TUAN SING HOLDINGS LIMITED

Creating A Clear Distinction

# 2Q2019 AND 1H2019 RESULTS ANNOUNCEMENT

## 24 July 2019

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# Group Financial Performance

| ($'m) | 2Q2019 | 2Q2018 | Chg | 1H2019 | 1H2018 | Chg |
|---|---|---|---|---|---|---|
| Revenue | 73,917 | 81,663 | -9% | 151,380 | 158,133 | -4% |
| Gross profit | 13,765 | 15,489 | -11% | 30,282 | 32,078 | -6% |
| Profit before tax & fair value adj | 4,188 | 4,309 | -3% | 6,125 | 13,973 | -56% |
| Profit before tax | 3,934 | 4,178 | -6% | 5,952 | 13,775 | -57% |
| Profit after tax | 1,589 | 3,082 | -48% | 1,777 | 11,256 | -84% |
| Net profit attributable to shareholders | 1,483 | 2,985 | -50% | 1,640 | 11,144 | -85% |
| EPS (cents) | 0.1 | 0.3 | -67% | 0.1 | 0.9 | -89% |

# Overview

- **Group's revenue for 2Q2019 was $73.9 million** (vs $81.7 million, 2Q2018), a decrease of 9%.
- **Revenue for 1H2019 was $151.4 million** (vs $158.1 million, 1H2018), a decrease of 4%.
- The decrease for both periods was mainly due to lower revenue from Hotels Investment and Industrial Services segments, partially offset by higher revenue from Property segment.
- **Net profit attributable to shareholders for 2Q2019 decreased by $1.5 million or 50% to $1.5 million** as compared to the corresponding period last year mainly due to higher finance cost[#] and offset by a write-back on provision of legal costs relating to a development project.
- **Net profit attributable to shareholders for 1H2019 decreased by $9.5 million or 85% to $1.6 million** as compared to the corresponding period last year mainly due to higher finance cost of $6.4 million and the absence of $3.9 million gain from divestment of a China subsidiary in FY2018. This was offset by a write-back on provision of legal costs relating to a development project.
- **Earnings per share was 0.1 cent for 2Q2019 and 1H2019** as compared to 0.3 cent and 0.9 cent respectively a year earlier.
- **Net asset value per share was 90.4 cents per share as at 30 June 2019**, as compared to 92.2 cents as at 31 December 2018.

[#] Higher finance cost for both periods were mainly due to interest expenses for an investment property, 18 Robinson, which obtained its TOP in January 2019. Prior to obtaining TOP, the interests were capitalised. In addition, there was an increase in interest rates on the loans for the other investment properties.

# Revenue by Segment

| ($'m) | 1H2019 | 1H2018 | Chg |
|---|---|---|---|
| Property | 50.5 | 35.4 | 43% |
| Hotels Investment | 49.5 | 54.5 | -9% |
| Industrial Services | 52.1 | 68.8 | -24% |
| Other Investments^^ | - | - | - |
| Corporate & Others@ | (0.7) | (0.6) | 17% |
| **Group Total** | **151.4** | **158.1** | **-4%** |

**1H2019 revenue decreased mainly due to lower contribution from Hotels Investment and Industrial Services segments, partially offset by higher contribution from Property segment.**

^^ GulTech and Pan-West were not included as their results were equity accounted for
@ Comprise mainly group-level services and consolidation adjustments

# Profit after tax by Segment

| ($'m) | 1H2019 | 1H2018 | Chg |
|---|---|---|---|
| Property | 1.5 | 10.8 | -86% |
| Hotels Investment | 0.1 | 1.3 | -92% |
| Industrial Services | 0.2 | 0.4 | -50% |
| Other Investments | 10.5 | 8.9 | 18% |
| Corporate & Others** | (10.5) | (10.1) | 4% |
| **Group Total** | 1.8 | 11.3 | -84% |

- Group's lower profit after tax was mainly due to higher finance cost of $6.4 million and the absence of $3.9 million gain from divestment of a subsidiary in China last year.
- Higher finance cost was mainly due to 18 Robinson which obtained TOP in January 2019 and the lease revenue stream is expected to commence when the tenants move in the second half of 2019.

