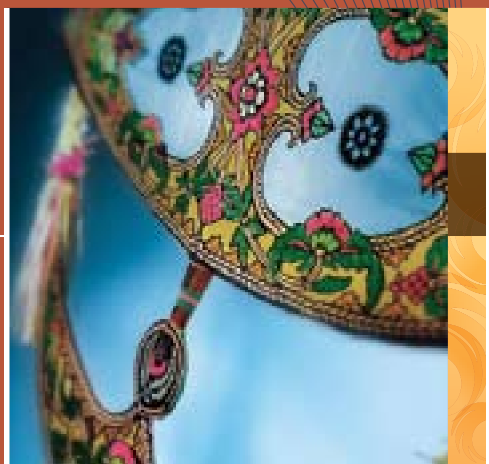
PROGRESS REVIEW
DECEMBER 2006

PUTRAJAYA COMMITTEE ON GLC HIGH PERFORMANCE

PROGRESS REVIEW

of the GLC Transformation Programme

DECEMBER 2006



Foreword

Prime Minister of Malaysia

Minister of Finance II

> "There is an inextricable link between the success of these companies and our nation's overall economic success."

Over the past several decades Government Linked Companies (GLCs) have played an important role in the building of our nation.

These companies employ thousands of our citizens, provide services to millions, and are an engine of economic growth and prosperity for Malaysia. Given the inextricable link between the success of these companies and our nation's overall socio-economic success, it is imperative that GLCs continue to develop and grow.

In order for Malaysia to be internationally competitive, our nation's companies, both GLCs and non-GLCs, need to be financially strong and be able to succeed in domestic and international markets. In this spirit, the Government has undertaken a comprehensive programme to support the transformation of GLCs into high performing companies. The need for transformation was declared a national priority in May 2004.

In January 2005, to sustain the momentum created by the measures taken in 2004, the Government established the Putrajaya Committee on GLC High Performance (PCG), which subsequently launched a structured GLC Transformation Programme in July 2005. This Progress Review, prepared by PCG, summarises the achievements of the GLC Transformation Programme since May 2004, outlines the challenges and issues faced, and recommends opportunities for future improvement.

Over the course of the last two years, substantial progress has been made on transforming our nation's GLCs. Some GLCs have undertaken financial and operational restructuring, while others have expanded overseas or strengthened their domestic position through acquisitions.

Many GLCs, if not all, have responded to our call to step up their companies' performance and have begun implementing the various Initiatives under the GLC Transformation Programme in order to catalyse their transformation. Therefore, I wish to express my appreciation to the members of the PCG, GLC Directors, CEOs and staff members, and other individuals whose support has been instrumental to the success of the GLC Transformation Programme.

There is much more to achieve. I ask that you remain committed to the transformation journey, as we seek to achieve more tangible results and attain greater success, in implementing the National Mission towards achieving Vision 2020.

Y.A.B. Dato' Seri Abdullah Bin Haji Ahmad Badawi

Prime Minister of Malaysia

> It is through collective effort that progress is being made in transforming our GLCs.

The Putrajaya Committee on GLC High Performance (PCG) was established in January 2005 to spearhead the transformation of Malaysia's GLCs.

In delivering on its mandate the PCG launched a structured GLC Transformation Programme in July 2005. The Programme, which started with the launch of the Transformation Manual, comprises 10 Initiatives. These Initiatives cover a range of topics including performance management, board governance, talent management, procurement, corporate social responsibility, and capital management, all of which have now been launched.

These Initiatives have been instrumental in setting a common framework for transformation that is available to all GLCs as each formulates its own transformation plan and executes the changes needed to set it on a path to high performance. It is through the collective effort of individuals at GLCs, GLICs, Government and other stakeholders that progress is being made in transforming our GLCs.

