

UBS Investment Research

Tiong Woon Corporation

DLB taking shape

■ Current focus on delivering NorCE DLB

The NorCE DLB was 40% complete as of end June and is on track. The installation of deck and owner equipment is next, and the project should hit 55% by September. Management remains confident of delivery by January 2009. A successful handover will be crucial for Tiong Woon's track record and its ability to negotiate new contracts with better terms.

■ Pick-up in momentum towards year end

With higher normalised oil prices, we believe there will be continued demand for fabrication services that support the oil and gas sector. Tiong Woon has received job offers but we think its ability to undertake major projects in the near term is curtailed by tight cash flow. With around 1x net gearing, debt raising is unlikely. We expect job momentum to ramp up closer to December 2008 when the DLB nears completion.

■ S\$0.36 book value should provide price support

Tiong Woon is trading near 1x historical P/B. As evident from the continued recognition of gains on crane disposals, we think book value may be somewhat understated as it comprises crane assets that have increased in price but have not been re-valued. We conservatively estimate that book is an additional 25%.

■ Valuation: maintain Buy rating with S\$1.08 price target

Despite undemanding valuations, we think the stock's performance may be range-bound due to the risk aversion towards small-caps. Book value should provide price support. By the year end, we expect job momentum to gather pace and Tiong Woon to be better positioned to take on more fabrication projects. Our DCF-derived price target is based on 11.4% COE and 3% terminal growth.

Highlights (\$m)	06/06	06/07	06/08E	06/09E	06/10E
Revenues	69.2	99.8	148.6	204.6	226.0
EBIT (UBS)	13.6	26.6	31.1	42.1	46.5
Net Income (UBS)	8.8	22.5	23.3	32.2	35.6
EPS (UBS, S\$)	0.03	0.07	0.07	0.10	0.11
Net DPS (UBS, S\$)	0.00	0.00	0.00	0.01	0.01
Profitability & Valuation	5-yr hist av.	06/07	06/08E	06/09E	06/10E
EBIT margin %	18.7	26.7	20.9	20.6	20.6
ROIC (EBIT) %	-	19.0	15.9	18.4	19.4
EV/EBITDA (core) x	-	5.1	4.3	3.5	2.9
PE (UBS) x	8.3	6.4	5.4	3.9	3.5
Net dividend yield %	1.6	0.9	1.3	1.8	2.0

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of S\$0.37 on 16 Jul 2008 23:38 HKT

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Global Equity Research

Singapore

Heavy Construction

12-month rating **Buy**
Unchanged

12m price target S\$1.08/US\$0.80
Unchanged

Price S\$0.37/US\$0.27

RIC: TION.SI BBG: TWC SP

17 July 2008

Trading data (local/US\$)

52-wk range	S\$1.18-0.37/US\$0.80-0.27
Market cap.	S\$0.12bn/US\$0.09bn
Shares o/s	338m (ORD)
Free float	55%
Avg. daily volume ('000)	541
Avg. daily value (\$m)	0.3

Balance sheet data 06/08E

Shareholders' equity	S\$0.13bn
P/BV (UBS)	1.0x
Net Cash (debt)	(S\$0.09bn)

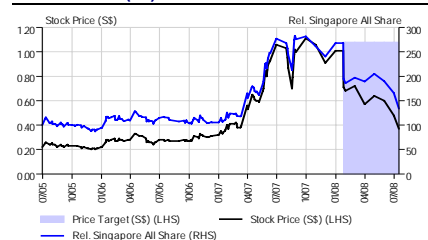
Forecast returns

Forecast price appreciation	+191.9%
Forecast dividend yield	1.8%
Forecast stock return	+193.7%
Market return assumption	8.6%
Forecast excess return	+185.1%

EPS (UBS, S\$)

	06/08E		06/07
	From	To	Cons. Actual
H1	-	-	-
H2E	-	-	-
06/08E	0.07	0.07	0.07
06/09E	0.10	0.10	0.10

Performance (\$)



Source: UBS

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This report has been prepared by UBS Securities Pte. Ltd. (Reg. No. 198500648C)

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Chart 1: Crane tub overview



Source: Company data

Chart 2: Erection overview



Source: Company data

Chart 3: Completed blocks



Source: Company data

Chart 4: DLB at 40% completion (side profile)



