



METAL / POWER

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Stock Profile/Statistics

	LUH MK Equity
Bloomberg Ticker	KLCL
KLCI	1378.69
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	480.10
52 week H L Price (RM)	1.14 0.36
Average Volume (3m) '000	5158.89
YTD Returns (%)	0.56
Net gearing (x)	0.83
Altman Z-Score	2.47
ROCE/WACC	0.96
Beta (x)	1.60
Book Value/share (RM)	0.85

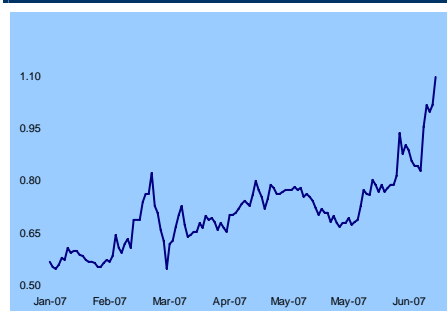
Major Shareholders (%)

Zun Holdings SB	11.7
Employee Provident Fund Board	4.0

Share Performance (%)

Month	Absolute	Relative
1m	35.97	34.04
3m	44.46	40.94
6m	80.89	56.63
12m	166.70	86.95

6-month Share Price Performance



Company Update

Private Circulation Only

Leader Universal

BUY	Maintain
Price Target	RM1.10
	RM1.73

Leader of the Pack

We met up with Leader Universal Holdings (LUH) management recently and came out feeling positive on the company. Discussion with the management had been insightful on the cable & wire industry with outlook looking more promising than ever. Incorporating that and the upcoming 2 IPPs, valuations on LUH does seem interesting with a 12-month target price revised at RM1.73. Maintain our BUY recommendation for a 57.3% upside potential. The fair value is derived from a sum of parts valuation on FY08 figures.

A turnaround story. Since suffering from the Asian Financial turmoil coupled with a few ill-timed overseas investments in the late 90s, LUH had taken bold actions to write off its investments and fully settled its US\$100m ECB bond recently. Inline with the rebound in the cable & wire industry and stable cash flow from its Cambodian power plant, LUH had since emerged from the doldrums and now is all set to take flight. With the market still pricing them at unfavourable single digit forward PER, potential re-rating is high.

Cable & wire division making a come back. Ongoing strategic marketing plans, prudent raw materials procurement policies and effective cost saving measures have contributed to the Group's overall improved operations and profitability. Outlook for cable business is positive with LUH's orders stand at RM700m and more are expected from the 9MP, utility companies and burgeoning exports. Thus, LUH is upgrading its plants to alleviate limited capacity in certain facilities and also to improve quality.

IPPs – to sustain earnings. The existing 35MW IPP in Phnom Penh, Cambodia continue to offer attractive returns with DCF valuation of RM0.33/share. The Cambodian government had recently awarded Leader with another contract to develop a 200MW coal-fired plant just north of Sihanoukville on a 50:50 JV with Cambodia-based MKCSS Holdings. Also, the company has entered into a 49:51 JV on 8 March 2007 with Gulshan Spinning Mills Ltd to jointly develop, build, own, operate and maintain a 200MW heavy fuel oil fired diesel engine combined cycle power plant to be located in Gujranwala, Pakistan. Though details remain sketchy, we have conservatively assumed that the IPPs could potentially be valued at RM236.5m or RM0.54/share on a DCF basis.

Property division – some remnants. 2 outstanding projects is near completion and we do not expect anymore new launching though management is looking at the remaining 46.3ha land bank situated at Simpang Empat, Penang (near 2nd Penang bridge).

FYE Dec (RMm)	FY04	FY05	FY06	FY07f	FY08f
Total Revenue	1267.7	1602.8	2365.0	2799.6	3025.0
Net Profit	15.2	21.9	35.3	51.4	59.5
% chg YoY	115.4	44.3	61.4	45.7	15.8
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	3.5	5.0	8.1	11.8	13.6
Gross DPS (sen)	0.0	0.0	1.5	2.5	2.8
Gross Div. Yield (%)	0.0	0.0	1.4	2.2	2.6
PER (x)	31.7	21.9	13.6	9.3	8.1
P/BV (x)	1.4	1.4	1.3	1.2	1.0
EV/EBITDA (x)	11.4	8.6	7.3	6.4	5.8
ROE (%)	4.5	6.4	9.8	13.1	13.5
ROA (%)	1.3	1.8	2.7	3.7	4.2

WHY WE LIKE LEADER UNIVERSAL?

Bouncing back... Leader Universal Holdings (LUH), an investors' darling during its heydays embarked on some strategic but ill-timed foray into China, India and the Philippines. The situation was further exacerbated by the US\$100m Euro convertible bonds (ECB) issue right before the currency turmoil in 1997. Domestically, its operations had been affected by a decline in construction activities coupled with a severe cut back in spending by the national utility companies. The management had since taken bold actions by progressively disposing off and shut down its overseas operation (refer Figure 1). With its financial status Improving overtime, LUH made several early redemptions on the ECB and was fully settled in May 2007. With that, we think the company is now back on track and ready to take flight with huge earning potential ahead.

Figure 1: Major Investment in Cable & Wire Business Since 1990s

Year	Investment	Disposal
Philippines		
1994	Leader-Reyphil setup a partnership in the Philippines engaged in the manufacturing of aluminium rods	} LUH closed its wire and cable manufacturing facilities in 2004.
1997	Bought out Philippines partner in three joint venture for RM29m.	
China		
1994	Formed a partnership with Santou City Post & Telecommunications Bureau in China to manufacture cables.	} Ceased operations with effect from 31 December 1999
1996	JV with Motorola International Development Corp to set up a digital wireless communications system in China.	
1995	JV with Hong Kong, Kim Loong Ent.Ltd to finance and construct a digital wireless system in China.	} Ended its RM114m digital wireless telecommunication system investment in China in 2000.
1996	Teamed up with Shanghai Non-Ferrous Metals to make plain, inner groove and fined copper tubes in China.	
1999	JV with Hebei Xinhua Cable Factory and Hebei Provincial Construction & Investment Corp to manufacture medium and high-voltage XPLE power cables.	
India		
1996	JV with Saraf to acquired a stake in Incab Industries Ltd; leading cable manufacturing company in India	} Leader disposed its 53% equity interest in March 2007

Source: Various sources

A "Leader" in cable & wire business. Presently LUH is the largest and most integrated cable & wire manufacturer in the South East Asia region. In the absence of proper statistic, LUH's management alluded to that their local market share should be approximately 30% to 35% and is ranked 12th in Asia and 35th in the world of all major cable & wire companies according to a survey conducted by Integer Research & Wire Journal International, UK. With >30 years of experience, the company has established a broad manufacturing portfolio of cable and wire products, which include advanced power and control cables, instrumentation cables, telecommunication cables, aluminium rods and conductors, cables for the oil & gas industry and various types of specialty cables such as welding cables and automotive cables. LUH's vast product mix relative to its peers also provides significant advantages.

