable to shareholders to S$30.9 million. Our robust earnings are reflective of our Company's forward-looking mentality, as we strive to build a sustainable business model with the ability to tide us through this competitive industry landscape in the coming years."*

Financial Review

Major Business Segments	Revenue & profit/loss breakdown (S$'000)	FY2017	FY2016	Change (%)
Construction Contracts	Revenue	651,326	634,219	2.7
	Operating Profit	42,285	28,681	47.4
Sale of Development Properties	Revenue	89,537	137,821	(35.0)
	Operating Profit/(loss)	3,803	5,439	(30.1)

The Group's core **Construction** segment produced revenue amounting S$651.3 million for FY2017, representing a 2.7% yoy increase. In line with management's objective to conserve profit margins in order to ensure earnings resiliency, profit contribution from the Group's construction segment rose 47.4% yoy to S$42.3 million for FY2017, driven mainly by an improvement in profit margins as a results of differences in profile and profitability of construction projects recognised over the two periods. As at 31 December 2017, the Group maintains an order book of approximately S$543.1 million which is expected to extend till 2020.

Revenue from the Group's secondary **Property Development** segment registered a 35.0% yoy decline to S$89.5 million for FY2017, considerably due to the timing of revenue recognition. Revenue for the segment was derived from the recognition of 70 units (22,363 sqm) from the Tranquility Residences Project, two units (265 sqm) from the Sunny International Project and 35 units (10,620 sqm) from the Equinox Project. In line with the Group's revenue recognition policy, approximately S$60.7 million of gross development value was sold but has yet to be recognised as at 31 December 2017. These projects

[#] Net gearing ratio calculated using net debt figures: [(Total Outstanding Debt – Cash and Cash Equivalents)/Total Equity] include 106 units (19,227 sqm) of the Equinox Project and 3 units (900 sqm) of the Tranquility Residences project.

Outlook

Construction

Going forward into 2018, construction demand in Singapore is slated to grow modestly from S$24.5 billion in 2017 to S$26.0-31.0 billion in 2018. Of this total, public civil engineering projects are expected to grow from S$15.5 billion in 2017 to S$16.0-19.0 billion in 2018, contributing about 60% of 2018's total projected demand[1]. Displayed by bullish land banking and successful en-bloc deals in the second half of 2017, the Building and Construction Authority (BCA) expects the robust property market to spillover and lead to an increase in construction demand as well.

In efforts to level the playing field, the new Industry Transformation Map (ITM) for the construction industry in Singapore was launched on 24 October 2017 to prepare 80,000 tech-ready construction professionals by 2025[2], thereby allowing local construction companies to pit more effectively against foreign competition through the use of technology. The ITM would potentially alleviate pressures of a slowdown in the sector as more productive construction methods are adopted, while a technologically ready workforce will help firms grapple with the reduction in supply of cheaper foreign labour.

Property Development in China and Singapore

Despite cooling measures that have been implemented by the Chinese government thus far, Chinese property developers reported surging sales in 2017. 31 listed property developers who disclosed their sales performance in 2017 recorded total sales volume of about RMB3.38 trillion (USD518.1 billion), representing a 54.0% yoy increase[3]. Correspondingly, demand for our developments in the PRC such as The Equinox in Tianjin and Tranquility Residences in Suzhou have maintained satisfactory sales performance where 84.5% and 90.6% of units have been sold respectively.

In Singapore, 4Q2017 represented a turnaround in the sector as 28 residential sites and three commercial / industrial sites were sold in collective sales for nearly S$8.7 billion. This is in stark contrast to the S$1.0

[1] "Public sector construction demand is expected to strengthen this year", Building and Construction Authority (BCA), 11 January 2018
[2] "New Industry Transformation Map launched to create new, better jobs in construction sector", Channel NewsAsia, 24 October 2017
[3] "Chinese property developers see surging 2017 sales despite cooling market", China Daily, 14 January 2018

billion sold from three residential sites in 2016[4]. The Urban Redevelopment Authority's (URA) private residential property price index further evidenced this trend, rising 0.7% quarter-on-quarter for 4Q2017[5].

In conclusion, **Mr Pek** added, "*While we continue to be supported by our long-established construction segment, we remain attentive to pockets of opportunities which may support the diversification of our business. In line with this, we have through our newly established and majority-owned subsidiary, TSky Development Pte Ltd, made our foray into Singapore's property development market in 3Q2017 as we acquired 17 Balmoral Road in the prime district 10 for redevelopment into high-end residential units. The timing of the acquisition was carried out ahead of the uptick in demand for land banks across Singapore and we are now well-positioned to grow this business segment locally.*

As we continue to place an emphasis on remaining strategically nimble, 2018 will be the year that we restructure our core Construction segment to introduce Engineering Solutions as a new business segment. Through this initiative, we will embark on a three-pronged strategy of driving growth in each segment: Construction, Property Development and Engineering Solutions. Leveraging on our investments in construction technologies, our new segment will allow our mainstay construction and property development arms to tap onto our broad spectrum of state-of-the-art capabilities so as to provide practical solutions as a service externally and in the process expand our revenue streams as well.

Lifted by strong earnings growth and positive financial performance, the Board would like to reward our loyal shareholders by recommending a final dividend of 1.5 Sing cents per share, representing an increase from 0.8 Sing cents per share issued last year."

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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 the China.

With an established track record of over 59 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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[4] "Is collective sale fever cooling?", The Straits Times, 28 January 2017
[5] "Private home prices stage first full-year growth since 2013: URA flash estimates", The Business Times, 2 January 2018

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