Source: Company data

Chart 5: DLB at 40% completion



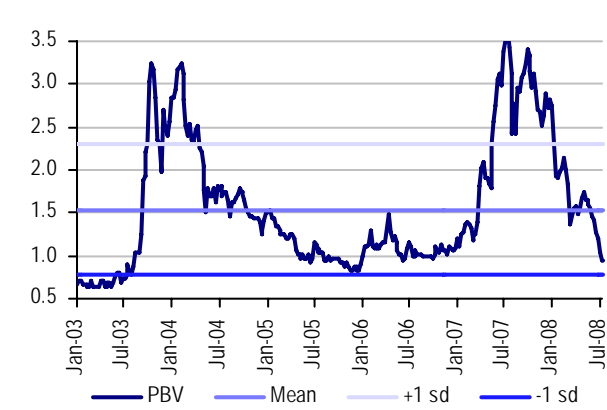
Source: Company data

Chart 6: Image of completed barge deliverable in Jan 2009



Source: Company data

Chart 7: Near 1x historic price to book



Source: UBS estimates

Tiong Woon Corporation

Income statement (\$m)	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Revenues	70.5	69.2	99.8	148.6	48.9	204.6	37.7	226.0	10.4
Operating expenses (ex depn)	(49.1)	(45.2)	(66.7)	(106.0)	59.0	(149.4)	41.0	(164.6)	10.2
EBITDA (UBS)	24.3	25.3	40.4	46.7	15.5	59.2	26.9	65.4	10.4
Depreciation	(9.7)	(11.7)	(13.8)	(15.5)	12.7	(17.1)	9.8	(18.8)	10.2
Operating income (EBIT, UBS)	14.6	13.6	26.6	31.1	17.0	42.1	35.4	46.5	10.4
Other income & associates	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Net interest	(1.6)	(1.2)	(1.8)	(2.4)	32.4	(2.4)	0.5	(2.7)	11.9
Abnormal items (pre-tax)	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Profit before tax	13.1	12.4	24.8	28.8	15.9	39.8	38.3	43.9	10.4
Tax	(3.0)	(3.4)	(2.1)	(5.2)	149.3	(7.2)	38.3	(7.9)	10.4
Profit after tax	10.0	9.0	22.7	23.6	3.7	32.6	38.3	36.0	10.4
Abnormal items (post-tax)	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Minorities / pref dividends	(1.5)	(0.2)	(0.2)	(0.3)	8.4	(0.4)	38.3	(0.4)	10.4
Net income (local GAAP)	8.5	8.8	22.5	23.3	3.6	32.2	38.3	35.6	10.4
Net Income (UBS)	8.5	8.8	22.5	23.3	3.6	32.2	38.3	35.6	10.4
Tax rate (%)	23.1	27.2	8.4	18.0	115.2	18.0	0.0	18.0	0.0
Pre-abnormal tax rate (%)	23.1	27.2	8.4	18.0	115.2	18.0	0.0	18.0	0.0
Per share (\$)	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
EPS (local GAAP)	0.04	0.03	0.07	0.07	3.6	0.10	38.3	0.11	10.4
EPS (UBS)	0.04	0.03	0.07	0.07	3.6	0.10	38.3	0.11	10.4
Net DPS	0.00	0.00	0.00	0.00	20.9	0.01	38.3	0.01	10.4
Cash EPS	0.08	0.06	0.11	0.12	7.1	0.15	26.9	0.16	10.3
BVPS	0.23	0.25	0.32	0.38	20.1	0.47	23.1	0.57	20.7
Balance sheet (\$m)	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Net tangible fixed assets	86.6	109.0	154.9	174.4	12.6	187.9	7.8	203.8	8.4
Net intangible fixed assets	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Net working capital (incl. other assets)	10.3	15.6	19.7	63.9	224.9	52.4	-18.0	57.1	8.9
Other liabilities	(7.2)	(9.1)	(10.6)	(10.6)	0.0	(10.6)	0.0	(10.6)	0.0
Operating invested capital	89.6	115.5	164.0	227.7	38.8	229.7	0.9	250.3	8.9
Investments	0.5	0.0	0.0	0.0	-	0.0	-	0.0	-
Total capital employed	90.2	115.5	164.0	227.7	38.8	229.7	0.9	250.3	8.9
Shareholders' equity	55.6	85.9	108.0	129.7	20.1	159.7	23.1	192.8	20.7
Minority interests	5.3	3.9	3.7	4.0	7.0	4.3	9.1	4.7	9.2
