



# TIONG SENG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore )

(Co. Reg. No: 200807295Z)

## UNAUDITED 3Q 2013 FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

### 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 2013 S\$'000	3 Months Ended 30 September 2012 S\$'000	Change %	9 Months Ended 30 September 2013 S\$'000	9 Months Ended 30 September 2012 S\$'000	Change %
<b>Revenue</b>						
Revenue from construction contracts	142,425	119,416	19	390,142	347,642	12
Revenue from sales of development properties	1,002	469	>100	26,412	469	>100
Revenue from sales of goods	2,509	3,517	-29	6,877	7,564	-9
Rental income	259	323	-20	858	1,037	-17
	<u>146,195</u>	<u>123,725</u>	18	<u>424,289</u>	<u>356,712</u>	19
Other income	355	845	-58	9,930	2,459	>100
Costs of construction contracts	(129,795)	(105,205)	23	(350,061)	(309,463)	13
Costs of sales of development properties	(987)	(106)	>100	(26,109)	(106)	>100
Cost of goods sold	(1,646)	(2,402)	-31	(4,154)	(4,832)	-14
Depreciation and amortisation	(1,704)	(883)	93	(5,071)	(3,057)	66
Selling expenses	(1,492)	(1,167)	28	(3,108)	(1,987)	56
Staff costs	(5,521)	(4,833)	14	(15,983)	(14,268)	12
Other expenses	(3,864)	(3,356)	15	(10,600)	(9,511)	11
	<u>(145,009)</u>	<u>(117,952)</u>	23	<u>(415,086)</u>	<u>(343,224)</u>	21
<b>Profit from operating activities</b>	<b>1,541</b>	<b>6,618</b>	<b>-77</b>	<b>19,133</b>	<b>15,947</b>	<b>20</b>
Finance income	1,336	490	>100	3,227	1,597	>100
Finance costs	(1,380)	(1,892)	-27	(3,429)	(3,124)	10
<b>Net finance (expense) / income</b>	<b>(44)</b>	<b>(1,402)</b>	<b>-97</b>	<b>(202)</b>	<b>(1,527)</b>	<b>-87</b>
Share of profit of joint ventures, net of tax	25	702	-96	492	7,561	-93
<b>Profit before tax</b>	<b>1,522</b>	<b>5,918</b>	<b>-74</b>	<b>19,423</b>	<b>21,981</b>	<b>-12</b>
Tax expenses	(675)	(952)	-29	(5,195)	(2,546)	>100
<b>Profit for the period</b>	<b>847</b>	<b>4,966</b>	<b>-83</b>	<b>14,228</b>	<b>19,435</b>	<b>-27</b>

	3 Months Ended 30 September 2013 S\$'000	3 Months Ended 30 September 2012 S\$'000	Change %	9 Months Ended 30 September 2013 S\$'000	9 Months Ended 30 September 2012 S\$'000	Change %
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Translation differences relating to financial statements of foreign subsidiaries	(2,828)	(6,770)	-58	9,518	(5,146)	>-100
Exchange differences on monetary items forming part of net investment in a foreign operation	1,161	(1,079)	>-100	728	(1,216)	>-100
Net change in the fair value of available-for-sale investments	(6)	3	>-100	(6)	5	>-100
Tax on other comprehensive income	(198)	184	>-100	(124)	206	>-100
<b>Other comprehensive income for the period</b>	<b>(1,871)</b>	<b>(7,662)</b>	<b>-76</b>	<b>10,116</b>	<b>(6,151)</b>	<b>&gt;-100</b>
<b>Total comprehensive income for the period</b>	<b>(1,024)</b>	<b>(2,696)</b>	<b>-62</b>	<b>24,344</b>	<b>13,284</b>	<b>83</b>
<b>Profit attributable to:</b>						
Owners of the Company	2,265	5,043	-55	16,941	19,792	-14
Non-controlling interests	(1,418)	(77)	>100	(2,713)	(357)	>100
<b>Profit for the period</b>	<b>847</b>	<b>4,966</b>	<b>-83</b>	<b>14,228</b>	<b>19,435</b>	<b>-27</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	498	(1,002)	>-100	24,823	15,873	56
Non-controlling interests	(1,522)	(1,694)	-10	(479)	(2,589)	-81
<b>Total comprehensive income for the period</b>	<b>(1,024)</b>	<b>(2,696)</b>	<b>-62</b>	<b>24,344</b>	<b>13,284</b>	<b>83</b>
<b>Earnings per share</b>						
- Basic and diluted (cents) <sup>1</sup>	0.30	0.66	-55	2.21	2.58	-14

<sup>1</sup> Based on 766,039,750 shares, net of non-controlling interests as at 30 September 2013 and 30 September 2012.

