



CABLE / POWER

Ng Sem Guan
+60 (3) 2333 8584
ng.semguan@osk.com.my

Stock Profile/Statistics

| | |
|-----------------------------|---------------|
| Bloomberg Ticker | LUH MK Equity |
| KLCI | 1254.03 |
| Issued Share Capital (m) | 436.46 |
| Market Capitalisation (RMm) | 416.82 |
| 52 week H L Price (RM) | 1.38 0.64 |
| Average Volume (3m) '000 | 1520.97 |
| YTD Returns (%) | -0.14 |
| Net gearing (x) | 0.57 |
| Altman Z-Score | 3.02 |
| ROCE/WACC | 0.97 |
| Beta (x) | 1.58 |
| Book Value/share (RM) | 0.99 |

Major Shareholders (%)

| | |
|-------------------------------|------|
| Zun Holdings SB | 11.7 |
| Employee Provident Fund Board | 4.0 |

Share Performance (%)

| Month | Absolute | Relative |
|-------|----------|----------|
| 1m | (0.54) | 12.73 |
| 3m | (12.38) | 2.33 |
| 6m | (9.44) | (7.53) |
| 12m | 36.86 | 38.65 |

6-month Share Price Performance



Company Update

Private Circulation Only

Leader Universal

| | |
|---------------------|-----------------|
| BUY | Maintain |
| Price Target | RM0.955 |
| | RM1.90 |

PPA With The Electricite du Combodge

The conclusion of PPA agreement with EDC and potential upsurge of cable demand from implementation of SCORE corridor continue to reaffirm our believe on Leader Universal. With that, we reiterate our BUY recommendation with a 12-month target price tagged at RM1.90 or 100% upside potential. The fair value is derived from a conservative SOP valuation on FY08 numbers.

PPA - done! After a protracted delay, Leader via its joint venture company namely, Power Synergy Corporation Co., Ltd (PSC) finally inked a Power Purchase Agreement (PPA) with the Electricite du Cambodge (EDC), a wholly state-owned limited liability enterprise by Royal Decree of the Kingdom of Cambodia. EDC undertakes to purchase energy from PSC on a minimum take basis of 86% of dependable capacity.

Good term with government guarantee. PSC is accorded the power project on a "Build-Own-Operate" basis for a period of 30 years. The power plant shall consist of four units of 50MW coal-fired electric power generating facility. The base tariff for the electricity payments shall be US\$0.07212 per kWh and any fluctuations in fuel price shall be pass-through with indexation. We reckon the tariff is attractive as compared to local new IPP averaging between 10 sen to 12 sen per kWh. On top of that, Cambodia government has offered a "Government Guarantee of Payment" for any default by EDC.

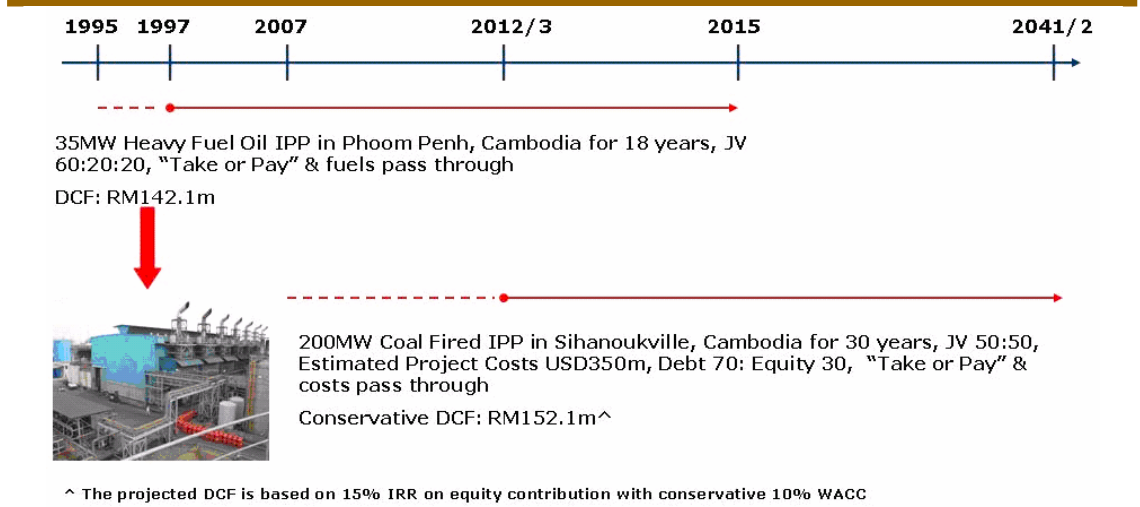
Operational by 2012/3. Meanwhile project cost estimated at US\$350m with debt/equity ratio of 70/30. Discussions with the turnkey contractor on the engineering, procurement and construction works are still ongoing. The financial advisor is also in the midst of making the necessary arrangement on the project financing. The company expects to begin construction work of the plant at the 100ha site by early FY09 and commercial operation to begin in 2012 or 2013. As we only apply a conservative DCF assumption of RM0.35/share for this project, possible future upgrade is high given the attractive tariff.