Total equity	60.9	89.8	111.7	133.7	19.6	164.0	22.7	197.5	20.4
Net debt / (cash)	29.2	25.8	52.3	94.0	79.9	65.7	-30.1	52.7	-19.7
Debt deemed provisions	0.0	0.0	0.0	0.0	-	0.0	-	0.0	-
Total capital employed	90.2	115.5	164.0	227.7	38.8	229.7	0.9	250.3	8.9
Cash flow (\$m)	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Operating income (EBIT, UBS)	14.6	13.6	26.6	31.1	17.0	42.1	35.4	46.5	10.4
Depreciation	9.7	11.7	13.8	15.5	12.7	17.1	9.8	18.8	10.2
Net change in working capital	(0.1)	(6.7)	(1.8)	(44.2)	2373.6	11.5	-	(4.7)	-
Other (operating)	3.3	3.1	(3.9)	2.6	-	2.7	4.2	3.1	11.7
Operating cash flow	27.5	21.7	34.7	5.1	-85.4	73.5	1352.0	63.8	-13.2
Net interest received / (paid)	(1.6)	(1.2)	(1.8)	(2.4)	32.4	(2.4)	0.5	(2.7)	11.9
Dividends paid	(0.7)	(1.0)	(1.0)	(1.6)	61.2	(2.3)	38.3	(2.5)	10.4
Tax paid	(0.8)	(0.3)	(0.9)	(5.2)	445.9	(7.2)	38.3	(7.9)	10.4
Capital expenditure	(3.1)	(24.0)	(33.0)	(24.5)	-25.7	(21.5)	-12.1	(24.3)	13.0
Net (acquisitions) / disposals	0.0	(1.6)	(5.7)	0.0	-	0.0	-	0.0	-
Other	(9.8)	(7.8)	(4.8)	(5.6)	17.7	(7.7)	37.5	(8.1)	4.1
Share issues	0.0	22.9	0.0	0.0	-	0.0	-	0.0	-
Cash flow (inc)/dec in net debt	11.6	8.7	(12.6)	(34.3)	172.5	32.4	-	18.3	-43.5
FX / non cash items	(5.2)	(5.3)	(13.9)	(7.5)	-46.1	(4.1)	-45.7	(5.4)	31.5
Balance sheet (inc)/dec in net debt	6.4	3.4	(26.5)	(41.8)	57.6	28.3	-	13.0	-54.3
Core EBITDA	24.3	25.3	37.0	46.7	26.3	59.2	26.9	65.4	10.4
Maintenance capital expenditure	(8.7)	(10.9)	(15.5)	(17.4)	12.6	(18.8)	7.8	(20.4)	8.4
Maintenance net working capital	(7.1)	(6.9)	(10.0)	(14.9)	48.9	(20.5)	37.7	(22.6)	10.4
Operating free cash flow, pre-tax (OpFCF)	8.6	7.4	11.5	14.4	25.2	20.0	38.9	22.4	12.1

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

Global Equity Research

Singapore

Heavy Construction

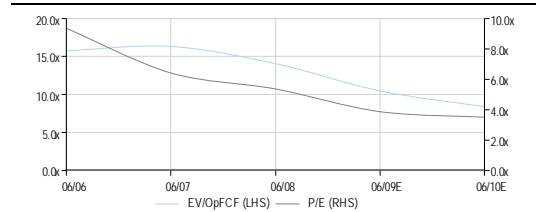
12-month rating **Buy**

12m price target **S\$1.08**

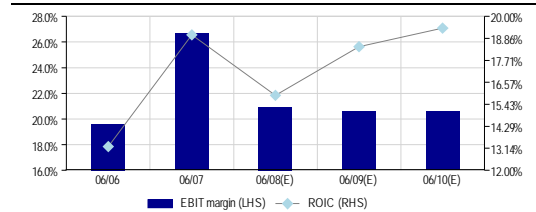
Company profile

Tiong Woon Corp is a specialist and integrated services provider in heavy lift, haulage, and marine transport, serving the oil & gas, petrochemical and power industries. The rental fleet comprises 224 cranes with capacities ranging from 20MT to 1,250MT; this is complemented by prime movers, tugs, and barges to handle the land and marine aspects of transport. As of FY07, heavy lift and haulage accounted for 67% of sales, marine transport 15%, and trading 17%. To drive the next growth phase, the group is using its newly acquired 65ha Bintan yard to expand into fabrication and project engineering.

