

chairman's statement



Donation to The Starwalk Carnival Charity Concert



Directors, Management & Staff attending an in-house training seminar



Official launch of "The Mayfair" super condominium project



"... I look back on 2005 with a great deal of pride and an equal measure of gratitude."

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Leader Universal Holdings Berhad ("the Company") and its Group of Companies (collectively referred to as "the Group") for the financial year ended 31 December 2005.

STRONG FINANCIAL PERFORMANCE

Kudos to the Group for maintaining its RM1 billion sales mark for the fifth consecutive year and chalking up a commendable performance for the financial year ended 31 December 2005 (FYE2005) with a higher turnover of RM1,606.9 million as compared to RM1,267.7 million in FYE 2004.

Operating profit rose to RM74.3 million, an impressive jump of 60% from the RM46.4 million reported in the previous financial year. The results achieved in FYE 2005 are a clear indication that the Group is on the right track to financial recovery with a pre-tax profit of RM46.8 million and a net profit of RM21.7 million as compared to RM25.4 million and RM15.2 million respectively in FYE 2004.

The Group has managed to achieve the desired results by employing sound strategies that include reorganizing the core business activities and operational priorities, consolidation & rationalization of its business and implementation of effective cost control measures. The increase in Group revenue and profitability reflects a significant achievement amidst a challenging and competitive local and global cable and wire market condition, thanks in part to prudent management as well as unflinching teamwork. Barring any unforeseen circumstances and with the concerted efforts of all levels of employees, we look forward to producing consistently strong financial results, increasing our market share in the cable and wire industry and expanding our power generation business in the years ahead.

CORPORATE AND OPERATIONAL STRATEGIES

Consolidation & Rationalization Exercise

The Group has over the last few years embarked on a rigorous programme of consolidating and rationalizing its operations especially eliminating unprofitable or non-strategic operations.

During the year under review, the Company disposed of its Philippines cable plant building which has ceased operation since May 2004. The Group's overseas operation continued to face stiff competition and increasing operation costs. To avoid further strain on its financial and human resources and to improve the Group's bottom line, the Company disposed off its 100% equity interest in Unicable Pte. Ltd. in Singapore which was non-profitable. Also disposed off during the year was the Company's 49% equity interest in Gift Visions Sdn. Bhd. which has ceased operation since 2003.

The Company further disposed off 70% equity interest in Lite Kabel Sdn. Bhd. (formerly known as Leader Optic Fibre Cable Sdn. Bhd) as part of its efforts to restructure this non-performing operation. It subsequently bought over Corning Incorporated Ltd's 25% equity shares and increased its equity interest to 30% to retain Lite Kabel Sdn Bhd as an associate company in view of potential growth in optical fibre cables in the long term.



Donation to LEADER Rotary Haemodialysis Centre witnessed by TYT Tun Hj Abdul Rahman Abbas, Yang Dipertua Negeri Pulau Pinang



Donation to Gerakan Wanita, Pulau Pinang's fund raising concert witnessed by YAB Tan Sri Dr Koh Tsu Khoon, Chief Minister of Penang



A technical training program held at Alpha factory

A dormant subsidiary, Leader Risk Management Services (M) Sdn Bhd which was not engaged in any operation, applied to be struck off and approval was granted by the Companies Commission of Malaysia. Another overseas dormant subsidiary, Sinolink Mobile Communications Ltd, incorporated in the British Virgin Islands (BVI) was deregistered with the BVI's Registry of Companies.

These rationalization efforts and disposal of non-operating and loss making operations have contributed positively towards the Group's return to profitability.

RM150 million Murabahah Medium Term Notes (MMTN)

RM40 million of the MMTN were issued in FYE 2004, RM30 million in FYE 2005 and RM10 million in April 2006 out of the RM150 million approved, leaving a balance of RM70 million not utilized to date. The proceeds from the issues were mainly used to redeem the Company's EuroConvertible Bonds. The balance unutilized portion will be progressively drawn down as and when required.

EuroConvertible Bonds (ECB)

During the year under review, a total of USD11.2 million were repaid and the Company also bought back a total sum amounting to USD1.4 million. The Company will continue to buy back and effect early repayment of the ECB due in May 2007 to reduce the financing costs.

I am pleased to inform that the Company had in April 2006 further bought back USD8.4 million and also opted to early redeem USD25.2 million in addition to the scheduled repayment on 8 May 2006. After the aforesaid redemption and repayment, the total ECB outstanding will be USD17.7 million, a reduction of 86.3% from the initial size of USD129.3 million.

MANAGEMENT REORGANISATION

To further enhance the operations of each of the Group's three core business divisions and pave the foundation for growth for the respective business divisions, the Group undertook a fundamental reorganization of its Group management in 2005.

Mr. Sean H'ng remains the Managing Director and Chief Executive Officer while Mr. Kon Ted Liuk, who is the Deputy Managing Director was also appointed the Chief Operating Officer to head the Group's Cable and Wire division. Ms. Jessica H'ng, the Chief Financial Officer was also appointed the Chief Operating Officer of the Property division. The Group also appointed Mr. Wong Hui Keat as the Chief Operating Officer of the newly-created Project Development & Power division. This division will focus on

the Group's diversification plan to further enhance its present earning base.

