

# Analyse this...

Contact: Gary Ng – +65 6210-8699 – gary.ng@cimb.com

## OKP Holdings

**S\$83.5m luxury condo project awarded by China Sonangol**

 OKP SP  
 BUY; TP: S\$0.85

 Price @09/12/10: S\$0.57  
 52-week range (SGD): 0.42 – 0.65  
 Market cap – S\$151m

### S\$83.5m luxury condo project secured

- OKP yesterday announced a S\$83.5m contract award from a related company of China Sonangol for the construction of luxury Angullia Park condominium in Orchard Road. The contract is awarded to a new joint venture company between OKP and integrated property developer Soilbuild.
- The JV company will be involve in the construction of this project comprise one block of 36-storey residential flat development (total 54 units) with sky terraces, two basement carparks, a swimming pool and communal facilities. The investment in the JV Company has been funded internally.
- Angullia Development is a wholly-owned subsidiary of China Sonangol Land Pte Ltd, the owner of the development site at Angullia Park, which formerly housed The Parisian condominium.

### Maintain BUY with target price of S\$0.85

- **Maintain BUY rating with target price set at S\$0.85**, still pegged at 10x CY11 earnings, below the mid-cycle valuation, and discount to bigger peers who re-rated upon awards of overseas contracts.
- We like OKP for its high projects visibility in the public sector, and its strong potential overseas expansion story. OKP is a prime candidate to government infrastructural spending and the stock offers excellent value trading at 7.4x CY11 P/E against its 3-year core earnings CAGR forecast of 28.9%.
- **We kept our above consensus estimates unchanged**, which captured OKP's higher order book and margin recovery. Our earnings estimates have not factored in the potential catalyst of the possible overseas projects. Sustainable earnings growth will be primarily driven by fresh order wins, particularly opportunities arising from Downtown Lines awards. A diversified earnings platform now also put OKP in a sweet spot. In our view, immediate re-rating catalysts are likely to come from stronger than expected order momentum, strong margins from recently awarded road-raising works that will bring the group to another record profits and higher dividend payout.

### Diversifying revenue sources, the name of the game

- **We are not surprise by this latest move.** Management has in recent time hinted that there is intention to beef up its property development capability, thereby fortifying its already rock-solid income quality.
- **Sustainability through diversification.** We believe with the expansive balance sheet and free cash flow built up by the group, it is natural for the group to branch out into various business segments that will ensure long term sustainable earnings. While the group is able to leverage on its strengths and expertise to tender for larger and more complex civil engineering projects in order to generate higher profitability, it is paramount to diversify and explore suitable opportunities to regionalise the group's core business and reduce its reliance on a single source of revenue.

### Positives

- **Driving up order book visibility and size.** Though this new development is not expected to have any material impact on in FY10, it swelled order book to a size of S\$370m. The project is expected to commence in Dec 2010 and completion is scheduled for Apr 2013. We are keeping our estimates intact as this development is part of our conservatively estimated S\$150-180m new order replenishment, replacing the equivalent amount of orders to be delivered in FY11.
- **China Sonangol coming through finally!** We are encouraged that this latest move comes more than a year after OKP has teamed up with strategic partner China Sonangol through a share placement exercise that made the latter a substantial shareholder of OKP.
- **... and other business opportunities overseas could follow.** We also believe that with OKP's participation in this project, there will be more opportunities in the horizon with China Sonangol, serving in favour of OKP, to further grow the external wing of its business and to undertake large urban development projects overseas. We believe overseas ventures will serve to broaden and invigorate OKP's income base and underpin longer term profitability. We think that the group would eventually make its foray to overseas market, likely with China Sonangol opening doors for the group.