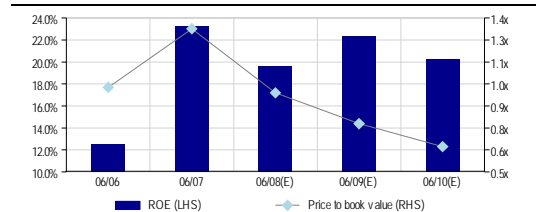
Value (EV/OpFCF & P/E)



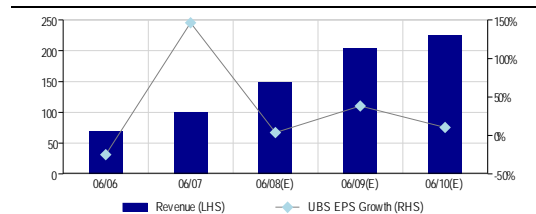
Profitability



ROE v Price to book value



Growth (UBS EPS)



Tiong Woon Corporation

Valuation (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
P/E (local GAAP)	8.3	9.4	6.4	5.4	3.9	3.5
P/E (UBS)	8.3	9.4	6.4	5.4	3.9	3.5
P/CEPS	3.5	4.0	4.0	3.2	2.5	2.3
Net dividend yield (%)	1.6	1.2	0.9	1.3	1.8	2.0
P/BV	1.2	1.0	1.3	1.0	0.8	0.6
EV/revenue (core)	-	1.7	1.9	1.4	1.0	0.8
EV/EBITDA (core)	-	4.6	5.1	4.3	3.5	2.9
EV/EBIT (core)	-	8.6	8.1	6.5	5.0	4.1
EV/OpFCF (core)	-	15.7	16.3	14.0	10.5	8.4
EV/op. invested capital	-	1.1	1.3	1.0	0.9	0.8

Enterprise value (\$m)	06/06	06/07	06/08E	06/09E	06/10E
Average market cap	84.9	144.5	124.9	124.9	124.9
+ minority interests	4.6	3.8	3.8	4.1	4.5
+ average net debt (cash)	27.5	39.0	73.2	79.9	59.2
+ pension obligations and other	0.0	0.0	0.0	0.0	0.0
- non-core asset value	0.0	0.0	0.0	0.0	0.0
Core enterprise value	117.0	187.4	201.9	208.9	188.6

Growth (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Revenue	12.6	-1.9	44.3	48.9	37.7	10.4
EBITDA (UBS)	13.3	4.0	59.9	15.5	26.9	10.4
EBIT (UBS)	18.6	-6.9	96.1	17.0	35.4	10.4
EPS (UBS)	7.0	-24.9	146.4	3.6	38.3	10.4
Cash EPS	1.9	-18.4	70.9	7.1	26.9	10.3
Net DPS	-1.0	0.0	33.3	20.9	38.3	10.4
BVPS	15.3	11.8	25.8	20.1	23.1	20.7

Margins (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBITDA / revenue	36.5	36.5	40.5	31.4	28.9	28.9
EBIT / revenue	18.7	19.6	26.7	20.9	20.6	20.6
Net profit (UBS) / revenue	12.4	12.8	22.5	15.7	15.8	15.7

Return on capital (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBIT ROIC (UBS)	-	13.2	19.0	15.9	18.4	19.4
ROIC post tax	-	9.6	17.4	13.0	15.1	15.9
Net ROE	-	12.5	23.2	19.6	22.3	20.2

Coverage ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
EBIT / net interest	7.5	11.4	14.8	13.1	17.7	17.4
Dividend cover (UBS EPS)	9.1	9.0	16.7	14.3	14.3	14.3
Div. payout ratio (% , UBS EPS)	13.0	11.1	6.0	7.0	7.0	7.0
Net debt / EBITDA	1.4	1.0	1.3	2.0	1.1	0.8