Room to ramp up volumes. Over the years, the company has made a remarkable headway through its investments in state-of-art machineries that also translated into better efficiency and improved products quality. Inline with the robust outlook, LUH set aside RM23m as capex for FY07 to install new facilities for new power cable products, expand and upgrade its existing facilities as well as to install new management information system. Overall, LUH's plants are running at approximately 75% to 80% of its rated capacity hence room to ramp up production. The relocation of its aluminium furnace from the Philippines expected to be commissioned by August 2007 will offer an additional 45% for new orders.

Cheaper exposure to 9MP theme play? Being a renowned manufacturer dominating the domestic cable & wire market, we expect LUH to benefit from the implementation of "mega projects" under the 9MP. However, investors have overlooked this little gem trading at undemanding single digit forward PER. With its solid market position within a booming cable & wire industry, we strongly believe LUH would be another interesting candidate riding on the booming government as well as private expenditures over the next 3 years hence potential market re-rating may be in the offing.

IPP - a cash cow... In contrast to the cyclical cable & wire business that is highly susceptible to the government and private spending, LUH's 60% owned power generation unit, Cambodia Utilities Pte Ltd has been consistently contributing a stable PBT circa RM32.2m to RM39.5m p.a. for the past 5 years. The unit operates a 35MW diesel engine heavy-fuel-oil fired power generating plant for 18 years beginning 1997 and is the first IPP concession awarded by the Cambodian government. Being the front runner, the company enjoys exceptional good IRR with full fuel costs pass through and "take or pay" arrangement, a cash cow till 2015.

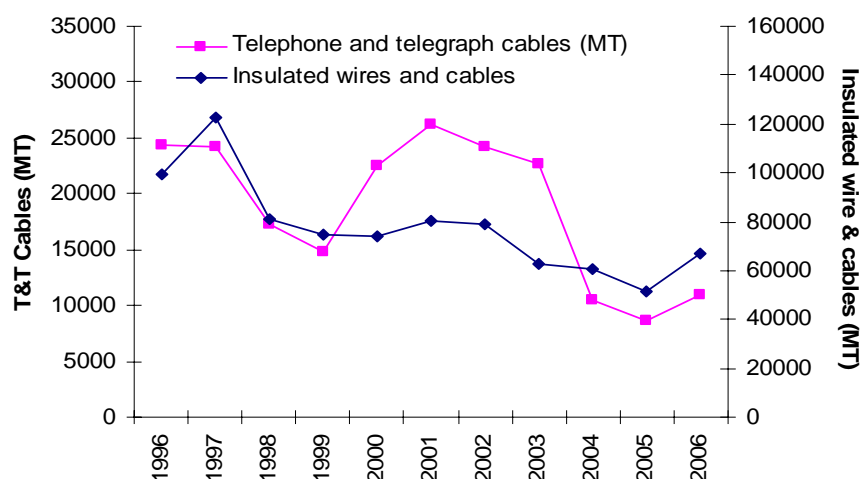
KEY CATALYSTS

CABLE & WIRE BUSINESS

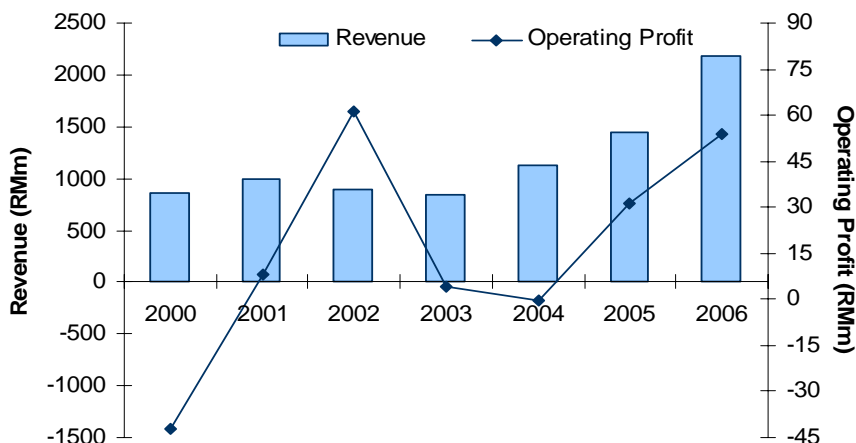
An integrated player. LUH's via its wholly owned subsidiary Leader Cable (M) Bhd and Universal Cable (M) Bhd as well as its 51% owned Alpha Industries Bhd, operate 6 plants in Penang, Kedah and Johor (refer Appendix 2). LUH purchases base copper cathodes and aluminium ingots that are melted and drawn into rods then further into wires before strand into cables. The company also sells copper and aluminium rods as semi finished products that contributed to more than half of the division's sales but due to lack of value add processes, margins for these products remain thin. Power cable is the major contributor to the company in terms of finished product follow by telecommunication cable and also enameled wires (produce by Leader LS Magnet Wire SB but was disposed of to LS Cable Ltd for RM13.7m on 7 May 07).

Back in action... As demand for cable & wire is highly dependent on infrastructure projects, many felt the crunch during when the severe recession from the 1997 Asian Financial Crisis. The industry is fragmented with more than 25 players plus numerous smaller players hence price undercutting activities were prominent during the down market. Nonetheless, the situation has improved following the electronic boom in the early 2000 where major telecommunication companies increased their CAPEX spending to widen its networking coverage. The improved economy also helped enhance demand for other insulated wire and cables over the same period. Demand slumped again in 2004 as Malaysia telecommunication industry reached saturation coupled with lackluster construction activities before recovering again last year (refer Figure 2).

