

# Statement on Corporate Governance

The Board of Directors of Leader Universal Holdings Berhad (LEADER) remains committed in upholding the Principles of Corporate Governance and the Best Practices on Corporate Governance as set out in the Malaysian Code on Corporate Governance. The Group will continue to practise and maintain a high standard of corporate governance at all times to safeguard the interest of its shareholders.

## A. BOARD OF DIRECTORS

### Board Balance and Composition

The Board comprises eight (8) members out of which five (5) are Independent Non-Executive Directors and three (3) are Executive Directors. The Board is led by a Non-Executive Chairman.

The Board composition represents an appropriate balance of knowledge, skills and experiences in various fields particularly on corporate advisory, manufacturing, accounting and financial management.

Encik Wan Ismail Wan Nik, who is Chairman of the Audit Committee, also acts as the Senior Independent Non-Executive Director of the Board where any issues of concern regarding the Group may be addressed to him where it may be deemed inappropriate for Executive Directors to deal with.

In their commitment to service, all the directors have given their respective undertaking to comply with the provisions of Bursa Malaysia Securities Berhad's (BMSB) Listing Requirements as well as the Rules of BMSB. They will also continue to attend the Continuing Education Programme and such training as may be deemed appropriate by the Board to constantly upgrade and enhance their skills and knowledge to effectively discharge their duties as directors.

The profile of each director is set out under the section "Profile of Directors" contained in this Annual Report.

### Responsibilities of the Board

The Board retains full and effective control and has the overall responsibility for the performance of the Group. Besides approving the annual budget, quarterly results and annual results of the Group, the Board also determines the strategic plans and direction of the Group and oversees the conduct and performance of the Group's operation.

There is also a clear distinction between the roles of the Non-Executive Chairman, Executive Deputy Chairman and Chief Executive Officer (CEO) who is also the Managing Director (MD).

The Board meets at least four (4) times a year and additional meetings are convened as and when necessary. Besides board meetings, the Board also exercises its approval on matters via Circular Board Resolutions.

During the year ended 31 December 2004, five (5) board meetings were held and the attendance of the directors were as follows :

DIRECTORS	TOTAL ATTENDANCE
<b>NON-EXECUTIVE</b>	
1. Tan Sri Razali Ismail (Chairman - Independent)	4/5
2. Dato' N. Sadasivan (Independent)	5/5
3. Lai Chang Hun (Independent)	5/5
4. Wan Ismail Wan Nik (Independent)	5/5
5. Patrick Chin Yoke Chung (Independent)	5/5
<b>EXECUTIVE</b>	
6. Dato' Seri H'ng Bok San (Executive Deputy Chairman)	4/5
7. Sean H'ng Chun Hsiang (CEO & MD) <i>(Appointed 1 February 2004)</i>	5/5
8. Kon Ted Liuk (Deputy Managing Director) <i>(Appointed 15 March 2004)</i>	3/4

### Supply of Information

The CEO & MD with the support of the Company Secretary organises information necessary for the agenda of the Board Meeting.

The agenda together with the minutes of meeting and full set of board papers are given to each director in advance of each Board Meeting to enable all directors to have sufficient time to peruse and obtain explanations where necessary before the Board Meeting.

The Board agenda include, among others, the following items :

- a) Confirmation of the minutes of last Board Meeting;
- b) Report from the various Board Committee (if any);
- c) Quarterly Consolidated financial results for release to BMSB;
- d) Report from CEO & MD;
- e) Annual budget including capital expenditure/cash flow forecast;
- f) Acquisition and disposal of assets/properties (if any);
- g) Directors' disclosure of interests (if any);
- h) Ratification of Circular Board Resolutions passed (if any);
- i) Dividend Recommendation (if any);
- j) Appointments to Board of Directors and Board Committees (if any);
- k) Remuneration Package of Executive Directors and Non-Executive Directors (if any).

All the directors have unrestricted access to the advice and services of the Company Secretaries or any management staff in carrying out their duties. In addition, the directors are free to seek professional advice at the Company's expense should the need arises.

## Statement on Corporate Governance (cont'd)

### Appointments to the Board and Re-election

Proposals for new appointments to the Board are reviewed by the Nomination Committee and presented to the Board for approval.

The Company's Articles of Association under article 92(5) provides that all directors who were appointed by the Board are subject to re-election by shareholders at the next following Annual General Meeting (AGM) but shall not be taken into account in determining the retirement of directors by rotation. There are no directors retiring under this article at the forthcoming Seventeenth (17th) AGM.

The Articles of Association under article 92 (1) provides that one-third of the directors (or if their number is not a multiple of three then the number nearest to one-third) shall once at least in each three (3) years retire from office at the AGM but shall be eligible for re-election.

