

# UBS Investment Research

## Tiong Woon Corporation

### Q308 results review

#### ■ Adjusting for one-offs, PATMI was flat YoY at S\$5.2m

Tiong Woon posted a lacklustre set of results. Although Q308 revenues grew 49% YoY to S\$42.1m, PATMI was 18% lower YoY at S\$5.2m - dragged down by the absence of one-off gains, continued startup losses at its Bintan yard and weak contributions from the marine transportation segment. Adjusting for the S\$1.1m gain from the disposal of trading asset in Q307, PATMI was flat YoY.

#### ■ Startup losses at Bintan narrows to S\$0.6m for the quarter

For Q308, startup losses at the fabrication and engineering division narrowed to S\$0.6m loss before tax versus S\$2.8m for H108. We now expect the yard to post an operating loss of S\$4.2m for FY08 versus our initial forecast of a S\$3.2m operating profit. Meanwhile, the Norce project remains on track with 25% presently complete and management is confident of delivering the vessel on time and within budget in January 2009.

#### ■ Marginal changes to FY08 and FY09 estimates

We have modelled in startup losses for the Bintan yard but this was offset by earnings revisions for the marine transportation and trading segments, as our earlier assumptions were too conservative. Taken together, we have lowered our FY08 EPS estimate from S\$0.072 to S\$0.069 but raised our FY09 EPS estimate from S\$0.094 to S\$0.096. We continue to believe Tiong Woon is able to deliver 20% EPS CAGR (FY08-10).

#### ■ Valuation: Maintain Buy with S\$1.08 price target

We base our price target on DCF methodology, using 9.8% COE and 1.5% 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	17.3	19.8	19.4
EV/EBITDA (core) x	-	5.1	6.0	4.9	4.4
PE (UBS) x	8.3	6.4	9.5	6.9	6.2
Net dividend yield %	1.6	0.9	0.7	1.0	1.1

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\$0.66 on 09 May 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\$0.79  
*Unchanged*

Price

S\$0.66/US\$0.48

RIC: TION.SI BBG: TWC SP

12 May 2008

#### Trading data (local/US\$)

52-wk range	S\$1.22-0.48/US\$0.80-0.35
Market cap.	S\$0.22bn/US\$0.16bn
Shares o/s	338m (ORD)
Free float	55%
Avg. daily volume ('000)	633
Avg. daily value (\$m)	0.4

#### Balance sheet data 06/08E

Shareholders' equity	S\$0.13bn
P/BV (UBS)	1.7x
Net Cash (debt)	(S\$0.06bn)

#### Forecast returns

Forecast price appreciation	+64.9%
Forecast dividend yield	0.7%
Forecast stock return	+65.6%
Market return assumption	6.1%
Forecast excess return	+59.5%

#### EPS (UBS, S\$)

	06/08E	06/07		
	From	To	Cons.	Actual
H1E	-	-	-	-
H2E	-	-	-	-
06/08E	0.07	0.07	0.07	0.07
06/09E	0.09	0.10	0.09	0.09

#### Performance (\$S)



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 8.**

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## Q308 results review

- In its maiden quarterly reporting, Tiong Woon posted a lacklustre set of results. Although Q308 revenues grew 49% YoY to S\$42.1m, PATMI was 18% lower YoY at S\$5.2m - dragged down by the absence of one-off gains, continued startup losses at its Bintan yard and weak contributions from the marine transportation segment. Adjusting for the S\$1.1m one-off gain from the disposal of trading asset in Q307, PATMI would have been flat YoY.
- Turnover for the heavy lift and haulage segment grew 30% YoY to S\$23.7m on firm rental rates and an incremental S\$1.7m contribution from Soon Douglas's 55 units of tower cranes. Management highlighted that crane utilisation remains near peak levels buoyed by works on Jurong Island and demand from the oil and gas sector. On a PBT basis, earnings grew 47% YoY to S\$6.4m.
- Turnover for the marine transportation segment decreased 15% YoY to S\$2.5m due to lower utilisation rates for the smaller capacity fleet and fewer integrated haulage and marine projects. Further, a large number of vessels were required to dry dock and undergo overhaul works. This resulted in PBT dropping a larger 53% YoY to S\$0.3m. Management pointed out that the utilisation for the marine transportation is now trending in the 50% range due to the fleet downtime but should recover in the next quarter.
- Startup losses at the fabrication and engineering division narrowed with a S\$0.6m loss before tax for Q308 versus S\$2.8m for H108. We now expect the yard to post a loss before tax of S\$4.2m for FY08 against our initial forecast of a S\$2.8m profit. Meanwhile, the \$64.8m Norce project remains on track with 25% presently complete and management expects to cross the 30% milestone by FY08. On the cost front, exposure to rising steel prices is limited as 95% of the required materials has been procured and is currently stocked in the yard.
- In this higher normalised oil price environment, we think there would be strong demand for Tiong Woon's vessel fabrication services once the company establishes a track record for delivering projects on time and within budget. There is potential for the yard to take on more jobs as it is currently only one-third utilised. We understand that management is in discussions with interested parties for ship / rig repair jobs with a quicker turnaround, and would only undertake new jobs with favourable payment terms due to its tight cashflow situation.
- The trading segment posted a 27% rise in revenues to S\$8.9m as the group sold more cranes compared to the last period. The PBT was however 41% lower at S\$.07m due to increase in the purchase costs of new equipment.
- Net gearing increased from 63% in H108 to 76% in Q308. Management indicated net gearing could rise further as the group borrows for crane capital expenditure and working capital needs. However, this should revert to the low teens once the group receives payment upon delivery of the Norce vessel in January 2009.

