

Singapore Industry Focus

Construction Sector

DBS Group Research . Equity

13 Jan 2012

Decent bet amid tough times

- **Private sector residential construction demand likely to moderate, but public sector projects will still ensure above-trend demand in 2012**
- **Meanwhile, better than expected construction demand of S\$32bn in 2011 implies healthy orderbooks and good visibility for local players**
- **Our preferred picks are Tiong Seng Holdings, OKP Holdings and Pan-United Corp**

We attended the BCA-REDAS Construction and Property Prospects Seminar recently and came away with the impression that though private sector residential demand will moderate in 2012, the public sector projects can pick up much of the slack, and overall construction demand will still be above trend in the near to medium term.

Record orderbooks from 2011 provide good revenue visibility. Demand in 2011 came in much above expectations, and with S\$32bn of new contracts awarded, 2011 is the second best year for new contracts after 2008. Contractors' orderbooks have increased substantially since the beginning of 2011, and quarterly net profits for construction players have been on the way up. Revenue recognition will be strong, going into 2012, and bodes well for earnings growth in 2012. Margins are also likely to hold up well in 2012, as raw material prices should moderate in line with declining oil and steel prices.

And forecast for 2012 remains sanguine. Despite the likely moderation in contracts from the private sector in light of cooler property market sentiments, we expect construction demand to come in at the higher end of BCA's demand forecast of S\$21-28bn in 2012. The public sector demand is estimated to account for 60% of the total, driven by growth in public residential and institutional construction demand as well public transport projects led by the MRT projects and major road projects.

While valuations look attractive. Despite growing order wins reported by the construction companies, share prices of most stocks have underperformed the index in 2011. We reckon valuations have more than factored the downside risks, with the building construction sector trading at an average PE of 4x.

Our preferred picks in the sector are Tiong Seng, OKP and Pan United. We favour Tiong Seng for its track record in public housing projects and strong revenue visibility over FY11/12 (order book of S\$1.2bn+) and OKP for its strong balance sheet, dividend visibility (9% yield) and higher returns on new investments. Pan United will benefit from higher demand for construction materials in 2012.

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STOCK PICKS

	Price S\$	Mkt Cap US\$m	Target Price S\$	Rating
Tiong Seng	0.195	116	0.24	BUY
OKP Holdings	0.535	126	0.78	BUY
Pan-United	0.45	194	0.63	BUY
Yongnam	0.23	223	0.31	BUY
Tat Hong	0.87	335	0.69	FULLY VALUED

Source: DBS Vickers

Tiong Seng Holdings : Leading building contractor in Singapore and niche developer in 2nd & 3rd tier cities of China

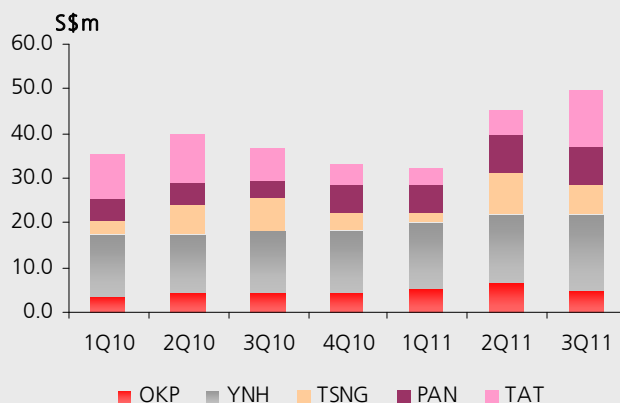
OKP Holdings : OKP Holdings Limited is involved in the construction and maintenance of roads in Singapore.

Pan-United Corporation : Diversified industrial group with interests in marine, port, shipping and industrial & trading across the Asia-Pacific region.

Yongnam : Yongnam provides structural steelworks for construction and also operates specialised civil engineering businesses

Tat Hong : Heavy equipment distributor and crane rental company.

Quarterly profits for construction players trending up



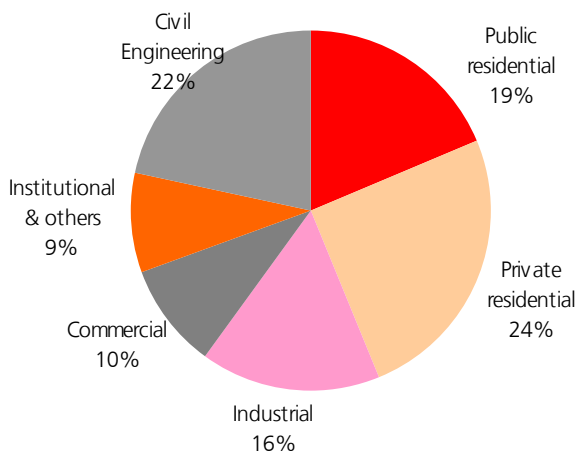
Source: Companies, DBS Vickers

Construction Sector

Very healthy construction demand in 2011. Construction demand in 2011 came in above initial expectations, with contracts of S\$32bn awarded during the year, compared to the Building and Construction Authority's (BCA) initial forecast of S\$22-28bn, and our expectations of S\$25bn. BCA actually revised its 2011 forecast range to S\$24-30bn in August 2011 to factor in higher than expected construction demand from the public sector residential building activities. However, stronger-than-expected private sector residential demand saw the final figure cross even the revised estimates. The healthy level of construction demand growth in 2011 makes it the second best year for new contracts after 2008.

Private residential demand key outperformer in 2011. Despite ongoing Government measures to cool the property market in Singapore, private residential construction demand surprised on the upside in 2011, with more than S\$8.0bn worth of contracts awarded. As a result, private construction demand outstripped public construction demand in 2011, accounting for about 53% of all contracts for the year.

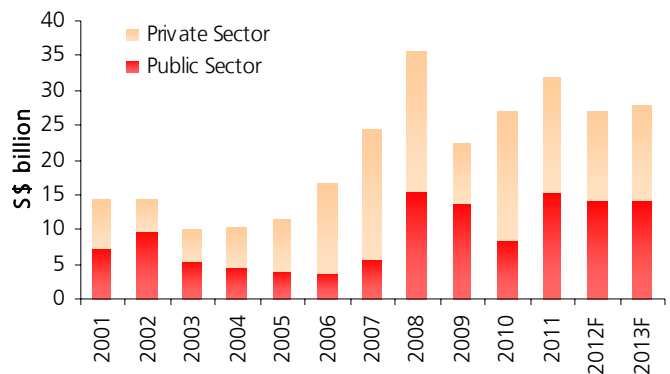
Construction demand in 2011 – breakdown by key drivers



Source: BCA

Forecast for 2012 remains sanguine. Looking ahead, the BCA expects construction demand to range between S\$21-28bn in 2012, which is higher than its previous forecast of S\$19-26bn, and is in line with our continued bullish expectations for the sector. The public sector demand is estimated at between S\$13-15bn, or close to 60% of the total. We expect demand to come in at the higher end of the band, driven by growth in public residential and institutional construction demand as well public transport projects led by the MRT projects and key road projects.

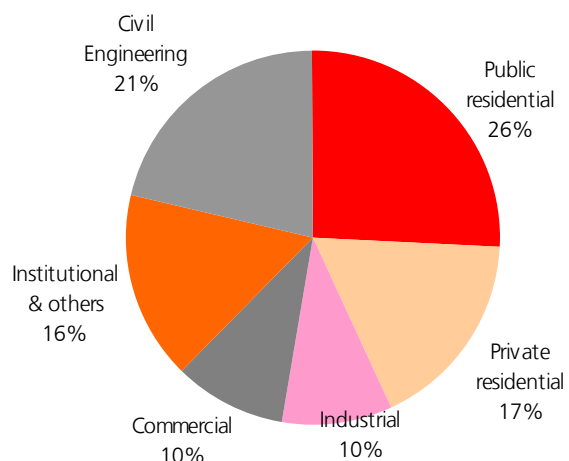
Construction demand trend and forecasts



Source: BCA, DBS Vickers estimates

The main drivers will be public housing. Sustained by the continual strong public housing demand as evidenced in the over-subscription for Housing and Development Board (HDB) flat applications, total public residential construction demand is projected to be one of the key drivers, going forward. Having launched 25,200 Build-to-Order (BTO) units in 2011, the HDB has announced that it will be offering another 25,000 BTO units in 2012, in line with the Government policy to keep housing affordable for ordinary Singaporeans. Apart from the building programs, other HDB programs like Lift Upgrading Program and Neighbourhood Renewal Program will further boost construction demand. HDB is also studying the possibility of building high-rise mechanized car parking systems for older estates.

