

Statement on Corporate Governance



The Company is fully committed to the Principles of Corporate Governance and Best Practices as set out in the Malaysian Code on Corporate Governance. The Group continues to uphold and maintain a high standard of corporate governance at all times to safeguard the interest of shareholders and enhance shareholders' value.

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to provide below how the Company has applied the principles and best practices recommended in the Malaysian Code on Corporate Governance (“the Code”) throughout the financial year ended 31 December 2009 (“the year under review”).

A BOARD OF DIRECTORS

BOARD BALANCE AND SIZE OF BOARD

The Company is led and controlled by the Board and consists of eight (8) members. It comprises five (5) Independent Non-Executive Directors and three (3) Executive Directors. The Board also comprises an Alternate Director to the Executive Deputy Chairman. The number of independent directors on the board exceeds the minimum one-third requirement laid down by Bursa Malaysia Securities Berhad (“Bursa Malaysia”). To ensure a high standard of board independence, the Board is led by an Independent Non-Executive Chairman. The Chairman is independent of any executive management and free from any relationship that could interfere with the exercise of any independent judgment. The independent Non-Executive Directors provide independent views, advice and evaluation of matters proposed by the executive members of the Board. The Board believes that interests of investors including the Group’s minority shareholders are adequately protected.

The Board composition represents an appropriate balance of knowledge, skills and experiences in various fields which includes corporate advisory, business expertise, manufacturing, accounting and financial management. The Board considers its present size, mix of skills and composition adequate in leading the Company and the Group ahead.

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

■ Senior Independent Director

Encik Wan Ismail Wan Nik, a member of the Audit Committee, is also the Senior Independent Non-Executive Director of the Board. Any shareholders or directors who have any issues of concern regarding the Company or the Group can address the issues to him directly via the Company’s website at www.leaderuniversal.com.

■ Directors’ Training

All the directors had successfully completed that Mandatory Accreditation Programme. To keep themselves abreast of new developments and changes pertaining to any legislation, regulations so as to effectively discharge their duties, the directors had attended training seminars as follows:

Directors - Seminar Attended

Tan Sri Razali Ismail

- Key Obligations under the Listing Requirements of Bursa Malaysia Securities Berhad and Expectations on Directors

Dato’ Seri H’ng Bok San Dato’ Sean H’ng Chun Hsiang Kon Ted Liuk Datin Jessica H’ng Hsieh Ling Wan Ismail Wan Nik Lai Chang Hun

- Corporate Governance Guide - Towards Board Excellence

Patrick Chin Yoke Chung

- Corporate Governance Guide - Towards Board Excellence
- Bank Negara Malaysia Financial Institutions Directors’ Education Programme

Dato’ N. Sadasivan

- Corporate Governance Guide - Towards Board Excellence
- Briefing on FRS 139 & Corporate Governance
- FRS - Financial Instruments : Recognition & Measurement
- FRS 112 - Incomes Taxes & Updates on Upcoming FRSs and ICs
- Economic Downturn and Risk Oversight : Readdressing Risk in the Wake of Market Turmoil
- Directors Training - Corporate Governance
- Board Audit Committee Forum

The Board will continue to evaluate and determine the training needs of its directors on an ongoing basis.

ROLE & RESPONSIBILITY OF THE BOARD

The Company is led by the Board which retains full and effective control and holds the overall responsibility for the performance of the Group. Besides reviewing and approving the annual budget, quarterly results and annual results of the Group and management proposals, the Board also determines and decides on matters relating to corporate governance, strategic business direction, expansion and investments. The Board is kept updated on the Group's business operations and performance and ensuring the existence of appropriate processes and internal controls.

■ *Role of Chairman and the Chief Executive Officer*

There is 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 implementing the decisions of the Board and the Board Committees and running of the Group's business and operations.

■ *Board Meetings*

The Board meets at least four (4) times a year and additional meetings are convened as and when necessary to deliberate and decide on urgent matters. Besides board meetings, the Board also exercises its approval via Circular Board Resolutions. All the Circular Board Resolutions passed are subsequently tabled and confirmed at the board meetings.

During the year ended 31 December 2009, four (4) board meetings were held and attendance was as follows:

| Directors | Attendance |
|---|------------|
| INDEPENDENT NON-EXECUTIVE | |
| Tan Sri Razali Ismail (<i>Chairman</i>) | 3/4 |
| Dato' N. Sadasivan | 4/4 |
| Lai Chang Hun | 4/4 |
| Wan Ismail Wan Nik | 4/4 |
| Patrick Chin Yoke Chung | 4/4 |
| EXECUTIVE | |
| Dato' Seri H'ng Bok San (<i>Executive Deputy Chairman</i>) | 4/4 |
| Dato' Sean H'ng Chun Hsiang (<i>MD & CEO</i>) | 4/4 |
| Kon Ted Liuk (<i>Deputy Managing Director</i>) | 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 Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, the Directors have full and unrestricted access to all information pertaining to the Group's business and affairs to enable them to discharge their duties. The agenda together with the board papers are given to each director in advance to enable the directors to have sufficient time to peruse and obtain further information or explanations where necessary before the Board Meeting.

