Tiong Seng Holdings Limited
長成控股

(Incorporated in Singapore)
(SGX: BFI)

VOLUNTARY ANNOUNCEMENT

Unaudited Business Update for the First Quarter ("1Q2020") ended 31 March 2020

Without prejudice to or derogating from the generality of the foregoing, no representation or assurance is given by Tiong Seng Holdings Limited ("the Company") that this unaudited business update contains all information that an investor may require. To the extent permitted by applicable law, the Company or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from the reliance or use of the information contained in this unaudited business update.

Shareholders and potential investors are reminded to exercise caution when dealing or trading in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

Key Financial Highlights

S$'000	1Q2020	1Q2019	Change (%)
Revenue	82,005	89,273	(8.1)
Net profit attributable to shareholders	673	1,337	(50.0)
Earnings per share (Sing cents)[i]	0.15	0.30	(50.0)

	As at 31 March 2020	As at 31 December 2019
Net asset value per share (Sing cents)[ii]	61.51	59.70
Cash & cash equivalents (S$'000)	58,956	55,539

i) The earnings per share net of non-controlling interests has been calculated based on 444,587,851 (2019: 444,785,349) weighted average number of shares outstanding excluding treasury shares.
ii) The net asset value per ordinary share net of controlling interests and excluding treasury shares has been calculated based on 442,552,249 shares as at 31 March 2020 and 444,785,349 shares as at 31 December 2019.

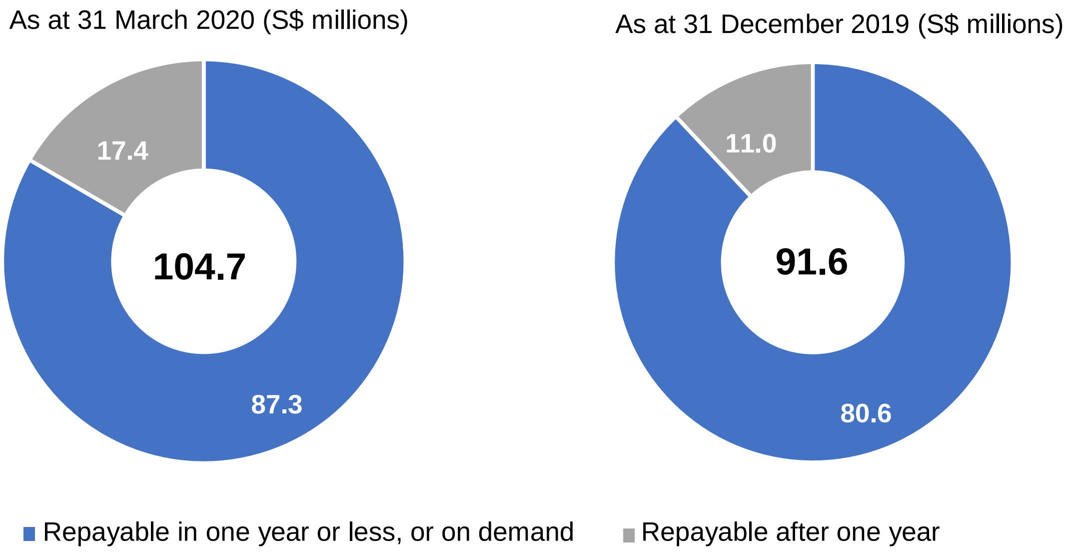
Condensed Consolidated Statement of Financial Position

	As at	
	31 March 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
Current assets	491,908	494,321
Non-current assets	156,703	157,651
Current liabilities	(319,141)	(336,708)
Non-current liabilities	(37,729)	(30,777)
Total net assets	291,741	284,487

