



# TIONG SENG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No: 200807295Z)

## UNAUDITED 3Q 2011 FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

#### 1(a)(i) Consolidated statement of comprehensive income, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 Months Ended 30 September 2011 S\$'000	3 Months Ended 30 September 2010 S\$'000	Change %	9 Months Ended 30 September 2011 S\$'000	9 Months Ended 30 September 2010 S\$'000	Change %
<b>Revenue</b>						
Revenue from construction contracts	75,893	84,807	-11	212,421	197,710	7
Revenue from sales of development properties	48,045	4,371	>100	52,701	15,449	>100
Revenue from sales of goods	3,036	600	>100	6,765	600	>100
Rental income	276	233	18	823	681	21
	<u>127,250</u>	<u>90,011</u>	41	<u>272,710</u>	<u>214,440</u>	27
Other income	725	1,378	-47	5,022	4,244	18
Costs of construction	(68,042)	(74,556)	-9	(183,991)	(174,355)	6
Costs of sales of development properties	(47,126)	(2,776)	>100	(49,200)	(9,595)	>100
Cost of goods sold	(1,544)	(493)	>100	(3,740)	(493)	>100
Depreciation and amortisation	(792)	(820)	-3	(2,259)	(2,303)	-2
Selling expenses	(1,773)	(720)	>100	(3,607)	(1,600)	>100
Staff costs	(3,572)	(3,494)	2	(12,875)	(8,460)	52
Other expenses	(4,048)	(1,954)	>100	(12,201)	(7,208)	69
	<u>(126,897)</u>	<u>(84,813)</u>	50	<u>(267,873)</u>	<u>(204,014)</u>	31
<b>Profit from operating activities</b>	<u>1,078</u>	<u>6,576</u>	-84	<u>9,859</u>	<u>14,670</u>	-33
Finance income	970	811	20	1,605	1,470	9
Finance expenses	1,100	(1,202)	->100	44	(2,839)	->100
<b>Net finance expense</b>	<u>2,070</u>	<u>(391)</u>	->100	<u>1,649</u>	<u>(1,369)</u>	->100
Share of loss of associates, net of tax	-	-	-	(1)	(52)	-98
Share of profit of joint ventures, net of tax	6,040	3,208	88	11,079	9,058	22
<b>Profit before income tax</b>	<u>9,188</u>	<u>9,393</u>	-2	<u>22,586</u>	<u>22,307</u>	1
Income tax	(2,993)	(1,922)	56	(4,469)	(4,064)	10
<b>Profit for the period</b>	<u><u>6,195</u></u>	<u><u>7,471</u></u>	-17	<u><u>18,117</u></u>	<u><u>18,243</u></u>	-1

	3 Months Ended 30 September 2011 S\$'000	3 Months Ended 30 September 2010 S\$'000	Change %	9 Months Ended 30 September 2011 S\$'000	9 Months Ended 30 September 2010 S\$'000	Change %
<b>Other comprehensive income /(expense)</b>						
Translation differences relating to financial statements of foreign subsidiaries	6,829	(4,454)	>-100	5,800	(4,549)	>-100
Exchange differences on monetary items forming part of net investment in a foreign operation	(340)	(67)	>100	(209)	(59)	>100
Net change in the fair value of available-for-sale investments	(44)	(2)	>100	(76)	13	>-100
Income tax on other comprehensive income	66	11	>100	49	7	>100
<b>Other comprehensive) income/(expense) for the period</b>	<b>6,511</b>	<b>(4,512)</b>	<b>&gt;-100</b>	<b>5,564</b>	<b>(4,588)</b>	<b>&gt;-100</b>
<b>Total comprehensive income for the period</b>	<b>12,706</b>	<b>2,959</b>	<b>&gt;100</b>	<b>23,681</b>	<b>13,655</b>	<b>73</b>
<b>Profit attributable to:</b>						
Equity holders of the Company	6,823	7,456	-8	18,182	17,215	6
Non-controlling interests	(628)	15	>-100	(65)	1,028	>-100
<b>Profit for the period</b>	<b>6,195</b>	<b>7,471</b>	<b>-17</b>	<b>18,117</b>	<b>18,243</b>	<b>-1</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	10,645	5,534	92	22,819	15,334	49
Non-controlling interests	2,061	(2,575)	>-100	862	(1,679)	>-100
<b>Total comprehensive income for the period</b>	<b>12,706</b>	<b>2,959</b>	<b>&gt;100</b>	<b>23,681</b>	<b>13,655</b>	<b>73</b>
<b>Earning per share</b>						
- Basic and diluted (cents) <sup>1</sup>	0.89	0.97	-8	2.37	2.25	5

<sup>1</sup> Based on 766,039,750 shares, net of non-controlling interests as at 30 September 2011 and 30 September 2010.