#### 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 2013 S\$'000	3 Months Ended 30 September 2012 S\$'000	Change %	9 Months Ended 30 September 2013 S\$'000	9 Months Ended 30 September 2012 S\$'000	Change %
Fees from management of properties	(131)	(299)	-56	(284)	(570)	-50
Gain on disposal of investment properties	-	-	-	(8,104)	(345)	>100
Advertisement expenses	1,209	919	32	2,254	1,388	62
Operating lease expenses	357	312	14	1,110	731	52
Professional fees	565	214	>100	1,213	823	47
Repair and maintenance expenses	263	451	-42	1,111	1,311	-15
Tender expenses	907	136	>100	908	272	>100
Travelling and transport	370	324	14	888	862	3

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

	Group		Company	
	30.09.2013	31.12.2012	30.09.2013	31.12.2012
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	89,579	84,376	-	-
Intangible assets	6,290	7,146	-	-
Investment properties	18,353	18,021	-	-
Investment in subsidiaries	-	-	59,624	59,624
Associates and joint ventures	26,459	35,093	-	-
Trade and other receivables	25,242	20,332	-	-
Other investments	6,020	6,027	-	-
Deferred tax assets	7,203	6,907	-	-
	179,146	177,902	59,624	59,624
<b>Current assets</b>				
Inventories	3,306	2,625	-	-
Construction work-in-progress	63,527	66,408	-	-
Development properties	398,176	351,243	-	-
Other investments	3,681	194	-	-
Trade and other receivables	181,593	163,835	15	11
Amount due from related parties	24,630	21,137	43,401	48,952
Cash and cash equivalents	44,483	66,378	362	85
Assets classified as held for sale	-	371	-	-
	719,396	672,191	43,778	49,048
<b>Total assets</b>	<b>898,542</b>	<b>850,093</b>	<b>103,402</b>	<b>108,672</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	154,552	154,552	154,552	154,552
Reserves	(68,575)	(76,457)	(45,850)	(45,850)
Retained earnings	152,538	143,257	(12,125)	(2,201)
	238,515	221,352	96,577	106,501
<b>Non-controlling interests</b>	44,931	45,383	-	-
<b>Total equity</b>	<b>283,446</b>	<b>266,735</b>	<b>96,577</b>	<b>106,501</b>
<b>Non-current liabilities</b>				
Trade and other payables	16,149	13,098	-	-
Loans and borrowings	74,944	88,947	1,300	-
Deferred tax liabilities	2,257	2,541	-	-
	93,350	104,586	1,300	-
<b>Current liabilities</b>				
Progress billings in excess of construction work-in-progress	382	2,473	-	-
Trade and other payables	330,134	289,971	1,250	1,747
Amount due to related parties	19,317	20,422	3,075	420
Loans and borrowings	165,134	149,140	1,200	-
Current tax payable	6,779	16,766	-	4
	521,746	478,772	5,525	2,171
<b>Total liabilities</b>	<b>615,096</b>	<b>583,358</b>	<b>6,825</b>	<b>2,171</b>
<b>Total equity and liabilities</b>	<b>898,542</b>	<b>850,093</b>	<b>103,402</b>	<b>108,672</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30.09.2013		As at 31.12.2012	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
163,293	1,841	147,976	1,164

**Amount repayable after one year**

As at 30.09.2013		As at 31.12.2012	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
74,944	-	88,947	-

**Details of any collateral**

**1. Secured loan from a financial institution**

Pursuant to a loan agreement dated 26 June 2010 and the shareholding entrusted agreements (the "Agreements"), the shareholders of our subsidiary, Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang"), 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 RMB300 million to Guangang for a tenure of 24 months. Details of the loan are as per our announcement dated 29 June 2010. Notwithstanding this, Guangang remains a subsidiary of the Group. The loan repayment date has been extended to 5 August 2014.

