JF APEX SECURITIES BERHAD
(47680-X)

Earnings Update

21 November 2007

Leader Universal Holdings Bhd

BUY

FV (raised): RM1.57 per share

Price (20 Nov 07)	**RM1.05**
KLCI	**1371.70**

Stock Data

Bursa / Bloomberg code	4529 / LUH aMK
Board / Sector	Main / Ind. Products
Syariah Compliant status	Yes
Issued shares (m)	436.459
Par Value (RM)	1.00
Market cap. (RM m)	458.28
Price / NTA	1.11
52-week price Range	RM0.495 – RM1.38
Beta (against KLCI)	1.82
3-m Average Daily Volume	3.995m
3-m Average Daily Value*	RM4.195m

^ based on closing price

Share Performance (as at 20 Nov 07)

	1m	3m	12m
Absolute (%)	-0.9%	11.7%	92.7%
Relative (%-pts)	-2.5%	0.3%	60.3%

Price-Earnings Band

	FY - 2	FY - 1	FY
Upper	11.4	7.8	7.0
Lower	5.9	3.8	3.5

Financial Forecast (Year End Dec 31)

(RMm)	06A	07E	08F	09F
Revenue	2,365.0	2,872.5	3,125.6	3,363.0
Op. profit	91.5	129.5	134.8	142.6
Pretax profit	65.8	101.3	116.8	125.2
Net profit	35.3	65.2	74.7	80.0
EPS (sen)	8.1	14.9	17.1	18.3
PER (X)	13.0	7.0	6.1	5.7
Gross DPS (sen)	1.5	4.0	4.5	4.5
Gross Yield (%)	1.4	3.8	4.3	4.3

Important Balance Sheet Items (as at 30 Sept 07)

NTA / share (RM)	0.95
Total Receivables (RM m)	564.9
Total Payables (RM m)	387.1
Total Investories (RM m)	254.2
Total Assets (RM m)	1,447.2
Net Cash /(Debt) (RM m)	(348.4)

Results Highlights

- Results for 3Q07 was spectacular with EPS rising 42.3% QoQ and 131.7% YoY to 5.2 sen. EPS for the 9 months of FY07 rose 90.2% to 11.6 sen.
- The results exceeded our conservative forecast, due mainly to the exceptional performance of its cable & wire division, whose revenue grew 16.0% QoQ and 21.0% YoY with operating profit margin rising to 4.3% from 3.3% in 2Q07 and 2.7% in 3Q06, due to improved sales volume and high metal prices. Better product mix with higher margin and higher output in aluminium based products also contributed to the better performance. This is the first time since 1Q05 margin for the division is above 4.0%.
- As for its power generation business, despite a 10.0% QoQ growth in revenue, operating profit was 1.5% down as a result of a reduced operating profit margin of 23.4% from 26.1%. However, YoY, revenue grew 8.4% with margin rising from 22.6% in 3Q06.
- We have revised upward earnings forecast for FY07 due mainly to upward revision on its cable & wire division with net profit for the division this year forecast at RM43.6m from RM34.0m. We take into account the lower QoQ revenue growth in 4Q and lower margin in 4Q against 3Q as experienced in both FY05 and FY06. As a consequence, forecasts for FY08 and FY09 are also raised despite maintaining our revenue growth forecast for the two years.

Dividend

- Leader announced its 2nd interim dividend of 1.5 sen gross payable on 17 Dec with ex-date on 6 Dec. The 1st interim dividend of also 1.5 sen gross was paid on 19 June.

Other Updates

- Leader announced its decision to terminate the JV agreement for the 200MW heavy fuel oil fired diesel engine combine cycle power plant in Pakistan having considered various factors including the present development there.
- It also announced the award of the EIA services to TEAM Consulting Engineering and Management Co Ltd of Thailand for its 50:50 JV to develop and construct the 200MW coal-fired power project in Cambodia.

Valuation & Recommendation

We have raised valuation for Leader shares to RM1.57 per share (from RM1.36) based on sum-of-part (SOP) methodology which is 49.5% higher than its current price. **Buy**

RESULTS SUMMARY

Year Ending Dec 31	3Q07	2Q07	3Q06	QoQ	YoY	YTD07	YTD06	chg
Revenue (RM m)	815.9	709.1	688.7	15.1%	18.5%	2,110.8	1,763.9	19.7%
Operating Profit (RM m)	40.7	32.0	28.2	27.1%	44.2%	98.4	69.3	42.0%
Profit before Taxation (RM m)	33.2	25.7	18.0	28.8%	84.0%	76.8	51.8	48.5%
Net Profit (RM m)	22.6	15.9	9.7	42.3%	132.0%	50.6	26.6	90.2%
EPS (sen)	5.17	3.63	2.23	42.3%	131.7%	11.60	6.10	90.2%

