

**FOR IMMEDIATE RELEASE**

## Tiong Seng achieves 54.4% growth in net profit attributable to shareholders to S\$4.7 million for 1H2015

- Improvement in gross profit margins from 5.8% to 9.5% for core construction business due to favourable project mix
- Construction projects in different revenue recognition phases lower Group's revenue to S\$197.1 million
- Remains supported by a robust order book of approximately S\$1.6 billion as at to date extending to 2020

| S\$'000                                 | 2Q2015 | 2Q2014  | Change (%) | 1H2015  | 1H2014  | Change (%) |
|---|--------|---------|------------|---------|---------|------------|
| Revenue                                 | 94,797 | 155,127 | (38.9)     | 197,113 | 325,134 | (39.4)     |
| Net profit attributable to shareholders | 1,488  | 1,383   | 7.6        | 4,666   | 3,022   | 54.4       |
| Earnings per share (cents)*             | 0.16   | 0.15    | 6.7        | 0.51    | 0.33    | 54.5       |

|                                    | As at 30 June 2015 | As at 31 December 2014 |
|------------------------------------|--------------------|------------------------|
| Net asset value per share (cents)* | <b>28.17</b>       | <b>27.34</b>           |
| Cash & cash equivalents (S\$'000)  | <b>53,337</b>      | <b>94,974</b>          |

\*Based on 919,247,700 shares, net of non-controlling interests.

**SINGAPORE –14 August 2015** – Mainboard-listed construction group and property developer, **Tiong Seng Holdings Limited (長成控股)** (“Tiong Seng”, together with its subsidiaries, “the Group”), today reported a 54.4% year-on-year (“yoy”) increase in net profit attributable to shareholders for the six months ended 30 June 2015 (“1H2015”) while revenue for the period was S\$197.1 million.

**Mr Pek Lian Guan (白連源)**, CEO of **Tiong Seng Holdings Limited** commented, “As we focus on our value proposition in delivering quality builds to our customers, we are encouraged by the improvement in gross profit margin for the segment from 5.8% to 9.5%. This was also due to a better project mix as we strive to prospect actively but selectively for contracts. Supported by a robust order book size of S\$1.6 billion as at to date that extends till 2020. We continue to focus on acquiring various construction technology capabilities to expand our core offerings in order to differentiate ourselves from the competitive landscape.”

## Financial Review

| Major Business Segments        | Revenue & profit/loss breakdown (S\$'000) | 2Q2015  | 2Q2014  | Change (%) | 1H2015  | 1H2014  | Change (%) |
|--------------------------------|---|---------|---------|------------|---------|---------|------------|
| Construction contracts         | Revenue                                   | 88,292  | 151,663 | (41.8)     | 186,168 | 318,661 | (41.6)     |
|                                | Profit/(loss)                             | 3,761   | 2,387   | 57.6       | 8,728   | 9,705   | (10.1)     |
| Sale of development properties | Revenue                                   | 4,560   | 1,629   | >100       | 5,971   | 2,917   | >100       |
|                                | Profit/(loss)                             | (1,391) | (1,163) | 19.6       | (2,851) | (3,896) | (26.8)     |
| Sale of goods                  | Revenue                                   | 1,261   | 1,544   | (18.3)     | 3,878   | 2,952   | 31.4       |
|                                | Profit/(loss)                             | (135)   | (446)   | (69.7)     | (351)   | (961)   | (63.5)     |

Despite the improvement to net profit attributable to shareholders, the Group reported a 39.4% yoy decline in revenue to S\$197.1 million for 1H2015, led largely by the core **Construction Contracts** segment. Comprising 94.4% of 1H2015 revenue, it decreased 41.6% yoy to S\$186.2 million. The decline was due to differences in stages of revenue recognition for various contracts. However, in accordance to the Group's revenue recognition policy, work done amounting to approximately S\$53.5 million from newly commenced projects have yet to be recognized as revenue as at 30 June 2015.

Revenue from **development properties segment** increased by a substantial 104.7% yoy to S\$6.0 million for 1H2015. The increase was mainly contributed from the sale recognition of 14 units (2,719 sqm) of phase II from Sunny International Project, 7 units (1,334 sqm) of B1 from Equinox Project and 1 unit (141 sqm) from Tiamen Jinwan Project. As at 30 June 2015, approximately S\$110.0 million of gross development value were sold but yet to be recognized in accordance to the Group's revenue recognition policy. These projects include: 299 units (29,605 sqm) of Sunny International, 62 units (16,012 sqm) of Equinox, 112 units (12,703 sqm) of Tranquility Residences and 1 unit (59 sqm) of Wenchang Baihui.