**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 Suzhou Changhe Investment and Development Co., Ltd ("Changhe") as well as the subordination of the group's share of existing and future shareholder's loan to those companies, 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 Changhe 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:**

	30 September 2013	31 December 2012
	\$'000	\$'000
<b>Carrying amounts of assets:</b>		
Freehold land	4,853	4,893
Leasehold properties	12,342	8,952
Investment properties	558	963
Development properties	51,944	56,153
Plant and machinery	13,406	3,135
Deposits pledged	20,424	16,415
<b>Total</b>	<b>103,527</b>	<b>90,601</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 cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.**

	3 Months Ended 30 September 2013 S\$'000	3 Months Ended 30 September 2012 S\$'000	9 Months Ended 30 September 2013 S\$'000	9 Months Ended 30 September 2012 S\$'000
<b>Cash flow from operating activities</b>				
Profit from operating activities	1,541	6,618	19,133	15,947
Adjustments for:				
Allowance for doubtful trade receivables	-	8	20	6
Depreciation and amortisation	3,706	2,244	11,058	6,188
(Gain)/loss on disposal of:				
- property, plant and equipment	-	(121)	16	(271)
- investment properties	-	-	(8,104)	(346)
Property, plant and equipment written off	-	65	-	72
<b>Operating profit before working capital changes</b>	<b>5,247</b>	<b>8,814</b>	<b>22,123</b>	<b>21,596</b>
Changes in working capital:				
Inventories	(1,068)	(389)	(620)	(404)
Construction work-in-progress	4,160	14,834	720	(6,091)
Development properties	(24,534)	(8,727)	(20,286)	(34,702)
Trade and other receivables	(20,674)	11,841	(20,226)	(45,411)
Balances with related parties (trade)	(338)	(602)	450	1,789
Trade and other payables	48,938	(12,349)	38,091	61,522
Cash from/(used in) generated from operations	11,731	13,422	20,252	(1,701)
Taxes paid	(5,014)	(2,072)	(17,511)	(5,908)
Tax refunded	-	168	-	3,143
<b>Net cash from/(used in) operating activities</b>	<b>6,717</b>	<b>11,518</b>	<b>2,741</b>	<b>(4,466)</b>
<b>Cash flow from investing activities</b>				
Balances with related parties (non-trade)	(1,412)	2,223	(2,941)	1,350
Dividends received from joint ventures (gross)	-	-	10,995	8,000
Interest received	22	111	324	303
Loan to a joint venture	-	-	-	(16,966)
Loan to a non-controlling interest	-	(2,386)	-	(2,386)
Proceeds from disposal of property, plant and equipment	259	127	291	426
Proceeds from disposal of investment properties	-	-	8,470	404
Proceeds from disposal of other investments	-	-	194	-
Purchase of other investment	-	-	(3,692)	-
Purchase of property, plant and equipment	(7,162)	(8,495)	(14,048)	(16,831)
Purchase of intangible assets	(253)	(303)	(427)	(553)
<b>Net cash used in investing activities</b>	<b>(8,546)</b>	<b>(8,723)</b>	<b>(834)</b>	<b>(26,253)</b>

	3 Months Ended 30 September 2013 S\$'000	3 Months Ended 30 September 2012 S\$'000	9 Months Ended 30 September 2013 S\$'000	9 Months Ended 30 September 2012 S\$'000
<b>Cash flow from financing activities</b>				
Balances with related parties (non-trade)	983	(791)	(897)	(3,063)
Capital contribution by non-controlling interests	-	-	27	130
Repayment of loan from/(to) non-controlling interests	-	2,107	(1,470)	2,107
Increase in deposits pledged	(50)	(83)	(4,049)	(88)
Dividends paid to owners of the company	-	-	(7,660)	(7,240)
Dividends paid to non-controlling interests	-	-	-	(98)
Interest paid	(3,839)	(2,172)	(10,211)	(13,054)
Proceeds from loan from business associates	-	-	3,487	-
Payments of finance lease liabilities	(151)	(313)	(393)	(384)
Proceeds from loans and borrowings	8,960	20,898	85,857	135,488
Repayment of loans and borrowings	(9,588)	(25,744)	(93,970)	(119,983)
<b>Net cash used in financing activities</b>	<b>(3,685)</b>	<b>(6,098)</b>	<b>(29,279)</b>	<b>(6,185)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,514)</b>	<b>(3,303)</b>	<b>(27,372)</b>	<b>(36,904)</b>
Cash and cash equivalent at beginning of the period	27,267	31,268	49,282	62,004
Effect of exchange rate changes on balance held in foreign currencies	860	(2,192)	703	673
<b>Cash and cash equivalents at end of the period</b>	<b>22,613</b>	<b>25,773</b>	<b>22,613</b>	<b>25,773</b>