### 1(a)(ii) Notes to the consolidated statement of comprehensive income

The following items have been charged or (credited) in arriving at profit for the period:

	3 Months Ended 30 September 2011 S\$'000	3 Months Ended 30 September 2010 S\$'000	Change %	9 Months Ended 30 September 2011 S\$'000	9 Months Ended 30 September 2010 S\$'000	Change %
Business tax incentive	-	-	-	(1,576)	(1,576)	-
Gain on sale of investment properties	(56)	(387)	-86	(901)	(388)	>100
Fees from management of properties	(75)	(94)	-20	(249)	(173)	44
Provision of demolition services and miscellaneous works	-	(23)	-100	(100)	(124)	-19
Operating lease expenses	184	172	7	579	473	22
Travelling and transport	285	271	5	1,012	671	51
Repair and maintenance expenses	457	336	36	1,729	1,048	65
Professional fees	313	418	-25	682	788	-13

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	49,136	30,394	-	-
Intangible assets	3,581	3,098	-	-
Investment properties	20,464	21,006	-	-
Investment in subsidiaries	-	-	59,624	59,624
Associates and joint ventures	27,179	10,589	-	-
Trade and other receivables	10,919	10,404	-	-
Other investments	6,379	6,642	-	-
Deferred tax assets	3,729	1,716	-	-
	121,387	83,849	59,624	59,624
<b>Current assets</b>				
Inventories	978	933	-	-
Construction work-in-progress	54,276	37,817	-	-
Development properties	221,190	206,106	-	-
Trade and other receivables	190,674	107,134	28	20
Amount due from related parties	28,433	27,279	42,325	16,976
Cash and cash equivalents	51,194	86,547	6,421	44,565
	546,745	465,816	48,774	61,561
<b>Total assets</b>	668,132	549,665	108,398	121,185
<b>Equity attributable to equity holders of the Company</b>				
Share capital	154,552	154,552	154,552	154,552
Reserves	(75,023)	(79,660)	(45,850)	(45,850)
Accumulated profits/(losses)	108,916	98,394	(1,388)	7,769
	188,445	173,286	107,314	116,471
<b>Non-controlling interests</b>	48,172	48,766	-	-
<b>Total equity</b>	236,617	222,052	107,314	116,471
<b>Non-current liabilities</b>				
Trade and other payables	7,402	6,375	-	-
Loans and borrowings	142,768	43,950	-	-
Deferred tax liabilities	1,313	212	-	-
	151,483	50,537	-	-
<b>Current liabilities</b>				
Progress billings in excess of construction work-in-progress	5,569	24,571	-	-
Trade and other payables	185,207	199,408	1,084	1,692
Amount due to related parties	16,675	17,472	-	3,022
Loans and borrowings	58,431	13,124	-	-
Current tax payable	14,150	22,501	-	-
	280,032	277,076	1,084	4,714
<b>Total liabilities</b>	431,515	327,613	1,084	4,714
<b>Total equity and liabilities</b>	668,132	549,665	108,398	121,185

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

As at 30.09.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
57,215	1,216	13,124	-

**Amount repayable after one year**

As at 30.09.2011		As at 31.12.2010	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
142,768	-	43,950	-

**Details of any collateral****1. Secured loan from a financial institution**

Pursuant to a loan agreement dated 28 June 2010 and the shareholding entrusted agreements (the "Agreements"), the shareholders of our subsidiary, Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang") (formerly known as Tianjin Zizhulin Nanxi Co., Ltd.), pledged their equity interests as well as the shareholders' loan of RMB62 million to Northern International Trust & Investment Co., Ltd. as a form of security for loans up to RMB 300 million to Guangang for a tenure of 30 months. Details of the loan are as per our announcement dated 29 June 2010. Notwithstanding this, Guangang remains a subsidiary of the Group.

