



# TIONG SENG HOLDINGS LIMITED

(ESTABLISHED SINCE 1959, SINGAPORE)

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## FOR IMMEDIATE RELEASE

### Tiong Seng posts 2Q2012 net profit of S\$9.5M as revenue jumps 55% to S\$130M

- *Higher revenue from construction contracts and sales of Cobiax products*
- *Strong S\$1.29 billion order book to be fulfilled over the next 12 to 30 months*

S\$'000	2Q2012	2Q2011	Change (%)	1H2012	1H2011	Change (%)
Revenue	<b>129,978</b>	83,923	+55	<b>232,987</b>	145,460	+60
Net profit attributable to equity holders	<b>9,740</b>	9,220	+6	<b>14,749</b>	11,359	+30
Earnings per share (cents) *	<b>1.27</b>	1.20	+6	<b>1.93</b>	1.48	+30

	As at 30 Jun 2012	As at 31 Dec 2011
Net asset value per share (cents) *	<b>28.05</b>	<b>26.85</b>
Cash & cash equivalents (S\$'000)	<b>48,902</b>	<b>79,845</b>

\* Based on 766,039,750 shares, net of non-controlling interests, as at 30 June 2012 and 30 June 2011

**SINGAPORE – 13 August 2012** – Mainboard-listed construction group and property developer, **Tiong Seng Holdings Limited (長成控股)** (“Tiong Seng”, together with its subsidiaries, “the Group”), announced today that its net profit attributable to equity holders for the second quarter ended 30 June 2012 (“2Q2012”) rose 6% to S\$9.7 million.

This was achieved on the back of higher revenue from construction contracts, sales of Cobiax products and rental income which boosted Group revenue by 55% to S\$130.0 million for the quarter.

With two very strong quarters just ended, the Group’s net profit attributable to equity holders in the first half of FY2012 increased by 30% to S\$14.8 million as revenue surged to S\$233.0 million.

## Segmental review

Revenue breakdown (S\$'000)	2Q2012	2Q2011	Change (%)	1H2012	1H2011	Change (%)
Construction contracts	127,068	80,578	+58	228,226	136,528	+67
Sales of development properties	-	1,095	-100	-	4,656	-100
Sales of goods	2,572	2,018	+27	4,047	3,729	+9

### Construction Contracts

Increase in work done for new and on-going projects, such as The Wharf Residences, The Volari, Hotel at Upper Pickering Street, Tree House, NUS Staff Housing at Kent Vale, Waterway Terraces I and The Glyndebourne contributed towards the increase in revenue from **Construction Contracts** by S\$103.8 million. This was offset against an aggregate of S\$13.3 million less work done for projects such as Hundred Trees, Hilltops and Shelford Suites.

### Sales of development properties

In the first half of FY2012, the Group did not record any revenue from development properties in the PRC although there were 6 units (totaling 891 sqm) of Sunny International project and 5 units (totaling 835 sqm) in Tianmen Jinwan Building that were sold. These have yet to be recognized as revenue in compliance with the Group's revenue recognition policy.

### Sales of goods

Higher sales volume of Cobiex products contributed towards the increase in revenue by approximately S\$0.3 million in 1H2012.

As at 30 June 2012, Tiong Seng maintained a strong cash position, with net cash and cash equivalents of approximately S\$48.9 million. As of the end of the latest second quarter, the Group achieved earnings per share of 1.93 Singapore cents (based on the share capital of 766,039,750 shares and net of non-controlling interests) and net asset value per share of 28.05 Singapore cents.

### Strong Order Book

In 2Q2012, the Group secured a new substantial construction contract worth approximately S\$229 million from NTUC Fairprice Co-Operative Limited for the proposed erection of a 16-storey

single-user warehouse development at Benoi Road & Joo Koon Circle. Its construction order book as at 30 June 2012 remained robust with a strong pipeline of orders valued at approximately S\$1.29 billion. These orders are expected to be fulfilled within the next 12 to 30 months.