Condensed Consolidated Statement of Cash Flows

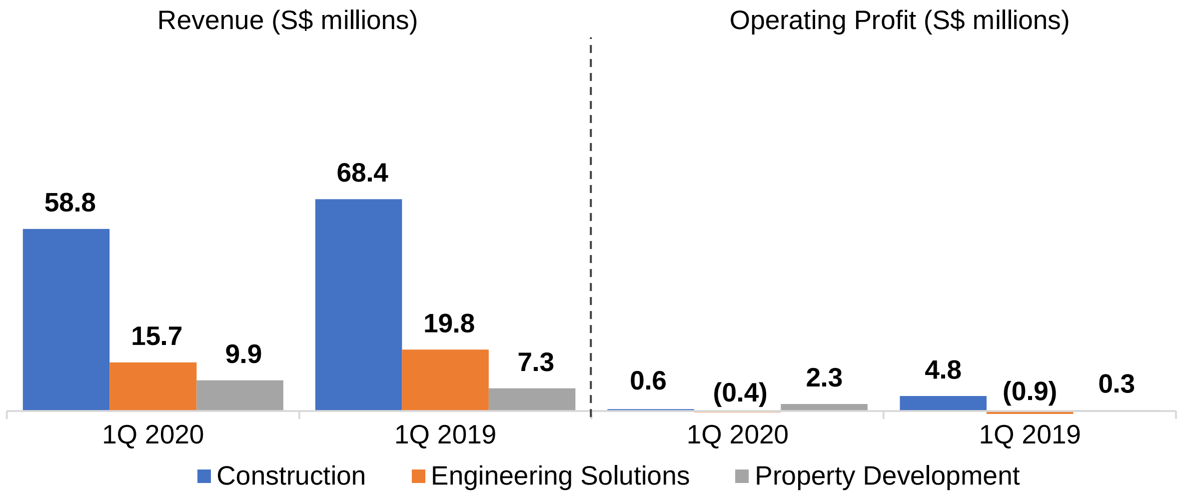
	For the three months ended	
	31 March 2020 S$'000 (unaudited)	31 March 2019 S$'000 (unaudited)
Net cash (used in)/from operating activities	(12,540)	22,587
Net cash from/(used in) investing activities	4,787	(1,007)
Net from/(cash used) in financing activities	11,343	(2,201)
Net increase in cash and cash equivalents	3,590	19,379
Cash and cash equivalents at beginning of the period	54,725	39,146
Effect of foreign exchange changes	(211)	(406)
Cash and cash equivalents at end of the period	58,104	58,119

Aggregate amount of Group's borrowings and debt securities



(*Summed figures may have discrepancy due to rounding)

Business Segment Highlights



Business Review

Construction

Construction segment revenue decreased by approximately S$9.6 million from S$68.4 million in 1Q2019 to S$58.8 million in 1Q2020 due to the difference in stages of revenue recognition for the Group's various construction contracts. Gross profit margin reduced approximately 8.7 percentage points from 15.9% in 1Q2019 to 7.2% in 1Q2020 as a result of a competitive tender landscape combined with differences in projects' profile and relative weighted average profitability of the projects recognised over the two periods. As a result, operating profit decreased by S$4.2 million to S$0.6 million in 1Q2020.

The Group has however made positive headway in 1Q2020 with three contract wins totalling S$351.4 million. These contract wins relate to private residential projects Hyll on Holland, Cairnhill 16 as well as Tan Quee Lan Residences.

As at 31 March 2020, the Group's construction segment maintains an order book of S$1,058.1 million.

Engineering Solutions

Revenue from Engineering Solutions decreased by approximately S$4.1 million from S$19.8 million in 1Q2019 to S$ 15.7 million in 1Q2020, mainly due to lower precast production during the quarter. On the other hand, the segment's gross profit margin improved by 4.4 percentage points from 0.6% in 1Q2019 to 5.0% in 1Q2020, mainly due to the differences in profitability and stages of work progress from various projects over the two periods. The improvement in gross profit margin provided support to the segment's operating results, with the Group reducing its operating loss from S$0.9 million in 1Q2019 to S$0.4 million in 1Q2020.

As at 31 March 2020, the Group's Engineering Solutions segment maintains an order book of S$139.8 million.

Property Development

Revenue from the sale of development properties in 1Q2020 amounted to S$9.9 million, contributed mainly from the sale recognition of 7 units (2,172 sqm) from the Tranquility Project, 2 units (481 sqm) from the Sunny International Project and 1 unit (342 sqm) from the Equinox Project. In 1Q2019, revenue amounted to S$7.3 million was contributed mainly from the sale recognition of 4 units (1,322 sqm) from the Tranquility Project and 5 units (1,151 sqm) from the Equinox Project. Gross profit margin increased approximately 8.4 percentage points from 25.5% in 1Q2019 to 33.9% in 1Q2020, mainly due to the difference in projects' profile and relative profitability in the units recognised over the two periods. Backed by an increase in revenue and better gross profit margin, the segment's operating profit increased from S$0.3 million in 1Q2019 to S$2.3 million in 1Q2020.