**2. Secured loan from a bank**

Pursuant to a loan facility arrangement with a bank, the Group pledges its shares in Chang De Investment Private Limited ("ChangDe"), Tiong Seng Properties (Private) Limited ("TSP"), Tianjin Zizhulin Development Co. Ltd. ("Zizhulin"), and project Company undertaking the Xushuguan Project in Suzhou, as well as the shareholder's loan of S\$65.2 million, to the bank as securities for loans of up to approximately S\$100 million to ChangDe for a tenure of 72 months. Notwithstanding this, ChangDe, TSP, Zizhulin and the new Xushuguan project Company still remain as subsidiaries of the Group.

3. The secured bank loans, secured loan from a financial institution and secured bank overdrafts are secured on the following assets:

	Sep 2011	Dec 2010
	\$'000	\$'000
<b>Carrying amounts of assets:</b>		
Leasehold land	5,138	5,216
Leasehold properties	9,002	9,231
Investment properties	980	906
Development properties	9,976	19,281
Plant and machinery	3,698	904
Deposits pledged	16,965	1,200
<b>Total</b>	<b>55,759</b>	<b>36,738</b>

The secured bank loans and bank overdrafts are also secured by assignment of rights, interests and benefits in connection with construction contracts and corporate guarantee of the Company.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.**

	3 Months Ended 30 September 2011 S\$'000	3 Months Ended 30 September 2010 S\$'000	9 Months Ended 30 September 2011 S\$'000	9 Months Ended 30 September 2010 S\$'000
<b>Operating activities</b>				
Profit from operating activities	1,078	6,576	9,859	14,670
Adjustments for:				
Depreciation and amortization	1,611	1,918	4,289	6,580
Gain on disposal of:				
- property, plant and equipment	(179)	(162)	(179)	(571)
- investment properties	(56)	(387)	(901)	(388)
- other investment and associate	(1)	-	18	-
Negative goodwill arising from acquisition	-	(500)	-	(500)
(Reversal)/Provision of allowance for doubtful trade receivables	(2)	-	387	-
<b>Operating profit before working capital changes</b>	<b>2,451</b>	<b>7,445</b>	<b>13,473</b>	<b>19,791</b>
Changes in working capital:				
Inventories	(49)	(119)	4	(119)
Construction work-in-progress	(18,029)	(9,468)	(35,430)	5,275
Development properties	28,394	(10,873)	1,084	(32,630)
Trade and other receivables	(68,271)	6,877	(82,801)	(24,610)
Balances with related parties (trade)	1,522	14	4,306	3,819
Trade and other payables	(17,688)	13,398	(16,128)	31,423
Cash (used in)/ generated from operations	(71,670)	7,274	(115,492)	2,949
Income taxes paid	(4,841)	(3,827)	(12,846)	(7,636)
<b>Net cash (used in)/from operating activities</b>	<b>(76,511)</b>	<b>3,447</b>	<b>(128,338)</b>	<b>(4,687)</b>
<b>Cash flow from investing activities</b>				
Acquisition of subsidiary, net cash required	-	(383)	-	(383)
Balances with related parties (non-trade)	(1,355)	3,095	(3,730)	(863)
Interest received	55	69	250	119
Dividends received	-	23,850	-	39,503
Net cash outflow from investment in associates/other investment	(2,120)	(2)	(5,534)	(2,887)
Proceeds from disposal of:				
- property, plant and equipment	199	168	204	610
- investment properties	86	523	1,629	523
- other investments	-	(17)	-	394
Purchase of :				
- property, plant and equipment	(5,688)	(2,667)	(21,568)	(7,452)
- intangible assets	(291)	(3)	(655)	(3)
<b>Net cash (used in)/from investing activities</b>	<b>(9,114)</b>	<b>24,633</b>	<b>(29,404)</b>	<b>29,561</b>