Key drivers of construction demand forecast for 2012

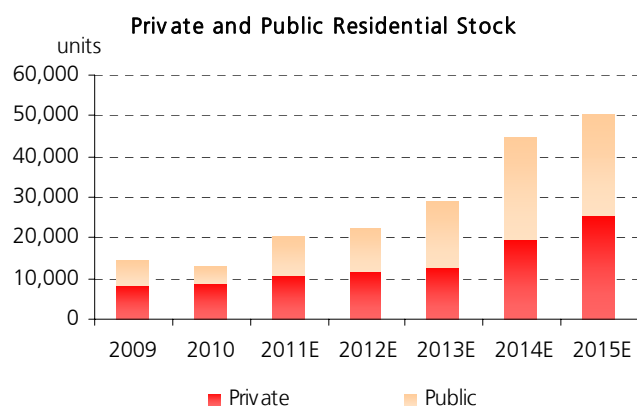


Source: BCA

Private sector residential construction demand will moderate in 2012 after another strong year in 2011, as sentiments among private property developers will likely be cautious following the latest round of cooling measures announced by the Singapore Government in December (introduction of Additional Buyers' Stamp Duty). Global economic uncertainties could also deter private developers from launching new projects. Nevertheless, the level of construction demand from the private developers will still be higher than that seen in 1998-2005 low years. The significant land resources acquired by developers in 2011 will need to be developed, driving construction demand.

As evident in 2011, private residential construction demand is likely to surprise on the upside and will not fall off a cliff over the near term, in view of the high supply of private residential sites on the Government Land Sales (GLS) program in 1H12. Over the next 2-3 years, supply of completed new units is set to surge as the government's current efforts to address the undersupplied HDB and DBSS markets bear fruit and the bumper supply of land parcels in the GLS program for private housing is being developed. Our property analysts estimate that an average of 33,434 new housing units a year between 2012-15 or 3.5x the average over 2004-10.

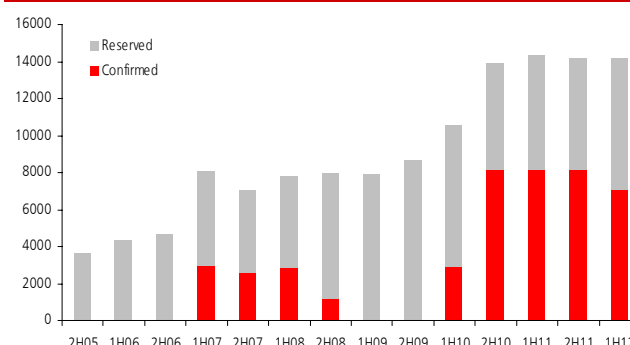
Total expected supply of public and private housing



Source: HDB, URA, DBS Vickers estimates

Supply of housing units under GLS program remains high. While 1H12 land supply under the GLS program has been scaled back to 7,020 units under the confirmed list and a further 7,120 units in the reserve list, the total potential supply of 14,140 units is still high when compared to historical levels. Development of both previously awarded sites and newly offered sites will drive private residential construction demand. Prominent private development sites that should kick off in the near term include the Scotts Tower on Scotts Road, Thomson Grand at Upper Thomson, The Palette at Pasir Ris and Watertown at Punggol.

Supply of housing units under the GLS



Source: URA, DBS Vickers

Civil engineering construction demand is expected to remain strong. About 40% of the total public sector construction demand is expected to be in the form of civil engineering contracts, which implies S\$5-7bn worth of contracts per year. While main construction contracts for the MRT Downtown Line Stage 3 and the Tuas West extension of the East-West Line have been already handed out, local players can hope to benefit from the award of sub-contracts from the main contractors (mainly Korean and Chinese companies) in 2012. In a bid to improve road network to facilitate traffic flow, the Land Transport Authority (LTA) has also earmarked a number of road construction projects for this year. Some of the major projects expected to go ahead in 2012 include the proposed reconstruction of Newton Flyover, expansion of KPE/ TPE interchange and sewerage and drainage improvement works at various locations. Other major public sector projects likely to be awarded in 2012 include JTC's Medical Technology Hub, Yale-NUS College at University Town and the Ng Teng Fong Hospital at Jurong East.

Medium term outlook remains positive as well. BCA estimates average construction demand to be between S\$19bn and S\$27bn in 2013/14, still above trend, and mainly supported by public sector projects. The public sector is projected to account for close to 60% of demand. 60% of the public sector demand will be from building construction projects, while civil engineering projects are likely to account for the rest. Some of the public sector projects earmarked to proceed from 2013 onwards include contracts for the N-S Expressway and Thomson MRT Line, construction of New Lornie Road, development of Singapore University of Technology and Design (SUTD), Phase 3C development of residence halls at Nanyang Technological University (NTU), Phase 3 development of Singapore Police Force's Home Team Tactical Centre at Mandai Road, new subordinate courts complex at Havelock Road, development of Very Large Floating Storage system on Jurong Island and improvements to the Bedok Canal.

List of HDB projects in the pipeline in 3Q11 – 2Q12

Project Description	Location	Estimated Tender Date
New Public Housing Programme	Various Locations	3Q11 - 2Q12
Road Works	Punggol	3Q 2011
Earthworks	Yishun	3Q 2011
Motor Workshop	Sin Ming	4Q 2011
Earthworks	Bukit Panjang	4Q 2011
Earthworks	Woodlands	1Q 2012
Earthworks	Bukit Merah	1Q 2012
Construction of Trunk Sewer	Choa Chu Kang	1Q 2012
Construction of Trunk Sewer	Yishun	1Q 2012

*Source: BCA***Key projects by LTA expected to be launched in 3Q11 – 2Q12**

Project Description	Location	Estimated Tender Date
Proposed extension and reconstruction of Newton Flyover and improvement to Newton Circus	Newton	3Q 2011
Widening of Benoi Road from Upper Jurong Road to Pioneer Road	Benoi Road	3Q 2011
Widening of Upper Paya Lebar Road from Upper Serangoon Road to Bartley Road	Upper Paya Lebar Road	3Q 2011
Jurong East Bus Interchange	Jurong East	3Q 2011
Joo Koon Bus Interchange	Joo Koon	3Q 2011
New Lornie Road	Bukit Brown Cemetery	4Q 2011
Construction of major arterial road from TPE to Yishun Avenue 6	TPE to Yishun Avenue 6	4Q 2011
Widening of Bukit Batok East Avenue 3 and PIE improvement between Clementi North Flyover and Toh Tuck Flyover	Bukit Batok East Avenue 3	4Q 2011
Integrated Bus Interchange	Yishun	4Q 2011
Expansion of KPE/TPE Interchange including a link road to Punggol Centre and Pasir Ris Drive 1	KPE/TPE Interchange	2Q 2012
Construction of viaduct from TPE to PIE (Westbound) and Upper Changi Road East	TPE	2Q 2012

*Source: BCA***Key projects by PUB expected to be launched in 3Q11 – 2Q12**

Project Description	Location	Estimated Tender Date
Improvement to Old Roadside Drains in Batch 6 of the Estate Upgrading Programme	Various locations	3Q 2011
Drainage Works - EUP Batch 6	Seletar	3Q 2011
Improvement to Roadside Drains IV Contract 2B-3		3Q 2011
Drainage Works - EUP Batch 6	Sembawang Springs	2Q 2011
Construction of Sewers for Changi East Area	Changi East	4Q 2011
Sewer improvement in International Road area	International Road	4Q 2011
Expansion of sewerage network	Various locations	4Q 2011
Sewerage scheme to serve Marina South Area - Contract 3	Marina Bay area	4Q 2011
Sewer extensions to phase out STPs Phase 2 - Package D	Various locations	4Q 2011
Sewer improvement works	Telok Blangah Road	4Q 2011
Improvement to outlet drains	Various locations	1Q 2012
Improvement to Old Roadside Drains in Batch 7 of the Estate Upgrading Programme	Various locations	2Q 2012

Source: BCA

Key projects by other key Government agencies expected to be launched in 3Q11 – 2Q12

Agency	Project Description	Location	Estimated Tender Date
JTC Corporation	Construction of service tunnels	Jurong Island	4Q 2011
JTC Corporation	Implementation of Very Large Floating Structure (VLFS) for Oil Products and Petrochemical Storage	Pulau Sebarok	1Q 2012
JTC Corporation	Infrastructure at Pulau Ayer Merbau Extension	Jurong Island	1Q 2012
JTC Corporation	Earthworks	Seletar	1Q 2012
Ministry of Health	Superstructure works for development of Jurong General Hospital (Integrated with Jurong Community Hospital)	Jurong East	3Q 2011
Ministry of Health	Construction of a 200-250 bedded nursing home for the relocation of Ren Ci Hospital & Medicare Centre	Jurong West Street 91	1Q 2012
Ministry of Education	Upgrading of Rosyth Primary School	Serangoon North Ave 4	3Q 2011
Ministry of Education	Upgrading of Henry Park Primary School	Holland Grove Road	3Q 2011
Ministry of Education	Upgrading of Sembawang Primary School	Sembawang Drive	3Q 2011
Ministry of Education	Upgrading of CHIJ (Toa Payoh) Primary	Lorong 1 Toa Payoh Choa Chu Kang Ave 4	3Q 2011
Ministry of Education	Upgrading of Concord Primary School	Choa Chu Kang Crescent	3Q 2011
Ministry of Education	Upgrading of Unity Primary School	Bukit Batok East Ave 6	3Q 2011
Ministry of Education	Upgrading of Rulang Primary School	Jurong West Street 52	3Q 2011
Ministry of Education	Upgrading of St.Joesph's Institution Junior	Essex Road Along Alexandra Road and at Prince Philip Avenue	3Q 2011
Ministry of Education	New Primary School at Bukit Merah	Bukit Panjang	4Q 2011
Ministry of Education	New Primary School	Bishan	4Q 2011
Ministry of Education	Development of Malay Language Centre	Tampines Street 63	1Q 2012
Ministry of Education	Upgrading of East Spring Primary School	West Coast Avenue	1Q 2012
Ministry of Education	Upgrading of Qifa Primary School	Yishun Ring Road	1Q 2012
Ministry of Education	Upgrading of Yishun Primary School		

Source: BCA

Construction Sector

Contractors' orderbooks boosted in 2011. In line with the very healthy level of construction demand for in 2011, contractors' orderbooks have increased substantially since the beginning of the year, with an average growth (for the selected companies below) of about 10% y-o-y. The increase in orderbook is across the board, for both builders with exposure to property developments, as well as for civil engineering players. Thus, revenue visibility remains strong and orderbooks for some players are at historical highs.