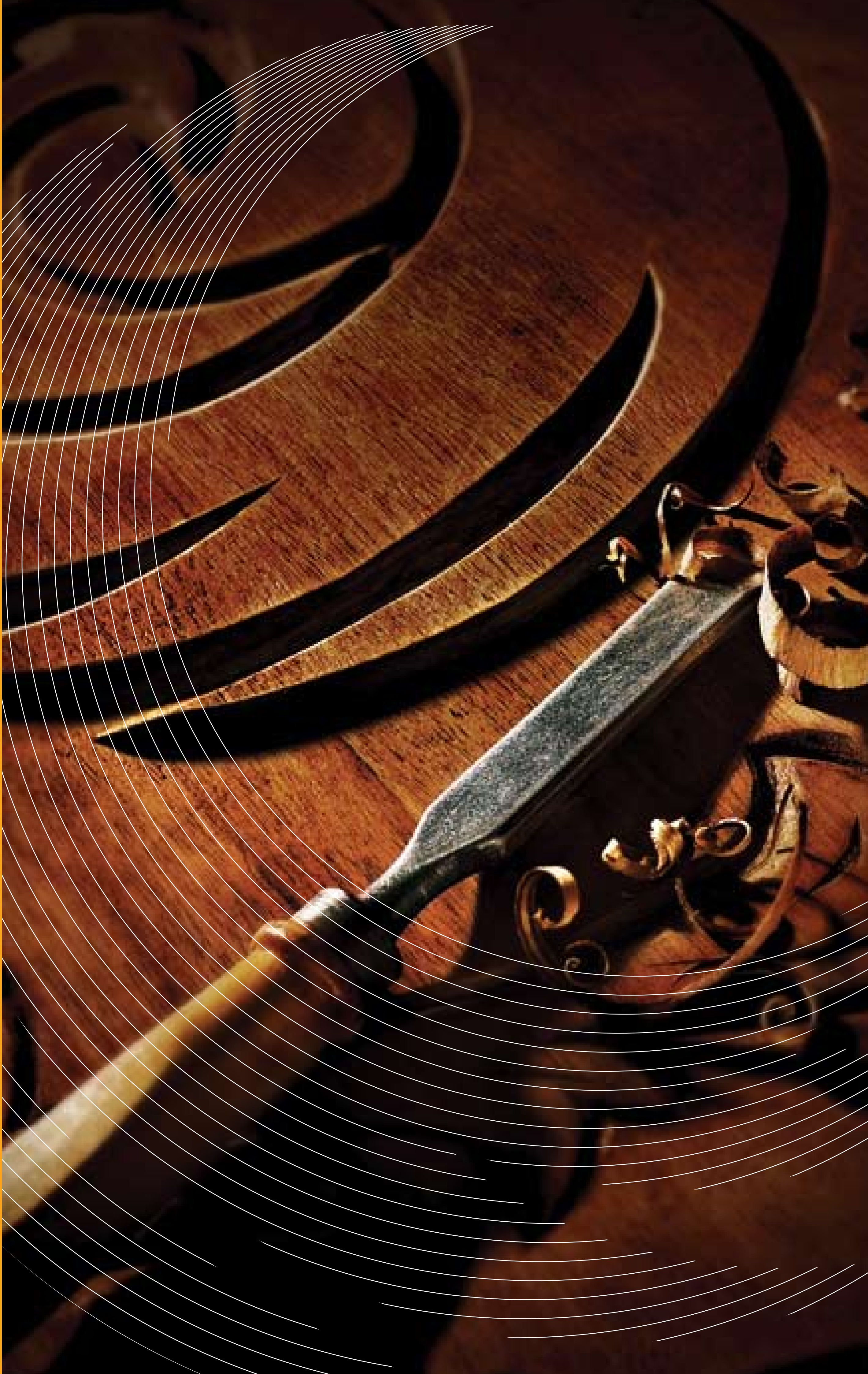
Now, one and half years on since the GLC transformation journey began, we must look back and assess our progress: recognising our achievements and acknowledging the challenges we have faced. This Progress Report, prepared by the PCG with the assistance of GLCs, GLICs and Government, highlights some of the GLC Transformation Programme's achievements and challenges since its launch and recommends actions for the next three years.

In line with the guidelines of the Transformation Manual and Initiatives, the recommendations for improvement are organised around the primary agents of change – GLCs, GLICs, Government, and PCG/TMO. I appreciate the support you have given to the transformation programme to date, and ask that you build upon the existing moment to embrace the recommendations contain herein and recommit yourselves to this important cause.

Y.B. Tan Sri Nor Mohamed Yakcop

Minister of Finance II

Chairman, Putrajaya Committee on GLC High Performance



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PCG members (standing left to right):

Dato' Azman Mokhtar, Managing Director, Khazanah Nasional Bhd

Datuk Azlan Zainol, Chief Executive Officer, Employees Provident Fund

Dato' Puteh Rukiah Abdul Majid, Deputy Secretary General (Systems & Controls), Ministry of Finance

Tan Sri Dato' Lodin Wok Kamaruddin, Group Chief Executive Officer, Lembaga Tabung Angkatan Tentera

Y.B. Tan Sri Nor Mohamed Yakcop, Minister of Finance II and Chairman, PCG

En Ahmad Zaki Zahid, Head, Policy Unit, Prime Minister's Office

Y.B. Datuk Dr Awang Adek Hussin, Deputy Minister of Finance II, Ministry of Finance

En Ismee Ismail, Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji

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INTRODUCTION

On 14 May 2004, the YAB Prime Minister identified the transformation of government-linked companies (GLCs) as a national priority and announced a set of initiatives to transform GLCs into high performance entities. These initiatives included establishing guidelines on performance-linked compensation (PLC) and key performance indicators (KPIs), Board composition reform, the appointment of new CEOs into several GLCs, and the revamp of Khazanah Nasional Berhad (Khazanah).

To sustain the momentum created by these early initiatives, the Putrajaya Committee on GLC High Performance (PCG) was established in January 2005. Given the critical position and role that GLCs have in the nation's economy and the potential benefit of their enhanced performance, the PCG launched a structured GLC Transformation Programme (GLCT) on 29 July 2005 and designated Khazanah as Secretariat to the PCG. This Programme was built upon three underlying principles of national development, performance focus, and good governance.

Based on five key Policy Thrusts and ten strategic Initiatives, the objective of the GLC Transformation Programme was to design and implement comprehensive national policies and guidelines to catalyse the GLCs into high performing entities (see exhibit I.1). These guidelines were codified in a Transformation Manual (launched in July 2005) and through specific guidelines on individual initiatives.

Upon establishing an institutional framework, PCG via a Transformation Management Office (TMO) was responsible for programme-managing and overseeing the design and execution of these policies and guidelines.