As at 31 March 2020, approximately S$38.3 million of gross development value were sold, but yet to be recognised as revenue in accordance to our revenue recognition policy, as follows:

Projects (in PRC)		Total	Total Launch	Sold and recognised	Sold but yet to be recognised	Unsold Inventories	Future Launch	ASP psm (sold but yet to be recognised)^
Equinox	Units	Note 1	434	273	63	98	Note 1	15,335
	Area ('000 sqm)	172	88	56	10	22	84	
Tranquility	Units	636	636	606	6	24	-	18,142
	Area ('000 sqm)	100	100	90	2	8	-	
Sunny Int'l	Units	1,459	1,459	1,458	1	-	-	11,905
	Area ('000 sqm)	167	167	166	1	-	-	

Note 1: Products for subsequent phases to be finalised in accordance to market demand
^Average selling price per square metre for units sold but yet to be recognised (in RMB)

Outlook

Current State of Affairs and Outlook

Following the onset of the Covid-19 outbreak in Singapore, the Singapore government moved to suppress the spread of the virus through a Circuit Breaker first implemented on 7 April 2020 for the period up to 4 May 2020[1]. As a stronger push to decisively break the transmissions and further reduce the number of community cases in the country[2], tightened measures were introduced two weeks later, on 21 April 2020, which extended the Circuit Breaker period to 1 June 2020 instead.

Due to the spike in confirmed Covid-19 cases amongst migrant workers across the island, tighter measures were also implemented on these clusters, including the restriction of daily movement of workers in and out of all dormitories (i.e. Purpose Built Dormitories, Factory Converted Dormitories, Construction Temporary Quarters and Temporary Occupation Licence Quarters) up until the end of the Circuit Breaker period, i.e. until 1 June 2020. In compliance with the tightened measures, the Group temporarily ceased construction activities of its ongoing construction and engineering solutions projects.

For the Group's property development segment, the Group has temporarily closed its show flat for its Sloane Residences project at 17 Balmoral Road in compliance with the government's Circuit Breaker measures. Similarly, the Group has postponed the preview and launch of its Cairnhill 16 project at 16 Cairnhill Rise. The construction of the show flat for Cairnhill 16 is also expected to be delayed due to the temporary suspension of construction activity.

Due to the adverse impact of Covid-19 on global and regional supply-chains, the construction industry is expected to be impacted significantly in the near-term, with industry-wide shortages in manpower and rising costs of raw materials and workers' related expenses after the Circuit Breaker measures are lifted, as contractors ramp up construction works to reduce backlog amid the tighter operating environment.

For the property development segment, the Group believes that its target market will still view real estate as a desirable asset class to invest in, even as consumer confidence has been affected by the recent economic downturn. Real estate in Singapore, especially those on prime freehold land, has traditionally proven to be a good hedge and store of value in times of uncertainty. As such, the Group is cautiously optimistic that luxurious, well-located freehold developments such as Sloane Residences and Cairnhill 16 will continue to offer an attractive value proposition for owner-occupiers and investors alike.

Strategy to Address the Effects of Covid-19

First and foremost, the Group's utmost priority is to ensure the health and safety of its workers and employees. The Group continues to monitor developments with regard to the Covid-19 outbreak and maintains close communications with its foreign workers and the relevant authorities. Where appropriate, the Group will provide support toward its workers and make any special arrangements to ensure their needs and general well-being are met during this trying period.

Tiong Seng continues to engage further with its staff through various means and initiatives. Based on the following five key principles: i) Learn, ii) Re-think & Innovate, iii) Share, iv) Care and v) Work, the Group is placing focus on facilitating learning and innovation, maintaining productivity and implementing initiatives that will boost morale during this Circuit Breaker period. For example, the Group encouraged self-created learning and training amongst employees via Webinars and launched its TS CARE scheme to ensure none of its employees will be neglected or left behind.

