

# MESSAGE FROM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER



Dear Shareholders,  
It is my pleasure to  
present to you an  
overview of the LEADER  
Group's operations for the  
financial year ended  
31 December 2007.

# MESSAGE FROM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (CONT'D)

## HIGHLIGHTS OF GROUP'S PERFORMANCE

The year 2007 marked another notable achievement as the Group continued to perform well, turning in higher revenue and profit figures as compared to FYE 2006. Growth was registered in all aspects and better revenue and profits were recorded both from Cable and Wire division as well as the Power Generation division.

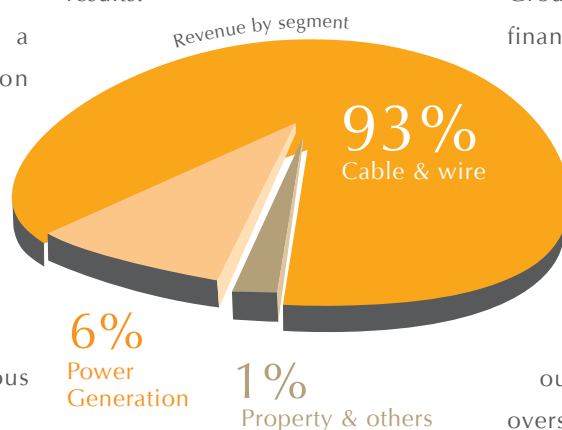
The Group's revenue reached a record high of RM2.82 billion mainly due to higher sales volume from the cable and wire business and the high metal prices. Operating profit also improved by 37.32% to RM125.70 million from RM91.54 million registered in the previous financial year.

## PERFORMANCE BY CABLE & WIRE DIVISION

This core business division, which accounts for more than 90% of the Group's total revenue, continued to deliver outstanding results in 2007 in spite of stiff competition and challenges within the local cable and wire industry. The division posted a revenue of RM2.64 billion, a gain of 21.1% on the RM2.18 billion recorded in 2006. This represented 93% of the Group's total revenue for 2007. Operating profit also rose from RM55.72 million in

2006 to RM97.30 million, a leap of 75%.

The surge in revenue was mainly due to increases in the sales of power cables, aluminium rods and wires. While local sales contributed largely to the higher revenue achieved for the year, export sales remained a key factor in the Group's revenue. Our ongoing cost-saving measures further boosted the Group's financial results.



2007 saw a range of new and improved products developed and introduced to the market to meet changing requirements. These included high voltage lead sheath cables, high voltage miliken conductor power cables and optical power ground cables. Various other new and improved cable and aluminium products are currently being studied. I am also delighted to report that the Group scored another first by becoming the only Malaysian cable manufacturer to have the capability to manufacture water-sealed power cables.

During the year, the Group made good progress with its operation and product rationalization programmes aimed at optimizing management and operational resources. The Group also continued to upgrade its manufacturing processes and quality management systems. At the same time, better product mixes with higher margins coupled with a higher output of aluminium-based products significantly enhanced the Group's operational efficiency and financial performance.

The Group is determined to ensure that the products and services we provide to our customers are of world class standard. We therefore reinforced and expanded our technical team, tapping on overseas experts to strengthen our capabilities and take up the new challenges that lie ahead.

Universal Cable (M) Berhad, a major wholly-owned subsidiary, is the holder of the prestigious Brand Laureate Award 2006/2007 from the Asia Pacific Brands Foundation for the best brand in Asia Pacific under the Electrical & Electronic Peripherals category. UCMB also successfully implemented Occupational Health and Safety Management systems and was awarded OHSAS 18001: 1999 certification.

# MESSAGE FROM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (CONT'D)

Going forward, we will further improve on operational efficiencies and synergies so as to enhance the Group's performance and results. For greater economies of scale, plans are underway to reorganize our business activities, consolidate and install new manufacturing facilities and expand and upgrade the existing ones. Simultaneously, our management information systems will be revamped to boost work efficiencies. We are also committed to reducing operating cost in order to stay competitive. To this end, further streamlining and control programmes will be embedded into our operating system.

Meanwhile, the Cable & Wire division will intensify its efforts to improve both local and export sales, especially to the Middle East, which has great potential for development involving high cable demand. The division's products are already exported worldwide to countries in the Asia Pacific region, South Asia, Middle East, Africa and Europe.