** Comprise mainly group-level services and consolidation adjustments

# Property

- **Property Segment revenue for 1H2019 was $50.5 million** as compared to $35.4 million in the same period last year, an increase of $15.1 million.
- The increase was mainly driven by an increase in sales and percentage of completion of development properties. This was partially offset by the decrease in revenue from investment properties mainly due to the on-going Additions and Alterations ("A&A") works on 896 Dunearn Road.
- **Profit for the 1H2019 was $1.5 million** as compared to $10.8 million in the same period last year, a decrease of $9.3 million.
- The decrease in profit was mainly due to the absence of $3.9 million gain arising from the divestment of a China subsidiary, and an increase in finance cost of $6.3 million, which was mainly due to interest for 18 Robinson being expensed after obtaining Temporary Occupation Permit ("TOP") in January 2019.
- 18 Robinson: TOP was obtained in January 2019. Upon completion of tenancy works and when tenants move in the second half of 2019, it is expected to contribute positively to the performance of the Group.
- 896 Dunearn Road: The A&A and tenancy refresh for the main food & beverage and retail spaces would be completed by the end of 3Q2019.

# Hotels Investment

- **Hotels Investment Segment revenue for 1H2019 was $49.5 million** (or A$51.5 million) as compared to $54.5 million (or A$53.2 million) in the same period last year, a decrease of $5.0 million (or A$1.7 million).

- Despite a slight decrease in occupancy rate, Melbourne hotel performed better with an increase in RevPAR.
- However, it was offset by the weaker performance of the Perth hotel.

- **Profit for 1H2019 was $0.1 million** as compared to 1H2018 of $1.3 million, a decrease of $1.2 million. The decrease was mainly due to weaker performance of the Perth hotel.

# Industrial Services

- **Industrial Services Segment revenue for 1H2019 was $52.1 million** as compared to $68.8 million in the same period last year, a decrease of $16.7 million.
- The decrease was mainly due to lower contribution from the Commodities Trading unit.
- **Profit for 1H2019 of $0.2 million** was comparable to 1H2018 of $0.4 million. While revenue decreased, profitability was comparable as income is based on the quantity of delivery.

# Other Investments

- **Other Investments Segment is mainly the Group's 44.48% equity stake in GulTech**, a manufacturer and vendor of printed circuit boards.
- **Group's share of profit for 1H2019 was $10.5 million** as compared to $8.9 million in the same period last year, an increase of 18%. The increase was mainly attributable to an increase in share of profits from Wuxi plant as GulTech increased its stake in GulTech Wuxi in July 2018.

# Group Financial Position

| ($'m) | 30.06.19 | | 31.12.18 | | Chg |
|---|---|---|---|---|---|
| Total assets | 2,872.4 | | 2,917.4 | | -2% |
| Total liabilities | 1,784.2 | | 1,808.9 | | -1% |
| Total borrowings | 1,637.4 | (a) | 1,630.4 | (a) | * |
| Cash and bank balances | 136.9 | | 133.0 | | 3% |
| Shareholders' funds | 1,073.1 | | 1,093.5 | | -2% |
| NAV per share (cents) | 90.4 | | 92.2 | | -2% |
| Gross gearing^ | 1.50X | (a) | 1.47X | (a) | 2% |
| Net gearing^^ | 1.38X | (a) | 1.35X | (a) | 2% |

Note (a): 86% of the total borrowings are asset-backed borrowings, supported by assets such as investment properties in CBD region (e.g.: 18 Robinson and 39 Robinson Point) and are near to MRT stations (e.g.: 896 Dunearn Road which is located beside the King Albert Park station).

^ Gross gearing = total borrowings / total equity

^^ Net gearing = net borrowings / total equity; Net borrowings = total borrowings – cash and bank balances

* Less than 1% change

# Review of Financial Position

- **Total assets was $2,872.4 million** as compared to $2,917.4 million (31 Dec 2018)

- **Total liabilities was $1,784.2 million** as compared to $1,808.9 million (31 Dec 2018)
- Gross gearing increased from 1.47 times to 1.50 times
- Net gearing increased from 1.35 times to 1.38 times

[Note: 86% of the total borrowings are asset-backed.]