Efficiency ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Revenue / op. invested capital	-	0.7	0.7	0.8	0.9	0.9
Revenue / fixed assets	-	0.7	0.8	0.9	1.1	1.2
Revenue / net working capital	-	5.4	5.7	3.6	3.5	4.1

Investment ratios (x)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
OpFCF / EBIT	0.6	0.5	0.4	0.5	0.5	0.5
Capex / revenue (%)	14.5	NM	NM	16.5	10.5	10.8
Capex / depreciation	0.9	2.1	2.4	1.6	1.3	1.3

Capital structure (%)	5Yr Avg	06/06	06/07	06/08E	06/09E	06/10E
Net debt / total equity	53.6	30.0	48.4	72.5	41.1	27.4
Net debt / (net debt + equity)	34.9	23.1	32.6	42.0	29.1	21.5
Net debt (core) / EV	-	23.5	20.8	36.2	38.2	31.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of S\$0.37 on 16 Jul 2008 23:38 HKT Market cap(E) may include forecast share issues/buybacks.

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■ Tiong Woon Corporation

Tiong Woon Corp is a specialist and integrated services provider in heavy lift, haulage, and marine transport, serving the oil & gas, petrochemical and power industries. The rental fleet comprises 224 cranes with capacities ranging from 20MT to 1,250MT; this is complemented by prime movers, tugs, and barges to handle the land and marine aspects of transport. As of FY07, heavy lift and haulage accounted for 67% of sales, marine transport 15%, and trading 17%. To drive the next growth phase, the group is using its newly acquired 65ha Bintan yard to expand into fabrication and project engineering.

■ Statement of Risk

We believe the major risks are: 1) a global slowdown in residential, commercial, infrastructure, oil & gas and resource spend would adversely impact the demand for construction products and services; 2) a slowdown in oil and gas exploration and production activities would lead to a decrease in demand for the group's fabrication services; 3) poor execution in the fabrication and engineering segment and failure to secure new contracts; 4) falling rental rates and utilisation levels.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	57%	38%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	8%	29%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	31%
Sell	Sell	less than 1%	38%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2008.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are :

Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE) : Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Company Disclosures

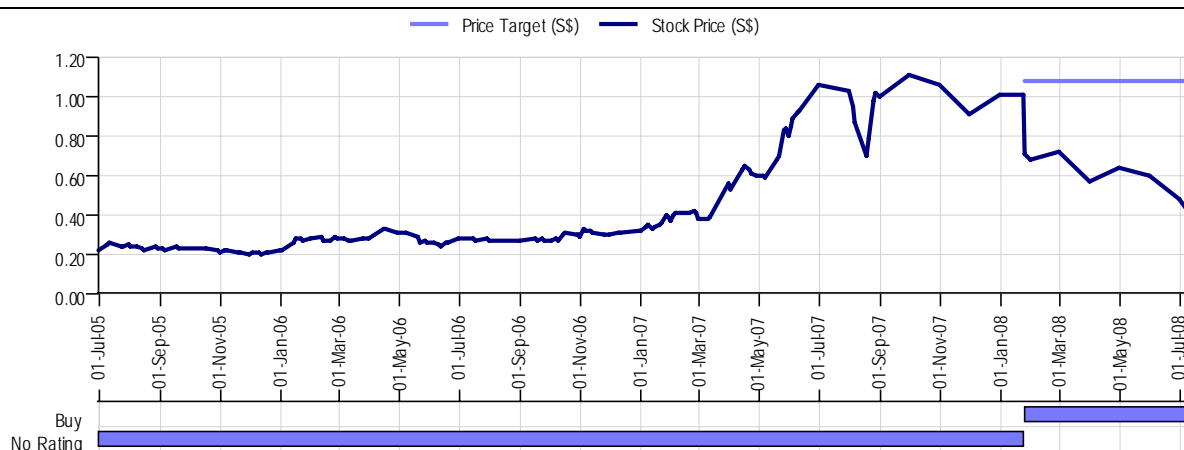
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Tiong Woon Corporation	TION.SI	Buy	N/A	S\$0.37	16 Jul 2008

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Tiong Woon Corporation (S\$)



Source: UBS; as of 16 Jul 2008

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