



METAL / POWER

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Company Update

Private Circulation Only

Leader Universal

BUY	Maintain
Price	RM1.08
Target	RM1.73

A Prelude To Something Big?

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	1357.33
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	471.38
52 week H L Price (RM)	1.38 0.49
Average Volume (3m) '000	6342.39
YTD Returns (%)	0.54
Net gearing (x)	0.83
Altman Z-Score	2.55
ROCE/WACC	0.78
Beta (x)	1.79
Book Value/share (RM)	0.85

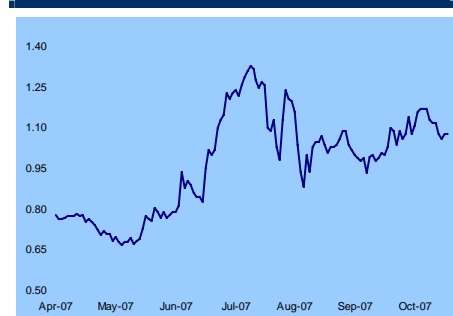
Major Shareholders (%)

Zun Holdings SB	11.7
Employee Provident Fund Board	4.0

Share Performance (%)

Month	Absolute	Relative
1m	9.09	3.77
3m	-17.56	-16.71
6m	39.41	34.40
12m	129.44	62.32

6-month Share Price Performance



Leader's listing of its associate company and potential upsurge of cable sales in Sarawak are obviously good news to the company but we maintain our original numbers for now pending clarification from management. We reiterate our BUY recommendation with 12-month target price unchanged at RM1.73 or 60.2% upside. The fair value is derived from a sum of part valuation on FY08 earnings.

Listing of Sarawak's associate. To pave way for the listing of UCS Holdings (UCS) on the Second Board of the Bursa Malaysia, Leader has entered into a Conditional Share Sale Agreement (SSA) together with Syarikat SESCO Bhd (Sesco) and Central Paragon SB (CPSB) to dispose of the entire 15m share of Universal Cable Sarawak SB to UCS. The disposal will be satisfied by the issuance of UCS's share at 3.49-for-1 existing share. (*Bursa Malaysia*)

Briefly about UCS Sarawak... The company principally involves in the manufacturing of electrical wires and cables as well as sub-contract of power and transmission related works. Leader, Sesco and CPSB jointly owns 35%, 35% and 30% equity stake respectively in UCS Sarawak. Sesco which involves in generation, transmission and distribution of electricity in the State of Sarawak has procured approximately RM44.2m of power cable under related party transaction from UCS Sarawak according to a circular to shareholders dated 7 June 2006 by Sesco.

IPO = expansion? We view the listing of UCS positively as this will increase the associate company's visibility. In addition, we suspect the entire exercise is to raise funds that will be utilised for capacity expansion to resolve capacity constrain in current plant. It is also timely to ride on the potential upsurge of cable demand in Sarawak as the government plan to translate the state into the power house for South East Asia.

Sarawak - more to come? Among others, Sarawak is set to install 600km long overhead or underground cable connecting Bakun to Kuching en-route to Peninsular Malaysia. The state is also in the midst of commissioning its IPP at Mukah and planning for more hydropower projects. UCS from its strong alliance with Sesco, should be in the forefront for more cable laying contracts. Apart from that, we do not discount Leader's role in Sarawak given UCS limited capacity and the shortage of undersea cable may see greenfield investment by Leader with technical support from established overseas player.

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	2.3	2.6
PER (x)	31.1	21.5	13.3	9.2	7.9
P/BV (x)	1.4	1.4	1.3	1.1	1.0
EV/EBITDA (x)	11.3	8.5	7.2	6.3	5.7
ROE (%)	4.5	6.4	9.8	13.1	13.5
ROA (%)	1.3	1.8	2.7	3.7	4.2

KEY HIGHLIGHTS**Figure 1: Main Grid System in Sarawak**

Source: Energy Commission

Figure 2: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY07)	Peer PER	Total (RMm)
Cable & wire, others	37.7	10.0	377.0
Power (IPP @ DCF)			378.6
Total Sum Of Parts			755.6
No of Shares			436.5
12-Months Targeted Price		RM	1.73

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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