EXHIBIT I.1

Overview of the GLC Transformation Programme

Underlying principles	Policy thrusts	Initiative design & implementation
National Development Foundation – alignment with broader national development strategies: growth with equity, improving total factor productivity, development of human capital, and of the Bumiputera community **Performance Focus –** create economic and shareholder value through improved performance at GLCs. Driven by principles of developmental meritocracy **Governance, Shareholder Value and Stakeholder Management** – fully observes the rights/governance of shareholders and other stakeholders (employees, customers, suppliers and Government)	Policy Thrusts set the framework to the principal agents for change at the GLIC level, GLC Board, and GLC level 1. Clarify the GLC mandate in the context of national development 2. Upgrade the effectiveness of Boards and reinforce the corporate governance of GLCs 3. Enhance GLIC capabilities as professional shareholders 4. Adopt corporate best practice within GLCs 5. Implementing the GLC transformation programme	• Ten Initiatives were identified to be developed, and launched by PCG and implemented by GLCs (based on their corporate strategies) • The Initiatives were identified and developed on the basis of their importance as levers of change and their potentially large impact on value • Some Initiatives aim to create an enabling environment, while others are provided as tools for internal improvements at GLCs

No	Initiatives	Description	Output	
1	Enhancing Board Effectiveness	To enhance Board effectiveness through revamping Board practices and processes	Green Book	Launched Apr '06
2	Strengthening Directors Capabilities	To develop a strategy to match Directors to the right Boards and to establish a Directors Academy	Directors Academy	Dec '06
3	Enhancing GLIC Monitoring & Managing Functions	To reinforce the ability of GLICs to monitor and manage individual GLCs	Blueprint for GLICs	Dec '06
4	Improving Regulatory Environment	To enhance regulatory capabilities at GLCs and create a Regulatory Knowledge Network	Programme for Managing Regulatory Environment	Launched Sep '06
5	Achieving Value Through Social Responsibility	To guide GLCs to become responsible corporate citizens while creating value for their shareholders and stakeholders	Silver Book	Launched Sep '06
6	Reviewing and Revamping Procurement Practices	To enhance the effectiveness and efficiency of the procurement processes in GLCs	Red Book	Launched Apr '06
7	Optimising Capital Management Practices	To establish guidelines for GLCs to optimise their capital structure	Purple Book	Dec '06
8	Strengthening Talent Management Practices	To improve GLCs capabilities in attracting, developing and retaining talent	Orange Book	Dec '06
9	Intensifying Performance Management Practices	To encourage adoption of performance management best practices at GLCs	Blue Book version 2	Launched Jul '05
			Announcement of Headline KPIs	Launched Mar '06
			Programme for implementing Value-Based Performance Management	Dec '06
10	Enhancing Operational Efficiency and Effectiveness	To enhance operational efficiency and effectiveness through the adoption of a Framework for Continuous Improvement	Programme on the Framework for Continuous Improvement	Launched Sep '06

It has been nearly two years since PCG's formation. This Progress Review was undertaken to assess progress, evaluate impact and identify challenges. In doing so, the Programme can be improved to ensure that the objectives could be realised earlier.

The underlying principles of the GLC Transformation Programme – national development, performance focus, and good governance (see exhibit I.1) – make clear that the transformation of GLCs will not only benefit shareholders through improved financial performance, but will also, by design, provide benefits to a range of stakeholders, such as customers, employees, suppliers, the Government and the Bumiputera community, among others.

This important objective of enhancing the broader stakeholder benefit is captured in the portfolio of guidelines and Initiatives that are a cornerstone of the GLC Transformation Programme. For example, the Orange Book on Leadership Development highlights the need to provide promising and talented employees with coaching and professional development opportunities that will inspire them to stay and become leaders within the GLCs.

The Red Book on Procurement sets out guidelines relating to the formulation of Bumiputera vendor programmes. It is hoped that by gauging successes and challenges to date against the spectrum of guidelines and Initiatives, this review will provide a balanced perspective on progress that addresses a broad base of stakeholders.

The overarching questions to be answered in this review were:

1. Recognising that the full impact of this Programme will potentially take a decade, has there been an improvement in GLC performance and have there been early benefits of transformation to a range of stakeholders?
2. What are the barriers or challenges to creating or sustaining momentum? How should these barriers or challenges be addressed?

As laid out in the Transformation Manual, there are five critical agents that can influence GLCs and thus impact their performance. Therefore, their role and effectiveness in this Programme was also reviewed.

3. How effective has the PCG and TMO been in designing, launching, and disseminating the Policy Thrusts and the ten strategic Initiatives? Does the current structure and composition of PCG and TMO remain relevant? If not, how should it evolve?
4. How effective have GLC management been in adopting, translating and implementing the Policy Thrusts and Initiatives and creating benefits for all stakeholders? What challenges or barriers do they face and how can they be addressed?
5. Are the Boards of the GLCs performing effectively to ensure that they remain a fundamental catalyst of GLC transformation? If not, what are the barriers to Board effectiveness and how can they be addressed?
6. Have the GLICs played a sufficiently proactive role in the Programme so far? If not, how should that evolve?
7. Is the Government (and its relevant agencies) and other key stakeholders sufficiently supporting and facilitating the GLC Transformation Programme? If not, what are the root causes and how can they be overcome?

To answer the above questions, interviews were conducted with: GLC CEOs, Chairmen and Directors on GLC Boards, representatives from Government, regulators, and Parliamentarians; managers and Directors from the private sector; fund managers and analysts; and journalists and market commentators. In addition, analysis was conducted of: individual companies; the role of various agents in driving GLC transformation; and the implementation of initiatives. Further, media and market perceptions were reviewed.