Figure 2: National Production for Cable & Wire

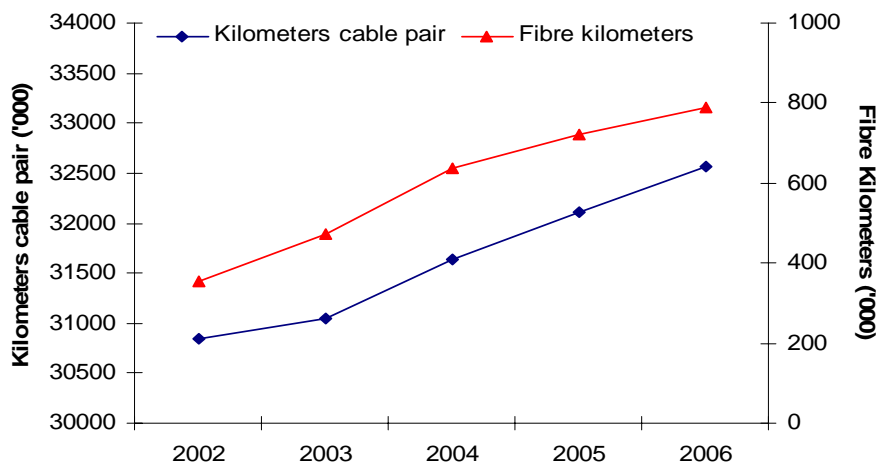


Source: Department of Statistic

Figure 3: Performance of Cable & Wire Division

Source: OSK Research

More roll out by national utilities companies? TNB and Telekom are the largest customers accounting for approximately 9% and 6% of LUH's sales for cables and wires respectively. Following the aggressive expansion on the power grid and transmission line, TNB has set aside RM4bn for FY07 capex. We observed encouraging national production of insulated cables & wires in 2006 and 1Q07 production is equivalent to 26.7% of last year numbers despite being a seasonally slower quarter. Our recent chat with TNB's engineer also reassures us on the sustainability of TNB spending for next few years reason being substantial new power transmission line being laid out nationwide (refer Appendix 4), commissioning of new power plants (refer Figure 5) and TNB to gradually change its existing 275kV power network in Peninsular Malaysia to 500kV in order to cater for escalating national power demand. Apart from that, Telekom which is LUH's 2nd largest customer has allocated RM3bn in capex each year where 60% is to improve its networking (Figure 4).

Figure 4: Telekom's Domestic Network Capacity

Source: Telekom FY06 Annual Report

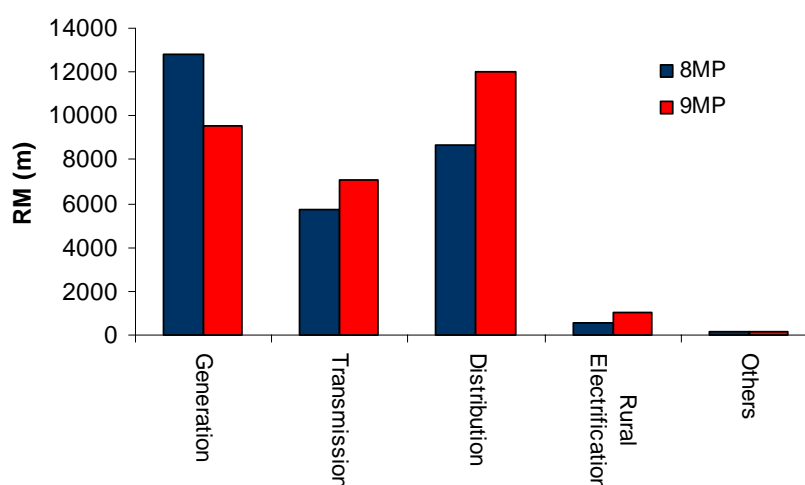
Figure 5: New & Upcoming Power Plant in Malaysia

New & Upcoming Power Plant	Capacity (MW)	Location	Year of Commission
TNB Janamanjung	2100	Manjung, Perak	Apr-03
Tanjung Bin	2100	Tg Bin, Johor	Feb-07
Jimah	1400	Port Dickson, NS	2009
Lahad Datu	300	Sabah	2009/10

Source: OSK Research

9MP – sweetener for the local cable boys? Apart from private spending, the government also provides addition impetus for the cable & wire industry via its higher allocation particularly for transmission, distribution and rural electrification under implementation of the 9MP (refer Figure 6). Introduction of Eastern Corridor, Iskandar Development Region (IDR) and Northern Corridor may spur demand for cables and wires. Going through the list of “mega projects” under the 9MP (refer Appendix III), we have listed down a few potential projects that may keep the company’s cable & wire division busy for next 3 years (refer Figure 7). Of the lot, the Bakun – Peninsular power transfer projects costing RM9bn must be the most eagerly anticipated. Though LUH is unlikely to participate in the submarine cable project, we are hopeful the company to participate in the 600km long overhead or underground cable connecting Bakun to Kuching. Our check with TNB’s engineer revealed that the 500kV cable would be the minimum requirement to transfer 2000MW of power hence being the few larges high voltage cable producers in Malaysia, LUH may secure a major bulk of the cable supply for the said project. Nonetheless, we are taking a prudent stance without factoring in any contribution from this project at this moment.

Figure 6: Development Expenditure & Allocation for 2000 to 2010



Source: OSK Research

Figure 7: 9MP Project That May Benefit LUH Directly or Indirectly

Project	Cost
Double Tracking (North)	RM11bn
Klang Valley LRT extension	RM10bn
Klang Valley New LRT Line	RM10bn
Bakun Undersea Power Cable	RM9bn
IDR Infrastructure	RM4bn
West Coast Highway	RM3bn
Second Penang Bridge	RM3bn
Penang & JB Monorail	RM2bn
Eastern Dispersal Link	RM1bn