**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	Capital reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	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 2013	154,552	(77,720)	1,888	3,564	25	(4,214)	143,257	221,352	45,383	266,735
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	16,941	16,941	(2,713)	14,228
<b>Other comprehensive income</b>										
<b>Items that may be reclassified subsequently to profit or loss:</b>										
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	-	-	7,284	-	7,284	2,234	9,518
Exchange differences on monetary items forming part of net investment in a foreign operations	-	-	-	-	-	728	-	728	-	728
Net change in the fair value of available for sales investment	-	-	-	-	(6)	-	-	(6)	-	(6)
Tax on other comprehensive income	-	-	-	-	-	(124)	-	(124)	-	(124)
Total other comprehensive income	-	-	-	-	(6)	7,888	-	7,882	2,234	10,116
<i>Total comprehensive income and expenses for the period</i>	-	-	-	-	(6)	7,888	16,941	24,823	(479)	24,344
<b>Contributions by and distributions to owners</b>										
Dividends declared	-	-	-	-	-	-	(7,660)	(7,660)	-	(7,660)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	27	27
Total contributions by and distributions to owners	-	-	-	-	-	-	(7,660)	(7,660)	27	(7,633)
<i>Total transaction with owners of the Company</i>	-	-	-	-	-	-	(7,660)	(7,660)	27	(7,633)
At 30 September 2013	154,552	(77,720)	1,888	3,564	19	3,674	152,538	238,515	44,931	283,446

Group	Share capital	Merger reserve	Capital reserve	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	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 2012	154,552	(77,720)	(179)	3,442	22	256	125,299	205,672	48,959	254,631
<b>Total comprehensive income for the period</b>										
Profit or for the period	-	-	-	-	-	-	19,792	19,792	(357)	19,435
<b>Other comprehensive income</b>										
<b>Items that may be reclassified subsequently to profit or loss:</b>										
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	-	-	(2,194)	-	(2,914)	(2,232)	(5,146)
Exchange differences on monetary items forming part of net investment in a foreign operations	-	-	-	-	-	(1,216)	-	(1,216)	-	(1,216)
Net change in the fair value of available-for-sale investments	-	-	-	-	5	-	-	5	-	5
Tax on other comprehensive income	-	-	-	-	(1)	207	-	206	-	206
Total other comprehensive income	-	-	-	-	4	(3,923)	-	(3,919)	(2,232)	(6,151)
<i>Total comprehensive income for the period</i>	-	-	-	-	4	(3,923)	19,792	15,873	(2,589)	13,284
<b>Contributions by and distributions to owners</b>										
Dividends declared	-	-	-	-	-	-	(7,660)	(7,660)	(98)	(7,758)
Repayment of quasi loan from non-controlling interests	-	-	-	-	-	-	-	-	130	130
Total contributions by and distributions to owners	-	-	-	-	-	-	(7,660)	(7,660)	32	(7,628)
<i>Total transaction with owners of the Company</i>	-	-	-	-	-	-	(7,660)	(7,660)	32	(7,628)
At 30 September 2012	154,552	(77,720)	(179)	3,442	26	(3,667)	137,431	213,885	46,402	260,287

Company	Share capital S\$'000	Merger Reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<b>At 1 January 2013</b>	154,552	(45,850)	(2,201)	106,501
Total comprehensive income for the period	-	-	(2,264)	(2,264)
Dividend paid	-	-	(7,660)	(7,660)
<b>At 30 September 2013</b>	154,552	(45,850)	(12,125)	96,577
<b>At 1 January 2012</b>	154,552	(45,850)	8,298	117,000
Total comprehensive income for the period	-	-	(1,558)	(1,558)
Dividend paid	-	-	(7,660)	(7,660)
<b>At 30 September 2012</b>	154,552	(45,850)	(920)	107,782



- 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 2013.

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 2013 and 31 December 2012.

- 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.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the year ended 31 December 2012.

- 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.**

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2013. The adoptions of these new standards, amendments to standard and interpretation did not result in any significant impact on the financial statements of the Group.

**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 2013	3 Months Ended 30 September 2012	9 Months Ended 30 September 2013	9 Months Ended 30 September 2012
	(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	0.30	0.66	2.21	2.58
(b) On a fully diluted basis	0.30	0.66	2.21	2.58

The earning per ordinary share has been calculated net of non-controlling interests of 766,039,750 shares as at 30 September 2013 and 30 September 2012.