- **Shareholders' fund was $1,073.1 million** as compared to $1,093.5 million (31 Dec 2018)
- Company's share capital was $175.2 million as compared to $173.9 million (31 Dec 2018). The increase was due to the issuance of shares under the Scrip Dividend Scheme.
- Under the "Share Purchase Mandate": 2,995,000 ordinary shares were purchased during the year and held as treasury shares

# Group Cash Flow

| ($'m) | 1H2019 | 1H2018 |
|---|---|---|
| Operating cash flow | (6.7) | 3.5 |
| Investing cash flow | 33.7 | (58.0) |
| Financing cash flow | (22.1) | 0.3 |
| Foreign currency translation adjustments | (2.7) | (0.9) |
| Cash & cash equivalent at period-end^ | 68.8 | 96.0 |
| Free cash flow^^ | 27.0 | (54.5) |

^ Net of encumbered bank balances
^^ Free cash flow = operating cash flow + investing cash flow

# Review of Cash Flow

- **The Group had cash and cash equivalents of $68.8 million** as at 30 June 2019, as compared to $66.6 million as at 31 December 2018

- Cash and cash equivalents movement was due mainly to:
  - Operating cash out flow: -$6.7 million, mainly arose from profit for the period, after changes in working capital and other adjustments.
  - Investing cash in flow: +$33.7 million, mainly from the sales proceeds of an investment property (Century Warehouse), offset by payments for the acquisition of a subsidiary in Indonesia, progress payments for investment properties and purchase of property, plant and equipment.
  - Financing cash out flow: -$22.1million, mainly from interest and dividend payments, offset by net proceeds from loans and borrowings.

# Outlook

- In Singapore, the office market continues to be favourable. The Group expects 18 Robinson and 896 Dunearn Road to generate healthy stream of recurring rental income in the second half of the year. 18 Robinson secured a variety of tenants such as co-working operators, service and technology companies, finance companies and lifestyle tenants. The Group also received good rental rates and healthy take up because of limited supply of Grade A office buildings in Central Business District ("CBD") area. 896 Dunearn Road commenced the A&A works and tenancy refresh, which would be completed by the end of 3Q2019. The Group has successfully secured quality tenants for the food & beverage and retail spaces. It will be rebranded as an exciting destination just beside the King Albert Park MRT station along the Downtown line.

# Outlook

- The Group will continue to market their residential projects actively, namely Kandis Residence and Mont Botanik Residence. Kandis Residence is expected to obtain TOP by year end. This would be a choice development for upgraders in the serene Sembawang Park vicinity.

- In Australia, the Group's Hotel segment will continue to bring in healthy income. Grand Hyatt Melbourne continues to perform well whilst Hyatt Regency Perth operates in a softer market. On 10 May 2019, the City of Perth Council approved the redevelopment plan for the Perth commercial centre. The Group will commence the Asset Enhancement Initiative and it is expected to be completed by 1H2021. Upon completion, it will be an iconic commercial and retail hub in the Eastern Perth CBD, which is also in proximity to the Crown Casino and Perth Optus Stadium. The Group's tenants will include supermarket, pharmacies, childcare centre, entertainment, sports and lifestyle facilities.

# Outlook

- In China, the Group's investment in the Sanya project has commenced construction work. Upon completion, it will be an iconic landmark project which comprises commercial, residential and retail components and is connected to the Sanya High-Speed Railway Station. It will have a total saleable and leasable area of 2.6 million square feet.

- In Batam, Indonesia, the government announced that they will build a bridge to connect Batam and Bintan, as part of the efforts to develop industry and tourism in the area. This will bring more tourism opportunities to Batam which will benefit the Group's development in Batam. In April 2019, the Group completed the acquisition of TDM. As a result, the Group holds approximately 125 hectares of land in Marina City, Batam, Indonesia. The Group intends to develop the site into an integrated mixed-development township, comprising hotels with MICE facilities, condotels, retail outlets, food & beverage, entertainment spaces, tourist facilities and attractions as well as residential properties. The Group plans to launch the initial phase of integrated township development by end of 2019 or early 2020.

- In the region, the Group will continue to seek opportunities, explore potential partnerships and collaborations to grow its portfolio of well-located assets and tourism market.

# Thank You

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