Source: OSK Research

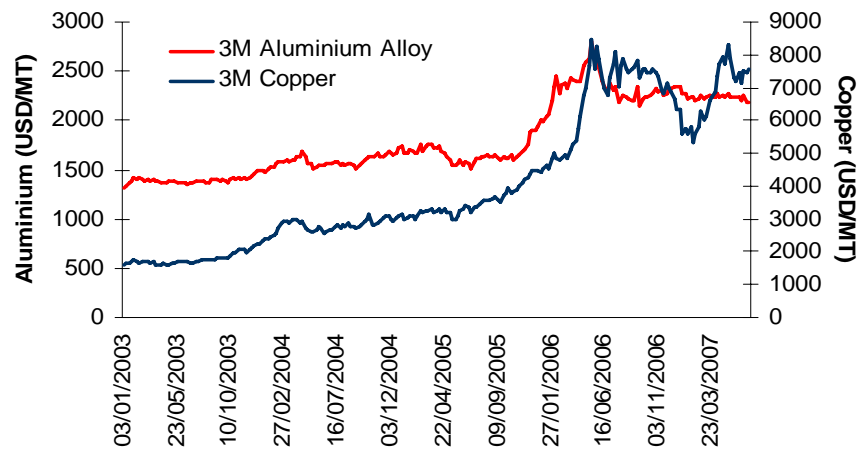
Domestic market, well protected. Malaysia’s cable & wire industry is well protected from foreign competition since the 1960s from the imposition of import tariff up to 30% except for optical fibre cable and those that are not available locally. Despite under the AFTA arrangement, member countries will only subject to a maximum 5% import tax but we do not expect any significant threat as most of the AFTA members do not have active cable producers except for Thailand and Indonesia that mainly cater for their domestic demand.

Robust export market? Apart from domestic demand, the improved investment climate within the Power Transmission & Distribution sector in the European region, Chinese government’s expansion of its electricity grid under the 11th 5 year plan from 2006 to 2010, booming property and infrastructure development in the Middle East, etc. have are all avenues for significant requirement for cables and wires. Though we expect more overseas orders moving forward, we do not expect any significant jump in exports from the existing 34% of sales as domestic sales normally offer better pricing and advantage on logistic issue hence preference will be to fulfil domestic requirements before exports.

RM700m order book and growing... With all the strong catalysts in place, outlook for the cable business looks promising as LUH order book of RM700m is set to expand further from the 9MP and exports. Meanwhile, LUH from a long term supply contract, receives recurring order between RM100m to RM200m every month. The company plans to upgrade and install new manufacturing facilities to help alleviate limited capacity at certain facilities as well as improve product quality. Ongoing strategic marketing plans, prudent raw materials procurement policies and effective cost saving measures are to improve overall operations and profitability.

“Back to back” orders. As copper is an excellent conductor of electricity, the upswing in cable & wire demand worldwide has pushed the price for the commodity especially copper prices to double (refer Figure 8). Owing to the fluctuations in the cost of conductor metals (aluminium and copper) the cable industry is inevitably exposed to price movements. Nonetheless, the company has been able to weather through the cyclical price trend in the past via its 100% “back to back” order practice.

Figure 8: Price Trend for Copper and Aluminium

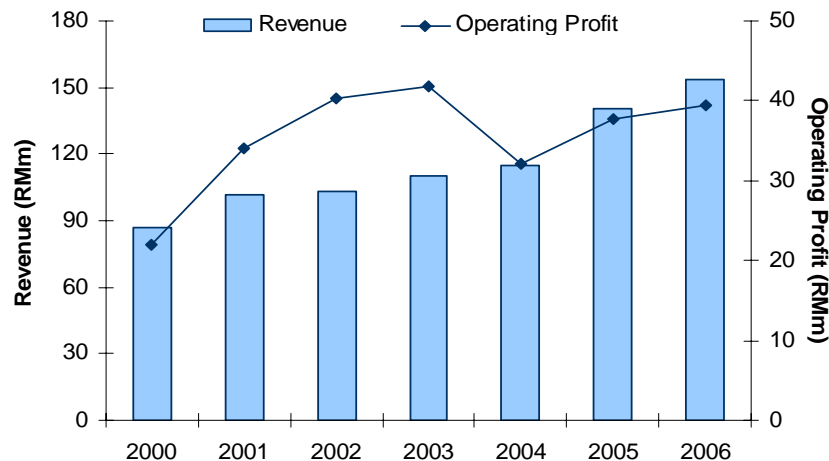


Source: LME

POWER BUSINESS

Small but sexy. 1994 saw LUH’s foray into power generation after securing a Build-Operate-Transfer (BOT) concession for 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 with only 8 years left, the attractive PPA rate still gives a decent cash flow of RM142.1m or 33 sen per share (after MI).

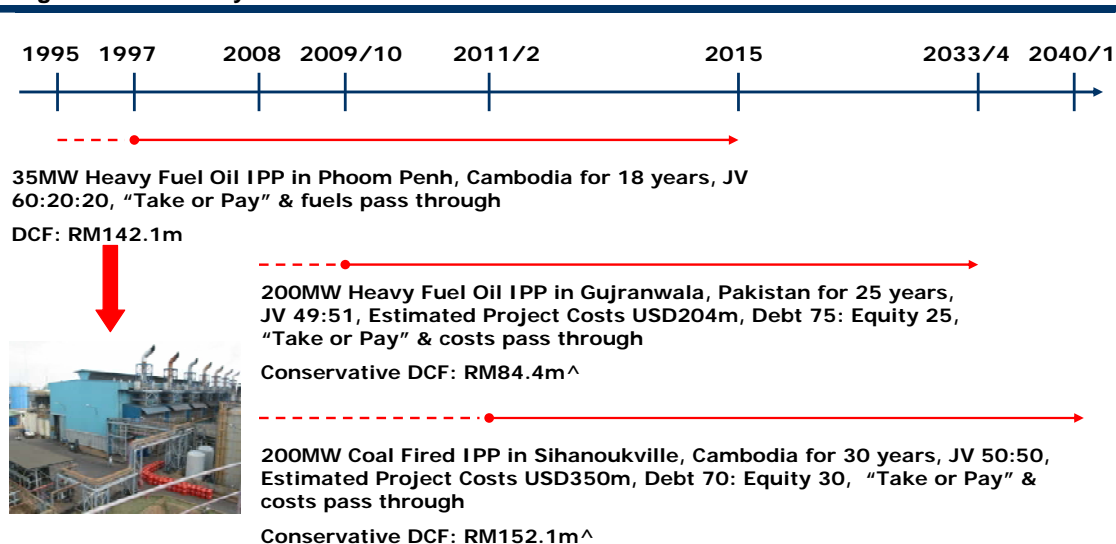
Figure 9: Performance of Power Division



Source: Company Data

Replicating previous success. Recalled that when LUH secured the IPP, no manufacturer was willing to undertake a turnkey construction contract in Cambodia, as such the company forged a technical alliance with ENEL SpA of Italy to engineer the power plant plus to procure and build the plant on its own and successfully commissioned the plant after 2 years. In return, a very strong and capable team has been built through the years, specializing in various aspects of diesel power plant technologies. LUH is now ready to duplicate the success in Cambodia with more power plants in the region and elsewhere particularly after securing the 2 upcoming 200MW power generation concessions in Cambodia and Pakistan.

