

# 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 (S\$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, exceptions 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

**Michael Lim**

Analyst

michael-h.lim@ubs.com

+65-6495 5902

### 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) |

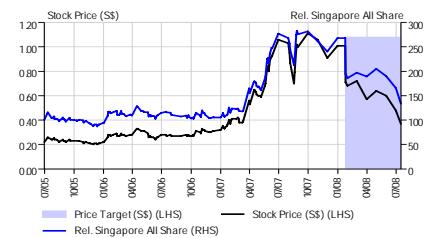
#### Forecast returns

|                             |         |
|-----------------------------|---------|
| 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 | 0.07 | 0.07  | 0.07   |
| 06/09E | 0.10   | 0.10  | 0.10 | 0.10 | 0.10  | 0.10   |

#### Performance (\$S\$)



Source: UBS

[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)

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 3: Completed blocks



Source: Company data

Chart 5: DLB at 40% completion



Source: Company data

Chart 2: Erection overview



Source: Company data

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



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

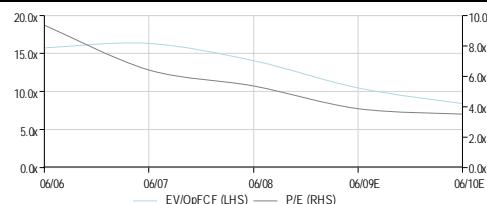
| Income statement (S\$m)                   | 06/05  | 06/06  | 06/07  | 06/08E  | % ch   | 06/09E  | % ch   | 06/10E  | % ch  |
|---|--------|--------|--------|---------|--------|---------|--------|---------|-------|
| Revenues                                  | 70.5   | 69.2   | 99.8   | 148.6   | 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 (S\$)                           | 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 (S\$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, exceptional and other special items. Note: For some companies, the data represents an extract of the full company accounts.

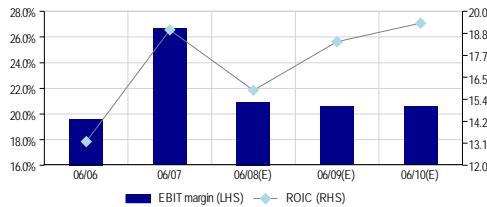
## Company profile

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.

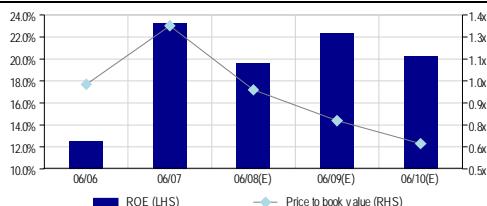
## Value (EV/OpFCF &amp; P/E)



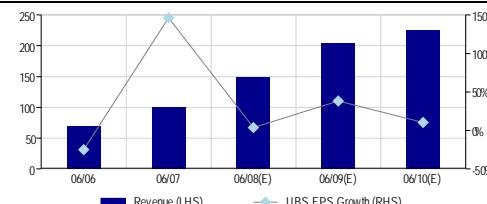
## Profitability



## 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.

Michael Lim

Analyst

michael-h.lim@ubs.com

+65-6495 5902

## ■ **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.

## Required Disclosures

This report has been prepared by UBS Securities Pte. Ltd., an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit [www.ubs.com/disclosures](http://www.ubs.com/disclosures). Additional information will be made available upon request.

### UBS Investment Research: Global Equity Rating Allocations

| UBS 12-Month Rating   | Rating Category | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-----------------------|-----------------|-----------------------|--------------------------|
| Buy                   | Buy             | 57%                   | 38%                      |
| Neutral               | Hold/Neutral    | 36%                   | 35%                      |
| Sell                  | Sell            | 8%                    | 29%                      |
| UBS Short-Term Rating | Rating Category | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| 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

## Global Disclaimer

This report has been prepared by UBS Securities Pte. Ltd., an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitute a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report.

**United Kingdom and the rest of Europe:** Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Prepared by UBS Menkul Degerler AS on behalf of and distributed by UBS Limited. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate'), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd or UBS AG, Singapore Branch. **Japan:** Distributed by UBS Securities Japan Ltd to institutional investors only. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services Licence No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services Licence No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd. **China:** Distributed by UBS Securities Co. Limited.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. © UBS 2008. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