**Sales of goods**, which comprise licensing income and component sales, increased 31.4% yoy to S\$3.9 million for 1H2015 mainly attributed to arise in sales volume.

Cash and cash equivalents as at 30 June 2015 stood at S\$53.3 million. The Group recorded a net cash outflow from operating activities of S\$30.2 million for 1H2015 compared to S\$9.8 million in the previous 6 months ended 30 June 2014 ("1H2014"). This was largely due to: 1) Decrease in construction work-in-progress by S\$10.9 million, attributed mainly to different stages of revenue recognition for construction projects 2) increase in development properties by S\$35.9 million, attributed mainly to additional

property development costs for Tranquility Residences and Equinox projects, partially offset by units sold in Cangzhou Sunny International phases II and Equinox, 3) decrease in trade and other receivables by S\$10.5 million attributed mainly to a decrease in accrued receivables from on-going projects and retention sum receivables and 4) decrease in trade and other payables by S\$19.6 million attributed mainly to a decrease in accrued trade payables.

In 1H2015, the Group registered a net cash outflow from investing activities of S\$2.1million, a S\$1.4 million decrease as compared to 1H2014. This was due mainly to fall in acquisition of property, plant and equipment from S\$7.1 million in 1H2014 to S\$4.4 million in 1H2015.

In addition, the Group recorded a net cash inflow from financing activities of S\$26.3 million in 1H2015, an increase of S\$5.8 million compared to the corresponding period. This was due to a higher reduction in deposits pledged of S\$33.2 million cash compared to S\$13.7 million in 1H2014 and net funds received from related parties of S\$5.0 million in contrast to net funds paid to related parties of S\$12.9 million in 1H2014. The increase in net cash from financing activities was partially offset by net repayment of loans and borrowings of S\$6.4 million as compared to net receipt of loans and borrowings of S\$20.2 million in 1H2014.

For the six months ended 30 June 2015, earnings per share was 0.51 Singapore cents (based on the share capital of 919,247,700 shares and net of non-controlling interests). In the same period, the Group's net asset value per share was 28.17 Singapore cents.

## ***Outlook***

### **Construction**

On 11 August 2015, the Ministry of Trade and Industry ("MTI") announced<sup>1</sup> that the Singapore economy grew 1.8% yoy in 2Q2015, a drop from the 2.8% growth in the previous quarter. On a quarter-on-quarter basis ("qoq"), the economy also contracted by 4.0%, a reversal from the 4.1% growth in the preceding quarter.

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<sup>1</sup>Ministry of Trade and Industry, "MTI Narrows 2015 GDP Growth Forecast to 2.0 to 2.5 Per Cent", 11 August 2015

On the construction front, the sector expanded by 2.7%, a yoy rise from 2.1% growth in the previous quarter. The growth was contributed mainly by more activities recorded within the public construction sector. In contrast, construction contracted qoq by 0.2% compared to an expansion of 8.3% in the preceding quarter.

### Property Development in the PRC

On 2 June 2015, Moody's Investor Service upgraded its outlook on China's property sector from negative to stable<sup>2</sup>. Moody's expects property sales in China to increase modestly by 0% – 5% yoy over the next 12 months, due mainly to the introduction of positive monetary and regulatory policies in 2014. While housing prices, in particular within lower-tier cities, will still remain under pressure due to high inventory levels, the rate of decline is expected to moderate.

**Mr Pek added,** “The property market in China has been showing tepid signs of recovery over the past few months but we remain cautiously optimistic about the positive implications this may have on our property development business. As we begin to make headway with our sales for the segment, marked by an improvement in revenue in the first half, our growth remains hindered by our limited pricing power and the overall oversupply of housing in Tier 2 Cities. Looking ahead, we strive to manage our expenses while focused on marketing the remaining properties.”

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<sup>2</sup>“China property sales to grow modestly as government policies start to work”, Moody's Investors Services, 2June 2015

### ***About Tiong Seng Holdings***

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

With an established track record of over 55 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 PRC. 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 PRC.

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***Issued on behalf of Tiong Seng Holdings by: Financial PR Pte Ltd***

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