## PERFORMANCE BY POWER GENERATION DIVISION

During the year, the Power Generation division continued to forge ahead to achieve optimum levels of excellence. Since its inception through Cambodia Utilities

Pte Ltd, a subsidiary in Cambodia, the division has contributed steadily to Group revenue and profits. For 2007, it generated a revenue of RM159 million compared to RM154 million in 2006, a rise of 3.2%. Operating profit was RM37.19 million, a reduction of 5.78% from the 2006 figure of RM39.47 million due to the strengthening of the Malaysian Ringgit versus United States Dollars.



Signing of Power Purchase Agreement and Implementation Agreement with the Cambodian authorities for the 200MW coal-fired power project.

The Group's second joint venture power project, a 200MW coal-fired power project awarded by the Ministry of Industry, Mines and Energy of the Royal Government of Cambodia shall be located near the port at Sihanoukville, Cambodia. Project consultants and Environment Impact Assessment surveyors have been appointed and the teams are working closely with the various local authorities to enable the necessary studies and works to be carried out. Legal and

financial advisors have also been appointed to work on the project financing. Discussions are ongoing with the turnkey contractors on the engineering, procurement and construction works. The financial advisor is in the midst of making the necessary arrangements on the project financing. With the signing of the Power Purchase Agreement and Implementation Agreement with the Cambodian authorities, construction works are expected to commence in early 2009, with commercial production targeted to begin in 2012, barring any unforeseen circumstances.

## PERFORMANCE BY PROPERTY DIVISION

The property division recorded a revenue of RM22.65 million in 2007 as compared to RM32 million in 2006. The property development business has been progressively scaled down in recent years due to reduced land bank that the Group owns. The division will see minimal activities once we have completed the sale and transfer to buyers of the units of the three remaining projects in Penang namely Leader Garden in Tanjung Bungah, the Mayfair super condominium project along Jalan Sultan Ahmad Shah, and retail lots in the Kompleks Pulau Mutiara Project in Lebu Gat Macallum.

# MESSAGE FROM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (CONT'D)

## IMPROVED GROUP STRUCTURE

To help trim the cost and size of the Group, various dormant wholly-owned subsidiaries were voluntarily wound up, namely Leader Brass Products Sdn Bhd, Leader Credit Leasing Sdn Bhd, Leader Diamond Dies Sdn Bhd, Leader Pewter Sdn Bhd, Leader Data Cable Sdn Bhd, KPU Leader Consortium Sdn Bhd and Leader Plantation Sdn Bhd. Leader Universal (CNMI) Incorporated, formed in the Commonwealth of the Northern Mariana Islands, USA was also deregistered.

In line with the Group's corporate strategy, Leader LS Magnet Wire Sdn Bhd, a non-core business operation which is involved in the manufacturing of copper enameled wire, was disposed off to LS Cable Ltd of Korea, our joint venture partner. It ceased to be a subsidiary with effect from 13 July 2007.

During the year several overseas subsidiaries were incorporated for use in our power projects. Leader Power International (Pakistan) Incorporated and Leader Infrastructure Limited were formed in the Cayman Islands, while Leader Power International Cambodia Incorporated was formed in the British Virgin Islands.

## A POSITIVE GROWTH OUTLOOK

As at the date of writing, the Cable

& Wire division had robust book orders of approximately RM700 million excluding recurring orders. The demand for cables is expected to increase further with the acceleration of the projects under the 9th Malaysia Plan, the Bakun submarine cable interconnection project, and demand stemming from the anticipated growth in the country's oil and gas sectors.

All these positive indicators, coupled with the country's stable social and political environment, translate to favourable prospects for growth and success for the Group in the years ahead.

Going forward, the Group intends to expand into the power and transmission business. This will complement the Group's power generation operations and provide both a catalyst and an avenue for future growth. The power and project development team, which beefed up its manpower during the year, is currently looking at various openings. Apart from merely supplying and installing cables, our plan is to build, own, operate and lease power transmission and distribution lines probably in South East and South Asian countries. We are also looking at other power generation and related concession projects to generate further income for the Group.

## APPRECIATION

In closing, I would like to thank our shareholders, customers, business associates, bankers, regulatory & governmental authorities and board of directors for their continued confidence and support to the management team. I am pleased to report on the good progress made in 2007 which would not have been possible without the concerted efforts and hard work from the management down to the staff and workers at all levels. I sincerely hope that we would continue to work diligently as a team to bring the Group to greater heights and achievements in the years ahead.

Determination and enthusiasm are powerful ingredients for success and I must say that this is especially true at LEADER where we have demonstrated our sheer determination and enthusiasm to take on new challenges and grow our business further.

Sean H'ng Chun Hsiang  
Managing Director &  
Chief Executive Officer  
3 April 2008