	3 Months Ended 30 September 2011 S\$'000	3 Months Ended 30 September 2010 S\$'000	9 months Ended 30 September 2011 S\$'000	9 months Ended 30 September 2010 S\$'000
<b>Cash flow from financing activities</b>				
Balances with related parties (non-trade)	2,889	(5,709)	(2,334)	(5,961)
Capital contribution by non-controlling interests	-	-	-	6,839
Dividends paid to equity holders	-	-	(7,660)	(6,000)
(Increase) / decrease in deposits pledged	(875)	(2)	(15,600)	99
Interest paid	(5,768)	(825)	(9,862)	(1,785)
Repayment of quasi loan to non-controlling interests	-	-	(1,456)	-
Payments of finance lease liabilities	(29)	(66)	(113)	(405)
Net proceeds from initial public offerings	-	111	-	54,715
Proceeds from loans and borrowings	136,868	6,084	199,431	47,012
Repayment of loans and borrowings	(48,561)	(8,111)	(56,679)	(39,798)
<b>Net cash from financing activities</b>	<b>84,524</b>	<b>(8,518)</b>	<b>105,727</b>	<b>54,716</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,101)</b>	<b>19,562</b>	<b>(52,015)</b>	<b>79,590</b>
Cash and cash equivalents at beginning of the period	-	90,165	84,370	29,921
Effect of exchange rate changes on balance held in foreign currencies	1,401	(564)	1,087	(348)
<b>Cash and cash equivalents at end of the period</b>	<b>300</b>	<b>109,163</b>	<b>33,442</b>	<b>109,163</b>

As at 11 November 2011, in aggregate, approximately S\$50.3 million of IPO proceeds has been drawn down, with approximately of S\$19.8 million used for construction of pre-casting facilities, S\$9.0 million on repayment of outstanding sums owing to affiliated corporation, S\$14.7 million on expansion of property development business in PRC, S\$5.8 million paid for various IPO related expenses (including professional fees, management, underwriting and placement commission) and S\$1 million as for working capital purposes.

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share capital	Merger reserve <sup>(1)</sup>	Capital reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2011	154,552	(77,720)	(179)	3,442	67	(5,270)	98,394	173,286	48,766	222,052
<b>Total comprehensive income for the period</b>										
Profit or loss	-	-	-	-	-	-	18,182	18,182	(65)	18,117
<b>Other comprehensive income</b>										
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	-	-	4,873	-	4,873	927	5,800
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	-	-	(209)	-	(209)	-	(209)
Net change in the fair value of available-for-sale investments	-	-	-	-	(76)	-	-	(76)	-	(76)
Income tax on other comprehensive income	-	-	-	-	13	36	-	49	-	49
Total other comprehensive (expense) / income	-	-	-	-	(63)	4,700	-	4,637	927	5,564
<i>Total comprehensive income and expenses for the period</i>	-	-	-	-	(63)	4,700	18,182	22,819	862	23,681
<b>Contributions by and distributions to owners</b>										
Dividends to equity holders	-	-	-	-	-	-	(7,660)	(7,660)	-	(7,660)
Repayment of quasi loan from non-controlling interests	-	-	-	-	-	-	-	-	(1,456)	(1,456)
Total contributions by and distributions to owners	-	-	-	-	-	-	(7,660)	(7,660)	(1,456)	(9,116)
<i>Total transaction with owners</i>	-	-	-	-	-	-	(7,660)	(7,660)	(1,456)	(9,116)
At 30 September 2011	154,552	(77,720)	(179)	3,442	4	(570)	108,916	188,445	48,172	236,617

Group	Share capital	Merger reserve <sup>(1)</sup>	Capital reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2010	20,000	-	(189)	976	61	(2,366)	79,099	97,581	46,683	144,264
<b>Total comprehensive income for the period</b>										
Profit or loss	-	-	-	-	-	-	17,215	17,215	1,028	18,243
<b>Other comprehensive income</b>										
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	-	-	(1,842)	-	(1,842)	(2,707)	(4,549)
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	-	-	(59)	-	(59)	-	(59)
Net change in the fair value of available-for-sale investments	-	-	-	-	13	-	-	13	-	13
Income tax on other comprehensive income	-	-	-	-	(2)	9	-	7	-	7
Total other comprehensive income / (expense)	-	-	-	-	11	(1,892)	-	(1,881)	(2,707)	(4,588)
<i>Total comprehensive income and expenses for the period</i>	-	-	-	-	11	(1,892)	17,215	15,334	(1,679)	13,655
<b>Transaction with owners, recorded directly in equity</b>										
<b>Changes in ownership interests in subsidiaries</b>										
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(2,115)	(2,115)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	451	451
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	(1,664)	(1,664)
<b>Contributions by and distributions to owners</b>										
Issue of ordinary shares	134,552	(77,720)	-	-	-	-	-	56,832	-	56,832
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	6,839	6,839
Total contributions by and distributions to owners	134,552	(77,720)	-	-	-	-	-	56,832	6,839	63,671
<i>Total transaction with owners</i>	134,552	(77,720)	-	-	-	-	-	56,832	5,175	62,007
At 30 September 2010	154,552	(77,720)	(189)	976	72	(4,258)	96,314	169,747	50,179	219,926