During the year under review, the management also invested in various programmes to enhance the competitive edge of our human capital, develop core competencies and increase productivity.

REVIEW OF OPERATIONS

I am pleased there has been a positive and continued upward trend in the Group's performance for the year 2005 with both turnover and profitability registering robust growth. The various business divisions achieved commendable results with stronger profit contribution from both the Cable & Wire division and Power Generation division.

Cable and Wire Division

The Group continues to dominate the country's cable and wire industry. Our Group's Cable and Wire business showed significant growth in the year 2005. For FYE2005, the Cable and Wire division accounted for RM1,439.0 million of the Group's total revenue as compared to RM1,129.4 million in FYE 2004, registering a growth of 27.3% on the back of improved local and export sales. Profit from Operations jumped by 297% to RM33.8 million in FYE2005 as compared to RM8.5 million in FYE2004.

To further improve on competitive edge, emphasis was placed to enhance plant efficiency, improve on manufacturing process and quality while introducing new and more value-added products to cater to industry needs.

The Group was again the first to have successfully passed the water sealed conductor for the 132KV XLPE cable. Other new products introduced in 2005 include sandblasted aluminium conductors, de-oxidation aluminium rod, mud resistant cables and HEPR insulated power cables. For 2006, the Group will be introducing a few new key products which are currently being researched and studied. Plans are also in the offing to start manufacturing of aluminium enamelled wires.

To ensure its continuous delivery of earnings performance, the Group is planning to upgrade its power cable manufacturing facilities to cater for higher valued products that will deliver better performance and profit margin for the Group.

As part of its focus to continue expanding its business internationally, the Group is confident of increasing its export markets. The Group's far-reaching presence has spanned more than 40 countries in the Asia Pacific region, South Asia, Middle East, Africa and Europe. As a measure of our winning march, it is my delight to highlight that our



UCMB receiving the Merit Certificate for Exports Excellence 2005 from YB Datuk Seri Rafidah Aziz, Minister of International Trade and Industry



Launching the "Rejuvenating the Organization" programme at UCMB factory



The Group's technical team conducting a training seminar on power cables for SESCO engineers

wholly owned subsidiary, Universal Cable (M) Berhad was accorded with a Merit Certificate for Exports Excellence in conjunction with the Industry Excellence Award 2005 by the Malaysian Ministry of International Trade and Industry.

Our ability to generate long-term growth rests on nurturing key areas. Besides focusing on product development, other areas we are focusing on include the reduction of waste and scraps, savings on material sourcing, improvement of productivity levels and enhancing quality management system. At the same time, we will continue to hone our production efficiency, capabilities and quality levels. For the year under review, Alpha Industries Berhad (Alpha), a 51% owned subsidiary, successfully obtained the ISO 14001 certification by SGS United Kingdom Ltd for its 2 plants located in Prai and Johor Bahru as part of the Group's commitment towards protecting and creating a clean and healthy environment.

Power Generation Division

The division via the Company's 60% owned subsidiary, Cambodia Utilities Pte Ltd (CUPL) in Cambodia, generated revenue of RM140.6 million in FYE2005 as compared to RM114.7 million in FYE2004. Profit from operation was RM37.7 million, a 18% increase from FYE2004 of RM32.2 million. This division continues to contribute a significant percentage to the Group's profitability owing to the prudent and sound management through the years. Studies are currently being carried out to determine the viability of several electricity industry related projects in Cambodia. The Group's pioneering experience and expertise in power generation is also being exploited to the fullest to build inroads in other new territories.

Property Division

The division registered a revenue of RM24.9 million in FYE 2005 as compared to RM22.3 million in FYE 2004, contributing an increase of 11.8%. The current Phase 3 project in Tanjung Bungah, Penang, comprising a mixture of 3-storey and 2 storey terrace houses and bungalow unit, developed by Leader Garden Sdn. Bhd. is more than 50% completed. Response has been good with sales exceeding 70% and pending the release of the balance of the Bumiputera reserved units. Meanwhile, the upmarket Mayfair super condominium project along Jalan Sultan Ahmad Shah (dubbed the "Millionaires' Row") in Penang developed by Dolphin Square Sdn. Bhd. is progressing well with about 65% of construction work completed. As at the date hereof, sales have been promising. During the year under review, Exogold Sdn Bhd also successfully launched its retail lots at Kompleks Pulau Mutiara at Gat

Lebuh Macallum, Penang and response has been overwhelming.

Training And Team Building

Subscribing to the belief that human resources are the engines which drive the establishment, the Group has time and again placed vital emphasis on people development and continuous learning. Employees constantly undergo positive work culture programmes and various professional and technical training to keep pace with the latest advancement in technology and practices. Directors, management personnel and executives are also exposed to leadership and other relevant courses to hone their knowledge and skills in dealing with people, promoting teamwork and motivation.