The recommendations for improvements or amendments to the Programme that are set out in this document have been derived based on the conclusions to the above questions.

This document consists of four parts:

- The first part, which includes Chapter 1 assesses the overall performance of the programme.
- The second part, which includes Chapter 2 to 6, assesses the performance of the respective key agents.
- The third part, which includes Chapter 7, sets the way forward in the next three to four years.
- The fourth part contains the appendices.

EXECUTIVE SUMMARY

GLCs are entrusted with providing mission-critical services, as well as being providers of capital and employment– and for this reason are naturally important contributors to the economy. While only representing 8% of total listed companies, they have a collective market capitalisation of approximately RM295 billion, representing a disproportionately high 36% of Bursa Malaysia and 41% of the market capitalisation of the benchmark KLCI. GLCs are also engaged in strategic sectors which tend to have larger multiplier effects – essentially sectors that are GLC heavy generate more output per RM1 in final demand than the broad economy's average of RM 1.4 in output per RM1 of final demand.

However, GLCs have not deployed capital or labour as effectively as their private sector counterparts. For example, despite the fact that listed GLCs are mostly capital-intensive and employ roughly 3% of the national workforce, the value-add per 1000 employees is only RM99, which is significantly lower than some electronics manufacturers that are relatively labour-intensive.

With the rapid onset of globalisation, GLCs now have to compete in a much more dynamic and complex environment, thus making it imperative that performance levels are raised to at least maintain pace.

Development of the GLC Transformation Programme

The GLC Transformation Programme was designed with dual objectives: to enhance economic performance and to deliver benefits for all stakeholders to accelerate the nation's social and economic development towards the National Mission and Vision 2020. The materialisation of this long-term aspiration was expected to go through distinct phases, with Phase 2 (2005-2006) being primarily dedicated to generating momentum.

While radical changes in quantitative and qualitative results for all stakeholders is not expected yet, it is important to assess whether some early indicators of positive momentum have emerged to act as clues that the Programme will eventually deliver on its objectives.

Programme performance in line with Phase 2 objectives

Overall, measured through TSR, financial performance is on track. The 2006 year-to-date TSR of the 20 largest listed GLCs (G-20[1]) has exceeded the KLCI by 1%. In addition, the G-20 companies have created an additional RM59 billion in market capitalisation, which is about an additional third of what they were worth at the launch of the Programme in 2004.

This positive TSR trend is based on improving economic profit fundamentals. Following restructuring efforts in 2005, the economic profit outlook in 2006 looks set to improve – year-to-date earnings for many G-20 companies are showing substantial improvement (e.g. MAS, UEM and Tenaga are on a recovery trajectory), and historically strong performers (e.g. Maybank) continue to do well.

As expected as this stage, benefits to other stakeholders are yet to fully materialise and results are mixed across (and within) stakeholder groups. While some customers have seen some initial benefits such as improved product and service offerings, others, like employees have witnessed changes and challenges in the short term, and others still have not felt any significant change due to the early stage of the Programme. However, in the context of Phase 2, Programme performance has to be assessed according to the degree that the foundations have been laid for all stakeholders to eventually capture the promised benefits.

[1] *The "G-20" is a selection of 20 GLCs held by the GLIC constituents of the PCG and accounts for about 65% of the market capitalisation of listed GLCs. See appendix 1 for constituents.*

Clear signs of positive momentum have been observed by all the key agents of GLC transformation – Government, PCG, GLICs, GLC Boards and GLC management

In line with expectations for this Phase, significant momentum has been generated by the GLC transformation agents:

- **PCG-led programme management approach has led to the launch of all 10 Initiatives as targeted in 2006.** Initiatives have (i) established clear standards or benchmarks to which GLCs can aspire, (ii) removed some impediments, ambiguity or assumptions on potentially unclear or sensitive issues, (iii) provided common knowledge source of best practices, guidelines and tailored case studies for GLCs, and (iv) in the process of implementation has created a community of practitioners, whose networking and sharing of best practices is now happening consistently.

- **GLCs have made substantial changes in line with principles of the Programme.** These changes include instituting Headline KPIs; enhancing strength of senior management teams; intensifying performance management throughout the organisations; increasing productivity through process and organisational improvements, and the divesting of non-core or unprofitable businesses and assets; improving capital management through better dividend policy and debt restructuring; and initiating strategic moves to better define the scope and aspirations of their business (including expansion through M&A activities, regionalisation or rationalisation to increase focus).

- **GLC Board effectiveness has started to evolve** with some early changes to GLC Boards (predominantly in 2004/5) and with the completion of Board Effectiveness Assessments (BEAs) by the end of 2006.

- **GLICs have increasingly become active shareholders in line with an overarching global trend.** Within the boundaries of their mandates, and in their own unique styles, all GLICs have taken on more active shareholding roles – for example, PNB via a conglomerate approach; Khazanah as strategic shareholders; and LTAT, LTH, and EPF as proponents of good corporate governance.

- **Government has provided strong support and commitment.** This has provided both legitimacy and practical resources to the Programme. In addition, where feasible, Government has created a supportive environment for GLICs and GLCs, in particular by being more mindful of the need for the GLCs to make independent commercial decisions.