<sup>1</sup> On 18 March 2010, the Group undertook a restructuring exercise, accounted for as a combination of business under common control, in a manner similar to the "pooling of interest" method. Such a manner of presentation reflects the economic substance of the combined companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established until 18 March 2010.

The difference between the par value of shares issued by the Company and the nominal value of shares acquired from the acquisition of subsidiaries, as a result of the restructuring exercise, was accounted for under the merger reserve.

Company	Share capital S\$'000	Merger Reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b>At 1 January 2011</b>	154,552	(45,850)	7,769	116,471
Profit or loss / Total comprehensive income for the period	-	-	(1,497)	(1,497)
Dividend paid	-	-	(7,660)	(7,660)
<b>At 30 September 2011</b>	<b>154,552</b>	<b>(45,850)</b>	<b>(1,388)</b>	<b>107,314</b>
<b>At 1 January 2010</b>	-*	-	(253)	(253)
Issuance of new shares	99,836	-	-	99,836
Allotment and issue of shares to investors during IPO	54,716	-	-	54,716
Profit or loss / Total comprehensive income for the period	-	-	(3,992)	(3,992)
<b>At 30 September 2010</b>	<b>154,552</b>	<b>-</b>	<b>(4,245)</b>	<b>150,307</b>

\*: Less than S\$1,000

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

**State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital for the nine months ended 30 September 2011.

The Company did not have any outstanding convertibles and treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company has a total of 766,039,750 shares as at 30 September 2011 and 31 December 2010.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no treasury shares as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures has not been audited or reviewed by the Company's independent auditors

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not Applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and method of computation in the financial statements for the current period compared with the Group's most recently audited financial statements for the year ended 31 December 2010, except for the adoption of the applicable new/revised IFRSs and interpretations which came into effect on 1 January 2011.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not Applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3 Months Ended 30 September 2011	3 Months Ended 30 September 2010	9 Months Ended 30 September 2011	9 Months Ended 30 September 2010
	(cents)	(cents)	(cents)	(cents)
Earnings per ordinary share of the group, after deducting any provision for preference dividends (in cents):				
(a) Based on weighted average number of ordinary shares on issue; and	0.89	0.97	2.37	2.25
(b) On a fully diluted basis	0.89	0.97	2.37	2.25

The earning per ordinary share has been calculated net of non-controlling interests of 766,039,750 shares.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:  
(a) current financial period reported on; and  
(b) immediately preceding financial year.**

	Group		Company	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	(cents)	(cents)	(cents)	(cents)
Net asset value per ordinary share based on issued share capital at the end of:	24.60	22.62	14.01	15.20

The net asset value per ordinary share has been calculated net of non-controlling interests of 766,039,750 shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Review of Group Performance for 9M2011 vs 9M2010 and 3Q2011 vs 3Q2010**

#### ***Revenue***

Revenue increased by approximately S\$58.3 million or 27% from approximately S\$214.4 million in 9M2010 to approximately S\$272.7 million in 9M2011, attributable mainly to an increase in revenue from construction contracts, revenue from sale of development properties and revenue from sales of goods of approximately S\$14.7 million, S\$37.3 million and S\$6.2 million respectively.

#### ***Revenue from construction contract***

Increase in revenue from construction contract was mainly due to increase in work done for new and on-going projects, being The Wharf Residences, Volari, Hotel at Upper Pickering Street, Hundred Trees, Tree House and NUS Staff Housing at Kent Vale projects, which resulted in an aggregated increase in revenue by S\$148.4 million. The increase was offset by decrease in work done for completed/almost completed projects in Papua New Guinea ("PNG") and Singapore, being Tribeca, Sky @ Eleven, Wilkie Studio, Hilltops and Shelford Suites, totaling S\$131.8 million.