**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 2013	31 December 2012	30 September 2013	31 December 2012
	(cents)	(cents)	(cents)	(cents)
Net asset value per ordinary share based on issued share capital at the end of:	31.14	28.90	12.61	13.90

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 9M2013 vs 9M2012 and 3Q2013 vs 3Q2012**

**Overview**

The breakdown of our major business segment financial information is as follows:

	<u>Construction</u>	<u>Property Development</u>	<u>Sales of Goods</u>	<u>Others</u>	<u>Total</u>
	9 Months Ended 30 September 2013				
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	391,000	26,412	6,877	-	424,289
Costs	(350,061)	(26,109)	(4,154)	-	(380,324)
Gross Profit	40,939	303	2,723	-	43,965
Other income	9,484	85	78	283	9,930
Depreciation	(4,376)	(89)	(606)	-	(5,071)
Selling expenses	-	(2,966)	(142)	-	(3,108)
Staff costs	(10,330)	(1,991)	(2,215)	(1,447)	(15,983)
Other operating expenses	(6,121)	(3,022)	(636)	(821)	(10,600)
Profit from operating activities	29,596	(7,680)	(798)	(1,985)	19,133

	<u>Construction</u>	<u>Property Development</u>	<u>Sales of Goods</u>	<u>Others</u>	<u>Total</u>
	9 Months Ended 30 September 2012				
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	348,679	469	7,564	-	356,712
Costs	(309,463)	(106)	(4,832)	-	(314,401)
Gross Profit	39,216	363	2,732	-	42,311
Other income	1,141	904	91	323	2,459
Depreciation	(2,676)	(83)	(298)	-	(3,057)
Selling expenses	-	(1,858)	(129)	-	(1,987)
Staff costs	(8,602)	(2,331)	(2,217)	(1,118)	(14,268)
Other operating expenses	(6,121)	(1,721)	(638)	(1,031)	(9,511)
Profit from operating activities	22,958	(4,726)	(459)	(1,826)	15,947

Generally, the Group's profit from operating activities increased by S\$3.2 million or 20% from approximately S\$15.9 million in 9M2012 to S\$19.1 million in 9M2013. The increase was mainly contributed by construction segment, increased approximately S\$6.6 million in 9M2013, offset with the decrease in property development, sales of goods and other segments of approximately S\$2.9 million, S\$0.3 million and S\$0.2 million respectively.

Increased of profit from operating activities in construction segment due mainly to increase in gross profit and other operating income of approximately S\$1.7 million and S\$8.3 million respectively, offset with increase in depreciation and staff cost of approximately S\$1.7 million and S\$1.7 million respectively.

Decreased of profit from operating activities in development properties segment due mainly to decrease in other income of approximately S\$0.8 million, and increase in selling expenses and other operating expenses of approximately S\$1.1 million and S\$1.3 million respectively, offset with decreased in staff cost of approximately S\$0.3 million.

Decrease of profit from operating activities in sales of goods segment due mainly to increase in depreciation expenses of approximately S\$0.3 million.

## Revenue

Revenue increased by approximately S\$67.6 million or 19% from approximately S\$356.7 million in 9M2012 to approximately S\$424.3 million in 9M2013, attributable mainly to an increase in revenue from construction contracts and sales of development properties of

approximately S\$42.5 million and S\$25.9 million, offset with a decrease in sales of goods and rental income of approximately S\$0.6 million and S\$0.2 million respectively.

***Revenue from construction contract***

Increase in revenue was mainly due to increase in work done for new and on-going projects, being Waterway Terraces I & II, The Glyndebourne, The Archipelago, The Luxurie, Joo Koon Integrated Hub & Fairprice Distribution Centre, SIM HQ campus extension and Haus which resulted in an aggregated increase in revenue of approximately S\$274.3 million as compared to the same period in 9M2012. The increase is lowered by the decrease in work done for projects, being The Wharf Residences, Volari, Hotel at Upper Pickering Street, NUS Staff Housing at Kent Vale, Hundred Trees and Tree House of approximately S\$225.9 million and decrease in work done for PNG project of approximately S\$5.7 million.

In accordance with our revenue recognition policy, work done amounting to approximately S\$11.4 million from newly commenced projects in Singapore have yet to be recognized as revenue as at 30 September 2013.

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

Revenue from sales of property development in 9M2013 was contributed mainly from the sale recognition of 237 units totaling 29,214 sqm in Sunny International Project, phase II in Cangzhou. As at 30 September 2013, approximately S\$87.7 million of gross development value comprises of 1 unit, totaling 141 sqm of Tianmen Jinwan Building, and 395 units, totaling 43,708 sqm, of Sunny International project, 76 units, totaling 16,881 sqm, of the Equinox and 3 units totaling 183 sqm of Wenchang Broadway in Yangzhou were 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 decreased by approximately S\$0.6 million in 9M2012 due to decrease sales volume in 9M2013.

***Other income***

Increase in other income of approximately S\$7.5 million in 9M2013 was due mainly to gain on disposal of investment property by PNG of S\$8.1 million.