Training on the proposed tax structure on Goods & Service Tax was conducted by the Group's auditors in preparation for its implementation. Briefing on the new Financial Reporting Standards was also conducted for employees concerned. To further motivate and improve on a performance-based work culture, a Balance Score Card system was also introduced to the Head Office and major subsidiaries. Plans are in place to introduce group-wide the practice of Balance Score Card.

As in the years before, the major ethnic religious celebrations and other festivities continue to feature in the Group's annual calendar. Celebrations like Hari Raya, Deepavali, Christmas and Chinese New Year to important social happenings like annual dinners, sports and community functions were held. All these events serve to foster goodwill and camaraderie and build a strong team spirit among employees.

Leading Towards A Caring Society

As a socially conscious and caring corporate citizen, the Group has always lent its support to various community projects and charitable establishments to help the less fortunate in society. On the home front, cash donations were made to support meaningful causes such as the Starwalk Carnival Charity Concert, St. John's Ambulance and the Mental Health Association. An annual pledge of RM50,000 to the Leader-Rotary Haemodialysis Centre goes to subsidize the underprivileged who need to undergo dialysis. Contributions to support the extension of school buildings to provide better facilities for students were also made in addition to helping Gerakan Wanita Negeri Pulau Pinang's Fund Raising Project to finance their activities in serving the community.

Besides contributing to worthy causes back home, the



LEADER's 17th Annual General Meeting held on 17 June 2005



Celebration of festivities is always joyous at LEADER



Company through its subsidiary CUPL in Cambodia, contributed tons of rice to the Cambodian Red Cross and Kampoung Thom Red Cross in conjunction with their 50th Anniversary. Rural schools were given a boost with our donation of new chairs & tables and the erection of concrete fencing for the security of the students. Future contributions include the construction of 3 school buildings scheduled for 2006.

LOOKING AHEAD

The world economy looks likely to remain moderate with a growth rate of 4.3% following the lead of the US and China. Inter ASEAN regional trade however, is expected to improve. This positive outcome will definitely boost the economy as well as gear up manufacturing activities in the region.

On the Malaysian front, our economy looks set to expand its growth momentum with GDP forecast of 5.5% in 2006. All sectors can expect to experience some form of growth and expansion with manufacturing and the services sectors leading the way. As part of its efforts to nurture growth and to support the development and maintenance of public infrastructure, the government has allocated a sum of up to RM44 billion for this purpose. Tenaga Nasional Berhad, the nation's power utility provider will provide a capital expenditure (capex) of up to RM4.6 billion in 2006 to reinforce its transmission and distribution system and to upgrade its power plants in view of the nation's increasing power demand. This allocation is a bonus compared to the RM4 billion earmarked in 2005. Telekom Malaysia Berhad too, has earmarked up to RM2.2 billion capex in 2005. The fixed-line business shall remain an important component in its revenue composition, in tandem with demand for Internet accessibility.

In the 2006 Budget, as much as RM5.7 billion has been allocated for rural economy and infrastructure development, out of which some RM299 million will be used to provide basic amenities and improve accessibility to electricity, telecommunications and water supply to rural and remote areas. These positive developments are indeed timely and have provided a much-welcomed impetus to the cable and wire industry.

The Ninth Malaysian Plan (9MP) 2006 to 2010 will also see greater growth in infrastructure development with allocation of RM200 billion for the building of a second bridge and monorail system in Penang, railways, highways and schools throughout the country and expansion of the Kuala Lumpur International Airport. Under the 9MP, more schools will be equipped with computers and IT-related

initiatives to provide more comprehensive IT learning. This is particularly encouraging and augurs well for the Group as it translates into a higher demand for the Group's cable and wire products.

The Group is confident of having the capacity to leverage on these opportunities and maintain its position as the largest cable manufacturer in the ASEAN region. It will continue to consolidate and streamline its operations to improve productivity and business performance while developing innovative value-added products. Additionally, the Group will make the brand name the hallmark of quality and strive to attain the relevant product and management system accreditation and certification as a testament to its commitment to excellence.

The property sector is poised to enjoy increased demand buoyed by favourable economic conditions and rising income per capita. The year 2006 is expected to see improved performance in the sales of residential and commercial units which augur well for the Group's ongoing projects.

The prospects for the year ahead appear to be one of optimism and a continued upward trend. The performance of the cable and wire sector is particularly encouraging and coupled with the favourable market and economic conditions, the Group can expect the good progress made to continue as the Group is in a strong position to build on this in 2006.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I wish to record my sincere appreciation to all our shareholders, customers and business partners who have made invaluable contributions to the progress of the Group thus far. To all the bankers, regulatory and governmental authorities that have, in one way or another, contributed to our success, our sincere thanks for the ongoing support and cooperation.

At the core of the Group's operational success, the board of directors, management and a united team of loyal employees who have stood by the Company through thick and thin, I wish to commend each and every one of you for your unflinching support.

Let me assure you, the Group will continue to focus on scaling greater heights and I am optimistic about the Group's prospects for a sustainable future.

□ Tan Sri Razali Ismail
Chairman
25 April 2006