In accordance with our revenue recognition policy, work done amounting to approximately S\$20.2 million from newly commenced project in Singapore and PNG has yet to be recognised as revenue in 3Q2011.

#### ***Revenue from sales of development properties***

Revenue from sale of development properties in 9M2011 was contributed mainly from sale and recognition of Phase 1 (total 4 phases) of Sunny International project in Cangzhou ("Sunny International") which comprises 440 units totalling 51,915 sqm and Tianmen Jinwan Building in Tianjin which comprises of 9 units totalling 2,154 sqm. This was in comparison to sales and recognition of 39 units totalling 7,022 sqm of Tianmen Jinwan Building in 9M2010.

As at 30 September 2011, remaining 80 units totalling 2,419 sqm and 9 units totalling 1,569 sqm of Phase 1 of Sunny International project and Tianmen Jinwan Building respectively are fully sold, but yet to be recognised as revenue in accordance to our revenue recognition policy.

#### ***Revenue from sales of goods***

Revenue from sales of goods increased by approximately S\$6.2 million from approximately S\$0.6 million in 9M2010 to approximately S\$6.8 million in 9M2011, attributable mainly to the Cobiex business which was newly acquired in 3Q2010 and contributed its maiden income with effect from 3Q2010 onwards.

#### ***Cost of construction***

Increase in cost of construction was generally in line with the increase in revenue from construction contracts.

**Cost of sales of development properties**

Increase in cost of sales of development properties was due mainly to increase in revenue from sale of development properties as explained earlier.

**Cost of goods sold**

Increase in cost of goods sold was generally in line with the increase in revenue from sales of goods.

**Selling expenses**

Increase in selling expenses of approximately S\$2.0 million in 9M2011 due mainly to the increase in selling expenses incurred for its Equinox project in the PRC for its various marketing activities.

**Staff costs**

Increase in staff costs of approximately S\$4.4 million in 9M2011 was due mainly to S\$2.9 million contributed from the newly acquired Cobiex business and the new project management consulting subsidiary, Tiong Seng (Tianjin) Project Management and Consulting Co., Ltd, which became operational only in 2H2010. The remaining increase was mainly due to additional staff headcount recruited to support expansion of existing construction and property development businesses and new construction projects secured.

**Other Expenses**

Other expenses increased by approximately S\$5.0 million in 9M2011 as compared to 9M2010 mainly due to contribution from the newly acquired Cobiex business since 3Q2010 as well as additional operating costs in relation to the increase in the activities of the Group.

**Finance expenses**

Finance expenses decreased by approximately S\$2.9 million in 9M2011 due mainly to an appreciation in Kina and RMB vis-a-vis SGD, which resulted in an exchange gain of approximately S\$2.3 million in current period.

**Share of profit of joint ventures, net of tax**

Share of profit of joint ventures increased by approximately S\$2.0 million in 9M2011 due mainly to increase in share of profit from our joint venture projects.

**Income tax expense**

Increase in income tax expense in 9M2011 was generally in line with the increase in revenue.

**Profit for the period**

Profit in 9M2011 decreased by approximately S\$0.1 million due mainly to net decrease in profit from operating activities.

## **Review of Financial Position**

### **Non-Current Assets**

As at 30 September 2011, non-current assets totaled S\$121.4 million or approximately 18.2% total assets, effect of an increase of approximately S\$37.5 million.

Increase in property, plant and equipment ("PPE") of S\$18.7 million was due mainly to additions amounting to S\$21.6 million (out of which \$15.8 million was due to construction of automated pre-casting facilities) which was offset by depreciation charges of approximately S\$3.4 million.

Increase in associates and joint ventures by approximately S\$16.6 million were mainly due to additional share of profits of joint ventures for current period and investment in a new associate - Feature (Balmoral) Pte. Ltd.

Increase in non-current trade and other receivables by approximately S\$0.5 million was mainly due to additional retention sums from on-going projects, i.e. The Wharf Residences, Volari, Hotel at Upper Pickering Street, NUS Staff Housing at Kent Vale, Hundred Trees and Tree House projects in Singapore.

### **Current Assets**

As at 30 September 2011, current assets stood at S\$546.7 million or approximately 81.8% of total assets. Current assets increased by approximately S\$80.9 million.

