



CABLE / METAL

Corporate News Flash

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Ng Sem Guan
+60 (3) 9207 7678
ng.semguan@osk.com.my

Leader Universal

BUY	Upgrade
Price	RM0.65
Target	RM0.79

Vincent Lim Vi Ming
+60 (3) 9207 7663
lim.viming@osk.com.my

Powering Up the Arabian Nights

In a Bursa statement yesterday, it was announced that Leaders' wholly owned subsidiary, Leader Universal (Labuan) Limited, has entered into a JV and Shareholders Agreement with Al-Ghazalah Development Co. and Suasana Daya Sdn Bhd. The JV will be known as Leader Universal (Saudi Arabia) Limited in the Kingdom of Saudi Arabia (KSA). The said JV purpose is to bid for and undertake the:-

1. supply of cables and related accessories and equipment to customers in KSA
2. installation of cables and turnkey projects in KSA
3. supply and/or construction of power transmission, distribution, substation and related projects in KSA; and
4. development and operation of power generation, transmission and distribution projects in KSA ("the Proposal")

The stakes of each party in the JV are as follows;

- | | |
|-------------------------------------|-----|
| - Leader Universal (Labuan) Limited | 51% |
| - Al-Ghazalah | 30% |
| - Suasana Daya Sdn Bhd. | 19% |

COMMENTS

Positive outcome. The formation of this JV will certainly bode well for Leader as it will now expose itself not just into the Saudi Arabian markets but also gain deeper access to the Middle East power sector. Having already supplied power cables to the Middle East markets previously, we reckon its further ventures into the development and operation of power generation projects in the KSA sees the group's direction to tap into the region's lucrative power business.

A recap of the power business. 1994 saw Leader's foray into power generation after securing a Build-Operate-Transfer (BOT) concession for a 35MW diesel engine heavy-fuel oil fired power generating plant in Cambodia. LUH leads and owns 60% of the IPP via Cambodia Utilities Pte Ltd with the remaining 40% being invested equally by GUH Bhd and Delcom Utilities (Cambodia) Ltd. The concession is for 18 years beginning 1997, on a "take or pay" and fuels pass through agreement. Despite the IPP having only 6 years left, the attractive PPA rate still gives a decent cash flow and earnings for the past.

2nd power generation plant in Cambodia. Leader's proven track record has been rewarded with another contract to develop a 200MW coal-fired plant just north of Sihanoukville (largest port in Cambodia) on a 50:50 JV with Cambodia-based MKCSS Holdings recently. Meanwhile, development works on the new IPP project are still ongoing after the existing 200MW coal-fired power project was recently split into two equal parts. While Leader now having the full concession rights to develop the 100MW portion, the company announced to Bursa that it has entered into the JV Agreement with Cambodia International Investment Development Group Co. Ltd (CIIDG) for the purpose of formalising the conduct of a joint participation in the said power plant. Despite the fact that this means a dilution in the company stake for the second power plant project, the company however revealed in the similar announcement that the JV Agreement also sets out the agreement reached between the parties in respect of the planning and development of a future 700MW coal-fired power generation facility in Sihanoukville, Cambodia.

Upgrade to BUY. Although details are still too preliminary for us to comment in detail at the moment with regards to the potential projects to be secured in the KSA, the company proven track record in terms of earnings despite of global economy downturn, together with a stream of positive news flow leads us to upgrade our recommendation from Trading BUY to BUY. Nevertheless, we are maintaining our 12-months target price of RM0.79 considering a decent upside potential of 21.5%.

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

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Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	Singapore Office DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No. 1266 West Nanjing Road 200040, Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633