Cable & wire division remains bright. The division recorded an inspiring performance for FY07. Despite the uncertainty on the revision of electricity tariff over the medium term, demand for cable and wire by TNB may be lower than anticipated. Nonetheless, we think the federal government may expedite spending for the Sarawak Corridor of Renewable Energy (SCORE) that may boost demand for high voltage cable thus mitigating the impact from lower CAPEX by TNB.

| FYE Dec (RMm) | FY05 | FY06 | FY07 | FY08f | FY09f |
|----------------------|--------|--------|--------|--------|--------|
| Total Revenue | 1602.8 | 2365.0 | 2821.7 | 3025.0 | 3168.7 |
| Net Profit | 21.9 | 35.3 | 66.0 | 75.3 | 80.4 |
| % chg YoY | 44.3 | 61.4 | 86.8 | 14.1 | 6.7 |
| Consensus EPS (sen) | - | - | - | - | - |
| EPS (sen) | 5.0 | 8.1 | 15.1 | 17.3 | 18.4 |
| Gross DPS (sen) | 0.0 | 1.5 | 3.0 | 3.6 | 3.8 |
| Gross Div. Yield (%) | 0.0 | 1.6 | 3.2 | 3.8 | 4.0 |
| PER (x) | 18.9 | 11.7 | 6.3 | 5.5 | 5.2 |
| P/BV (x) | 1.2 | 1.1 | 1.0 | 0.8 | 0.7 |
| EV/EBITDA (x) | 8.0 | 6.8 | 4.7 | 4.8 | 4.2 |
| ROE (%) | 6.4 | 9.8 | 16.4 | 16.2 | 15.1 |
| ROA (%) | 1.8 | 2.7 | 4.9 | 5.3 | 5.3 |

KEY HIGHLIGHTS

Figure 1: Summary of LUH's Power Business



Source: Company Data, OSK Research

Figure 2: Photo Taken During PPA Signing Ceremony



Source: Company Data

Figure 2: Sum of Valuation Composition for Leader Universal

| Division | Net Profit After MI (FY08) | Peer PER | Total (RMm) |
|---------------------------------|----------------------------|-----------|-------------|
| Cable & wire, others | 53.5 | 10.0 | 534.5 |
| Power (IPP @ DCF) | | | 294.2 |
| Total Sum Of Parts | | | 828.8 |
| No of Shares | | | 436.5 |
| 12-Months Targeted Price | | RM | 1.90 |

Source: Bloomberg, OSK Research

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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OSK RESEARCH SDN. BHD. (206591-V)*(A wholly-owned subsidiary of OSK Investment Bank Berhad)*


Chris Eng

Kuala Lumpur

Malaysia Headquarters
OSK Investment Bank Bhd.
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : + (60) 3 2333 8333
Fax : +(60) 3 2175 3202

Hong Kong

Hong Kong Office
OSK Asia Securities Ltd.
1201-1203, 12/F,
World-Wide House
19 Des Voeux Road
Central, Hong Kong
Tel : + (852) 2525 1118
Fax : + (852) 2537 1332

Singapore

Singapore Office
DMG & Partners Securities Pte. Ltd.
#22-01 Ocean Towers
20 Raffles Place
Singapore 048620
Tel : +(65) 6438 8810
Fax : +(65) 6535 4809

Shanghai

Shanghai Office
OSK Asia Securities Ltd.
Room 6506, Plaza 66
No. 1266 Nanjing Road (West)
Shanghai 200040
China