The increase in construction work-in-progress (net of excess of progress billings over construction work-in-progress) of about S\$35.5 million was due mainly to lower progress billings over construction work-in-progress as at 30 September 2011.

The increase in development properties by S\$15.1 million was mainly due to increase in development costs for ongoing PRC development projects of approximately S\$57.9 million. The increase was partially offset by decrease in property development costs of Tianmen Jinwan Building and Sunny International projects of collectively S\$48.1 million upon the recognition of Phase 1 sales of Sunny International project in 9M2011.

Trade and other receivables increased by approximately S\$83.5 million due mainly to increase in deposit and prepayments and accrued receivables of approximately S\$74.7 million and S\$14.3 million respectively, offset by decrease in retention sum receivables of construction contracts of approximately S\$6.9 million. The increase in deposit and prepayments is mainly due to deposit placed for acquisition of land use right at Xu Shu Guan development zone, Suzhou, PRC. Details of the acquisition are as per our announcement dated 3 August 2011.

There was a decrease in cash and cash equivalents of approximately S\$35.3 million, mainly due to net cash outflow from operating activities of approximately S\$128.3 million.

### **Non-Current Liabilities**

As at 30 September 2011, non-current liabilities totaled S\$151.5 million or approximately 35.1% of total liabilities, an increase of approximately S\$100.9 million compared to 31 December 2010.

Non-current loans and borrowings increased by S\$98.8 million due mainly to new loans of S\$99.6 million obtained from banks and financial institutions to finance property development projects in PRC. The increase was offset by reclassification of loans of approximately S\$2.2 million to current loans and borrowings.

### **Current Liabilities**

As at 30 September 2011, current liabilities stood at S\$280.0 million or approximately 64.9% of total liabilities, an increase of S\$3.0 million.

The increase was due mainly to increase of approximately S\$45.3 million in loans and borrowings, offset by aggregate decrease in progress billings in excess of construction work in progress, trade and other payables, amount due to related parties and current tax payables of approximately S\$42.4 million.

Increase in loans and borrowing was due mainly to new loans drawdown of approximately S\$99.8 million to mainly finance property development projects in PRC. The increase was offset by repayments of approximately S\$56.7 million made during the period.

Decrease in trade and other payables of approximately S\$14.2 million was due mainly to decrease in receipts in advance of S\$38.6 million, offset by increase in trade payables of S\$20.8 million due mainly to more construction projects in current period.

Decrease in tax payable of S\$8.4 million was mainly due to payments made in current period.

### **Review of Statement of Cash Flows**

#### **Net cash from operating activities**

For the 9 months ended 30 September 2011, the Group recorded a net cash outflow from operating activities of approximately S\$128.3 million, increased by S\$123.6 million as compared to the previous corresponding period ended 30 September 2010. The net cash outflow from operating activities comprised operating profit before working capital changes of S\$13.3 million and net working capital outflow of S\$128.3 million and income taxes paid of S\$12.8 million.

The changes in working capital from operating activities arose mainly from:

- (a) Net increase in construction work-in-progress by S\$35.4 million due mainly to new projects' work-in-progress costs, which have yet to be certified by external quality surveyors.
- (b) Decrease in development properties by S\$1.1 million, due mainly to recognition of Phase 1 sales of Sunny International project, offset by additional PRC property development costs.
- (c) Net increase in trade and other receivables by S\$82.8 million, due mainly to a deposit placed for acquisition of land use right at Xu Shu Guan development zone, Suzhou, PRC.
- (d) Net increase in trade and other payables by S\$16.1 million, due mainly to revenue recognition of sales of Sunny International units, which results in a reduction in receipt in advance.

#### **Net cash from investing activities**

For the 9 months ended 30 September 2011, the Group recorded a net cash outflow from investing activities of S\$29.4 million, decreased by S\$59.0 million as compared to the previous corresponding period ended 30 September 2010.

The increase in net cash outflow from investing activities was due mainly to purchase of property, plant and equipment and net cash outflow from balances with related parties and investment in associate totaling S\$30.8 million, offset against proceeds from disposal of investment properties of S\$1.6 million.