### Financial summary

FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (S\$ m)	101.8	130.0	157.3	185.7	220.4
EBITDA (S\$ m)	14.7	19.8	23.0	28.2	35.0
EBITDA margins (%)	14.4	15.2	14.6	15.2	15.9
Pretax profit (S\$ m)	12.2	17.1	20.1	24.7	32.2
<b>Net profit (S\$ m)</b>	<b>9.5</b>	<b>14.4</b>	<b>16.5</b>	<b>20.3</b>	<b>26.1</b>
EPS (cts)	6.3	6.1	6.2	7.7	9.9
EPS growth (%)	-13%	-4%	3%	23%	29%
P/E (x)	9.0	9.4	9.2	7.4	5.8
Core EPS (cts)	6.3	6.1	6.2	7.7	9.5
Core EPS growth (%)	-13%	-4%	3%	23%	24%
Core P/E (x)	9.0	9.4	9.2	7.4	6.0
FD EPS (cts)	6.3	5.4	5.7	7.0	8.6
FD P/E (x)	9.0	10.5	10.0	8.2	6.6
Gross DPS (cts)	1.5	2.0	2.3	3.3	4.3
Dividend yield (%)	2.6%	3.5%	3.9%	5.7%	7.5%
P/NTA (x)	2.2	2.4	2.2	1.9	1.6
ROE (%)	23.6%	24.5%	24.0%	25.2%	27.1%
Net gearing (%)	nil	nil	nil	nil	nil
Net cash per share (S\$)	0.2	0.3	0.3	0.3	0.4
P/CF (x)	7.3	8.0	7.9	6.4	5.1
EV/EBITDA (x)	4.0	3.0	2.6	2.1	1.7

Source: Company, CIMB Research

### Technical chart

- The stock broke out of its consolidation triangle back in October with a huge gap up. Prices are in the process of trying to close the huge down gap of S\$0.53-0.605. Only after this gap is totally filled that prices is able to push further to retest the old highs of S\$0.64-0.65 or higher. With both its momentum indicators still looking positive, the stock has a good chance to closing the gap soon. Keep a stop below the recent swing low of S\$0.505. Anything below its 200-day SMA would be negative for the stock.



## DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report. The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "CIMB" shall denote where applicable the relevant entity distributing the report in that particular jurisdiction where mentioned specifically below shall be a CIMB Group Sdn Bhd's affiliates, subsidiaries and related companies.

- (i) As of 9 December 2010, CIMB has a proprietary position in the following securities in this report:
  - (a) -
- (ii) As of 10 December 2010, the analysts, Gary Ng who prepared this report, has / have an interest in the securities in the following company or companies covered or recommended in this report:
  - (a) -

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Australia:** Despite anything in this report to the contrary, this research is provided in Australia by CIMB Research Pte. Ltd. ("CIMB") and CIMB notifies each recipient and each recipient acknowledges that CIMB is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to the recipient. CIMB is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cwlth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Hong Kong:** This report is issued and distributed in Hong Kong by CIMB Securities (HK) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities (HK) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

**Indonesia:** This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

**Malaysia:** This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

**New Zealand:** In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

**Singapore:** This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). Recipients of this report are to contact CIMBR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBR.

As of 9 December 2010 CIMB Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Taiwan:** This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

**Thailand:** This report is issued and distributed by CIMB Securities (Thailand) Ltd ("CIMBS"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom:** This report is being distributed by CIMB Securities (UK) Limited only to, and is directed at selected persons on the basis that those persons are (a) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") who have professional experience in investments of this type or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(1) of the Order, (all such persons together being referred to as "relevant persons"). A high net worth entity includes a body corporate which has (or is a member of a group which has) a called-up share capital or net assets of not less than (a) if it has (or is a subsidiary of an undertaking which has) more than 20 members, £500,000, (b) otherwise, £5 million, the trustee of a high value trust or an unincorporated association or partnership with assets of no less than £5 million. Directors, officers and employees of such entities are also included provided their responsibilities regarding those entities involve engaging in investment activity. Persons who do not have professional experience relating to investments should not rely on this document.

**United States:** This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB Research Pte Ltd solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors and investment professionals whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an Institutional Investor must not rely on this communication. However, the delivery of this research report to any person in the United States of America shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

## RETAIL RESEARCH RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** The stock's total return is expected to be +15% or better over the next three months.

**HOLD:** The stock's total return is expected to range between +15% and -15% over the next three months.

**SELL:** The stock's total return is expected to be -15% or worse over the next three months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next three months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next three months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next three months.