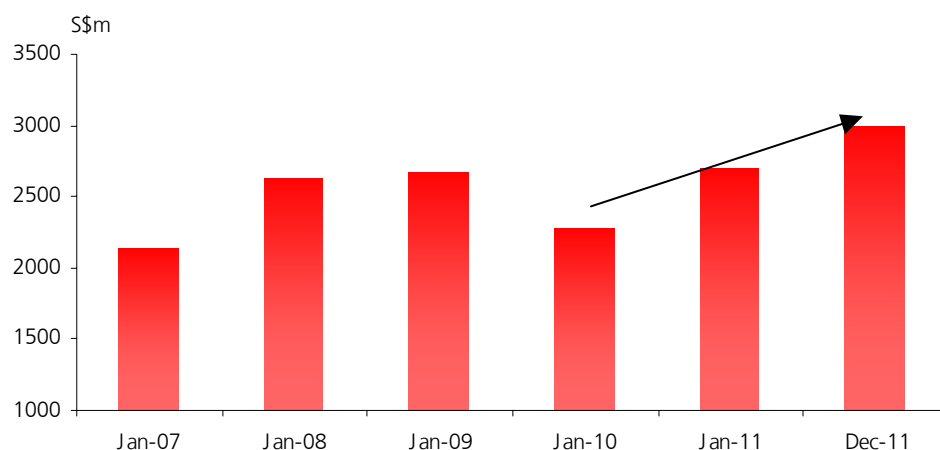
BCA estimates the total construction output (progress payments made for work done) for 2011 to be about S\$27bn. Despite the likely moderation in construction demand in 2012, the high volume of contracts awarded in 2011 will translate into strong on-site construction activity at least over the next one to two years. Hence, the total construction output is projected to rise to between \$29 billion and \$31 billion in 2012 before moderating somewhat in 2013/14. **This bodes well for growth in revenues and profits for the Singapore construction players in 2012.**

Orderbook trend of select construction players

Company	Jan-07	Jan-08	Orderbook (\$m)			
			Jan-09	Jan-10	Jan-11	Dec-11
Yong Nam	147	162	504	492	450	480
CSC Holdings	132	448	190	120	230	260
Lian Beng	400	608	660	600	762	859
BBR Holdings	360	518	321	410	620	662
Chip Eng Seng	560	684	698	391	333	395
OKP Holdings	144	209	302	266	310	340
Total	2143	2629	2675	2279	2705	2996
			1.7%	-14.8%	-3.0%	10.8%

Source: Companies, DBS Vickers

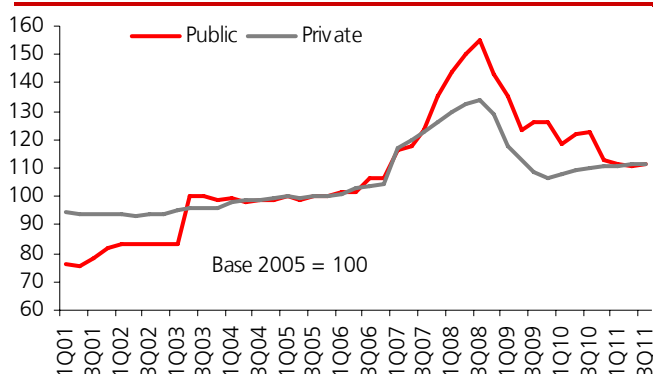
Aggregate orderbook trend of select construction players



Source: Companies, DBS Vickers

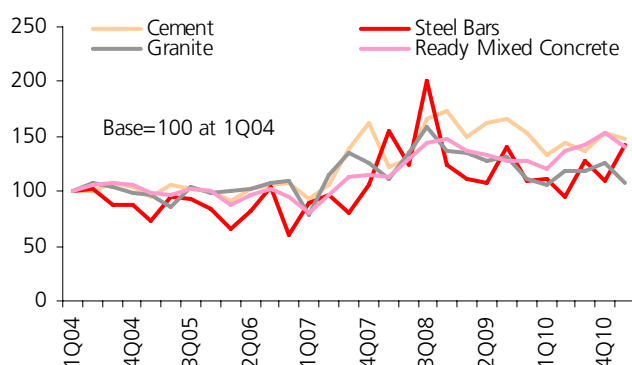
Tender Price Index (TPI) holding very steady. Construction costs remained largely stable in 2011, and the average TPI remained flat y-o-y at 114. Prices of major construction materials like concrete and steel rebars were up initially but declined in 2H11, and thus the flat trend in TPI will not hurt contractors' margins, in our opinion. Wage pressures and inflation concerns remain, thereby increasing subcontracting costs, and hence, TPI is unlikely to decline in 2012 despite a challenging global economic outlook.

Tender Price Index for Public and Private Sector projects



New construction activities will also enhance demand for construction materials. As evident from the chart below, the demand for construction materials like cement and ready mixed concrete received a substantial boost from 1Q07 onwards, and peaked at end-2008. Since then, there has been a gradual normalisation of demand, but there will be higher demand in 2012, as the level of on-site activity is likely to be very strong, following the record number of contract awards in 2011.

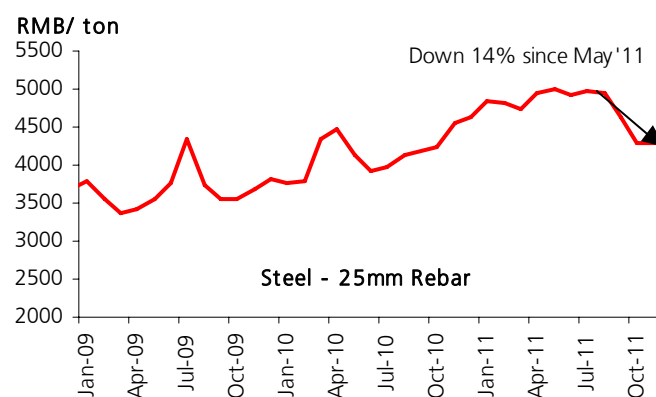
Demand of construction materials



Source: BCA

Costs unlikely to be a big concern in 2012. While higher raw material prices are positive for suppliers like Pan United, it can squeeze margins for the building contractors. However, with the weak global economic fundamentals prevailing, crude oil prices have been on a downward trend, and so have been steel prices. Thus, we do not foresee significant margin pressures in 2012, and construction players should be able to keep margins stable.

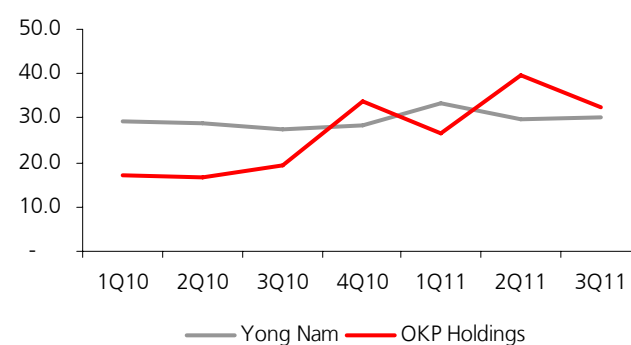
Steel prices on a decline in 2H11



Source: Bloomberg

Despite higher wage costs and inflation, contractors' margins have improved in FY11. Operating margins for stocks under our coverage – Yongnam, OKP and Tiong Seng have been on a gradual uptrend in FY11, despite initial apprehensions of higher wage costs and oil prices eating into margins.

Gross margin trend - quarterly



Source: Companies, DBS Vickers

Key risk is increased foreign competition. Our channel checks lead us to believe that there are more and more foreign players eyeing the Singapore construction pie. In addition to the entrenched Japanese and Korean players, a number of Chinese and European players are also setting up shop in Singapore and competing with local contractors for tenders.

Stock Picks

Our preferred picks in the sector will be Tiong Seng, OKP and Pan United. We continue to favour Tiong Seng for its strong revenue visibility over FY11/12 (order book of S\$1.2bn+) and OKP for its strong balance sheet, dividend visibility (9% yield) and ability to boost returns through new investments. Pan United also stands out as a key beneficiary of higher demand for ready-mixed concrete in 2012 as new projects kick in.

Tiong Seng Holdings (BUY, TP S\$0.24). 2011 has been a strong year for Tiong Seng, underpinned by a constant flow of contract wins. With the recent S\$189.5m contract to build the Bedok Condominium, Tiong Seng's contract wins for 2011 reached S\$632.5m. This contract will boost Tiong Seng's order book to S\$1.2bn, which places it well ahead of its local peers.