Chart 1 : Cable & Wire – Quarterly Revenue & Growth

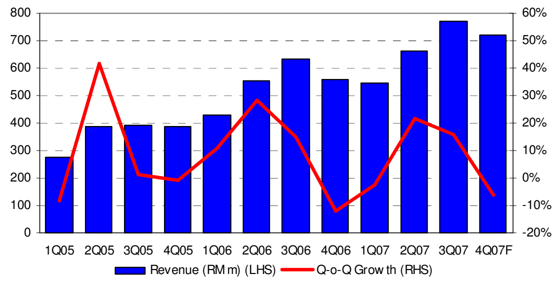

Chart 2 : Cable & Wire – Quarterly Operating Profit & Operating Profit Margin

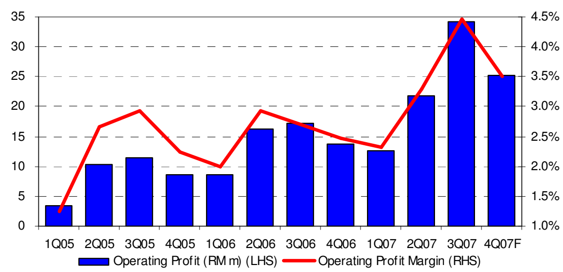

Chart 3 : Power Generation – Quarterly Revenue & Growth

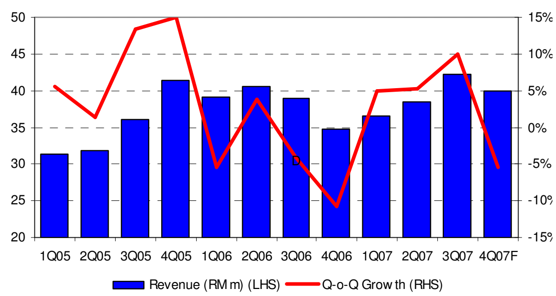

Chart 4 : Power Generation – Quarterly Operating Profit & Operating Profit Margin

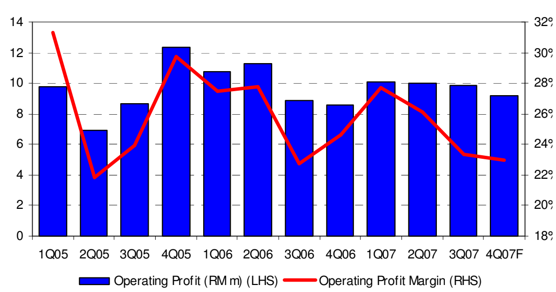

Table 5 : Historical Quarterly Revenue

RMm \ Dec 31	3Q07	2Q07	3Q06
Cable & Wire	769.0	663.1	635.3
Power Generation	42.2	38.4	39.0
Others	4.6	7.7	14.4
Total	815.9	709.1	688.7

Table 6 : Historical Quarterly Operating Profit

RMm \ Dec 31	3Q07	2Q07	3Q06
Cable & Wire	34.3	21.8	17.1
Power Generation	9.9	10.0	8.9
Others	-3.5	0.1	1.4
Total	40.7	32.0	27.4

Table 6 : Revenue Projection

RMm \ Dec 31	2006	2007E	2008F	2009F
Cable & Wire	2,178.0	2,696.5	2,966.2	3,203.5
Power Generation	153.6	157.1	157.1	157.1
Others	33.5	18.9	2.3	2.4
Total Revenue	2,365.0	2,872.5	3,125.6	3,363.0

Table 7 : Operating Profit Projection

RMm \ Dec 31	2006	2007E	2008F	2009F
Cable & Wire	55.7	93.9	97.9	105.7
Power Generation	39.5	39.2	36.9	36.9
Others	(3.6)	(3.7)	-	-
Total	91.5	129.5	134.8	142.6

Table 8 : SOP Valuation for Leader

	NP FY07E (RMm)	PE rating (x)	Valuation (RMm)
Cable & Wire	43.6	10	436.0
		WACC	
PG Cambodia – 35MW		12%	48.0
PG Cambodia – 200MW *		12%	204.0
Total			688.0
No of Shares (m)			436.5
Fair Value/share (RM)			**1.57**

NP = Net profit ; PG = Power Generation

* Please note that any changes in any of our assumptions (as per our report dated 20 Nov 07) on the proposed 200MW power plant in Cambodia will have an impact on the current value of this venture, hence the FV of Leader.

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

OUTPERFORM : The stock's total returns* are expected to exceed KLCI's total return by 10% or more in the next 12 months.

MARKETPERFORM : The stock's total returns* are expected to be within +10% or -10% of KLCI's total return.

UNDERPERFORM : The stock's total returns* are expected to be below KLCI's total return by 10% or more in the next 12 months.

BUY : The stock's total returns* are expected to be 15% or higher within the next 12 months.

SELL : The stock's total returns* are expected to be -15% or worse within the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT : The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.

MARKETWEIGHT : The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.

UNDERWEIGHT : The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.

*capital gain + dividend yield

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