Dato' Seri H'ng Bok San, En Wan Ismail Wan Nik and Mr Patrick Chin Yoke Chung shall retire under the above article 92(1) and shall be subject to re-election at the forthcoming 17th AGM.

Directors who are over seventy (70) years of age are subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. There are no directors retiring under this provision at the forthcoming 17th AGM.

### Board Committees

The Board is assisted by the various Board Committees in the execution of its responsibilities. The functions and terms of reference of these Board Committees as well as the authorities delegated by the Board to these Committees have been clearly defined by the Board.

### Nomination Committee

The Nomination Committee was appointed by the Board on 7 September 2001. It comprises the following members :

Dato' N. Sadasivan - Chairman  
Lai Chang Hun  
Patrick Chin Yoke Chung

The Nomination Committee is delegated with the following functions and responsibilities :

- To review the Board composition of LEADER and recommend the candidates for all directorships to be filled by the shareholders or the Board;
- To consider, in making its recommendation, candidates for directorships proposed by any director or shareholder;
- To review and recommend to the Board, the directors or senior executives to fill the seats on Board Committees;
- To assist the Board to review annually its required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should contribute towards the Board;
- To assess the effectiveness of the Board as a whole, the committees of the Board and contribution of each individual director.

### Executive Committee

The Executive Committee ("ExCo") was appointed by the Board on 20 June 1990. ExCo Meetings are held monthly and additional meetings are held as and when necessary.

In line with the Group's emphasis on good corporate governance, an Independent Non-Executive director is appointed Chairman of the ExCo who is able to provide unbiased and independent views to the ExCo.

The ExCo implements the decisions and policies made by the Board.

The ExCo comprises the following members :

Dato' N. Sadasivan - Chairman  
Dato' Seri H'ng Bok San  
Patrick Chin Yoke Chung  
Sean H'ng Chun Hsiang  
Kon Ted Liuk  
Jessica H'ng Hsieh Ling  
Andrew Sim Wee Kim (Resigned on 1 February 2004)  
Taza Tan Sri Razali (Resigned on 15 February 2004)  
Abdul Rahim Dato' Ismail (Resigned on 15 February 2004)  
Dato' Kenneth H'ng Bak Tee (Resigned on 1 September 2004)  
Dato' Harry H'ng Bak Seah (Retired on 1 February 2005)

### Audit Committee

The Audit Committee was appointed by the Board on 28 March 1994. It comprises the members as stated below. The Chairman is an Independent Non-Executive Director who is also the Senior Independent Non-Executive Director of the Board. Majority of the Audit Committee members are Independent Non-Executive Directors. During the year ended 31 December 2004, five (5) meetings were held and the attendance of the members were as follows :

AUDIT COMMITTEE MEMBERS	TOTAL ATTENDANCE
1. Wan Ismail Wan Nik - Chairman (Independent Non-Executive)	5/5
2. Lai Chang Hun (Independent Non-Executive)	4/5
3. Patrick Chin Yoke Chung (Independent Non-Executive)	5/5
4. Dato' Kenneth H'ng Bak Tee (Executive Vice-Chairman) (Resigned on 1 February 2004)	
5. Sean H'ng Chun Hsiang (CEO & MD) (Appointed 1 February 2004)	5/5

The terms and reference of the Audit Committee are set out under the section "Audit Committee" as contained in this Annual Report.

For the year ended 31 December 2004, the Audit Committee had carried out its functions and duties as specified in the terms of reference of the Committee. The Audit Committee also reviewed the reports on major findings in respect of all companies audited by the internal audit department. The Acting Head of Internal Audit department attended all the audit committee meetings held.

External auditors and other senior officers were also invited if necessary to brief the Audit Committee on any specific issues.

### Employees' Share Option Scheme Committee

The Employees' Share Option Scheme Committee ("Option Committee") was appointed by the Board on 26 March 1999 to administer the Employees Share Option Scheme II (ESOS II). The Option Committee is given the power to offer and issue share options in accordance with the Bye-Laws of ESOS II and to do all acts and things and to enter into any transactions, agreements, deeds, documents or arrangements, make rules, regulations or impose terms and conditions which the Option Committee may at its discretion consider necessary or desirable.

There were no share options issued by the Option Committee during the year and up to the date of expiration of the ESOS II on 1 July 2004.

With the expiration of the ESOS II, the Option Committee was automatically dissolved on 1 July 2004.

### Securities Investment Committee

The Securities Investment Committee ("SIC") was appointed by the Board on 28 February 2000. SIC is empowered to enter into and effect any dealings and transactions in respect of any securities as they may deem fit within the limit of the quantum approved by the Board. The SIC was dissolved by the Board with effect from 21 February 2005.