The stock trades at an attractive 60% discount to our estimated SOTP of S\$0.43. Backed by strong earnings visibility from a solid construction orderbook over the next 2-3 years, the group's investment in its pre-cast prefabrication factory will enhance cost efficiencies and keep the company ahead of its peers. Concerns over the weaker China property market impact on the group's property development arm should be allayed, as most of its Chinese properties are located in 3rd Tier cities and a majority of project phases will only be launched from 2H12-2013 onwards.

Yongnam Holdings (BUY, TP S\$0.31). Yongnam continued to record good results in FY11, with quarterly earnings coming in at new record highs. For the first 9M11, net profit grew 17% y-o-y to S\$46.9m on the back of better gross margins and higher contribution from higher-margin Specialised Civil Engineering projects. The margin improvement demonstrates its ability to effectively counter rising costs through project management expertise and use of its low-cost reusable strutting steel inventory.

Yongnam maintained steady orderbook of about S\$480m in FY11, which is close to its historical high. We estimated that Yongnam has secured close to S\$320m new contracts in FY11, which is in line with our initial order win estimates for the year. We continue to expect strong performance in FY12, underpin by existing orderbook and healthy margins. The stock is still trading at less than 5x PE, and appears significantly undervalued, even as we lower our valuation peg to -1 S.D. below mean (6x FY12F PE), which yields a TP of S\$0.31. The Group is also pursuing overseas projects in HK (MTR, HK-Zhuhai-Macau bridge), India and Malaysia over the near term. Potential overseas contract wins could provide share price catalysts.

Pan-United Corp (BUY, TPS\$0.63). Pan-United's 3Q11 results came in 25% ahead of our expectations, as net profit more than doubled y-o-y to S\$8.7m owing to higher than expected gross margin of 16.5%, sustained for the past four quarters. Revenue grew 50% y-o-y to RMB136.9m, driven by strong ready-mixed-concrete demand and port business. Demand for ready mixed cement will remain firm in 2012, as the robust construction contract flows of more than S\$27bn in 2011 translate to actual construction activities in 2012. Port's cargo throughput will likely be sustained at current levels with new cargo types. Shipping will be weak, as the uncertain global economic conditions will affect trade demand.

We believe Pan-United will be a key beneficiary of the robust infrastructure sector in Singapore and potentially Asia Pacific, given its overseas expansion strategy. Maintain Buy. We expect 1.5 Scents final dividend in 4Q, translating to an attractive annual dividend yield of 6-7% for FY11.

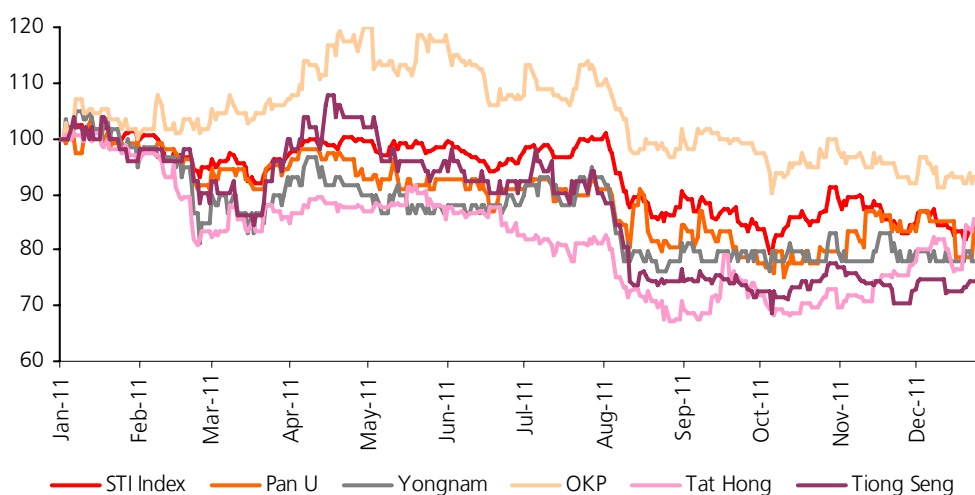
OKP Holdings (BUY, TP S\$0.78). OKP has won S\$152m worth of new orders for FY11, which represents 90% of our full year contract win assumption. OKP reported gross orderbook of S\$433m, and we estimate net outstanding orderbook in excess of S\$250m. This represents a record book-to-bill ratio of almost 2.0x that provides good revenue visibility going forward. With close to S\$95m net cash, including proceeds from placements and warrant conversions, OKP shareholders can expect higher dividend payouts. OKP is also financially positioned to explore investment opportunities in related businesses like property development to boost ROEs. We note the Group has recently set up a fully owned subsidiary, OKP Land Pte Ltd, for property investment purposes. Thus, we remain positive on its growth prospects, as well as its ability to sustain dividend payments, and maintain our BUY call at TP of S\$0.78.

Tat Hong (FULLY VALUED, TP S\$0.69). The slow crane rental and tower crane revenue growth in FY11 indicate the continued demand/supply imbalance in major markets like Singapore and China. While the healthy construction demand of ~S\$25bn a year in Singapore and reconstruction activities in Australia should lift demand for crane rental, keen competition will continue to pressure margins. We maintain our FULLY VALUED call and our TP of S\$0.69, pegged to 5x FY12 PE. This translates to 0.8x P/BV reflecting its low ROE at 6-8%. Hence, current valuation is fair in our view. Re-rating catalyst could come from sustained earnings recovery, in particular revenue expansion from the Australia operations.

Valuations look attractive. Despite the growing number of order wins reported by the construction companies and steadily improving results, share prices of most stocks have underperformed the index in 2011, as evident in the chart below. Apart from OKP, whose share price has been well supported by its dividend yield, other stocks have seen declines of between 15-25% during the year.

And while there are risks to construction demand in 2012, especially from the private sector – given the economic uncertainties and lack of positive sentiment in the real estate sector – we reckon valuations have more than factored that in. The building construction sector is trading at an average PE of 4x, which seems unjustified, given the healthy orderbook coverage and revenue visibility of most stocks.

Except OKP, construction players under our coverage underperformed the STI in 2011



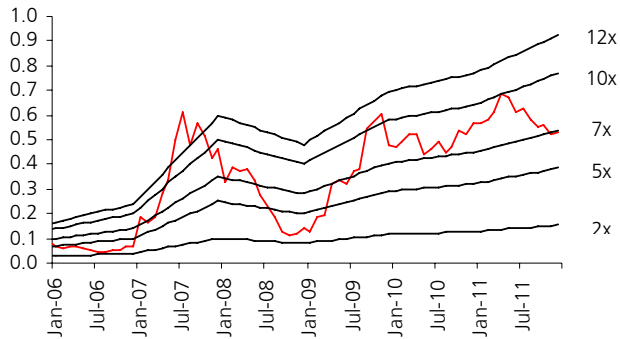
Source: Bloomberg

Singapore Construction Players – Valuation Summary

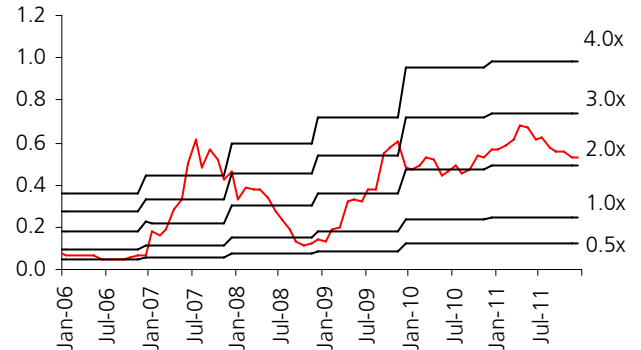
Company		Price (Local \$)	Mkt Cap (\$m)	CY11 PE	CY12 PE	P/B	P/S	ROE (%)	Opg Margin	Div Yield
Building										
Chip Eng Seng	Dec	0.375	250.3	N/A	N/A	0.6	0.6	36.2	5.9	N/A
Tiong Seng*	Dec	0.18	137.9	5.8	4.7	0.8	0.5	15.8	4.2	5.6%
Wee Hur Holdings	Dec	0.265	171.1	2.7	2.4	1.9	1.0	30.9	17.9	7.5%
Hock Lian Seng	Dec	0.245	124.9	N/A	N/A	1.4	0.5	33.0	11.4	N/A
Lian Beng	May	0.35	185.4	3.0	2.9	0.9	0.3	29.1	10.6	4.9%
OKP Holdings*	Dec	0.54	164.8	7.0	6.5	2.2	1.0	26.5	14.3	9.3%
KSH Holdings	Mar	0.215	74.5	3.4	3.2	0.6	0.3	18.5	10.3	9.3%
BBR Holdings	Dec	0.205	63.0	2.9	3.0	0.7	0.2	27.7	7.1	3.9%
Average				4.1	3.8	1.1	0.5	27.2	10.2	6.7%
Foundation/ Piling										
CSC Holdings	Mar	0.099	121.5	14.7	14.1	0.7	0.4	2.8	3.8	2.0%
Ryobi Kiso	Jun	0.128	97.0	18.6	11.6	0.8	0.8	6.8	10.3	2.3%
PSL Holdings	Dec	0.37	114.5	N/A	N/A	3.0	2.0	12.9	8.1	N/A
Koon Holdings	Dec	0.23	37.7	N/A	N/A	0.8	0.5	30.9	11.3	N/A
Average				16.7	12.9	1.3	0.9	13.3	8.4	2.2%
Niche Players										
Yong Nam*	Dec	0.235	294.7	5.0	4.6	1.1	0.9	25.7	22.0	3.4%
TTJ Holdings	Jul	0.155	54.3	N/A	N/A	0.7	0.6	21.7	21.2	N/A
TEE International	May	0.24	85.6	3.9	3.6	1.4	0.4	35.8	8.3	9.6%
Average				4.5	4.1	1.1	0.6	27.7	17.1	6.5%
Materials/ Equipment										
Hong Leong Asia	Dec	1.615	603.9	7.4	6.7	0.7	0.1	16.3	9.2	6.6%
Tat Hong*	Mar	0.875	434.6	15.3	10.7	0.8	0.8	5.6	10.8	2.2%
Pan United*	Dec	0.44	244.7	7.9	7.5	0.8	0.5	7.2	10.1	6.8%
Tiong Woon	June	0.215	79.9	18.7	17.9	0.4	0.7	0.4	-0.9	1.9%
Average				12.3	10.7	0.7	0.5	7.4	7.3	4.4%