***Cost of construction***

Decrease in gross profit margin of approximately 0.7% from 11.0% in 9M2012 to 10.3% in 9M2013 due mainly to the impact from tightening manpower policy which resulted in the increase in cost of construction at a greater pace than that of the corresponding revenue.

***Cost of sales of development properties***

Increase in cost of sales of development property was generally in line with the increase in revenue from sales of development property in 9M2013. Approximately 52.9% of sales in phase II of the Sunny International project recognised was in relation to resettlement of existing residents which resulted in a lower gross profit margin being recognized for this phase.

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### **Cost of goods sold**

Decrease in cost of goods sold was generally in line with the decrease in revenue from sales of goods.

### **Depreciation and amortisation expenses**

Increase in depreciation and amortisation expenses of approximately S\$2.0 million in 9M2013 was due mainly to the completion of the automated pre-fabrication hub in Q2 2012 and the corresponding depreciation for the full 9 months of 2013, coupled with the acquisition of additional S\$15.2 million property, plant and equipment during the period.

### **Selling expenses**

Increase in selling expenses of approximately S\$1.1 million in 9M2013 due mainly to the increase in selling expenses incurred of approximately S\$0.9 million for Equinox project in 9M2013.

### **Staff cost**

Increase in staff cost of approximately S\$1.7 million in 9M2013 was mainly due additional staff headcount recruited to support expansion of existing construction business and new construction projects secured.

### **Other Expenses**

Other expenses increased by approximately S\$1.1 million in 9M2013 due mainly to aggregate increase in operating lease expenses, tender expenses and professional fee incurred of approximately S\$0.3 million, S\$0.4 million and S\$0.6 million respectively, partially offset by decrease in repair and maintenance of approximately S\$0.2 million in 9M2013.

### **Net finance expenses**

Net finance expense decreased by approximately S\$1.3 million in 9M2013 due mainly to appreciation in RMB vis-à-vis SGD, which resulted an exchange gain of approximately S\$1.4 million in 9M2013, as contrast to an exchange loss of approximately S\$1.6 million in 9M2012. This is partially offset by increases in discount implicit in retention sum receivables and interest expenses on bank loans of approximately S\$1.0 million and S\$0.7 million respectively.

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

Share of profit of joint ventures decreased by approximately S\$7.0 million in 9M2013 due mainly to newly commenced joint venture projects, which have yet to reach the revenue recognition milestone at 30 September 2013.

### **Tax expense**

Income tax expense increased by approximately S\$2.6 million was mainly due to land appreciation tax increased by approximately S\$1.3 million derived from recognition of revenue on sales on development properties. In addition, corporate income tax increased by approximately S\$1.3 million due mainly to a one-time tax reversal in relation to reversal of over provision of corporate tax of approximately S\$1.1million recorded in the previous period.

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### **Profit for the period**

Profit in 9M2013 decreased by approximately S\$5.2 million as a result of the factors mentioned in the preceding paragraphs.

### **Review of Financial Position**

#### **Non-Current Assets**

As at 30 September 2013, non-current assets stood at S\$179.1 million or approximately 19.9% of total assets, an increase of approximately S\$1.2 million compared to 31 December 2012.

Increase in property, plant and equipment ("PPE") of S\$5.2 million was due mainly to purchase of PPE amounting to S\$15.2 million which was offset by depreciation charges of S\$9.2 million and disposal of PPE of S\$0.8 million.

Decrease in intangible assets of S\$0.8 million was due mainly to amortisation charges during the period.

Increase in trade and other receivables by S\$4.9 million was mainly due to additional retention sums from on-going projects in Singapore.

Decrease in associates and joint ventures by S\$8.6 million was due mainly to a net receipt of dividend of S\$9.1 million offset with profit recognition from certain joint ventures amounting to S\$0.5 million.

#### **Current Assets**

As at 30 September 2013, current assets stood at S\$719.4 million or approximately 80.1% of total assets. Current assets increased by approximately S\$47.2 million compared to 31 December 2012.

The increase in development properties by S\$46.9 million was mainly due to increase in development costs for ongoing PRC development projects, being Sunny International, Equinox and Xushuguan projects of approximately S\$28.1 million, \$38.8 million and \$5.9 million respectively, partially offset with recognition of cost of development properties for Sunny International Project Phase II of approximately S\$26.1 million.

Other investments increased by approximately S\$3.5 million due mainly to an investment in trust funds by a subsidiary.

Trade and other receivables increased by approximately S\$17.8 million due mainly to increase in trade receivables, accrued receivables, retention sum receivable and advance to supplier of approximately S\$0.6 million, S\$5.9 million, S\$14.4 million and S\$0.7 million respectively and offset by decrease in deposit and prepayment and other receivables of S\$1.6 million and S\$2.5 million respectively. As at 30 September 2013, trade receivables balance was current and not overdue.