The Board agenda and papers include, among others, the following:

- Minutes of the previous meeting;
- Matters arising from the previous meeting;
- Management Report from MD&CEO
- Report from the various Board Committees;
- Quarterly Consolidated financial results for release to Bursa Malaysia;
- Annual Group budget including capital expenditure / cash flow forecast;
- Related Party Transactions;
- Acquisition and disposal of assets / properties / investments (as the case may be);
- New projects or investments (as the case may be);
- Disclosure of interest by Directors (as the case may be);
- Dividend Recommendation (as the case may be);
- Appointments or resignation of members of the Board or Board Committees (as the case may be);
- Remuneration Package of Executive Directors and Non-Executive Directors;
- Confirmation of Circular Board Resolutions passed;

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

RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

The Company's Articles of Association under article 92(5) provides that any director appointed by the Board shall hold office only until the next following Annual General Meeting ("AGM") and shall then be eligible for re-election but shall not be taken into account in determining the retirement of directors by rotation at such meeting. There are no directors retiring under this article at the forthcoming Twenty-Second (22nd) AGM.

The Articles of Association under article 92(1) provides that at the AGM in every year one-third of the directors for the time being, or if their number is not a multiple of three then the number nearest to one-third, shall retire from office.

All directors shall retire from office once at least in each three (3) years. A retiring director shall be eligible for re-election.

At the forthcoming 22nd AGM, Mr Patrick Chin Yoke Chung shall retire pursuant to the aforesaid Article 92(1) and being eligible had offered himself for re-election.

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. Yang Berbahagia Tan Sri Razali Ismail, Dato' Seri H'ng Bok San, Dato' N. Sadasivan and Mr Lai Chang Hun who had attained 70 years of age shall retire and being eligible had offered themselves for re-appointment at the forthcoming 22nd 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 had been clearly defined by the Board.

EXECUTIVE COMMITTEE

The Executive Committee (ExCo) was set up by the Board on 20 June 1990. The present ExCo comprises the following members. For the year under review, four (4) ExCo meetings were held and the attendance was as follows:

| Directors | Attendance |
|--------------------------------------|------------|
| INDEPENDENT NON-EXECUTIVE | |
| Dato' N. Sadasivan - <i>Chairman</i> | 3/4 |
| Patrick Chin Yoke Chung | 4/4 |
| EXECUTIVE | |
| Dato' Seri H'ng Bok San | 4/4 |
| Dato' Sean H'ng Chun Hsiang | 4/4 |
| Kon Ted Liuk | 4/4 |
| Datin Jessica H'ng Hsieh Ling | 4/4 |

In line with the Group's ongoing emphasis on good corporate governance, independent Non-Executive Directors were appointed as members to provide unbiased and independent views to the ExCo. An Independent Non-Executive Director also acts as Chairman of the Exco.

The ExCo reviews the Group's performance and plays a pivotal role in examining deliberating and reviewing all proposals, issues and matters brought up by the management and ensures that pertinent areas are discussed and evaluated thoroughly prior to tabling to the Board for approval.

The ExCo also oversees the implementation of the decisions and policies made by the Board.

AUDIT COMMITTEE

The Audit Committee was set up by the Board on 28 March 1994. The Audit Committee consists of solely Independent Non-Executive Directors. This is in line with best practice under the Code of Corporate Governance. During the year ended 31 December 2009, five (5) meetings were held and attendance was as follows:

| Directors | Attendance |
|---|------------|
| INDEPENDENT NON-EXECUTIVE | |
| Patrick Chin Yoke Chung - <i>Chairman</i> | 5/5 |
| Wan Ismail Wan Nik | 5/5 |
| Lai Chang Hun | 5/5 |

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 MD&CEO, Deputy Managing Director (Deputy MD), Group Chief Financial Officer (Group CFO) and Head of Internal Audit department attended the audit committee meetings held during the year under review. During the year 2009, the Audit Committee held two (2) separate meetings with the external auditors without the presence of Executive Directors and management.

The external auditors M/s Ernst & Young attended the meetings and briefed the Audit Committee on audit issues. The external auditors also tabled to the Audit Committee, the audit plan and audit findings in respect of the year's audit.

NOMINATION COMMITTEE

The Nomination Committee was set up the Board on 7 September 2001. It comprises exclusively three (3) independent Non-Executive Directors. Any proposals for appointment or resignation from the Board or Board Committees are reviewed by the Nomination Committee prior to approval by the Board. The Company Secretary is responsible to ensure that all regulatory and statutory requirements are complied with in regard to the appointment and resignation.

The Nomination Committee assessed the effectiveness of the Board and the contributions of each individual director. The meeting reviewed the performance appraisal forms completed by each individual director and comments submitted by the directors and highlighted it to the Board. The Nomination Committee also reviewed the composition of the present Board and Board Committees and made the necessary recommendations to the Board. There were no proposed changes to the composition of the Board and Board Committees for the year ended 31 December 2009.