Figure 10: Summary of LUH's Power Business



^ The projected DCF is based on 15% IRR on equity contribution with conservative 10% WACC

Source: Company Data, OSK Research

2nd power generation plant in Cambodia. LUH'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. The estimated project cost is US\$350m with debt/equity ratio of 70/30. The management is in the midst of negotiation and finalisation of the relevant terms for the PPA with the Cambodian government and expect to seal the agreement by end of FY07. The company expects to begin construction work of the plant at the 100ha site by early FY08 and commercial operation to begin in 2011 or 2012.

Another 200MW IPP in Pakistan. The company has entered into a 49:51 JV on 8 March 2007 with Gulshan Spinning Mills Ltd to jointly develop, build, own, operate and maintain a 200MW heavy fuel oil fired diesel engine combined cycle power plant to be located in Gujranwala, Pakistan. The project estimate to cost US\$204m with debt/equity ratio of 75/25. Given LUH's past experience in fuel oil fired diesel generation, the EPCC work for this project should take less than 2 year and commercial operation is projected by 2009 or 2010.

PROPERTY DIVISION

A reputable developer. LUH ventured into the property development sector over a decade ago and established a solid reputation for providing top-notch quality and well-designed properties. However, the poor property market in the past years has prompted LUH's management to slow down its property division. Moving forward, we do not expect any new launching in FY07 and management is looking on the available option for its remaining 46.3ha land bank situated at Simpang Empat, Penang. As the land is situated very close to 2nd Penang bridge, we do not discount future development for the tract of land or possibly a direct liquidation to enjoy good disposal gain.

Figure 11: Leader Garden 3rd Phase

Figure 12: Mayfair Penang

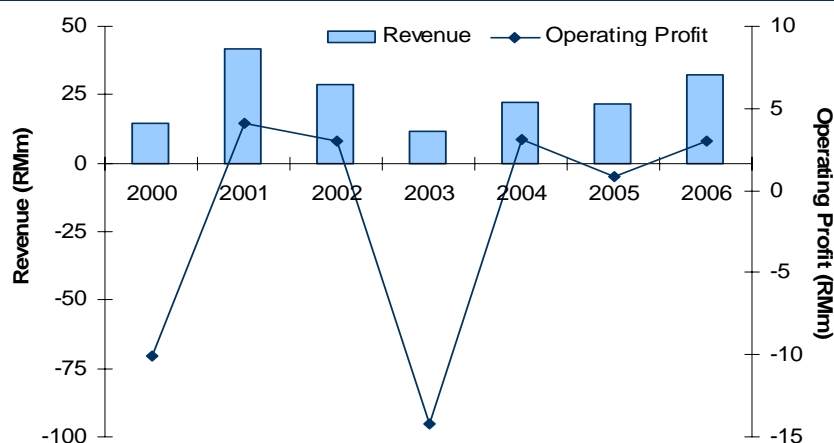


Source: Company Website

Leader Garden near completion. LUH via its 100% owned Leader Garden Sdn Bhd is involved in a major residential project known as Leader Garden on a 44.7 acre plot of land in Tanjung Bungah Penang since 1995. 3 phase of the project is now on its last leg comprising of 54 units of 3-storey terrace house, 10 units of 2-storey house, 2 units of 3-storey semi-detached house and 1 unit of 3-storey detached house with GDV amounting approximately RM40m. As construction is entering its final stage and the units are 100% sold, we do not expect any significant contributions ahead.

Mayfair Penang – 60% sold. The company via its wholly owned subsidiary, Dolphin Square Sdn Bhd has collaborated with Singapore's United Engineers Ltd via its subsidiary Applied Construction & Engineering (M) Sdn Bhd to embark on northern Malaysia's most prestigious and ambitious project - The Mayfair Penang on a 65:35 JV. The 29 storey, 49-unit super condominium with 5 basement car-parks each located along Jalan Sultan Ahmad Shah, also known as Penang's "Millionaire's Row". The RM90m (GDV) project is near to hand over but with only 60% of the unit sold to-date, we expect some left over unit to be recognised in the company's book upon securing potential buyers.

Figure 13: Performance of Property Division

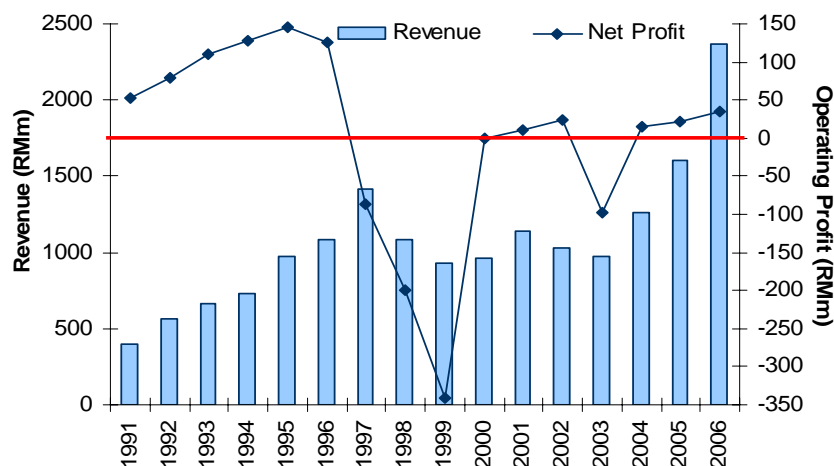


Source: Company Data

FINANCIAL REVIEW

The worst is over! LUH has taken proactive efforts to reorganise its overseas subsidiaries in China, India and Philippines and finally disposed of all the loss making investments and fully settled its US\$100m Euro Convertible bond in May 2007. We are happy with the gradual financial improvement of the company since 2001 except a bold one-off write down of its overseas investment in FY03 that translate into exceptional losses for the year (refer Figure 14).

Figure 14: LUH's Financial Performance Since 1991



Source: Company Data

Making a come back... The company's cable & wire division recent performance has been impressive, revenue grew by 27.4% and 51.4% in FY05 and FY06 respectively but impact was muted due to ballooning metal prices. Though revenue growth from the power division has been rather subdued, we expect significant revenue growth upon the commissioning of the upcoming 200MW IPP in Cambodia and Pakistan. As for the property division, several sales recognised in FY06 have brought the division back to positive territory but we do not expect any significant contributions going forward.

