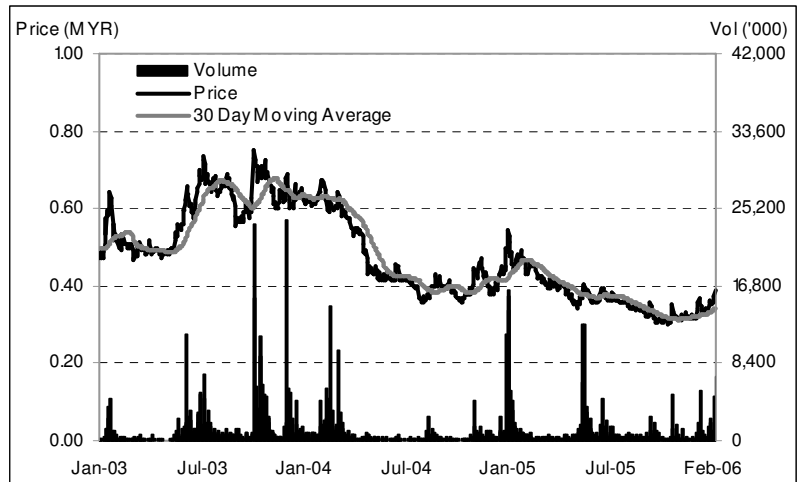


Leader Universal Holdings

Recommendation: **BUY**Stock Code: **4529**Bloomberg: **LUH MK**Price: **MYR0.39**12-Month Target Price: **MYR0.45**Date: **February 15, 2006****Board:** Main**Sector:** Industrial Products**GICS:** Industrials / Electrical Components & Equipment**Market Capitalization:** MYR170.2 mln

Summary: Leader Universal Holdings (Leader) is an investment holding company, which, through its subsidiaries, is primarily engaged in the business of manufacturing and selling power and telecommunication cables and wires, power generation, and property development.

Analyst: Alexander Chia, ACA**Results Review & Earnings Outlook**

- Leader's 2005 results were 8.5% above our forecasts with net profit for the year at MYR21.8 mln, compared to our forecast of MYR20.1 mln.
- This was due to a MYR1.5 mln gain recognized from the sale of a building during 4Q05. Stripping out this non-recurring gain, the results would have been in line.
- 4Q05 revenues were stronger than expected at MYR440 mln (+32.5% YoY) despite the festive holidays falling in the quarter. This took revenues for the year to MYR1.606 bln (+26.7% YoY). Net profit for 4Q05 and 2005 amounted to MYR4.5 mln (+38.3% YoY) and MYR21.8 mln (+43.9% YoY), respectively. Cable & wire revenues rose 27.4% YoY as Leader continues to enjoy strong demand from both local and overseas customers. Power generation revenues rose 22.6% YoY as a result of fuel cost pass through.
- Leader is believed to still have a steady cable and wire order book in excess of MYR600 mln as at end-2005. Management continues to report firm demand especially from Telekom Malaysia (T MK, Not Ranked) especially with the government emphasis on further improving the national broadband penetration levels. Domestic demand will continue to be supplemented by export sales, which should be maintained at a 70:30 split, respectively.

Key Stock Statistics

FY Dec.	2005	2006F
EPS (sen)	5.1	5.5
PER (x)	7.6	7.1
Dividend/Share (sen)	0.0	0.0
NTA/Share (MYR)	0.79	0.85
Book Value/Share (MYR)	0.79	0.85
Issued Capital (mln shares)	436.5	
52-week Share Price Range (MYR)	0.30 - 0.49	
Major Shareholders:	%	
Zun Holdings Sdn Bhd	11.7	
Employees Provident Fund	5.4	
Dato' Chung Chin Fu	5.4	

Recommendation & Investment Risks

- We are raising our 12-month target price to MYR0.45 (from MYR0.37). Given the revised implied upside of 15.4%, we are lowering our recommendation to Buy (from Strong Buy).
- Our target price is calculated using the sum-of-parts method, by ascribing a 2007 PER of 8x (valuation metric unchanged but rolled over to prospective 2007 earnings) to cable and wire division earnings and estimating the present value of earnings from its 60%-owned power generation business. No value has been attributed to its property division, which will not have any active projects after mid-2006.
- We understand that management is actively seeking new opportunities in Cambodia's power sector to complement its existing plant.
- Risks to our recommendation and target price include the weakening of the MYR against the US\$, a higher interest rate environment, an unexpected slowdown in orders for cables and wires, the continued unfavorable investor perception of the company and the presence of stale bulls.

Per Share Data

FY Dec.	2003	2004	2005	2006F
Book Value (MYR)	0.76	0.77	0.79	0.85
Cash Flow (sen)	-12.9	11.6	13.6	12.6
Earnings (sen)	-22.5	3.5	5.1	5.5
Dividend (sen)	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0
PER (x)	NM	11.2	7.6	7.1
P/Cash Flow (x)	NM	3.4	2.9	3.1
P/Book Value (x)	0.5	0.5	0.5	0.5
Dividend Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	-29.7	4.5	6.5	6.5
Net Gearing (%)	134.3	128.8	123.7	122.8

All required disclosures appear on the last page of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2006 The McGraw-Hill Companies, Inc.

Page 1 of 3

Leader Universal Holdings

Recommendation: **BUY**

Stock Code: **4529** Bloomberg: **LUH MK** Price: **MYR0.39** 12-Month Target Price: **MYR0.45** Date: **February 15, 2006**

Quarterly Performance

FY Dec. / MYR mln	4Q05	4Q04	% Change
Revenue	440.0	332.0	32.5
Operating Profit (EBIT)	19.3	11.7	65.6
Depreciation	NA	NA	NA
Net Interest Income / (Expense)	-8.1	-7.2	12.8
Pretax Profit	11.7	7.2	62.1
Net Profit	4.5	3.3	38.3
Operating Margin (%)	4.4	3.5	-
Pretax Margin (%)	2.7	2.2	-
Net Margin (%)	1.0	1.0	-

Source: Company data

Profit & Loss

FY Dec./ MYR mln	2004	2005	2006F	2007F
Revenue	1,267.7	1,606.9	1,779.0	1,896.2
Operating Profit (EBIT)	46.4	74.6	82.6	88.1
Depreciation	-35.4	-37.0	-30.9	-29.0
Net Interest Income / (Expense)	-23.2	-31.6	-32.9	-30.4
Pretax Profit	25.4	46.3	52.5	60.6
Effective Tax Rate (%)	-7.4	20.8	15.8	23.0
Net Profit	15.2	22.4	23.9	25.2
Operating Margin (%)	3.7	4.6	4.6	4.6
Pretax Margin (%)	2.0	2.9	3.0	3.2
Net Margin (%)	1.2	1.4	1.3	1.3

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd and Standard & Poor's Information Services (Australia) Pty Ltd.

Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission and in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

C MDF-Bursa Research Scheme ("CBRS")

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of MYR15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at:

<http://www.bursamalaysia.com/website/listing/cbrs.htm>

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to: Alexander Chia, ACA alexander_chia@standardandpoors.com
Hoe Lee Leng, CPA leeleng_hoe@standardandpoors.com
Tam Ching Wah chingwah_tam@standardandpoors.com