In accordance with the Group's revenue recognition policy, work done amounting to approximately S\$32.8 million from newly commenced projects in Singapore have yet to be recognised as revenue in 2Q2012.

Tiong Seng continues to build its property development business in the PRC. Commencement of the construction of its high end residential project in Suzhou New District Xu Shu Guan Development Zone (浒墅关开发区) is expected to be in 4Q2012. This new project is expected to yield approximately 630 units totaling 87,000 sqm.

As at 30 June 2012, the Group has completed the construction and sales of Phase 1 out of 4 Phases, of the City Residence project (沧州阳光国际) in Cangzhou. The other phases are currently in construction and sales for phase 2 and phase 4 commenced in 2Q2011 and 4Q2011 respectively. In addition, the Group is currently carrying out construction for Phase 1, Phase 2 and Phase 3 out of 7 phases for the Equinox project, while sales for Phase 1 commenced in 4Q2011. Sales for Phase 2 is expected to commence in 3Q2012.

## ***Business Prospects***

### **Construction**

In view of the renewed uncertainties in the global economic environment, Singapore's economic growth is expected to remain subdued in the second half of 2012.

In 2012, construction demand continues to be healthy – projected to be between S\$21 billion to S\$27 billion, although it is lower compared to the S\$32 billion recorded in 2011. This is largely due to the lower projected demand from the private sector of between S\$8 billion and S\$12 billion.

In the next two years, the industry is projecting an average construction demand of between S\$19 billion to S\$27 billion per annum<sup>1</sup>.

Broadly speaking, the operating environment is expected to remain challenging for the industry as a whole. Rising construction costs, higher material costs, foreign workers' levies, reduction in the number of foreign workers and strong competition from foreign contractors are factors contributing to the challenging landscape. In addition, more stringent safety standards is now required of industry players as construction workers will soon to pass a practical safety test before working in Singapore<sup>2</sup>.

Despite these challenges, Tiong Seng is well-supported by investments in technology such as the "Tiong Seng Prefab Hub", which officially opened in May 2012, and is the first and only automated pre-cast manufacturing facility in Singapore. Together with its widespread 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 is confident of its leadership position in championing productivity in the construction sector.

Mr Pek Lian Guan (白連源), CEO of Tiong Seng Holdings Limited said, "Apart from the Prefab Hub, Tiong Seng is also focused on training to improve productivity and efficiency. We will also continue to leverage other construction technologies such as BIM and advanced formwork systems to reduce our reliance on labour and increase cost efficiencies."

The Group's measures are firmly in-tune with the government's call for higher productivity within the construction sector.

#### Property Development in the PRC

Whilst the Chinese government continues to implement curbs on property, the Group is of the view that genuine buyer sentiment in the PRC will sustain despite the constant tightening of controls, evident from the strong home prices which continue to rise in recent months.

"Although the PRC economy is forecasted to slow down in the next few quarters, the government is still stepping up efforts to bolster the economy through various stimulus packages. Over the next few years, we will continue to focus on the sales and development of our multi-phased China projects and capitalise on potential opportunities to acquire suitable land sites where possible," explained Mr Pek.

The PRC's urbanisation rate is expected to continue to drive demand for quality housing in China in the longer term. At 47%, the PRC's current urbanisation rate still lags behind the 85%<sup>3</sup> in developed countries, and therefore has more room to grow by an expected 1 percentage point every year for the next 20 years to approximately 70% by 2030<sup>4</sup>.

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<sup>1</sup> "Public sector projects to sustain construction demand in 2012", Building and Construction Authority, 16 Jan 2012

<sup>2</sup> "Safety training boost for construction crews", The Straits Times, 29 Jun 2012

<sup>3</sup> "China's urbanisation rate to reach 50% by 2020", Chinadaily.com.cn, quoting the 2009 City Development Report of China, 5 Dec 2010.

<sup>4</sup> "Urbanisation to drive China's growth", Chinadaily.com.cn, 26 Mar 2011

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***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 50 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, as well as one on-going project in Suzhou.