## Valuation

- We now expect the fabrication yard to post a loss before tax of S\$4.2m for FY08 against our initial forecast of a S\$2.8m profit and adjust our earnings accordingly. For FY09, we are pencilling in less aggressive operating margins of 9%, 3pppts lower than our initial forecast.
- We are also taking this opportunity to fine-tune our estimates for the other business segments as our original assumption proved to be too conservative. We increase our operating margin assumptions for the marine transportation and trading segments by 9-14ppt for FY08-10, in line with the 9M08 performances. The FY08E profit before tax for these respective segments has therefore increased to S\$4.5m (S\$2.5m previously) and S\$3.6m (S\$1.9m).
- Taken together, we are lowering our FY08 EPS estimate from S\$0.072 to S\$0.069 due primarily to the Bintan startup loss but offset somewhat by the other segments, and raising our FY09 EPS estimate from S\$0.094 to S\$0.096. According to our estimates, the group's 20% EPS CAGR from FY08-10 is intact.
- Our S\$1.08 DCF price target remains unchanged as the EPS estimate changes are marginal. We continue to be positive on the long term prospects for Tiong Woon. Maintain Buy.

Table 1: Summary of revisions

June YE (S\$ m)	FY08E	FY09E	FY10E
Revenue			
Heavy lift	89.7	107.7	123.3
Marine transportation	12.9	14.7	15.4
Trading	19.0	20.6	22.2
Fabrication	26.9	61.6	65.0
Revenues - New estimates	148.6	204.6	226.0
Revenues – Old estimates	147.0	202.8	224.9
PBT			
Heavy lift	20.8	24.1	27.6
Marine transportation	4.5	4.4	4.6
Trading	3.6	2.9	2.4
Fabrication	(4.2)	4.4	5.2
Others	4.0	4.0	4.0
PBT - New estimates	28.8	39.8	43.9
PBT - Old estimates	29.8	39.1	43.1
New EPS (cts)	6.9	9.6	10.5
Old EPS (cts)	7.2	9.4	10.3
	-3.7%	1.6%	1.8%