During the year under review, one (1) meeting was held and attendance was as follows:

| Directors | Attendance |
|--------------------------------------|------------|
| INDEPENDENT NON-EXECUTIVE | |
| Dato' N. Sadasivan - <i>Chairman</i> | 1/1 |
| Lai Chang Hun | 1/1 |
| Patrick Chin Yoke Chung | 1/1 |

The terms of reference 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, 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.

REMUNERATION COMMITTEE

The Remuneration Committee was set up by the Board on 7 September 2001. It comprises the following members. For the year under review, one (1) meeting was held and attendance was as follows:

| Directors | Attendance |
|--------------------------------------|------------|
| INDEPENDENT NON-EXECUTIVE | |
| Dato' N. Sadasivan - <i>Chairman</i> | 1/1 |
| Patrick Chin Yoke Chung | 1/1 |
| EXECUTIVE | |
| Dato' Sean H'ng Chun Hsiang | 1/1 |

The terms of reference 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 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.

The remuneration of Non-Executive Directors, based on the recommendation by the Remuneration Committee, takes into account the individual director's responsibilities and Group's performance.

PROCEDURE

The Remuneration Committee reviews and recommends the remuneration package of Executive Directors and Non-Executive Directors for approval by the Board.

Directors' Fees payable to Non-Executive Directors recommended by the Remuneration Committee and approved by the Board are subject to approval by shareholders at LEADER's AGM. Executive Directors are not entitled to any payment of Directors' Fees by the Company.

The Remuneration Committee also recommends the key performance index for Executive Directors for approval by the Board.

Directors concerned do not participate in the approval of their own remuneration package.



DISCLOSURE

Disclosure of remuneration of directors of the Company is as per Bursa Malaysia Listing Requirements. Remuneration of directors for the financial year ended 31 December 2009 was as follows:

A. Aggregate Remuneration (RM)

| | Executive Directors | | Non-Executive Directors | | Total |
|------------------------|---------------------|------------------|-------------------------|----------------|------------------|
| | Subsidiaries | LEADER | Subsidiaries | LEADER | |
| a) Fees | 33,980 | – | 10,000 | 120,000 | 163,980 |
| b) Salaries | – | 2,388,000 | – | – | 2,388,000 |
| c) Allowances | – | 12,000 | – | 355,000 | 367,000 |
| d) Bonus, EPF & others | – | 2,927,042 | – | – | 2,927,042 |
| e) Benefits-in-kind | – | 112,800 | – | 7,200 | 120,000 |
| Total | 33,980 | 5,439,842 | 10,000 | 482,200 | 5,966,022 |

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

| | Executive Directors | Non-Executive Directors | Total |
|-----------------------|---------------------|-------------------------|----------|
| 50,001 - 100,000 | – | 3 | 3 |
| 100,001 - 150,000 | – | 2 | 2 |
| 950,001 - 1,000,000 | 1 | – | 1 |
| 1,200,001 - 1,250,000 | 1 | – | 1 |
| 1,500,001 - 1,550,000 | 1 | – | 1 |
| 1,750,001 - 1,800,000 | 1 | – | 1 |
| Total | 4 | 5 | 9 |

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



INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company welcomes queries from investors. The MD&CEO, Deputy MD and Group CFO hold periodical dialogue sessions with the press media, financial analysts and fund managers. The Company also participated in the CMDF-Bursa Research Scheme which provides independent report on the Group and 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 Bursa Malaysia;
- 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 register for updates from the Company under E-community; and
- d) periodic 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.

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 Bursa Malaysia.

INTERNAL CONTROL

Please refer to the section on "Statement on Internal Control" contained in this Annual Report on the Group's internal controls.

INTERNAL AUDIT FUNCTIONS

Please also refer to the section on "Statement on Internal Control" contained in this Annual Report on the Group's internal audit functions.

The total costs incurred for the internal audit functions for the financial year ended 31 December 2009 was RM489,034.92.

RELATIONSHIP WITH THE EXTERNAL AUDITORS

The external auditors are independent and 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.



NON-AUDIT FEES

Non-audit fees of RM2,000 was paid to the external auditors for financial year ended 31 December 2009 for services in relation to the review of the Statement of Internal Control required by Bursa Malaysia.

RELATED PARTY TRANSACTIONS / MATERIAL CONTRACTS (RPT)

Save as disclosed in Note : 38 of the Financial Statements contained in this Annual Report, there were no other material contracts of the Company or subsidiaries involving directors and major shareholders or persons connected to them since the end of the previous financial year. In compliance with paragraph 10.08 (9) of the Listing Requirements and approval from Bursa Malaysia, the Company had made quarterly announcements in relation to RPT entered into between Alpha Industries Berhad, a subsidiary of LEADER, with Toyota Tsusho Corporation Group and Furukawa Electric Company Limited of Japan Group, both of which are major shareholders in Alpha Industries Berhad. The RPT were reviewed by the Audit Committee and approved by the Board.

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 was carried out for the year ended 31 December 2007.

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.

This statement is made in accordance with the resolution of the Board dated 29 March 2010.