Source: Bloomberg, *DBS Vickers estimates

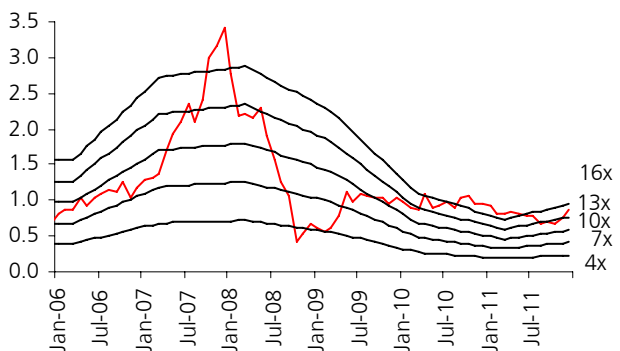
OKP Holdings – PE Band



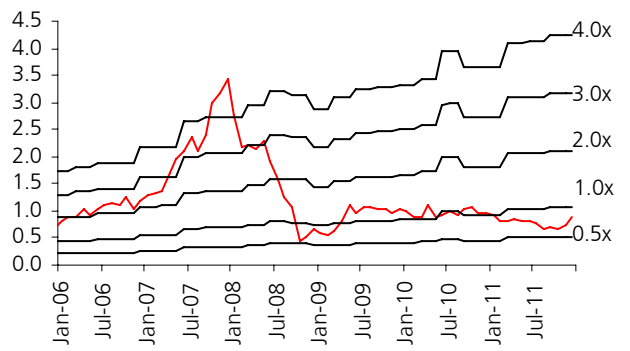
OKP Holdings – PB Band



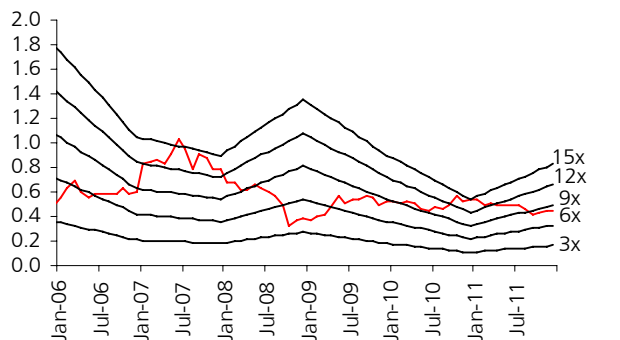
Tat Hong – PE Band



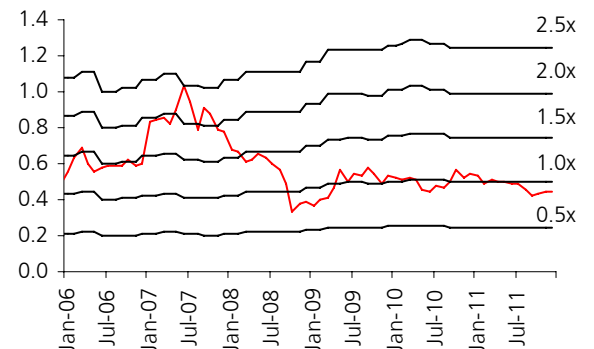
Tat Hong – PB Band



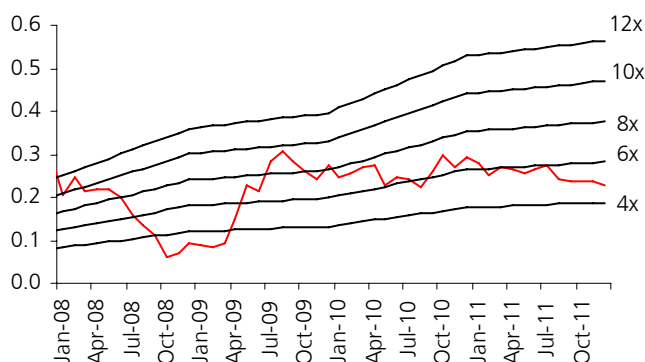
Pan United Corp – PE Band



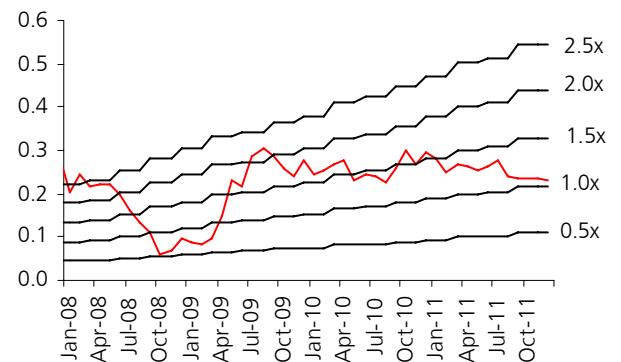
Pan United Corp – PB Band



Yongnam Holdings – PE Band



Yongnam Holdings – PB Band



Source: Bloomberg, DBS Vickers

Stock Profiles

Industry Focus

OKP Holdings

Bloomberg: OKP SP EQUITY | Reuters: OKPH.SI

BUY S\$0.535 STI : 2,747.13

Price Target : 12-Month S\$ 0.78

Potential Catalyst: Margin sustainability, investments, M&A

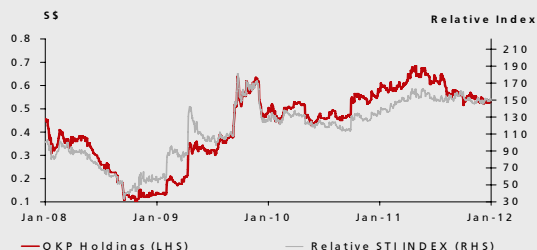
DBSV vs Consensus: Our estimates are largely in line with consensus

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (S\$ m)	2010A	2011F	2012F	2013F
Turnover	140	125	170	214
EBITDA	23	30	34	43
Pre-tax Profit	20	27	31	40
Net Profit	17	22	26	32
Net Pft (Pre Ex.)	17	22	26	32
EPS (S cts)	6.4	7.7	8.3	10.5
EPS Pre Ex. (S cts)	6.4	7.7	8.3	10.5
EPS Gth (%)	9	21	8	27
EPS Gth Pre Ex (%)	9	21	8	27
Diluted EPS (S cts)	6.4	7.7	8.3	10.5
Net DPS (S cts)	5.0	5.0	5.0	6.0
BV Per Share (S cts)	26.0	27.3	30.6	35.1
PE (X)	8.4	7.0	6.5	5.1
PE Pre Ex. (X)	8.4	7.0	6.5	5.1
P/Cash Flow (X)	3.6	38.1	5.1	5.2
EV/EBITDA (X)	1.9	2.2	1.9	1.3
Net Div Yield (%)	9.3	9.3	9.3	11.2
P/Book Value (X)	2.1	2.0	1.7	1.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	26.5	29.1	28.6	32.0

Earnings Rev (%):

Consensus EPS (S cts):

Other Broker Recs:

-
7.5
B: 4

-
8.5
S: 0

-
10.4
H: 0

ICB Industry : Industrials

ICB Sector: Construction & Materials

Principal Business: OKP Holdings Limited is involved in the construction and maintenance of roads in Singapore.

Source of all data: Company, DBS Vickers, Bloomberg

Good earnings visibility on record order backlog

- **Key beneficiary of public spending to revamp and expand Singapore's transport infrastructure**
- **Superior margins seen in 2011 from design-and-build projects should be sustainable**
- **Net cash of S\$0.30/share supports earnings growth and dividend payout**
- **Maintain BUY with TP of S\$0.78**

Healthy results in 2011. OKP recorded 3Q11 net profit of S\$4.9m, up 8% y-o-y, and 9M11 net profit of S\$17.0m, up 38% y-o-y. 3Q11 revenues were down 30% y-o-y to S\$25.5m as recognition from newly-awarded projects remained low. Gross margin moderated from 39.4% in 2Q11 to 32.4% in 3Q11, but still represented 13ppts y-o-y increase from higher margin design-and-build projects like the CTE expansion project. Overall, we believe the Group is on track to achieve >20% EPS growth in FY11.