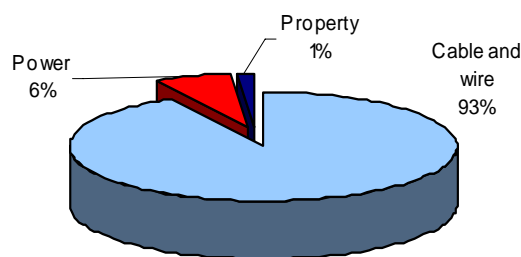
Figure 15: LUH's Financial Performance By Division

Revenue	FY06	Y-o-Y %	FY05	Y-o-Y %	FY04
Cable and wire	2178.0	51.4%	1439.0	27.4%	1129.4
Power Generation	153.6	9.2%	140.6	22.6%	114.7
Property	32.0	47.6%	21.7	-2.6%	22.3
Holding companies	1.5	-1.3%	1.5	6.5%	1.4

PBT	FY06	Y-o-Y %	FY05	Y-o-Y %	FY04
Cable and wire	41.0	46.8%	27.9	1013.6%	2.5
Power Generation	39.5	4.8%	37.7	17.0%	32.2
Property	3.0	6706.7%	0.0	-101.7%	2.6
Holding companies	-16.3	12.3%	-18.6	-56.6%	-11.9

Source: Company Data

Cable & wire continue to take the lead. In terms of revenue by segments, its core business cable & wire remains dominant comprises of 93% of the company's turnover in FY06 but only contributed to 49.1% of PBT given the thin PBT margin of 1.9%. In contrast, power generation which accounts for 6.5% of revenue in FY06, contributed to 47.3% of PBT with an attractive PBT margin of 25.7%. The relatively high margin from its power generation division indicates that the management is now on the right track by expanding its exposure into the power generation business. As for the property division, we expect it to remain status quo.

Figure 16x: Revenue Contribution for FY06

Source: Company Data

Figure 17: PBT Contribution for FY06

VALUATION & RECOMMENDATION

A solid show in 1Q. A quick recap on the company 1QFY07 performance, despite being a slower period, robust demand for cables and wires together with prudent raw materials procurement policies and effective cost saving measures have all contributed to the overall improved profitability. Its 35MW power plant in Phnom Penh, Cambodia continues to post attractive sales and net profit. Overall, LUH recorded a net profit of RM12.2m or 15% above our previous estimate when annualised.

Earnings upgrade. Our recent meeting with management at its corporate office in Penang had certainly instilled more confidence on the company. As a result, we have revisited our original estimates and decided to revise up our earnings projection mainly for the cable & wire division following the upswing of the industry outlook. Hence, our FY07 net earning estimate has been revised up to RM51.4m and RM59.5m for FY08 or 20.8% and 20.9% higher respectively.

Figure 18: Peer Comparison

	Last Price	EPS	FY06 PER	P/B 2006	Remarks
Leader Universal	1.10	8.1	13.6	1.3	Integrated cable producer with exposure in IPP and property
PIE Industrial	3.88	41.9	9.3	1.6	Focus on medium and low voltage cables
Metrod	3.14	51.7	6.1	1.1	Mainly involves in semi-finished copper rods
Ta Win	1.49	40.3	3.7	1.1	Focus on enamelled wires (LUH disposed this business recently)
Opcom ^	0.44	1.7	25.9	0.9	Focus on fibre optic cables
SDKM Fibres Wires and Cables	1.19	-25.7	n.m	1.1	Involves in low voltage cable and some audio & PC accessories
Wonderful Wire and Cable	0.36	-68.0	n.m	0.4	Focus on medium and low voltage cables

^ FYE - March, hence EPS and PER based on unaudited FY3/07 figures

Source: Bloomberg

No direct competition for cable & wire business. Apart from numerous smaller players in the industry, there are no listed direct competitors for LUH. Amongst others, close competitors like Fujikura Federal Cables SB, Power Cables Malaysia SB and FEC Cables (M) SB are not listed on the Bursa Malaysia hence making our efforts to search for appropriate comparison difficult. Those listed cable & wire producers mainly focus in certain product range or are loss-making (refer Figure 18). Therefore, we have decided to value LUH's cable & wire business based on 10x forward FY08 PER which is approximately 50% discount to the pure construction counters and similar to the parameter applied for steel counter. However, with the huge potential for earning upgrade and market re-rating we may revisit our valuation parameters later.

Attractive DCF for IPP. Despite the sketchy details for both IPPs until conclusion of official PAA by end of FY07, we have made several conservative assumptions on the potential DCF from the 2 upcoming power plants. Among others, we expect 15% IRR from the equity contribution to the projects and discount against the conservative WACC of 10% translating into additional RM0.54 to the company's valuation (refer Figure 19). Apart from the attractive DCF, the company also in the midst of feasibility study to further enhance the premium for its power division via potential overseas listing. Nonetheless, we decided to take a prudent stand at this juncture.

Figure 19: DCF Valuation for Power Division

	Year of Awarded	Year of Operation	PPA Tenure	DCF (RMm)	DCF/Share (RM)
Cambodia 35MW IPP	1994	1997	18 Year	142.1	0.33
Cambodia 200MW IPP	2007	2011/12	30 Year	152.1	0.35
Pakistan 200MW IPP	2007	2009/10	25 Year	84.4	0.19
TOTAL				378.6	0.87

Source: Company Data

Fair value upgraded to RM1.73. Pegging on positive business outlook, we are maintaining our BUY recommendation on LUH. The earning upgrade for the cable & wire division and incorporation of conservative DCF figures for the 2 upcoming IPPs together with the roll over of our Sum of Part (SOP) valuation to FY08 have resulted to 12-months target price revised up to RM1.73 or 57.3% upside.

Figure 20: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY07)	Peer PER	Total (RMm)
Cable & wire, others	37.5	10.0	375.5
Power (IPP @ DCF)			378.6
Total Sum Of Parts			754.1
No of Shares			436.5
12-Months Targeted Price		RM	1.73

Source: Bloomberg, OSK Research

INVESTMENT RISKS

Steep fall in copper & aluminium prices. Although we do not foresee any significant inventory loss when copper or aluminium prices plunge but we do expect (i) buying sentiment dampened during the down trend or customers may opt to buy when necessary at spot market, and (ii) some customer may cancel its order hence some value loss in inventory which was committed earlier at higher prices. Looking ahead, we do not see any reason for a sharp drop in copper and aluminium price given that it is supported by strong demand worldwide as well as a structural change in the commodity sector.