### Net cash from financing activities

For the 9 months ended 30 September 2011, the Group recorded a net cash inflow from financing activities of S\$105.7 million, increased by S\$51.0 million as compared to the previous corresponding period ended 30 September 2010. This was mainly due to additional loans and borrowings proceeds obtained in current period with a net receipt of S\$142.8 million in current period offset by payment of dividends of S\$7.7 million to equity shareholders, interest paid of S\$9.9 million, increase in fixed deposit pledged of S\$15.6 million and net cash outflow from balances with related parties of S\$2.3 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

#### Construction

The outlook for Singapore's construction sector remains buoyant with increased infrastructural works, healthy construction demand from the private sector, and continued strong building demand from HDB. BCA has projected construction demand to be between \$22 billion and \$28 billion in 2011, and between \$19 billion to \$26 billion per year for 2012 and 2013<sup>1</sup>.

Moving forward, the Group expects to face continual challenges such as higher construction costs, a reduction in the number of foreign workers, higher material costs and foreign workers' levies, as well as strong competition from large foreign contractors.

Through its focus on pre-cast construction, automation, training to improve productivity and efficiency, and investments in technologies such as pre-casting and advanced formwork systems to reduce its reliance on labour and increase cost efficiencies, the Group believes it is well positioned to meet the aforesaid challenges.

In 4Q2011, the Group expects to complete the construction of its automated Prefabrication Hub facility in Tuas for automated pre-cast building components. Also, through the use of CobiX, a cutting-edge green construction technology that reduces the volume of concrete used in slabs by as much as 30%, the Group also expects to boost efficiency and productivity.

As at 30 September 2011, the Group's order book remains strong at approximately \$1.0 billion.

#### Property Development in the PRC

The Chinese property market has started its correction<sup>2</sup> following the PRC government's series of measures to cool and regulate the property market, including increased downpayment requirements and mortgage rates, home purchase restrictions and construction of low-income housing projects.

Transactions in 20 major cities dipped by an average of 32% year-on-year during China's National Day holiday or the golden week, a period known to be a traditional peak period for developers<sup>3</sup>.

Chinese property developers are also facing increasing liquidity pressures amid tighter credit controls and high interest rates, a situation which may push smaller developers into reducing selling prices and bigger players into scaling down developments. However, the Group is of

the view that urbanization will continue to drive demand for quality housing in China in the long run.

Currently, China's current urbanization rate still lags behind the 85%<sup>4</sup> in developed countries, and therefore has more room to grow. The urbanization rate is expected to increase by 1 percentage point every year for the next 20 years, rising from 47% in 2011 to 57% in 2020, and to approximately 70% by 2030<sup>5</sup>.

As at 30 September 2011, in relation to Sunny International project, the Group has completed the construction and sales of Phase 1, out of 4 Phases, of the project. The other phases are currently in construction and sales for phase 2 commenced in 2Q2011. In addition, the Group is currently carrying out construction for Phase 1 for Equinox project, while sales for Phase I is expected to commence in 4Q2011.

The Group will continue to monitor policy changes closely and focus on the sales and development of its China projects, and look for more opportunities to build its development land bank where possible.

1 "Promising outlook for construction sector demand in 2011", Building and Construction Authority, 12 Jan 2011

2 "China property down in October", The Business Times Singapore, 10 Nov 2011

3 "China home sales dive 32% during golden week", The Business Times, 11 Oct 2011

4 "China's urbanization rate to reach 50% by 2020", Chinadaily.com.cn, quoting the 2009 City Development Report of China, 5 Dec 2010.

5 "Urbanization to drive China's growth", Chinadaily.com.cn, 26 Mar 2011

## 11. Dividend

### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

### (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

### (c) Date payable

Not Applicable

### (d) Books closure date

Not Applicable

## 12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

## 13. Interested Person Transactions ("IPT")

The Company does not have an IPT mandate.

On behalf of the Board of Directors

BY ORDER OF THE BOARD

Pek Lian Guan  
Executive Director and CEO  
11 November 2011



# **TIONG SENG HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore )

(Co. Reg. No: 200807295Z)

## **CONFIRMATION BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL OF SGX-ST**

On behalf of the Board of Directors of TIONG SENG HOLDINGS LIMITED (the "Company"), we, the undersigned, confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 3<sup>rd</sup> quarter financial statements for the financial period ended 30 September 2011 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of  
**TIONG SENG HOLDINGS LIMITED**

Pek Lian Guan  
Executive Director & CEO

Pay Sim Tee  
Executive Director

11 November 2011