Source: UBS estimates

Table 2: Profit and loss summary

Income Statement (S\$ m)	3Q07	3Q08	YoY	9M07	9M08	YoY
Heavy lift and Haulage	18.3	23.7	30%	47.4	67.9	43%
Marine transport	2.9	2.5	-15%	11.6	9.9	-15%
Trading	7.1	9.0	27%	13.5	14.2	5%
Fabrication	-	6.9	NM	-	16.0	NM
Sales	28.3	42.1	49%	72.4	107.9	49%
Cost of sales	(16.6)	(28.9)	74%	(44.3)	(70.2)	59%
Gross profits	11.7	13.2	13%	28.1	37.7	34%
Expenses	(5.2)	(6.0)	15%	(13.5)	(18.3)	35%
Administrative	(1.4)	(0.4)	-73%	(1.9)	(1.6)	-15%
Other operating	(3.9)	(5.7)	46%	(11.6)	(16.7)	44%
Other miscellaneous	1.38	0.07	-95%	2.69	2.17	-19%
EBIT	7.8	7.2	-7%	17.3	21.6	25%
Interest Income	0.1	0.0	-34%	0.1	0.2	78%
Finance costs	(0.4)	(0.9)	119%	(1.1)	-2.5	129%
Profit of Associates	-	0		-	0	
Profit of JV	-	-		-	-	
PBT	7.5	6.4	-14%	16.3	19.2	18%
Tax	(1.0)	(1.1)	3%	(2.7)	(3.3)	19%
Net profit	6.4	5.3	-17%	13.6	16.0	18%
Attributable to:						
Equity holders	6.3	5.2	-18%	13.3	15.7	18%
Minority	(0.2)	(0.2)	15%	(0.2)	(0.2)	11%
Margins						
Gross margin	41.3%	31.4%		38.9%	35.0%	
EBIT margin	27.7%	17.2%		23.9%	20.0%	
Net margin	22.2%	12.3%		18.4%	14.6%	
Segmental PBT						
Heavy lift and Haulage	4.3	6.4	47%	10.4	18.5	78%
Marine transport	0.6	0.3	-53%	3.0	3.2	6%
Trading	1.3	0.8	-41%	1.7	2.1	26%
Fabrication	0.0	-0.6	NM	0.0	-3.4	NM
Others	1.2	-0.4	-135%	1.2	-1.2	-197%
PBT margins						
Heavy lift and Haulage	23.7%	26.8%		22.0%	27.2%	
Marine transport	22.0%	12.3%		26.2%	32.5%	
Trading	18.2%	8.5%		12.3%	14.7%	
Fabrication	-	-8.6%		-	-21.1%	

Source: Company data

**Table 3: Fleet summary**

Heavy Lift Equipment	Dec-07	May-08	Fleet change
Hydraulic Cranes (50T to 500T)	99	100	1
Crawler Cranes (50T to 1250T)	99	102	3
Rough Terrain Cranes (20T to 80T)	31	32	1
Lorry Cranes (10T to 20T)	8	8	0
Tower Cranes (8T to 12T)	50	55	5
<b>Total</b>	<b>287</b>	<b>297</b>	<b>10</b>
<hr/>			
<b>Heavy Haulage Equipment</b>			
Prime Movers	47	49	2
Low Beds	32	32	0
Cometto Trailers	21	23	2
SPMT (Trailers)	78	77	-1
Tow Trucks	10	12	2
<b>Total</b>	<b>188</b>	<b>193</b>	<b>5</b>
<hr/>			
<b>Marine Equipment</b>			
Tugboats (500-3000HP)	10	9	-1
Barges (120-300FT)	10	9	-1
<b>Total</b>	<b>20</b>	<b>18</b>	<b>-2</b>

Source: Company data

# Tiong Woon Corporation

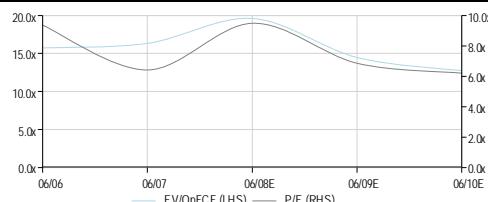
Income statement (\$m)	06/05	06/06	06/07	06/08E	% ch	06/09E	% ch	06/10E	% ch
Revenues	70.5	69.2	99.8	148.6	48.9	204.6	37.7	226.0	10.4
Operating expenses (ex depn)	(49.1)	(45.2)	(66.7)	(106.0)	59.0	(149.4)	41.0	(164.6)	10.2
EBITDA (UBS)	24.3	25.3	40.4	46.7	15.5	59.2	26.9	65.4	10.4
Depreciation	(9.7)	(11.7)	(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	31.3	59.3	52.4	67.2	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	195.1	19.0	229.7	17.7	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	195.1	19.0	229.7	17.7	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	61.5	17.6	65.7	6.9	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	195.1	19.0	229.7	17.7	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)	(11.7)	552.4	(21.1)	80.5	(4.7)	-77.9
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	37.6	8.5	40.9	8.7	63.8	55.9
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)	(1.7)	-86.7	(0.2)	-90.0	18.3	-
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)	(9.2)	-65.4	(4.2)	-53.8	13.0	-
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.

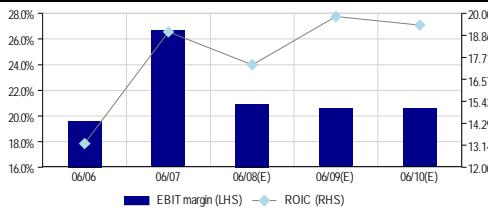
## Company profile

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, and 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.