Deferred 9MP projects. In the past, LUH's cable & wire sales was mainly derived from domestic market hence the commencement of the 9MP should be a boost to the company. In view of this, any deferment in the execution of the 9MP projects may dampen the company's sales. Nevertheless, the recent uptrend together with encouraging spending by TNB and Telekom is likely to sustain demand for next 2 to 3 years. Apart from that, the stable income contribution from the power division also may cushion the impact during down cycle.

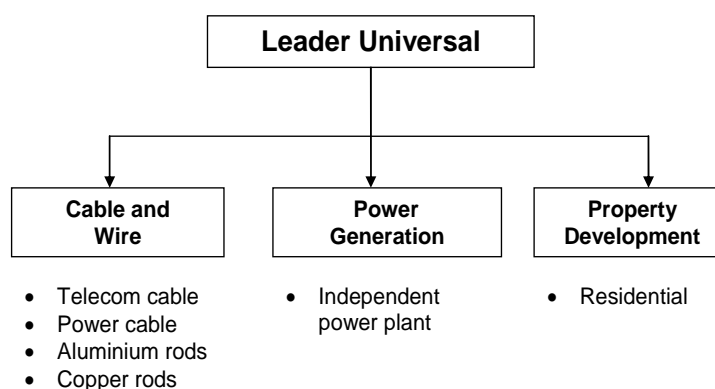
Worldwide economy recession? Cable & wire demand is mainly drive by the national developments besides private spending, hence any major recession may dampen demand and eventually copper prices in particularly. Nonetheless, we do not foresee this to happen as the International Monetary Fund (IMF) had recently revised up its projection for global economic growth in 2007 at 4.9%. On top of that, the execution of the 11th 5 years plan in China may further drive the cable & wire demand in booming China.

APPENDIX I**Company Background**

LUH was formed as a result of a merger exercise between Leader Cable Industries Bhd and Universal Cables (M) Bhd. in 1988. However, the company business operation can back track to 1970s when both company established its small cables and wires manufacturing facilities in Kedah and Johor respectively. The union propelled Leader Group into the largest wire and cable producer in ASEAN. The merger had reaped in benefits like production capacity, manufacturing technology and product research.

In 1995, Leader diversified its business via a JV with two other Malaysian companies to develop the first Malaysian-owned 35MW fuel oil fired diesel engine Independent Power Plant (IPP) in Phnom Penh, Cambodia. With the experience and expertise accumulated, Leader is now geared up and recently won separate bids for the development of 200MW power plants each in Cambodia and Pakistan on the JV basis.

The booming property market in mid-90s also seen the company participate in the property business. Presently, there are only 2 outstanding projects namely Leader Garden 3rd phase and Mayfair Penang that already approaching its full completion. Leftover with the group property division ahead will be a piece of landbank situated at Simpang Empat. Inline with the company move to streamline its business, the company do not expect any future launching this year and set to focus on its cable & wire and power business.

Figure 21: LUH's Corporate Structure

Source: Company Data

APPENDIX II**MAJOR SUBSIDIARIES FOR CABLE & WIRE DIVISION****A) Leader Cable (M) Bhd (100% owned)****Figure 22: Tikam Batu Plant (Sungai Petani, Kedah)**

Established on 30th March 1976, with the manufacturing facilities located at the Tikam Batu Industrial Estate in Sungai Petani, Kedah Darul Aman, Malaysia, The plant focus in:

- Copper telephone cable
- Power cable
- Aluminium rod
- Aluminium conductor
- Low voltage insulated cable
- Aerial bundle / twisted cable
- Medium / high voltage xlpe insulated cable

Source: *Company Website*

B) Universal Cable (M) Bhd (100% owned)**Figure 23: Pandan Plant (JB)**

Operation since 1970, focus in:

- Telecommunication cables
- Low voltage power and control cables
- Fire resistant and flame retardant cables
- Instrumentation cables
- Specialty cables and
- PVC compound
- Solutions ranging from the power and telecommunication sectors to the Oil & Gas industries.

Source: *Company Website*

Figure 24: Plentong Plant (JB)

Set up in the early nineties, focus in:

- Medium & High voltage cables up to 275kV, with maximum Copper or Aluminium conductor size of up to 1200mm²

Figure 25: Tampoi Plant (JB)

Establish since 1970s, dedicated to the aluminium products as follow:

- Aluminium EC Rods
- Aluminium Alloy Rods
- All Aluminium Conductors (AAC)
- All Aluminium Alloy Conductors (AAAC)
- Aluminium Conductor Steel Reinforced (ACSR) and
- Aluminium Aerial Bundle Cables (ABC)

C) Alpha Industries Bhd (51% owned)**Figure 26: Alpha Industries's Pandan, Johor and Prai, Penang Plants.**

Manufacture and sell of essential intermediate cable and wire products of copper rods such as :

- EC Grade Copper Rod (8.0mm to 14.4mm diameter)
- EC Grade Copper Wire (0.4mm to 3.45mm diameter)
- Oxygen-free Copper Rods & Wires

Source: *Company Data*

APPENDIX III

Figure 27: Major Turnkey Project by LUH

THIS IS EVIDENT IN THE LONG LIST OF CONTRACTS WE WERE AWARDED, SOME OF WHICH INCLUDE:	
→ Kulim Hi-Tech Industrial Park Power Utility Project – complete turnkey supply, installation and commissioning of 11kV, 33kV and 132kV underground power cables	→ Putrajaya, Selangor - 33kV underground cable network
→ Cyberjaya, Selangor – 132kV underground cable network development	→ Gelugor Power Station Upgrading Project - complete supply, laying and commissioning of power cables and oil-filled power cables underground cable network
→ Pencawangan Masuk Utama Kilat in Seremban - turnkey supply of underground power cables	→ Malaysia's Light Rail Transit – turnkey cable supplier for rail's signalling system
→ Kuala Lumpur, Wilayah Persekutuan & Klang Valley development project – supply, installation and commissioning of underground power cable network	→ Bayan Baru Substation to Bayan Lepas Substation - 132kV underground cable project
→ Kawasan Tanjung Tokong to Farlim, Penang - 132kV underground cable project	→ Bukit Raja Substation to M.S. Steel Works - 132kV underground cable project
→ Batu Berendam GIS Substation, Melaka - 132kV underground cable project	→ 132kV XLPE underground cable project for Permas Jaya, Kota Putri, Sentul Raya and Batu Caves Substation
→ 33kV underground cable Network in Wilayah Persekutuan, Selangor, Penang and Kedah	→ 132kV underground cable Network for Kawasan Seremban