## Statement on Corporate Governance (cont'd)

### Remuneration Committee

The Remuneration Committee was established by the Board on 7 September 2001. It comprises the following members :

Dato' N. Sadasivan - Chairman

Patrick Chin Yoke Chung

Dato' Kenneth H'ng Bak Tee (Resigned on 1 February 2004)

Sean H'ng Chun Hsiang (Appointed on 1 February 2004)

The Remuneration Committee is delegated by the Board with the following functions and responsibilities:

- To review and recommend to the Board, the policy framework and guidelines of Executive Directors' remuneration for LEADER so as to ensure that the Group attracts and retains Executive Directors of the necessary calibre, experience and quality needed to run the Group successfully;
- To review and recommend to the Board the remuneration package of the Executive Directors and Non-Executive Directors of LEADER;
- To assess that the Executive Directors are paid comparable to market rate based on information from survey or independent source;
- To recommend the format of disclosure of Executive Directors' Remuneration in the Annual Report.

### B. DIRECTORS' REMUNERATION

#### Level and Make-up of Remuneration

The remuneration package is designed to reward directors for their contributions and participation in the growth of the Company which is consistent with LEADER's corporate philosophy. The package is designed to attract and retain directors of the required calibre needed to run the Group successfully.

The remuneration of Executive Directors, based on the recommendation by the Remuneration Committee, takes into account the individual director's scope of responsibilities, contributions and performance as well as the market rate for similar positions in comparable companies. The component parts of remuneration are structured so as to link rewards to corporate and individual performance.

#### Procedure

The fees payable to Executive Directors and Non-Executive Directors are recommended by the Remuneration Committee to the Board and subject to approval by shareholders at LEADER's Annual General Meeting.

The remuneration package of Executive Directors and Non-Executive Directors are also recommended by the Remuneration Committee and approved by the Board. Directors concerned do not participate in the determination of their own remuneration package.

## Disclosure

Disclosure of remuneration of directors of the Company is as per BMSB's Listing Requirements. Remuneration of directors during the financial year ended 31 December 2004 were as follows :

### A. Aggregate Remuneration (RM)

	EXECUTIVE DIRECTOR		NON-EXECUTIVE DIRECTOR		TOTAL
	SUBSIDIARIES	LEADER	SUBSIDIARIES	LEADER	
a. Fees	-	-	10,000	75,000	85,000
b. Salaries	-	1,494,000	-	-	1,494,000
c. Allowances	-	-	-	405,000	405,000
d. Bonus, EPF & others	-	754,940	-	-	754,940
e. Benefits-in-kind	-	28,914	-	-	28,914
<b>Total</b>	-	<b>2,277,854</b>	<b>10,000</b>	<b>480,000</b>	<b>2,767,854</b>

### B. Number of directors whose aggregate remuneration (RM) falls into the following bands :

	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	TOTAL
100,001 - 150,000	-	4	4
150,001 - 200,000	-	1	1
450,001 - 500,000	1	-	1
650,001 - 700,000	1	-	1
1,000,001 - 1,050,000	1	-	1
<b>Total</b>	<b>3</b>	<b>5</b>	<b>8</b>

The above remuneration of directors of LEADER (excluding fees) are being reimbursed by its subsidiaries.

## Statement on Corporate Governance (cont'd)

### C. SHAREHOLDERS

Investors Relations and Communication with Shareholders

The Company welcomes queries from investors. The CEO & MD, Deputy Managing Director and Chief Financial Officer hold periodical dialogue sessions with the press media, financial analysts and fund managers.

The following are channels of communication :

- a) timely distribution of annual reports;
- b) timely release of the Group's quarterly financial results and requisite announcements to BMSB;
- c) access through the company's website at [www.leaderuniversal.com](http://www.leaderuniversal.com). Members of the public who wish to contact the Group on any matters can channel their queries through the website; and
- d) periodical press releases.

#### Annual General Meeting

The Board welcomes queries and questions from members attending the Annual General Meeting ("AGM") which is the principal forum of dialogue with shareholders. The external auditors are also present at the Company's AGM.

Each item of special business which is included in the Notice of AGM is accompanied with an explanatory note for the proposed resolution and the effects in respect of the resolution.

### D. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects in presenting the quarterly announcements on the Group's performance and annual financial statements to shareholders. The said quarterly announcements of unaudited financial statements and annual audited financial statements are reviewed by the Audit Committee and approved by the Board before releasing to BMSB.

#### Internal Control

Please refer to the section on "Statement on Internal Control" contained in this Annual Report.

#### Internal Audit Activities

Please refer to the section on "Statement on Internal Control" contained in this Annual Report.