Moving forward, the expectations are that between 2007 and 2010, delivery of tangible and sustainable results will be the basis to evaluate the success of this Programme. Therefore, the positive inputs described above must quickly translate into actual outcomes for all stakeholders. However, it is important to acknowledge that the positive signs to date are also accompanied by several shortcomings and weaknesses, which must be rectified to ensure that the current trajectory and momentum created is not jeopardised.

Overview of recommendations

Building off the strong momentum generated to date, Phase 3 (2007-2010) is about **delivering** – delivering sustainable and tangible results.

The focus of the Programme also needs to shift, to build off what was in place and address the significant execution challenges that stand in the way. The focus of the Programme will shift in five main ways:

1. From a broad programme launched to all GLCs to **GLC-specific programmes** tailored by each GLC to address its specific challenges and business outcomes.
2. From providing knowledge to **building execution capabilities.**
3. From raising awareness to truly **building conviction** amongst stakeholders.
4. From a PCG/TMO-led effort to **institutionalise** changes in GLICs, Boards and GLCs so that the 'scaffolding' provided by PCG/TMO can be gradually removed.
5. From focusing on GLCs to also ensuring a **conducive external environment** for GLCs to transform.

The five transformation agents in the Programme – GLC CEO/Top Management, GLC Boards, GLICs, Government, and PCG/TMO – all have pivotal roles to play to ensure that the Programme shifts focus and delivers results. Their roles can be summarised as follows:

- **GLC CEO/Top management** need to: (i) If not already done, develop GLC-specific Business Transformation Plans that incorporate relevant GLC Transformation Programme Initiatives; (ii) Build execution capabilities while delivering results against the Plan – first by prioritising execution skills required and then 'buying' or 'borrowing' in the interim; (iii) Build conviction for change among the employees to win the 'hearts and minds' – through transparent communication of a compelling 'case for change' and then following through with consistent actions that demonstrate change; and (iv) Actively engage stakeholders to build buy-in through regular communications.
- **GLC Boards** should: (i) Follow-through on BEAs to accelerate critical improvements to the Board; and (ii) Facilitate capability building of CEO and top management via up-front customised conditioning programmes, and ongoing support through leadership coaches and networking opportunities with other successful CEOs.
- **GLICs** should: (i) Institutionalise capabilities to actively monitor GLCs, which includes strengthening quality, preparation and management of Nominee Directors, upgrading the quality of Monitoring and Management (M&M) teams, and creating informal forums to actively monitor and discuss the performance of GLCs; and (ii) Be role-models by implementing GLCT Initiatives.
- **Government** has given the GLCT Programme visible support and commitment and this is expected to continue into Phase 3 of the Programme. Going forward, there is opportunity to build broader understanding and support across Government agencies to allow for stronger consensus building on the GLC Transformation Programme among the key Government stakeholders involved.
- **PCG** and its Secretariat will see the Programme through Phase 3. However, the PCG should re-focus on programme-level monitoring and programme-related policy matters. The Secretariat or TMO should undertake four roles: (i) Orchestrate key PCG forums; (ii) Broaden and deepen programme communications across all stakeholders; (iii) Facilitate capability-building support across GLCs at programme level; and (iv) Monitor and report on the progress of the GLC Transformation Programme (not individual GLCs).

EXHIBIT E1

Recommendations for Phase 3 (2007-10): Delivering sustainable and tangible results

Phase 3 themes	GLC top management	GLC Boards	GLICs	Government	PCG
Developing GLC-specific programmes	**7.1.1** Develop a Business Transformation Plan incorporating GLCT Initiatives and release by April 2008				
Building execution capabilities	**7.1.2** Prioritise development of execution capabilities; 'buy' or 'borrow' skills in interim thereafter institutionalise	**7.2.1** Follow through on BEAs to accelerate Board improvements **7.2.2** Facilitate capability building of CEO and top management	**7.3.1** Upgrade quality of management and monitoring (M&M) teams; strengthen quality, preparation and management of Nominee Directors **7.3.2** GLICs to role-model GLCT implementation		**7.5.3** Secretariat/ TMO to facilitate programme level capability building support across GLCs
Building conviction amongst stakeholders	**7.1.3** Instil conviction for change via transparent communication of case for change, followed through with consistent actions **7.1.4** Actively engage stakeholders through regular communication of benefits delivered		**7.3** Broaden and deepen conviction among stakeholders		**7.5.3** Secretariat/ TMO to broaden and deepen communication across all stakeholders
Institutionalisation of changes in GLIC, Boards and GLCs		**7.2** GLC Board to upgrade capabilities	**7.3** GLICs to step up role as active shareholders		**7.5.1** PCG to see programme through Phase 3
Ensuring a conducive external environment				**7.4.1** Government to continue providing visible support and commitment to GLCT **7.4.2** Opportunity to build broader understanding and consensus across Government agencies	**7.5.2** PCG to focus on programme-level monitoring and programme related policy matters