Record orderbook. OKP has secured S\$152m worth of new orders in FY11. OKP reported record gross orderbook of S\$433m, and we estimate net outstanding orderbook in excess of S\$250m, which represents a record book-to-bill ratio of almost 2.0x that provides good revenue visibility going forward.

9% dividend yield, 14% EPS growth CAGR over FY10-12. With S\$95m net cash in its books, including proceeds from placements and warrant conversions, the group is positioned to pay higher dividends as well as explore investment opportunities in related businesses like property development to boost ROEs. The Group has set up a fully owned subsidiary, OKP Land Pte Ltd, for property investment purposes. Thus, we remain positive on its growth prospects, as well as its ability to sustain dividend payouts. Maintain our BUY call at TP of S\$0.78.

At A Glance

Issued Capital (m shrs)	305
Mkt. Cap (S\$m/US\$m)	163 / 126
Major Shareholders	
Kim Peow Investment (%)	55.2
China Sonangol (%)	14.1
Free Float (%)	30.7
Avg. Daily Vol.('000)	112

Income Statement (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Turnover	140	125	170	214
Cost of Goods Sold	(110)	(88)	(127)	(160)
Gross Profit	29	37	43	54
Other Opng (Exp)/Inc	(9)	(10)	(12)	(14)
Operating Profit	21	27	31	40
Other Non Opng (Exp)/Inc	0	0	0	0
Associates & JV Inc	0	0	0	0
Net Interest (Exp)/Inc	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	20	27	31	40
Tax	(4)	(5)	(5)	(7)
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
Net Profit	17	22	26	32
Net Profit before Except.	17	22	26	32
EBITDA	23	30	34	43
Sales Gth (%)	7.6	(10.7)	36.3	25.8
EBITDA Gth (%)	18.5	26.1	14.9	27.2
Opg Profit Gth (%)	19.1	31.3	14.5	28.2
Net Profit Gth (%)	17.4	31.6	14.7	26.8
Effective Tax Rate (%)	17.4	17.0	17.0	18.0

Cash Flow Statement (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Pre-Tax Profit	20	27	31	40
Dep. & Amort.	3	3	3	4
Tax Paid	(3)	(4)	(5)	(5)
Assoc. & JV Inc/(loss)	0	0	0	0
Chg in Wkg.Cap.	19	(22)	3	(6)
Other Operating CF	0	0	0	0
Net Operating CF	39	4	32	32
Capital Exp.(net)	(6)	(5)	(5)	(5)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(2)	0	0	0
Net Investing CF	(8)	(5)	(5)	(5)
Div Paid	(11)	(15)	(15)	(19)
Chg in Gross Debt	(1)	0	0	0
Capital Issues	4	9	0	0
Other Financing CF	(1)	0	0	0
Net Financing CF	(9)	(7)	(15)	(19)
Currency Adjustments	0	0	0	0
Chg in Cash	22	(8)	12	8

Quarterly / Interim Income Statement (\$S m)

FY Dec	4Q2010	1Q2011	2Q2011	3Q2011
Turnover	30	33	28	25
Cost of Goods Sold	(20)	(24)	(17)	(17)
Gross Profit	10	9	11	8
Other Oper. (Exp)/Inc	(4)	(2)	(3)	(2)
Operating Profit	6	6	8	6
Other Non Opng (Exp)/Inc	0	0	0	0
Associates & JV Inc	0	0	0	0
Net Interest (Exp)/Inc	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	5	6	8	6
Tax	(1)	(1)	(1)	(1)
Minority Interest	0	0	0	0
Net Profit	5	5	7	5
Net profit bef Except.	5	5	7	5
EBITDA	6	7	9	7
Sales Gth (%)	(19.1)	11.0	(13.8)	(10.0)
EBITDA Gth (%)	3.1	8.7	30.2	(26.9)
Opg Profit Gth (%)	(0.9)	16.5	30.0	(29.8)
Net Profit Gth (%)	2.9	12.7	31.6	(29.1)
Gross Margins (%)	33.8	26.7	39.4	32.4
Opg Profit Margins (%)	18.6	19.6	29.6	23.1
Net Profit Margins (%)	15.7	15.9	24.4	19.2

Balance Sheet (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Net Fixed Assets	17	19	21	23
Invts in Associates & JVs	0	0	0	0
Other LT Assets	5	5	5	5
Cash & ST Invts	100	92	104	112
Inventory	3	2	3	4
Debtors	7	9	12	15
Other Current Assets	21	21	21	21
Total Assets	153	149	166	181
ST Debt	1	1	1	1
Other Current Liab	82	62	70	70
LT Debt	1	1	1	1
Other LT Liabilities	0	0	0	0
Shareholder's Equity	69	84	95	109
Minority Interests	0	0	0	0
Total Cap. & Liab.	153	149	166	181
Non-Cash Wkg. Capital	(51)	(30)	(34)	(30)
Net Cash/(Debt)	98	90	102	111

Rates & Ratio

FY Dec	2010A	2011F	2012F	2013F
Gross Margins (%)	21.1	29.9	25.2	25.2
Opg Profit Margin (%)	14.7	21.6	18.2	18.5
Net Profit Margin (%)	12.1	17.9	15.0	15.1
ROAE (%)	26.5	29.1	28.6	32.0
ROA (%)	12.3	14.8	16.2	18.7
ROCE (%)	25.5	28.4	28.0	31.4
Div Payout Ratio (%)	78.4	69.3	60.4	57.1
Net Interest Cover (x)	136.4	179.0	300.7	385.6
Asset Turnover (x)	1.0	0.8	1.1	1.2
Debtors Turn (avg days)	19.2	23.0	21.7	22.9
Creditors Turn (avg days)	167.3	214.4	126.0	106.3
Inventory Turn (avg days)	7.8	10.3	7.7	8.1
Current Ratio (x)	1.6	2.0	2.0	2.2
Quick Ratio (x)	1.3	1.6	1.6	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	(1.4)	(1.1)	(1.1)	(1.0)
Capex to Debt (%)	311.1	271.6	271.6	271.6
Z-Score (X)	3.3	3.8	4.0	4.3
N. Cash/(Debt)PS (\$ cts)	37.0	29.3	33.1	35.8
Opg CFPS (\$ cts)	7.7	8.9	9.5	12.2
Free CFPS (\$ cts)	12.5	(0.3)	8.8	8.7

Segmental Breakdown / Key Assumptions

FY Dec	2010A	2011F	2012F	2013F
Revenues (\$S m)				
Construction	116	106	136	185
Maintenance	24	19	34	30
Total	140	125	170	214
Gross Profit (\$S m)				
Construction	23	33	35	48
Maintenance	7	5	8	6
Total	29	37	43	54
Gross Profit Margins (%)				
Construction	19.8	31.0	26.0	26.0
Maintenance	27.4	24.0	22.0	20.0
Total	21.1	29.9	25.2	25.2
Key Assumptions				
New orders won	166.5	169.3	168.0	160.0

Source: Company, DBS Vickers

Industry Focus

Pan-United

Bloomberg: PAN SP | Reuters: PANU.SI

BUY S\$0.45 STI : 2,747.13

Price Target : 12-Month S\$ 0.63

Potential Catalyst: Higher ASP, stronger construction demand

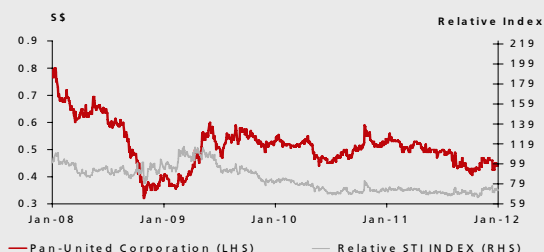
DBSV vs Consensus: In line

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (\$\$ m)	2010A	2011F	2012F	2013F
Turnover	391	497	546	589
EBITDA	56	76	80	85
Pre-tax Profit	32	49	52	56
Net Profit	20	31	32	36
Net Pft (Pre Ex.)	20	31	32	36
EPS (S cts)	3.6	5.5	5.8	6.5
EPS Pre Ex. (S cts)	3.6	5.5	5.8	6.5
EPS Gth (%)	(42)	51	6	11
EPS Gth Pre Ex (%)	(42)	51	6	11
Diluted EPS (S cts)	3.6	5.5	5.8	6.4
Net DPS (S cts)	3.0	3.0	3.0	4.0
BV Per Share (S cts)	50.7	53.2	56.0	59.5
PE (X)	12.3	8.2	7.7	7.0
PE Pre Ex. (X)	12.3	8.2	7.7	7.0
P/Cash Flow (X)	8.1	5.8	4.5	4.0
EV/EBITDA (X)	5.2	3.8	3.7	3.4
Net Div Yield (%)	6.7	6.7	6.7	8.9
P/Book Value (X)	0.9	0.8	0.8	0.8
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE (%)	7.2	10.6	10.7	11.2

Earnings Rev (%):	-	-	-
Consensus EPS (S cts):	5.6	5.6	6.0
Other Broker Recs:	B: 2	S: 0	H: 0

ICB Industry : Industrials

ICB Sector: Industrial Transportation

Principal Business: Diversified industrial group with interests in marine, port, shipping and industrial & trading across the Asia-Pacific region.