#### Relationship with the External Auditors

The Company maintained a formal and transparent relationship with the external auditors in ensuring the Group's compliance with the applicable approved accounting standards. Before commencement of audit, the external auditors will meet with the Audit Committee to present the terms of reference and scope of the audit to be conducted and the coordination with the other audit firms in the Group. Results of the audit conducted and overall findings and major issues are presented to the Audit Committee and deliberated at the Audit Committee Meeting.

At the last Annual General Meeting of the Company held on 25 June 2004, Messrs Ernst & Young was nominated and appointed as the Company's auditors for the year ended 31 December 2004. Messrs Ernst & Young is also the auditors of several subsidiaries in the Group.

The appointment was timely and also served as a good corporate governance practice as Messrs PriceWaterHouseCoopers had been the Company's auditors for several years. It is also more cost effective to streamline to one audit firm for the Group.

### E. OTHER INFORMATION

#### Material Contracts

Save as disclosed in Note: 33 of the Financial Statements contained in this Annual Report, there are no material contracts of the Company or subsidiaries involving directors and substantial shareholders since the end of the previous financial year.

### **Revaluation on Landed Properties**

Revaluation of landed properties of the Group is conducted at an interval of at least once in every five (5) years. A revaluation exercise had been done for the year ended 31 December 2002. There was no revaluation exercise conducted for the year ended 31 December 2004.

### **Statement of Directors' Responsibilities in respect of the Audited Financial Statements**

The Directors are required under the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards that give a true and fair view of the state of affairs, the results and cash flow of the Group and the Company at the end of the financial year.

In preparing these financial statements, the Directors have ensured compliance with the applicable approved accounting standards, made judgements and estimates that are reasonable and prudent, and adopted and consistently applied suitable accounting policies.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company for the prevention and detection of fraud and other irregularities.

# Statement on Internal Control

pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad (BMSB).

Paragraph 15.27 (b) of the Listing Requirements of BMSB requires the Board of Directors of public listed companies to make disclosures in its annual report a statement about the state of internal control of the listed company as a group. The Board is pleased to provide the following statement which outlines the nature and scope of internal control of Leader Universal Holdings Berhad's (LEADER) Group of Companies.

## Board Responsibility

The Board has the overall responsibility for maintaining a sound system of internal control and is therefore committed in giving its due attention to improving the effectiveness of internal control measures, risk management and governance processes within the organisation.

The Audit Committee was established by the Company on 28 March 1994. In January 1998, the internal audit department was set up to strengthen the effectiveness of the operation of system of internal control within the Group and to review the adequacy and integrity of the system of internal control.

In view of the limitations that are inherent in any system, these controls can only provide reasonable but not absolute assurance against material misstatement, defalcations, loss or fraud or other irregularities which would not reasonably be detected in the normal course of the internal audit.

## Risk Management

The Group Policy and Guidelines on risk management adopted by LEADER and its local wholly-owned subsidiaries were implemented in February 2003. For overseas subsidiaries, the Group Policies and Guidelines on risk management are adopted with such modifications as may be deemed appropriate by the respective management to suit their operation. All local joint venture subsidiaries have their own risk management structure.

## System of Internal Control

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of businesses and size of operation of the Group. As such, the Board in striving for continuous improvement will put in place appropriate action plans, when and where necessary, to further enhance the Group's system of internal control.

Key elements of the Group's system of internal control are as set out below :

### Group Policies and Guidelines

The Company in its Group Policies and Guidelines Manual sets out the policies, procedures and practices to be fully adopted and strictly adhered to by LEADER and its local wholly-owned subsidiaries. For local joint venture subsidiaries and overseas subsidiaries, the Group Policies and Guidelines Manual was adopted with such modifications as may be deemed appropriate by the respective management to suit their operations. The representatives from LEADER based at the local and overseas subsidiaries provide feedback to the management at the Head Office on the subsidiaries' operations on a regular basis. This is to ensure proper documentation, approvals and effective control over such operating units within the Group.

### Budget and Performance Report

The Board reviews and approves the Group's annual budget. The management monitors the monthly results of the Group against budget. Monthly operational and financial performance reports are submitted by all business units and heads of department at Head Office and it provides management with comprehensive information on performances and key indicators. The findings and variances are discussed at the monthly Management Review Meeting. Operational and Financial Reports are also prepared and presented monthly at the Executive Committee Meeting and quarterly at the Board meeting for review and update.

### Authority Table

There is a clearly defined delegation of authorities and responsibilities to the management personnel including financial limit and authority limit within LEADER and its local wholly-owned subsidiaries to ensure that transactions are in line with the Group's policies and guidelines. All local joint venture subsidiaries and overseas subsidiaries having their own management and internal control structures are governed by their own structure of Authority Table to ensure all transactions are in line with their own structure of Policies and Guidelines.