The History & Evolution of GLCs

1969
Maybank becomes government owned

1972
LTAT established

1979
Sime Darby is Malaysianised

1987
Jabatan Telekom Corporatised

1957

1983

Industrialisation and moving up the value chain

1951
EPF established

1962
LTH established

1970
Launch of New Economic Policy (NEP)

1978
PNB established

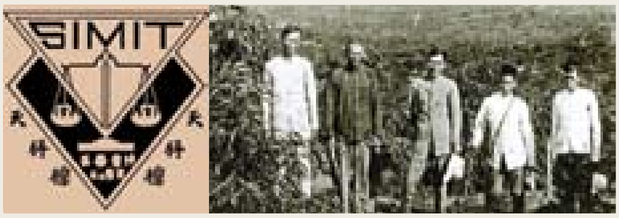
1981
Launch of Heavy Industrialisation Programme

1985
Proton launch first model

Malaysianised GLCs – Value adding to Malaysia's Natural resources

Origin

Formerly agency houses established by European and Chinese traders during the colonial days of Malaya. These houses greatly contributed to the early development of the Malaysian economy by leveraging the commerce of Singapore to export agricultural and mining products to Europe for further processing. Companies that share this origin include Boustead, Golden Hope, Kumpulan Guthrie and Sime Darby.



Sime Darby was established in 1910 by William Middleton Sime, a Scottish adventurer, and Henry Darby, an English banker, to manage 500 acres of plantation land in Malacca

Evolution to becoming GLCs

However, foreign ownership of these agencies resulted in large outflows of capital to Britain and China, and minimal transfer of trade, management or production skills to local workforces. Therefore, when the British traders decided to exit, the government and local institutions bought over these companies and with that, assumed control of Malaysia's most important export trades.

Though initially listed on the London Stock Exchange, Sime Darby was registered as a Malaysian company in 1979 by Tradewinds (M) Sdn Bhd

Growth

Since coming under government ownership, GLCs have sought to industrialise and increase their value-add by expanding downstream into processing, Research and Development etc. In doing so, these GLCs have successfully acquired critical technical expertise and experience in their core businesses, and are confidently expanding their operations overseas.

The Sime Darby Group is now Malaysia's leading multinational and one of South East Asia's largest conglomerates with more than 28,000 employees managing business interests in over 20 countries

Corporatised – Providing Essential Public services

Origin

Originally established as Government departments due to the large amounts of fixed capital investments needed, and the state's desire to develop Malaysia's standard of living through the equitable and adequate provision of essential public services to the Malaysian people, such as postal services, telecommunications and electricity etc. These GLCs have some of the longest histories in Malaysia, with POS, the oldest GLC, being established 175 years ago.

Telekom Malaysia was established as the government department, Jabatan Telekom Malaysia

1992
Malaysian Airports and Postal Services Department privatised

1997

Rapid economic growth and privatisation

Financial crisis

1990
Lembaga Letrik Negara Corporatised

1994
KNB began operations 1994

1998
Danaharta established

Evolution to becoming GLCs

The 1980s saw the Malaysian Government re-appraising its role in providing public services due to the vast public resources that were required to maintain these departments, which by virtue of access to the national budget, did not face sufficient pressure to be efficient. Privatisation in Malaysia commenced with the introduction of "Malaysia Incorporated" in February 1983. Since then a number of government departments have been privatised, with Government retaining some control due to the "mission critical" nature of these companies.

Growth

Since corporatisation, these GLCs have increasingly adopted private sector best practices so as to improve efficiency and better compete with new competitors.

…was Corporatised in 1987, to become Syarikat Telekom Malaysia, followed by a public issue of shares in 1990.

TM has embarked on efforts to expand product offerings, improve brand awareness and expand distribution channels to keep apace with the rapidly evolving telecommunications sector

Recapitalised and Restructured – Recovering from the Crisis

Origin

Established during the Industrialisation drive, these companies grew rapidly in the economic boom preceding the 1997 Financial Crisis, and contributed significantly to numerous nation building projects, such as the North-South Highway built by UEM. Companies in this group include Malaysian Airlines, Proton, UEM World and Malaysian Resources Corporation.

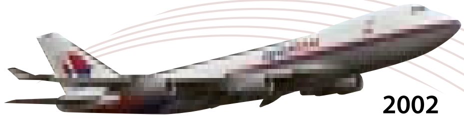
MRCB was incorporated in 1968 with carbide manufacturing as its main business interest. The 1990s witnessed rapid expansion into new businesses, financed in part by foreign denominated debt

Evolution to becoming GLCs

These companies were particularly hit by the Asian crisis as their loans were mismatched with operations in terms of currency and term. Eventually the burden of interest payments and the inability to secure new financing affected their operations thus necessitating major and immediate restructuring exercises. Given the strategic nature of some of these businesses, with strong linkages inter and intra sector, and their large employee pools, the Government felt compelled to intervene and aid the recapitalisation of these companies, hence bringing them under the GLC stable.

MRCB's balance sheet was severely weakened as depreciation of the Ringgit caused debt levels to sky rocket during the crisis

1999
Bank Bumiputra merger with Commerce Bank



2002
MAS widespread asset unbundling exercise

2000

CURRENT

Recovery and restructuring

GLC Transformation Programme

2001
Financial Sector Masterplan announced

Growth

Since Crisis, these companies have made clear progress on the road to recovery, having undergone debt restructuring and operational reorganisation.

MRCB has completed a major corporate restructuring exercise, emerging as a leaner organisation with a renewed focus on core businesses

Financial Institutions – Becoming internationally competitive

Origin

Although foreign banks played a dominant role until Independence, this trend was reversed with the establishment of Bank Negara in 1959, which quickly moved to govern the financial system and chart its development.

