

Tiong Seng Holdings

Bloomberg: TSNG SP

Reuters: TISE.SI

Price: SGD0.19

Date: November 15, 2011

GICS: Industrials/Construction & Engineering

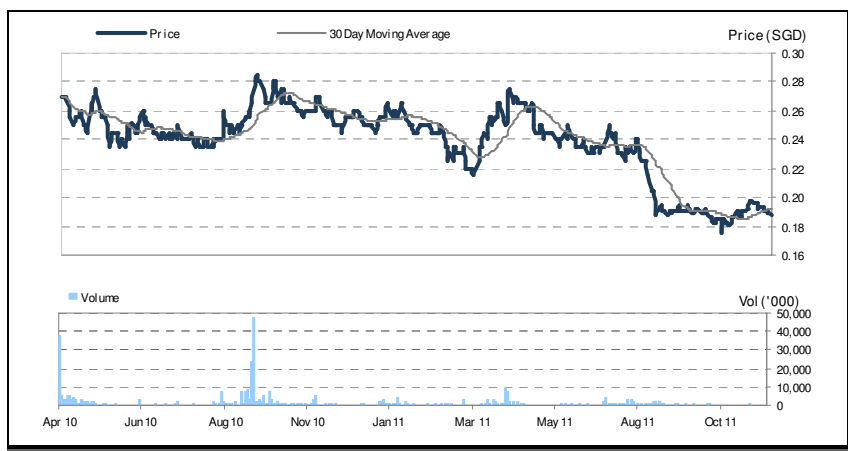
Business Summary: Established since 1959, and listed recently on the main board of SGX in April 2010, Tiong Seng Holdings Ltd (TSH) is engaged in building construction and civil engineering in Singapore and property development in the PRC.

Country of Incorporation: Singapore

Head Office Location: 510 Thomson Road, #08-00 SLF Building, Singapore 298135

Place of Operations: Singapore**Website:** www.tiongseng.com.sg

IR Contact: Foo Yiting | yiting@august.com.sg | +65-6733 8873

Analyst: Seu Yee Lau

Results Review

- TSH reported a net profit of SGD6.8 mln for 3Q11 (-8.5% YoY). 9M11 results were ahead of our expectations, making up about 97% of our original full-year net profit forecast. The stronger performance was due to better-than-expected revenue and JV income and lower minority interests. These more than offset the weaker-than-expected EBIT margin of 4.2% (2011E: 6.1%) and the higher effective tax rate of 19.8% (2011E: 15%).
- 9M11 group revenue increased 27% YoY to SGD272.7 mln, driven by higher revenue for all three of its business segments: (i) higher construction revenue (+7% YoY) from higher works recognition for new and ongoing projects; (ii) higher property revenue (+241% YoY) mainly from the recognition of the Sunny International project in Cangzhou (Phase 1) and; (iii) higher direct sale and licensing revenue contributed mainly by the Cobiax group of SGD6.8 mln (vs. SGD0.6 mln in 9MFY10).
- 9M11 EBIT margin, however, declined to 4.2% (-2%-pts YoY). This was offset by higher JV income, which rose by 22% YoY to SG11.1 mln due to completion of certain projects in 2010. Meanwhile, the group reported a higher effective tax rate of 19.8% (+1.6%-pts YoY). The net effect was an increase in 9M11 net profit by 6%. TSH's orderbook stands at SGD1.0 bln, with projects lasting till 2014. The group recently clinched the second contract from HDB worth SGD147 mln for the construction of 804 units for "Waterway Terraces II" in Punggol West.

Earnings Outlook / Estimates Revision

- After fine-tuning, we have increased our 2011 net profit forecast by 25% after incorporating higher JV income, offset partially by lower margins and higher taxation. We have, however, reduced our 2012 net profit forecast by 9% after assuming lower margins and higher taxation. While management expects upward pressure on construction costs, coupled with rising work levies and material costs, the group's push toward productivity such as the up-and-coming SGD26-mln Prefab Hub and Cobiax technology should help sustain margins.
- The outlook seems positive, with the sustained rollout of public works and the ramping up of HDB units to 25,000 this year and in 2012. In addition, with the group's new launches set to pick up pace, its property income should increase going forward. The group has just completed Phase 1 (out of four phases) of the Sunny International project at Changzhou and sales for Phase 2 commenced in 2Q11. It is also constructing Phase 1 of the Equinox project, where sales are expected to start in 4Q11.

Investment Risks

- A sharp rise in labor or material costs, shortage of skilled labor or increase in project execution costs will put pressure on the group's margins and profitability. Further cooling measures imposed by the PRC government to prevent the formation of an asset bubble will likely adversely affect the group's property sales.

