

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. This statement sets out the principles and best practices that were applied throughout the financial year ended 31 December 2005.

A. BOARD OF DIRECTORS

Board Balance and Composition

The composition of the Board remains unchanged for the year under review. It 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, the directors have attended the Mandatory Accreditation Programme and completed the Continuing Education Programme for directors required by Bursa Malaysia Securities Berhad (BMSB). During the year under review, the directors also attended in-house training seminar conducted by M/s Ernst & Young on the new Financial Reporting Standards and Goods & Service Tax to be implemented to keep themselves updated of new developments and to enhance their skills and knowledge to effectively discharge their duties as directors. The Board will continue to evaluate and determine the training needs of its 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 and the Managing Director who is also the Chief Executive Officer (MD & CEO). The Chairman ensures the effectiveness of the Board and conduct while the MD&CEO is responsible for the running of the Group's business and overall operations.

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 2005, four (4) board meetings were held and the attendance of the directors were as follows :

DIRECTORS	TOTAL ATTENDANCE
NON-EXECUTIVE	
1. Tan Sri Razali Ismail (Chairman – Independent)	3/4
2. Dato' N. Sadasivan (Independent)	3/4
3. Lai Chang Hun (Independent)	4/4
4. Wan Ismail Wan Nik (Independent)	4/4
5. Patrick Chin Yoke Chung (Independent)	2/4
EXECUTIVE	
6. Dato' Seri H'ng Bok San (Executive Deputy Chairman)	3/4
7. Sean H'ng Chun Hsiang (Managing Director & Chief Executive Officer)	3/4
8. Kon Ted Liuk (Deputy Managing Director)	4/4

Supply of Information

The MD & CEO 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;
- c) Quarterly Consolidated financial results for release to BMSB;
- d) Annual budget including capital expenditure / cash flow forecast;
- e) Acquisition and disposal of assets / properties (if any);
- f) Directors' disclosure of interests (if any);
- g) Ratification of Circular Board Resolutions passed (if any);
- h) Dividend Recommendation (if any);
- i) Appointments to Board of Directors and Board Committees (if any);
- j) 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. For the year under review, there were no changes or new appointments to the Board and Board Committees except for Dato' Harry H'ng Bak Seah who retired as a member of the Executive Committee on 1 February 2005.

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 Eighteenth (18th) 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.

Tan Sri Razali Ismail, Messrs. Lai Chang Hun and Kon Ted Liuk shall retire under the above article 92(1) and shall be subject to re-election at the forthcoming 18th 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. However, there are no directors retiring under this provision at the forthcoming 18th 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 functions and responsibilities of the Nomination Committee are as follows :

- 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. The ExCo meets at least four times a year on a quarterly basis. However, additional meetings are convened 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

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 2005, 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)	5/5
3. Patrick Chin Yoke Chung (Independent Non-Executive)	3/5
4. Sean H'ng Chun Hsiang (MD & CEO)	4/5

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

For the year under review, 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 Head of Internal Audit department attended all the audit committee meetings held during the year under review.

External auditors and other senior officers were also invited, if necessary, to brief the Audit Committee on any specific issues. The external auditors also report and highlight to the Audit Committee, the audit findings in respect of each year's audit.

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
Sean H'ng Chun Hsiang

The functions and responsibilities of the Remuneration Committee are as follows :

- 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 Group's performance, 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 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 for the financial year ended 31 December 2005 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	-	2,054,250	-	-	2,054,250
c. Allowances	-	-	-	385,000	385,000
d. Bonus, EPF & others	-	1,098,368	-	-	1,098,368
e. Benefits-in-kind	-	50,440	-	-	50,440
Total	-	3,203,058	10,000	460,000	3,673,058

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

RANGE OF AGGREGATE REMUNERATION (RM)	NUMBER OF DIRECTORS		TOTAL
	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	
50,001 - 100,000	-	3	3
100,001 - 150,000	-	2	2
500,001 - 550,000	1	-	1
750,001 - 800,000	1	-	1
800,001 - 850,000	1	-	1
1,000,001 - 1,050,000	1	-	1
Total	4	5	9

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 MD & CEO, Deputy Managing Director and Chief Financial Officer hold periodical dialogue sessions with the press media, financial analysts and fund managers. During the year under review, the Company also participated in the CMDF-Bursa Research Scheme which provides independent report on the Group which is posted in Bursa Malaysia's website.

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. 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 to meet the shareholders.

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.

E. OTHER INFORMATION

Non- Audit Fees

Non-audit fees of RM5,000 was paid to the external auditors, M/s Ernst & Young, for conducting an in-house training seminar for directors and relevant management staffs and RM2,000 for services in relation to the review of the Statement of Internal Control required by BMSB.

Material Contracts

Save as disclosed in Note 34 of the Financial Statements contained in this Annual Report, there is 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 2005.

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 reasonable open to them to safeguard the assets of the Group and the Company for the prevention and detection of fraud and other irregularities.