Source: Company Website

Figure 28: Prime Taking by LUH (Domestic & International)

DOMESTIC			
→ Ampang Kuala Lumpur Elevated Highway	→ Angsi A, CPP Topsides, Petronas	→ BASF Petronas, Kuantan	→ Bintulu & Powertek Power Plant, Sarawak
→ BPC Acrylics Complex, Kuantan	→ Debottling & Jetfuel Project, Petronas PPTSB	→ Double Track Project between Rawang and Ipoh	→ EIIRC Project, Petronas Carigali
→ F6K-A Topside & F6P-A Offshore, Sarawak Shell	→ Helang Central Platform, Nippon Oil Exploration	→ JNDR-A Topsides, Sarawak Shell	→ Kertih Centralised Tankage Facility, Petronas
→ Kuala Lumpur Sentral Station	→ Kuala Lumpur International Airport	→ Melaka Conversion Project	→ M1 Expansion, Sarawak Shell
→ Petronas GPP 5 & 6 Paka Project, Terengganu	→ Petronas MLNG Dua Plant Project, Bintulu	→ Petronas Refinery Project, Melaka	→ Propane Dehydrogenation Project, Petronas
→ Resak Compression Project, Petronas Carigali	→ Resak RCPP & RDPA PRJ, Petronas Carigali	→ Sabah East-West Grid Interconnection	→ Sejangkat 2x55MW Coal Fired Power Plant Phase II Extension Project Unit #3
→ Sepang Formula 1 Race Track	→ Subang-KLIA Intelligent Street Lighting Project	→ TNB Janamanjung Power Plant	→ Tuanku Jaafar Power Station to Olak Lampit
→ Western Traffic Dispersal Scheme, Lebuhraya Damansara Puchong	→ 500kV Transmission System Development	→ Petronas / Union Carbide Optimal Project, Terengganu - supply of power and instrumentation cables	
INTERNATIONAL			
→ Exxon Polyethylene Project, Singapore	→ Ninh Binh & Thai Binh Substations, Thailand	→ PHIH Project, Myanmar	→ PHU MV 4 Power Plant, Vietnam

Source: Company Website

APPENDIX IV

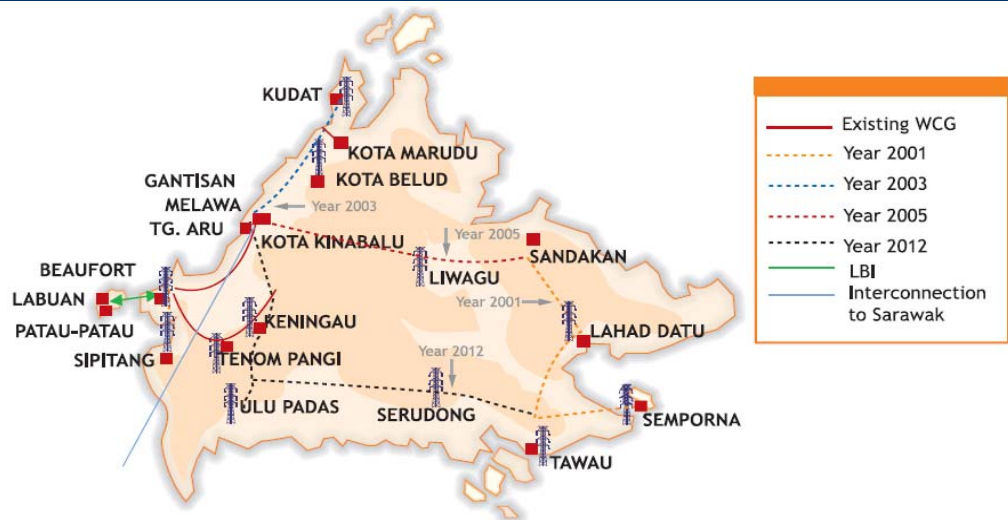
A) MAIN GRID SYSTEM IN MALAYSIA

Figure 29: Main Grid System in Peninsular Malaysia



Source: Energy Commission

Figure 30: Main Grid System in Sabah



Source: Energy Commission

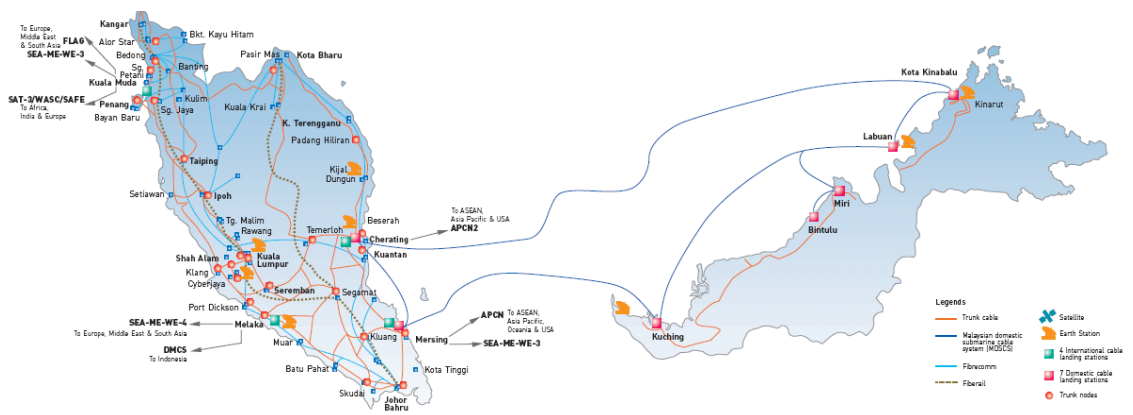
Figure 31: Main Grid System in Sarawak



Source: Energy Commission

B) TELECOMMUNICATION NETWORK BY TELEKOM

Figure 32: Telecommunication Network in Malaysia



Source: Telekom FY06 Annual Report

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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