[1] "Speech by Mr Gan Kim Yong, Minister for Health, at the Second Reading of Covid-19 (Temporary Measures) Bill", Ministry of Health, 7 April 2020

[2] "Strong National Push to Stem Spread of Covid-19", Ministry of Health, 21 April 2020

The Group is currently making the necessary preparations and is working closely along its supply chain to ensure that the necessary equipment, raw materials and manpower are in place once operations resume, subject to any governmental restrictions and policies, when the Circuit Breaker measures are lifted.

For its property development segment, the Group is monitoring the property market and economic conditions closely in light of Covid-19. Due to the temporary cessation of construction works for the Group's Sloane Residences project, the Group will continue to track and monitor the development's progress. Barring any unforeseen circumstances, the Group also expects to recommence sales of Sloane Residences, as well as the preview and launch of Cairnhill 16 after the Circuit Breaker measures are lifted, dependant on the prevailing market conditions.

Assessment of Operating and Financial Conditions

Due to the uncertainty and fluidity of developments surrounding Covid-19, the Group cannot reasonably estimate the full extent of the impact that these events will have on its financial position, results of operations or cash flows in the future. Based on a preliminary review and estimates of the unaudited management accounts of the Group as at the date of this announcement, the financial assessment and impact of Covid-19 on the Group's operations for 1H2020 are as follows:

- Reduction in revenue due to the cessation of work done on sites of existing projects, as revenue is recognised progressively upon completion of the respective stages of each project. Further, the government has mentioned that the lifting of the Circuit Breaker would be gradual which could imply that the level of work done may not be at the same level as that prior to the Circuit Breaker. Further, with the closure of the Group's property development show flat, thus affecting its sales, property transactions are expected to be affected.

- While the Government has provided support to the business community through various temporary relief measures, they were not sufficient to adequately defray the operating costs of salaries of staff & workers and other overheads of the Group that are required to be incurred during this period, weighing further on the Group's performance.

- Given the unfavourable operating circumstances and the slew of tight regulatory environment which the Group is operating in, the road to recovery is expected to be long and arduous and the net results of the Group for the subsequent periods are expected to be extremely challenging when compared to the preceding year.

The Group is taking a prudent approach in managing its expense and operating cash flows to conserve cash and ensure adequate liquidity during this period. Supported by a healthy cash position of approximately S$59.0 million as at 31 March 2020, the Group does not expect to face any material uncertainties, barring any unforeseen circumstances, concerning its ability to fulfil its near-term debt obligations nor affect the Group's ability to continue as a going concern.

As the Group has continued to invest in construction equipment and machinery such as cranes, excavators, pumps and a range of other construction equipment over the years, these investments will enable the Group to manage its costs and ensure the availability of resources once works resume. Furthermore, the Group is able to tap on its in-house prefabrication production capabilities and resources to meet the needs and demands of its customers. These facilities, including Tiong Seng Prefab Hub and its production facilities in Tuas South Street 11 and Malaysia, will enable the Group to quickly mobilise its resources to cope with the construction demand once Circuit Breaker measures are lifted.

As developments surrounding Covid-19 remain fluid and uncertain, the Group will monitor the situation closely and keep shareholders updated on material developments, if any, via SGXNet.

Mr Pek Lian Guan (白連源), CEO of Tiong Seng Holdings Limited commented, "*Backed by a resilient balance sheet and healthy cash position, we believe that we can successfully weather through this Covid-19 storm. While the pandemic is expected to impact our operations in the short-term, we are confident that the preparations we have made over the years, including the establishment of our in-house Prefabricated Pre-finished Volumetric Construction ("PPVC") production capabilities and investments into procuring essential construction equipment, will help us to resume operations expeditiously once the Circuit Breaker measures are lifted. Our robust order book, which is bolstered by three newly secured construction projects early on in the first quarter this year, will also help to alleviate the industry headwinds.*

With that said, it is our immediate and utmost priority to ensure the safety and well-being of all of our foreign workers during this trying period. We will continue to monitor developments with regard to the Covid-19 situation, maintain close communications with our foreign workers and provide support where appropriate to ensure their needs and general well-being are met."