Key Stock Statistics

52-week Share Price Range (SGD)	0.18 - 0.28
Avg Vol - 12 months ('000 shares)	600.2
Price Performance (%)	
- 1 month	0.5
- 3 month	0.0
- 12 month	-29.1
No. of Outstanding Shares (mln)	766.0
Free Float (%)	32.9
Market Cap (SGD mln)	144.0
Enterprise Value (SGD mln)	294.0
Major Shareholders (%)	
Tiong Seng Shareholdings Pte Ltd	59.0
Pek Tiong Choon (Private) Ltd	7.0

Per Share Data

	2009	2010	2011E	2012E
FY Dec.				
Book Value (SG cents)	17.27	22.62	24.68	27.84
Cash Flow (SG cents)	7.3	2.9	3.4	4.5
Reported Earnings (SG cents)	7.3	3.0	3.1	4.2
Dividend (SG cents)	1.1	1.0	1.0	1.0
Payout Ratio (%)	15.2	40.0	32.7	24.1
PER (x)	2.6	6.3	6.1	4.5
P/Cash Flow (x)	2.6	6.4	5.5	4.1
P/Book Value (x)	1.1	0.8	0.8	0.7
Dividend Yield (%)	5.6	5.3	5.3	5.3
ROE (%)	49.0	14.1	12.9	15.8
Net Gearing (%)	8.9	0.0	65.7	66.2

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2011 The McGraw-Hill Companies, Inc.

Page 1 of 4

Earnings Performance

FY Dec. / SGD mln	3Q11	3Q10	% Change
Reported Revenue	127.3	90.0	41.4
Reported Operating Profit	3.1	6.2	-49.1
Depreciation & Amortization	-0.8	-0.8	-3.4
Net Interest Income / (Expense)	0.0	0.0	NA
Reported Pre-tax Profit	9.2	9.4	-2.2
Reported Net Profit	6.8	7.5	-8.5
Reported Operating Margin (%)	2.5	6.9	-
Reported Pre-tax Margin (%)	7.2	10.4	-
Reported Net Margin (%)	5.4	8.3	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2009	2010	2011E	2012E
Reported Revenue	375.6	252.3	341.2	498.0
Reported Operating Profit	48.3	11.6	13.7	30.6
Depreciation & Amortization	-1.8	-3.3	-2.9	-2.9
Net Interest Income / (Expense)	-2.7	-0.6	2.1	2.1
Reported Pre-tax Profit	65.5	27.2	29.8	38.8
Effective Tax Rate (%)	21.2	13.7	18.0	18.0
Reported Net Profit	41.4	21.4	23.5	31.8
Reported Operating Margin (%)	12.8	4.6	4.0	6.1
Reported Pre-tax Margin (%)	17.4	10.8	8.7	7.8
Reported Net Margin (%)	11.0	8.5	6.9	6.4

Source: Company data, S&P Equity Research

Required Disclosures

Standard & Poor's Equity Research Services – Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

This company is not a customer of S&P or its affiliates.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by McGraw-Hill Financial Research Europe Limited which is authorized and regulated by the Financial Services Authority and trades as Standard & Poor's; in Hong Kong by Standard & Poor's Investment Advisory Services (HK) Limited, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, McGraw-Hill Financial Research Europe Limited, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

SGX Equity Research Insights ("SERI")

This report has been prepared by S&P LLC for purposes of SERI administered by Singapore Exchange ("SGX"). S&P will receive total compensation of SGD12,000 each year for providing research coverage on each participating listed company under SERI.

Disclaimers

With respect to reports issued to clients in Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. With respect to reports issued to clients in German and in the case of inconsistencies between the English and German version of a report, the English version prevails. Neither S&P nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not necessarily indicative of future results.

Standard & Poor's, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness or adequacy of this material, and S&P Parties shall have no liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of the information provided by the S&P Parties. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document even if advised of the possibility of such damages. Capital IQ is a business of Standard & Poor's.

Ratings from Standard & Poor's Ratings Services are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. Standard & Poor's assumes no obligation to update its opinions following publication in any form or format. Standard & Poor's ratings should not be relied on and are not substitutes for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. Standard & Poor's rating opinions do not address the suitability of any security. Standard & Poor's does not act as a fiduciary. While Standard & Poor's has obtained information from sources it believes to be reliable, Standard & Poor's does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

Standard & Poor's keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of Standard & Poor's may have information that is not available to other Standard & Poor's business units. Standard & Poor's has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

Standard & Poor's Ratings Services did not participate in the development of this report. Standard & Poor's may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. Standard & Poor's reserves the right to disseminate its opinions and analyses. Standard & Poor's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via Standard & Poor's publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2011 The McGraw-Hill Companies, Inc.

Page 3 of 4

Required Disclosures

it is suitable for your particular circumstances and, if necessary, seek professional advice.

This document does not constitute an offer of services in jurisdictions where Standard & Poor's or its affiliates do not have the necessary licenses.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia - All queries in relation to this report should be referred to Weng Jin Ching.

For residents of Indonesia - This research report does not constitute an offering document and it should not be construed as an offer of securities in Indonesia, and that any such securities will only be offered or sold through a financial institution.

For residents of the Philippines - The securities being offered or sold have not been registered with the Securities and Exchange Commission under the Securities Regulation Code of the Philippines. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

STANDARD & POOR'S, S&P, S&P 500, S&P Europe 350 and STARS are registered trademarks of Standard & Poor's Financial Services LLC.