Source of all data: Company, DBS Vickers, Bloomberg

Concrete yield

- A major beneficiary of robust infrastructure spending in Singapore
- S\$32bn new construction contracts awarded in Singapore in 2011; will drive healthy levels of onsite construction activity in Singapore in 2012
- Firm demand for ready-mixed-concrete yields high margins
- Attractive dividend yield of c.7%. Maintain BUY; TP S\$0.63

Earnings recovery on volume and ASP growths.

Pan-United's 3Q net profit more than doubled y-o-y to S\$8.7m, about 25% ahead of our expectation. Higher than expected gross margin of 16.5% was sustained for the past four quarters. Revenue grew 50% y-o-y to RMB136.9m on the back of strong demand for ready-mixed-concrete (RMC) and port business.

Steady demand for RMC. Demand for ready-mixed concrete (RMC) and cement will remain firm into 2012, supported by robust on-site construction activities driven by the very healthy level of new construction awards of S\$32bn in 2011, the second best year for new contracts after 2008. Port's cargo throughput will be sustained at current levels with new cargo types. Shipping division will remain weak though, given the uncertain global economic fundamentals.

Attractive dividend yield of 7%. Pan-United is a key beneficiary of the robust infrastructure sector in Singapore. In addition, its overseas expansion plans will ride on the growing Asia Pacific markets. Maintain Buy. Assuming 1.5 Scents final dividend in 4Q, the annual dividend yield will be an attractive c.7% for FY11.

At A Glance

Issued Capital (m shrs)	556
Mkt. Cap (\$m/US\$m)	250 / 194
Major Shareholders	
Han Whatt Ng (%)	61.5
Bee Sing Ng (%)	4.5
Free Float (%)	34.0
Avg. Daily Vol.('000)	30

Pan-United

Income Statement (\$\$ m)

FY Dec	2010A	2011F	2012F	2013F
Turnover	391	497	546	589
Cost of Goods Sold	(337)	(417)	(460)	(496)
Gross Profit	55	80	86	93
Other Opng (Exp)/Inc	(20)	(27)	(30)	(33)
Operating Profit	35	53	56	60
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	2	2	2	2
Net Interest (Exp)/Inc	(5)	(5)	(5)	(5)
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	32	49	52	56
Tax	(4)	(10)	(11)	(11)
Minority Interest	(7)	(9)	(9)	(10)
Preference Dividend	0	0	0	0
Net Profit	20	31	32	36
Net Profit before Except.	20	31	32	36
EBITDA	56	76	80	85
Sales Gth (%)	(16.9)	26.9	9.8	7.9
EBITDA Gth (%)	(18.7)	37.6	5.0	5.7
Opg Profit Gth (%)	(30.3)	51.8	5.5	7.5
Net Profit Gth (%)	(41.5)	51.2	5.5	10.8
Effective Tax Rate (%)	13.6	20.6	20.3	19.4

Cash Flow Statement (\$\$ m)

FY Dec	2010A	2011F	2012F	2013F
Pre-Tax Profit	32	49	52	56
Dep. & Amort.	19	22	23	24
Tax Paid	(3)	(1)	(10)	(11)
Assoc. & JV Inc/(loss)	(2)	(2)	(2)	(2)
Chg in Wkg.Cap.	(10)	(26)	(7)	(7)
Other Operating CF	(5)	0	0	0
Net Operating CF	31	43	55	62
Capital Exp.(net)	(10)	(20)	(30)	(30)
Other Invt.(net)	0	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	2	0	0	0
Other Investing CF	4	0	0	0
Net Investing CF	(4)	(20)	(30)	(30)
Div Paid	(17)	(17)	(17)	(17)
Chg in Gross Debt	17	(19)	15	10
Capital Issues	2	0	0	0
Other Financing CF	(7)	0	0	0
Net Financing CF	(4)	(36)	(2)	(7)
Currency Adjustments	(2)	0	0	0
Chg in Cash	21	(13)	24	25

Quarterly / Interim Income Statement (\$\$ m)

FY Dec	4Q2010	1Q2011	2Q2011	3Q2011
Turnover	99	102	129	137
Cost of Goods Sold	(83)	(85)	(108)	(114)
Gross Profit	16	17	22	23
Other Oper. (Exp)/Inc	(7)	(6)	(7)	(8)
Operating Profit	10	11	15	14
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	1	0	0	0
Net Interest (Exp)/Inc	(1)	(1)	(1)	(1)
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	9	10	14	14
Tax	(1)	(2)	(3)	(3)
Minority Interest	(2)	(2)	(2)	(2)
Net Profit	6	6	9	9
Net profit bef Except.	6	6	9	9
EBITDA	15	16	21	21
Sales Gth (%)	9.3	2.2	27.1	6.0
EBITDA Gth (%)	15.5	8.4	30.0	2.7
Opg Profit Gth (%)	27.3	12.4	33.8	(2.6)
Net Profit Gth (%)	52.7	0.9	42.1	(0.6)
Gross Margins (%)	16.3	16.6	16.7	16.5
Opg Profit Margins (%)	9.8	10.7	11.3	10.4
Net Profit Margins (%)	6.2	6.1	6.8	6.4

Balance Sheet (\$\$ m)

FY Dec	2010A	2011F	2012F	2013F
Net Fixed Assets	264	262	269	275
Invt in Associates & JVs	5	6	8	10
Other LT Assets	17	17	17	17
Cash & ST Invt	95	83	107	132
Inventory	14	19	21	23
Debtors	92	118	130	140
Other Current Assets	2	2	2	2
Total Assets	490	508	554	599
ST Debt	5	0	5	5
Other Current Liab	61	76	82	88
LT Debt	94	80	90	100
Other LT Liabilities	11	11	11	11
Shareholder's Equity	282	296	311	331
Minority Interests	37	46	55	64
Total Cap. & Liab.	490	508	554	599
Non-Cash Wkg. Capital	47	63	71	77
Net Cash/(Debt)	(4)	3	12	27

Rates & Ratio

FY Dec	2010A	2011F	2012F	2013F
Gross Margins (%)	14.0	16.1	15.7	15.7
Opg Profit Margin (%)	8.9	10.6	10.2	10.2
Net Profit Margin (%)	5.2	6.2	5.9	6.1
ROAE (%)	7.2	10.6	10.7	11.2
ROA (%)	4.2	6.1	6.1	6.2
ROCE (%)	7.1	9.7	9.8	9.8
Div Payout Ratio (%)	82.2	54.4	51.5	62.0
Net Interest Cover (x)	7.3	10.4	10.3	11.6
Asset Turnover (x)	0.8	1.0	1.0	1.0
Debtors Turn (avg days)	81.5	77.4	83.0	83.7
Creditors Turn (avg days)	64.2	55.0	54.4	54.7
Inventory Turn (avg days)	15.5	15.4	16.7	16.8
Current Ratio (x)	3.1	2.9	3.0	3.2
Quick Ratio (x)	2.8	2.7	2.7	2.9
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.0	0.0	0.0	(0.1)
Capex to Debt (%)	10.1	25.0	31.6	28.6
Z-Score (X)	3.1	3.1	3.0	2.9
N. Cash/(Debt)PS (S cts)	(0.7)	0.5	2.1	4.8
Opg CFPS (S cts)	7.4	12.4	11.3	12.3
Free CFPS (S cts)	3.8	4.2	4.6	5.7

Segmental Breakdown / Key Assumptions

FY Dec	2010A	2011F	2012F	2013F
Revenues (\$\$ m)				
Port	53	51	60	64
Shipping	30	25	29	31
Basic Building Materials	309	420	456	494
Total	391	497	546	589
Key Assumptions				
RMC sales volume (m3)	2,473.8	3,267.6	3,533.8	3,710.5
RMC prices (\$\$ / m3)	97.2	108.1	110.1	115.0

Source: Company, DBS Vickers

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

BUY S\$0.195 STI : 2,747.13

Price Target : 12-Month S\$ 0.24

Potential Catalyst: Higher than expected property sales (china) / new contract wins

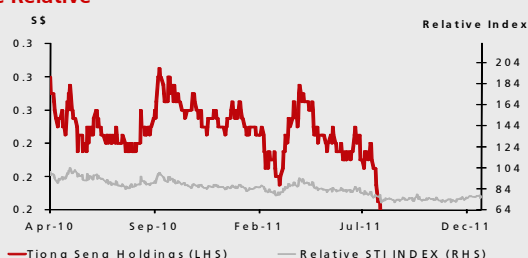
DBSV vs Consensus: nil

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (\$ m)	2010A	2011F	2012F	2013F
Turnover	252	418	436	475
EBITDA	37	51	59	68
Pre-tax Profit	27	42	50	60
Net Profit	21	24	29	31
Net Pft (Pre Ex.)	21	24	29	31
EPS (S cts)	2.8	3.1	3.8	4.0
EPS Pre Ex. (S cts)	2.8	3.1	3.8	4.0
EPS Gth (%)	(48)	10	24	5
EPS Gth Pre Ex (%)	(48)	10	24	5
Diluted EPS (S cts)	2.8	3.1	3.8	4.0
Net DPS (S cts)	1.0	1.0	1.0	1.0
BV Per Share (S cts)	22.6	24.7	27.5	30.6
PE (X)	7.0	6.3	5.1	4.9
PE Pre Ex. (X)	7.0	6.3	5.1	4.9
P/Cash Flow (X)	nm	2.2	19.3	3.5
EV/EBITDA (X)	3.5	2.2	2.6	2.1
Net Div Yield (%)	5.1	5.1	5.1	5.1
P/Book Value (X)	0.9	0.8	0.7	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	15.8	13.1	14.7	13.8