Amount due from related parties increased by approximately S\$3.5 million due mainly to increase of joint ventures balances from on-going joint venture projects.

There was a decrease in cash and cash equivalents of approximately S\$21.9 million, mainly due to net cash inflow from operating activities of approximately S\$2.7 million, net cash outflow from investing activities of approximately S\$0.8 million, and net cash outflow from financing activities of approximately S\$29.3 million.

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### **Non-Current Liabilities**

As at 30 September 2013, non-current liabilities totaled S\$93.4 million or approximately 15.2% of total liabilities, a decrease of approximately S\$11.2 million compared to 31 December 2012.

The decrease was due mainly to decrease in loans and borrowings of approximately S\$14.0 million offset by increase in trade and other payables of approximately S\$3.0 million.

The decrease in loans and borrowings by approximately S\$14.0 million due mainly to repayment of loan and reclassification of loan from non-current to current of approximately S\$4.9 million and S\$13.8 million respectively, offset by increase of S\$4.7 million of new loan and finance lease in current period.

Trade and other payable increase by approximately S\$3.0 million due mainly to increase in retention sum payable on on-going projects in Singapore.

### **Current Liabilities**

As at 30 September 2013, current liabilities stood at S\$521.7 million or approximately 84.8% of total liabilities, an increase of S\$43.0 million.

Trade and other payables increased by approximately S\$40.2 million due mainly to increase in accrued payable, accrued operating expenses and receipt in advance of approximately S\$15.4 million, S\$1.8 million and S\$30.1 million respectively, partially offset with the decrease in other payable of S\$8.4 million.

Loans and borrowings increased by approximately S\$16.0 million was due mainly to reclassification of loan from non-current to current of approximately S\$13.8 million and aggregate increased in secured bank overdraft, loan from business associate, and finance lease of approximately S\$0.7 million, S\$0.7 million and S\$0.3 million respectively in 9M2013.

Decrease in amount due to related parties of approximately S\$1.1 million was mainly due to repayment of non-trade amount due to non controlling interests of approximately S\$1.3 million.

Decrease in current tax payable of approximately S\$10.0 million was mainly due to income tax payment of approximately S\$17.5 million during the period, partially offset by provision for income tax amounted S\$7.5 million.

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

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

For the 9 months ended 30 September 2013, the Group recorded a net cash inflow from operating activities of approximately S\$2.7 million, increased by S\$7.2 million as compared to the previous corresponding period ended 30 September 2012.

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

- (a) Net decrease in construction work-in-progress by S\$0.7 million due mainly to current projects' work-in-progress costs, for works where they have yet to be certified by external quality surveyors.
- (b) Net increase in development properties by S\$20.3 million, due mainly to recognition of additional PRC property development costs for Sunny International, Equinox and Xushuguan projects, offset by sales of development properties for Phase II of Sunny International project.
- (c) Net increase in trade and other receivables by S\$20.2 million, due mainly to increase in accrued receivables, trade receivables and retention sum receivables for on-going projects in Singapore.

- (d) Net increase in trade and other payables by S\$38.1 million, due mainly to increase in accrued trade payable from on-going project in Singapore and receipt in advance collected from PRC property pre-sales units.

**Net cash from investing activities**

For the 9 months ended 30 September 2013, the Group recorded a net cash outflow from investing activities of S\$0.8 million, decreased by S\$25.4 million as compared to the previous corresponding period ended 30 September 2012.

This was mainly due to dividend received from joint venture project and proceeds from disposal of investment properties of approximately S\$11.0 million and S\$8.4 million respectively, offset by repayment to related parties (non-trade), purchase of property, plant and equipment, and other investments of approximately S\$2.9 million, S\$14.0 million and S\$3.7 million respectively.

**Net cash from financing activities**

For the 9 months ended 30 September 2013, the Group recorded a net cash outflow from financing activities of S\$29.3 million, increased by S\$23.1 million as compared to the previous corresponding period ended 30 September 2012.

This was mainly due to additional loans and borrowings proceeds obtained in current period with a net payment of S\$8.1 million, payment of dividends of S\$7.7 million to equity shareholders, interest paid of S\$10.2 million, net cash outflow from balances with related parties of S\$0.9 million, repayment of loan to non-controlling interest of S\$1.5 million and increase in deposits pledged of S\$4.0 million, offset by proceeds from loan from business associate of S\$3.5 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 Outlook**

According to advanced estimates released by the Ministry of Trade and Industry on 14 October 2013, the Singapore economy grew by 5.1% on a year-on-year basis in the third quarter ended 30 September 2013, compared to 4.2% in the previous quarter. The construction sector grew by 3.6% on a year-on-year basis, compared to 6.9% in the previous quarter<sup>1</sup>.

