

# Singapore Result Snapshot

## Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

DBS Group Research . Equity

11 May 2011

### Development projects to boost earnings in 2H11

BUY S\$0.25

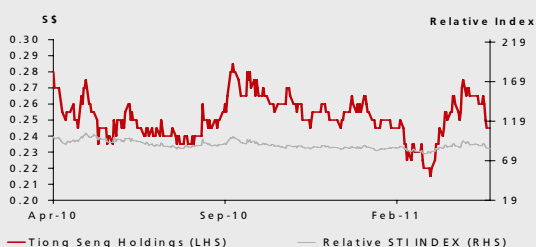
Price Target : S\$ 0.31

Reporting Period	Performance	Mkt Cap	FY	EPS (\$ cts)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
1Q 2011	Below	S\$192m	2010A	2.8	(48)	-	8.9	1.1	4.0
		US\$155m	2011F	4.1	47	-	6.1	1.0	4.0
			2012F	4.4	7	-	5.7	0.9	4.0

#### Result Summary

FY Dec (\$ m)	1Q2010	1Q2011	yoy chg
<b>P&amp;L Items</b>			
Revenues	54.2	61.5	14%
Gross Profit	6.0	8.8	47%
Other operating costs	(5.3)	(8.1)	55%
Other income	2.4	2.4	2%
Operating profit	3.1	3.1	0%
Net interest inc/(exp)	(0.8)	(0.2)	-69%
JV/Associate income	2.9	0.6	-79%
Exceptional Gain/(Loss)	0.0	0.0	nm
Pretax Profit	5.3	3.5	-34%
Net Profit	3.1	2.1	-30%
Gross Margin (%)	11%	14%	
Operating Margin (%)	6%	5%	
Pretax Profit margin (%)	10%	6%	

#### Price Relative



#### Segmental breakdown

	1Q 2010	1Q 2011	YoY Chg
	\$m	\$m	
Construction	48.9	56.0	14%
Development Properties	5.1	3.6	-31%
Rental Income & Others	0.2	2.0	>100%
<b>Total revenues</b>	<b>54.2</b>	<b>61.5</b>	<b>14%</b>

Source: Company, DBS Vickers

#### At a Glance

- 1Q11 PATMI of S\$2.1m in line
- Earnings uplift in 2H11 from deferred construction revenue of S\$24m; completion of phase 1 of Sunny Int'l project in 3Q11
- BUY, TP S\$0.31 offers 24% upside

#### Comment on Results

**Results in line.** Tiong Seng reported a 14% increase in topline to S\$61.5m on the back of (i) higher construction revenues recognized – S\$56.0m (+14%yoy) due to the increase in work done for new/ongoing projects (Wharf Residences, Volari, Hotel at Upper Pickering street, NUS Staff housing), slightly offset by lower recognition of property sales in China, and (ii) contribution of S\$1.7m (nil in 1Q10) from Cobiax group acquired in 3Q10. Operating expenses increased in line with higher topline, new headcount to support new construction and ongoing property development projects. With the completion of certain JV projects, the group saw lower associate income. As such, the group reported a 30% decline in PATMI to S\$2.1m. Performance could be better if S\$21.8m worth of construction revenues attributable to newly commenced projects (Hundred Trees, Tree House) were recognized in 1Q11, but the projects have yet to reach their milestone.

**Sunny International property development project phase 1 completing in 3Q11; property development projects progress as planned.** We note that the group has substantially completed the construction and sales of phase 1 of Sunny International project, which should start to contribute starting 3Q11. In addition, Tiong Seng is embarking on phase 2 of the project and is carrying out the construction of phase 1 of Equinox project in Dagang.

#### Recommendation

**Maintain BUY, TP S\$0.31** As of 1Q11, Tiong Seng continued to offer strong earnings visibility with construction order-book of S\$1.1bn. The group's investment in its pre-cast factory and Cobiax will enable the group to enhance cost efficiencies and thus stay ahead of competition in the years ahead.

**ANALYST:** Derek TAN CPA +65 6398 7966 derektan@dbsvickers.com

DBSV recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

DBS Vickers Research is available on the following electronic platforms: DBS Vickers ([www.dbsvresearch.com](http://www.dbsvresearch.com)); Thomson ([www.thomson.com/financial](http://www.thomson.com/financial)); Factset ([www.factset.com](http://www.factset.com)); Reuters ([www.rbr.reuters.com](http://www.rbr.reuters.com)); Capital IQ ([www.capitaliq.com](http://www.capitaliq.com)) and Bloomberg (DBSR GO). For access, please contact your DBSV salesperson.

#### GENERAL DISCLOSURE/DISCLAIMER

This report is published by DBS Vickers Research (Singapore) Pte Ltd ("DBSVR"), a direct wholly-owned subsidiary of DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") and an indirect wholly-owned subsidiary of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). This report is intended for clients of DBSV Group only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVR.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBSVR, DBSVS, and/or DBSVH) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. DBSVR accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. DBSVH is a wholly-owned subsidiary of DBS Bank Ltd. DBS Bank Ltd along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and their associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by DBSVR, DBSVS and/or DBSVH (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

#### ANALYST CERTIFICATION

The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of 11 May 2011, the analyst and his / her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities, directorships and trustee positions).

#### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Vickers Securities (Singapore) Pte Ltd and its subsidiaries do not have a proprietary position in the company mentioned as of 09-May-2011
2. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the company mentioned as of 11 May 2011.
3. Compensation for investment banking services:
  - i. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBSVUSA have received compensation, within the past 12 months, and within the next 3 months receive or intends to seek compensation for investment banking services from the Tiong Seng Holdings.
  - ii. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

#### RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBSVR and DBSVS, which are exempted from the requirement to hold an Australian financial services licence under the Corporation Act 2001 ["CA"] in respect of financial services provided to the recipients. DBSVR and DBSVS are regulated by the Monetary Authority of Singapore ["MAS"] under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Singapore	This report is being distributed in Singapore by DBSVR, which holds a Financial Adviser's licence and is regulated by the MAS. This report may additionally be distributed in Singapore by DBSVS (Company Regn. No. 198600294G), which is an Exempt Financial Adviser as defined under the Financial Advisers Act. Any research report produced by a foreign DBS Vickers entity, analyst or affiliate is distributed in Singapore only to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, Chap. 289 of Singapore. Any distribution of research reports published by a foreign-related corporation of DBSVR/DBSVS to "Accredited Investors" is provided pursuant to the approval by MAS of research distribution arrangements under Paragraph 11 of the First Schedule to the FAA.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.
Dubai/ United Arab Emirates	This report is being distributed in Dubai/United Arab Emirates by DBS Bank Ltd, Dubai (PO Box 506538, 3 <sup>rd</sup> Floor, Building 3, Gate Precinct, DIFC, Dubai, United Arab Emirates) and is intended only for clients who meet the DFSA regulatory criteria to be a Professional Client. It should not be relied upon by or distributed to Retail Clients. DBS Bank Ltd, Dubai is regulated by the Dubai Financial Services Authority.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

**DBS Vickers Research (Singapore) Pte Ltd** – 8 Cross Street, #02-01 PWC Building, Singapore 048424  
 Tel. 65-6533 9688  
 Company Regn. No. 198600295W