Affin Holdings was initially established to provide hire purchase finance for motor vehicles

… Through a joint venture between LTAT and Inchcape Berhad

Evolution to becoming GLCs

Banks have taken different paths to government ownership. While some banks were established by the Government, such as Bank Bumiputra, to provide commercial loans to Malay entrepreneurs, others were recapitalised by the Government, such as Maybank which resulted in Government control in 1969.

Growth

State owned banks have since been used to facilitate implementation of national growth policies such as the New Economic Policy, by mobilising domestic savings to priority sectors.

While bank NPLs rocketed during the Asian Economic Crisis, the timely establishment of Danaharta and Danamodal to restructure NPLs and recapitalise ailing banks through consolidation prevented the financial sector from being severely disrupted.

Further, in order to restore resilience to the banking sector and prepare it for liberalisation, implementation of the Financial Sector Master Plan has resulted in 10 anchor banks emerging from several rounds of mergers, out of which three are government owned.

The 1997 economic crisis roiled Malaysia's, as well as several Asian countries', banking system. To help bring relief to, and to avert the collapse of, the banking system, Danaharta was set up. As an asset-management company, Danaharta was tasked with managing non-performing loans (NPLs) from financial institutions and thereafter extracting maximum recovery value from the NPLs.

Over seven and a half years, Danaharta dealt with 2,902 NPL accounts, negotiated with more than 2,563 borrowers and from an NPL portfolio of over RM50 billion, recovered over RM30 billion. Its loan recovery rate of 58% even surpassed the typical 20% - 50% range experienced by similar agencies in Asia.

With its task completed, Danaharta ceased operations on 31 December 2005.

CONTEXT: GOVERNMENT LINKED COMPANIES ARE A KEY ECONOMIC ENGINE

GLCs form the cornerstone(s) of strategic sectors - hence their large contribution to the economy.

Having been entrusted with the task of providing mission-critical services such as in the area of Telecommunications, Energy, Transportation and Financial Services to the economy, GLCs have naturally been important contributors to the economy in terms of providers of investment capital and employment - both directly and indirectly from businesses that supply goods and services to GLCs. Not surprisingly they are a key influence in the way industries are shaped.

There are currently 50 listed GLCs that represent only 8% of total listed companies. However, these companies are generally very large and have a collective market capitalisation of approximately RM295 billion, representing a disproportionately high percentage of 36% of Bursa Malaysia. Listed GLCs spent about RM8.1 billion worth of incremental fixed investment (Gross Fixed Capital Formation) in 2005, representing 15% of the nation's Gross Fixed Capital Formation. The generally high incremental investment of GLCs relative to other companies is attributable in part to its high capital intensity where the listed GLCs are on average five times more capital intensive than the national average.

The incremental fixed investment (Gross Fixed Capital Formation) by listed GLCs was mostly concentrated in the Electricity & Gas sector. Nonetheless, at the national level, the manufacturing sector is the major contributor of Gross Fixed Capital Formation. Given that the manufacturing sector is generally labour intensive, hence this explains the lower capital intensity ratio of the broad economy with respect to that of listed GLCs.

Among listed GLCs, Tenaga contributed the bulk of the investment, amounting to RM3.5 billion or about 43% of total incremental fixed investment made by listed GLCs and 6% of the national Gross Fixed Capital Formation. Tenaga has consistently been making significant contribution to the nation's Gross Fixed Capital Formation or incremental fixed investment over the last five years, although the value at RM3.4 billion in 2005 was lower than the RM4.67 billion in 2000.

However, it is interesting to note that some listed GLCs had stepped up their incremental fixed investment quite markedly over the same period. Among the notable ones are Proton, UEM World, Sime Darby, and Golden Hope Plantations.

In terms of factor intensity of production or capital-labour ratio, GLCs investment was found to be most capital intensive in the Oil & Gas sector, as represented by Petronas Dagangan and Petronas Gas.

Listed GLCs employed about 340,000 workers in 2005. This number as a percentage of the nation's total workforce is relatively small at 3%; which is consistent with their capital intensive nature. However total salaries and wages paid accounted for a bigger proportion, at 7% of that for the whole economy. Most of the listed GLCs' employees are employed in the Communication sector (15% of all employees of the listed GLCs), followed closely by Transport sector (12.7%).

GLCs produce significant multiplier effects

As most listed GLCs are engaged in the strategic sectors, they also tend to have larger multiplier effects. For example, Communications, Electricity & Gas, Transportation and Construction (and their corresponding companies) have multiplier effects of approximately 1.5x, 1.8x, 2.3x and 1.6x, respectively, as compared to an average of 1.4x for the broad economy. This implies that, for example, an increase of RM1 in final demand in the Communications sector would result in a much higher output of RM1.50 in the larger economy.

In terms of investments, listed GLCs collectively have a multiplier of 1.4x. In other words, a RM1 investment by all listed GLCs would yield RM1.40 of incremental output. Separating the direct from the indirect effects, it was found that the indirect effect played a more significant role than the direct effect in generating the output, value-added, salary and wages and employment from the GLC investments, and this was true for all the sectors where GLCs have invested in. However, the pattern of influence across sectors varies, whereby some sectors displayed a much bigger indirect effect than the other sectors.

As an illustration, the incremental fixed investment by Telekom would have the biggest impact on the Communication sector, but other important sectors that would enjoy the indirect benefits from that investment would be Electricity and Gas and the Transport sector.