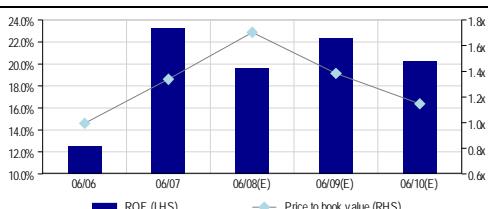
## Value (EV/OpFCF &amp; P/E)



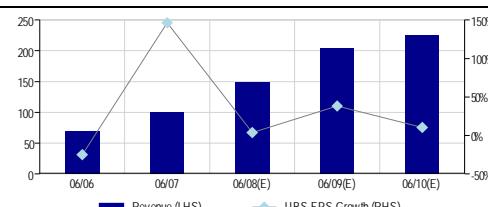
## Profitability



## 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	9.5	6.9	6.2
P/E (UBS)	8.3	9.4	6.4	9.5	6.9	6.2
P/CEPS	3.5	4.0	4.0	5.7	4.5	4.1
Net dividend yield (%)	1.6	1.2	0.9	0.7	1.0	1.1
P/BV	1.2	1.0	1.3	1.7	1.4	1.1
EV/revenue (core)	-	1.7	1.9	1.9	1.4	1.3
EV/EBITDA (core)	-	4.6	5.1	6.0	4.9	4.4
EV/EBIT (core)	-	8.6	8.1	9.1	6.9	6.1
EV/OpFCF (core)	-	15.7	16.3	19.6	14.5	12.7
EV/op. invested capital	-	1.1	1.3	1.6	1.4	1.2
Enterprise value (\$\$m)		06/06	06/07	06/08E	06/09E	06/10E
Average market cap		84.9	144.5	221.1	221.1	221.1
+ minority interests		4.6	3.8	3.8	4.1	4.5
+ average net debt (cash)		27.5	39.0	56.9	63.6	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	281.8	288.8	284.9
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	17.3	19.8	19.4
ROIC post tax	-	9.6	17.4	14.2	16.3	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	1.3	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	1.0	0.9
Revenue / fixed assets	-	0.7	0.8	0.9	1.1	1.2
Revenue / net working capital	-	5.4	5.7	5.9	4.9	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	47.4	41.1	27.4
Net debt / (net debt + equity)	34.9	23.1	32.6	32.1	29.1	21.5
Net debt (core) / EV	-	23.5	20.8	20.2	22.0	20.8

Source: Company accounts, 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\$0.66 on 09 May 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, and 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 would also impact earnings.

## ■ **Analyst Certification**

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	59%	38%
Neutral	Hold/Neutral	34%	35%
Sell	Sell	7%	26%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	67%
Sell	Sell	less than 1%	25%

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 31 March 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 :

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**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

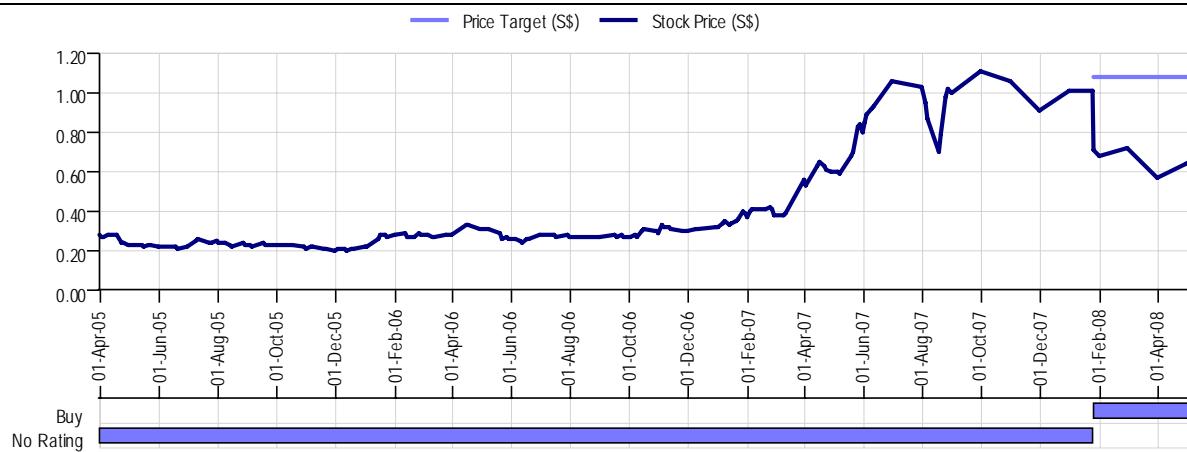
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Tiong Woon Corporation	TION.SI	Buy	N/A	S\$0.66	09 May 2008

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 09 May 2008

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