The slowdown was due mainly to weaker public sector construction activities, which was partially offset by robust construction activities in the private sector. The construction industry is expected to remain challenging due to the rising labour costs and a shortage of skilled and experienced workers. This is in addition to the restrictions and levies imposed on hiring foreign labour workers in Singapore.

The Group continues its push for productivity with industry leading edge construction technology of precast, Cobiax and formwork systems. Tiong Seng expanded its expertise in precast automation overseas with a construction of a precast plant in the Iskandar region of Johor Bahru, Malaysia on 13 Jun 2013 and a further joint venture to set up a precast plant in Myanmar with the wholly-owned

<sup>1</sup> Ministry of Trade and Industry Report, 14 October 2013



subsidiary of Shwe Taung, a construction giant and one of the most prominent conglomerates in Myanmar.

With its offering of suite of advanced construction technologies, Tiong Seng successfully secured a S\$42.7 million contract from Mapletree Industrial Trust to construct a 7-storey industrial building. It was Tiong Seng's first design and build high specifications industrial building at one-north, bringing its order book to approximately S\$1.1 billion for FY2013, stretching to 2015.

### **Property Development Outlook**

In the near term, the Chinese government is expected to remain vigilant on prices as excessive price gains will inevitably lead to further policy tightening. The general trend of housing prices has been on the climb as revealed in recent statistics.

Home prices in China's four major cities jumped the most since January 2011 while 69 out of 70 cities the government tracks also continued to climb. The statistics bureau also reported on 18 October 2013 that the value of home sales rose 34% in September from the previous month<sup>2</sup>.

While China attempts to maintain a 7.5% economic growth, it is important to recognize China's reliance on fixed asset investment growth, which includes housing. In consideration of the long term outlook of the Chinese property market, the Group expects growth momentum to continue for the property development business. There are two main drivers which will lead to significant demand for housing in China over the long term: urbanization and income growth.

As majority of housing are built in China's cities, urbanization in China adopts a two-prong approach with people moving from the countryside into cities and cities expanding to engulf smaller communities on the peripheral. The levels of urbanization vary across developed countries and China's Prime Minister Li Keqiang has emphasized the importance of urbanization to sustain the next leg of Chinese growth<sup>3</sup>.

As part of the Chinese government's 12<sup>th</sup> five-year plan targeting to double per-capita income in China by 2020, it is believed to translate into urbanization, whereby the natural bias will be for house prices in China to continue rising<sup>4</sup>.

In view of the above catalysts for the China's property market on the short and long term, the property development business continues to be the Group's second engine of growth with the majority of its projects expected to complete over the next two to four years.

As at 30 September 2013, the Group has completed the construction of Phase 1 and Phase 2 out of 4 phases of the Sunny International Project in Cangzhou. All units of Phase 1 have been sold and recognized in 2011 whereas approximately 86% of the total 276 residential units of Phase 2 have been recognized in 9M2013. Sales for Phase 3 and Phase 4 have been launched and approximately 27% of the total 421 residential and commercial units of Phase 3 and approximately 91% of the total 311 residential and commercial units of Phase 4 have been sold as of 30 September 2013. Completion of Phase 4 is expected towards end of 2013 whereas Phase 3 is expected to complete sometime in 2014. As for Equinox project, construction for Phases 1 to 3, out of 7 phases, is currently in progress and completion of phase 1 and 2 expected in 2H 2014 while phase 3 towards end 2014/ early 2015. Sales for Phase 1 and 2 have already commenced with approximately 37% of the total units sold.

For Xushuguan project in Suzhou New District Development Zone, construction of Phase 1, total 2 phases, is expected to commence in 3Q 2013 with completion in 2015. Phase 2 will commence construction in 2014 with completion in 2016.

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<sup>2</sup> Bloomberg, "China Major Cities Home Prices Jump, Fanning Bubble Concerns", 22 October 2013

<sup>3</sup> RBC Wealth Management, via BTInvest, "Global Insight – Special Report on China Property Market", April 2013

<sup>4</sup> As per footnote 3

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**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. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as require under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a shareholders' mandate on IPT.

**14. Use of proceeds**

Not applicable.

On behalf of the Board of Directors

BY ORDER OF THE BOARD

Pek Lian Guan  
Executive Director and CEO  
5 November 2013

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# **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 2013 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

5 November 2013

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