Earnings Rev (%) :	-	-	NEW
Consensus EPS (S cts):	3.6	3.9	5.5
Other Broker Recs:	B: 2	S: 0	H: 0

ICB Industry : Industrials

ICB Sector: Construction & Materials

Principal Business: Leading building contractor in Singapore and niche developer in 2nd & 3rd tier cities of China

Source of all data: Company, DBS Vickers, Bloomberg

One step ahead of competitors

- **Record construction contract wins for 2011; automated pre-fab hub completion in coming months a potential catalyst**
- **Earnings boost from China property development in the coming quarters**
- **BUY Call, TP S\$0.24 maintained**

Slew of contract wins in recent months a positive sign.

Tiong Seng has clinched back-to-back construction contracts within a short period towards end of 2011, bringing total contract wins to a record S\$632m for 2011. Looking ahead, completion of the automated pre-fab factory will enable more efficient turnaround of projects and empower the group with greater capacity to take on more construction jobs.

Improving operational performance in next quarters.

While we note that 2011 earnings performance may be slightly behind that previously forecasted, we take heart that Tiong Seng has yet to recognize (i) an additional 80 units from phase 1 City Residences and 9 units of Tianmen Jinwan Building that were sold; and (ii) S\$20.2m from recently commenced construction projects in Singapore and PNG that should flow through in subsequent quarters. In addition, the group has a huge construction orderbook estimated in excess of S\$1.2bn, offering strong earnings visibility in the coming years.

Maintain BUY, TP S\$0.24. Our TP of S\$0.24 is based on a 45% discount to RNAV, in line with Singapore property peers. Current valuation is very undemanding in view of its net cash per of 12 Scents, as well as strong earnings visibility ahead.

At A Glance

Issued Capital (m shrs)	766
Mkt. Cap (S\$m/US\$m)	149 / 116
Major Shareholders	
Tiong Seng Shareholdings (%)	59.0
Peck Tiong Choon (%)	7.0
Free Float (%)	34.0
Avg. Daily Vol.('000)	186

Tiong Seng Holdings

Income Statement (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Turnover	252	418	436	475
Cost of Goods Sold	(216)	(360)	(372)	(397)
Gross Profit	36	58	64	78
Other Opng (Exp)/Inc	(24)	(25)	(28)	(30)
Operating Profit	13	34	37	48
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	16	9	13	12
Net Interest (Exp)/Inc	(2)	(1)	0	0
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	27	42	50	60
Tax	(4)	(9)	(11)	(13)
Minority Interest	(2)	(9)	(10)	(16)
Preference Dividend	0	0	0	0
Net Profit	21	24	29	31
Net Profit before Except.	21	24	29	31
EBITDA	37	51	59	68
Sales Gth (%)	(32.8)	65.8	4.3	8.8
EBITDA Gth (%)	(56.7)	37.2	14.6	16.3
Opg Profit Gth (%)	(73.4)	166.4	9.8	30.4
Net Profit Gth (%)	(48.2)	10.5	24.0	4.9
Effective Tax Rate (%)	13.7	22.0	22.0	22.0

Cash Flow Statement (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Pre-Tax Profit	27	42	50	60
Dep. & Amort.	8	8	9	10
Tax Paid	(21)	(23)	(9)	(11)
Assoc. & JV Inc/(loss)	(16)	(9)	(13)	(12)
Chg in Wkg.Cap.	(13)	49	(29)	(4)
Other Operating CF	(13)	0	0	0
Net Operating CF	(28)	68	8	43
Capital Exp.(net)	(10)	(10)	(5)	(5)
Other Invt.(net)	(6)	(25)	(20)	(5)
Invt in Assoc. & JV	0	0	0	0
Div from Assoc & JV	40	0	0	0
Other Investing CF	(2)	0	0	0
Net Investing CF	21	(35)	(25)	(10)
Div Paid	0	(8)	(8)	(8)
Chg in Gross Debt	10	0	0	0
Capital Issues	55	0	0	0
Other Financing CF	(3)	0	0	0
Net Financing CF	62	(8)	(8)	(8)
Currency Adjustments	0	0	0	0
Chg in Cash	55	25	(25)	25

Quarterly / Interim Income Statement (\$S m)

FY Dec	4Q2010	1Q2011	2Q2011	3Q2011
Turnover	38	62	84	127
Cost of Goods Sold	(29)	(53)	(71)	(117)
Gross Profit	9	9	13	11
Other Oper. (Exp)/Inc	(6)	(8)	(7)	(10)
Operating Profit	2	1	6	0
Other Non Opg (Exp)/Inc	(4)	2	0	1
Associates & JV Inc	7	1	4	6
Net Interest (Exp)/Inc	0	0	0	2
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	5	3	10	9
Tax	0	0	(1)	(3)
Minority Interest	(1)	(1)	1	1
Net Profit	4	2	10	7
Net profit bef Except.	4	2	10	7
EBITDA	5	5	11	7
Sales Gth (%)	(57.9)	62.5	36.4	51.6
EBITDA Gth (%)	(46.8)	(1.7)	110.9	(34.1)
Opg Profit Gth (%)	(57.9)	(68.9)	735.5	(93.8)
Net Profit Gth (%)	(43.3)	(49.4)	344.4	(28.2)
Gross Margins (%)	22.8	14.3	15.6	8.3
Opg Profit Margins (%)	5.8	1.1	6.8	0.3
Net Profit Margins (%)	11.2	3.5	11.3	5.4

Balance Sheet (\$S m)

FY Dec	2010A	2011F	2012F	2013F
Net Fixed Assets	30	32	29	25
Invt in Associates & JVs	11	20	33	45
Invt & Devt Properties	23	23	23	23
Other LT Assets	12	12	12	12
Cash & ST Invt	124	150	124	147
Dev Props held for sale	123	80	173	182
Inventory	1	0	0	0
Debtors	107	149	156	170
Other Current Assets	27	27	27	27
Total Assets	550	538	577	631
ST Debt	13	13	13	13
Other Current Liab	264	227	235	249
LT Debt	44	44	44	44
Other LT Liabilities	7	7	7	7
Shareholder's Equity	173	189	211	234
Minority Interests	49	58	68	84
Total Cap. & Liab.	550	538	577	631
Non-Cash Wkg. Capital	77	41	69	71
Net Cash/(Debt)	67	93	67	90

Rates & Ratio

FY Dec	2010A	2011F	2012F	2013F
Gross Margins (%)	14.4	13.9	14.8	16.4
Opg Profit Margin (%)	5.0	8.0	8.4	10.1
Net Profit Margin (%)	8.5	5.7	6.7	6.5
ROAE (%)	15.8	13.1	14.7	13.8
ROA (%)	4.7	4.4	5.3	5.1
ROCE (%)	4.5	8.8	8.8	10.4
Div Payout Ratio (%)	35.7	32.3	26.1	24.9
Net Interest Cover (x)	7.5	38.7	NM	NM
Asset Turnover (x)	0.6	0.8	0.8	0.8
Debtors Turn (avq days)	169.4	111.9	127.7	125.1
Creditors Turn (avq days)	292.0	194.7	179.5	176.7
Current Ratio (x)	1.7	1.7	1.7	1.8
Quick Ratio (x)	0.8	1.2	1.1	1.2
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	(0.4)	(0.5)	(0.3)	(0.4)
Capex to Debt (%)	18.2	17.5	8.8	8.8
Z-Score (X)	1.3	1.8	1.8	0.0
N. Cash/(Debt)PS (S cts)	8.8	12.1	8.7	11.8
Opg CFPS (S cts)	(1.9)	2.4	4.8	6.2
Free CFPS (S cts)	(5.0)	7.6	0.4	5.0

Segmental Breakdown / Key Assumptions

FY Dec	2010A	2011F	2012F	2013F
Revenues (\$S m)				
Construction	227	340	323	310
Property devt	23	77	111	163
Rental Income	3	2	2	2
Total	252	418	436	475
Gross profit (\$S m)				
Construction	27	37	36	34
Property devt	8	20	28	43
Rental Income	0	1	1	1
Total	35	58	64	78
Gross Margins (%)				
Construction	11.9	11.0	11.0	11.0
Property devt	35.8	26.1	25.0	26.3
Rental Income	0.0	49.8	47.4	47.4
Total	13.9	13.9	14.8	16.4
Key Assumptions				
Contract wins			500	500

Source: Company, DBS Vickers

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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

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