GLCs as major players in the Ninth Malaysia Plan (9MP)

The recently announced 9MP has laid down an ambitious plan, distinguished by its goal of accelerating growth through efficiency gains and emphasis on enhancing human capital and service delivery, while also addressing redistributive issues. A major aim is to enhance competitiveness for a sustainable broad-based growth. To achieve this, five major thrust were enshrined in the 9MP and it is expected that GLCs by virtue of being vital engines of national economic growth would be instrumental in ensuring the 9MP's implementation and success. Some of the immediate beneficiaries encompass sectors such as agriculture, property and infrastructure, eg: Iskandar Development Region, and biotechnology. A non-exhaustive snapshot of present and potential GLC involvement in the context of the five thrusts is illustrated below.

EXHIBIT C1

WPI : Wilayah Pembangunan Iskandar
NC : Northern Corridor
EC : Eastern Corridor

GLCs Driving Ninth Malaysia Plan Thrusts

Thrust 1

Moving the economy up the value chain

GLC Initiatives:

Agriculture: AgriFood Corporation Berhad, Halal food hub

Automotive: Upscaling manufacturing and related services as outlined in the NAP

Biotechnology: Technology for wealth creation

Cluster regional development: WPI, NC, EC

Thrust 2

Raising capacity for knowledge and innovation, nurturing first class mentality

GLC Initiatives:

Human capital development: Orange Book, Scholarships, unemployed graduates progamme

WPI, NC and EC: Development of education hubs and services

Thrust 3

Addressing socio-economic inequalities

GLC Initiatives:

WPI, NC, EC: Balanced regional development that includes the Bumiputera agenda

GLCT Programme: Guidelines on corporate social responsibility (Silver Book)

Thrust 4

Improving the standard and quality of living

GLC Initiatives:

Power: Rural electrification programme

Telecommunication: Expansion of network

Biotech: Technology for better health

Thrust 5

Strengthening institutional and implementation capacity

GLC Initiatives:

GLCT Programme: Enhancement of corporate governance, procurement, and delivery system among others

EXHIBIT C2

Historical performance of GLCs

As GLCs are not a homogenous group, disaggregating performance data often offers more meaningful insights. As previously highlighted under 'The History and Evolution of GLCs', four distinct groups of GLCs have been identified based on a common history and evolution, and the following analysis aims to discern if and why, some groups of GLCs have performed better than others over the 15 year period of 1991 to 2005. Namely, the four groups are Malaysian-ised, Corporatised, Restructured Companies and Financial Instititions.

Peer groups have been identified for Restructured companies (eg. Maxis, Malakoff etc) and the Financial Institutions (eg. Hong Leong Bank, Public Bank). Where absent, GLC group performance have been benchmarked against the KLCI (excluding GLCs)

Overall, results show that while the degree and form of underperformance varies by group, underperformance is indeed a recurring theme.

Malaysianised companies less agile in managing costs

- GLC ROE has lagged KLCI by average of 4% over 15 years. And is significantly more volatile.
- Profit margins have fluctuated along with revenue indicating that Malaysianised companies, though able to convert growth conditions into larger profit margins, were also more susceptible to downward pressure on margins in times of market downturn.

Corporatised companies less productive than peers

- Average ROE of corporatised GLCs measures up to their non-GLC peer group, with just a 1% lag,
- However, GLCs display greater variability on returns.
- Producitivity gap between GLCs and their private sector peers have been widening post crisis.

Restructured companies in need of operational restructuring

- Average ROE for restructured companies hit an all time low of -43% in 1999, and recovery since has been slow and bumpy, leading to 15 year ROE average half that of the KLCI.
- Signs of recovery as debt to equity levels fall towards pre-crisis levels and earnings to interest expense being restored indicate success of financial restructuring efforts
- However, falling ROE in 2005 indicate continued need for operational restructuring

Financial Institutions performance has been mixed

- FIs were not as badly hit by crisis as non-GLC FIs, but post-crisis, the latter recorded higher growth in ROE
- Crisis performance explained by timely intervention of Danaharta, which took on RM 17 billion of NPLs from GLC FIs
- Merger and recapitalisation of poorly performing banks e.g. Bank Bumiputra with Bank of Commerce further shielded GLC FIs from full impact of crisis
- However GLC FIs struggling to reduce their NPL levels even as national NPLs have fallen.

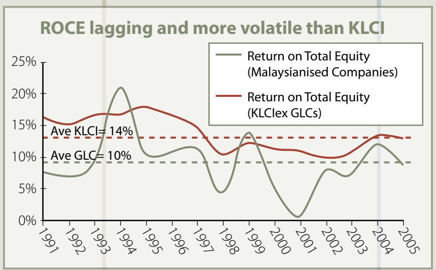
Source: Bloomberg; KRIS, Team analysis

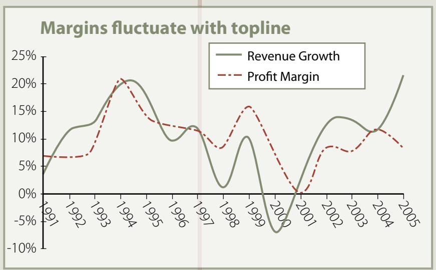
1957	Late 1980's	1997	2000	2004

Malaysian economy	Industrialisation	Rapid economic growth	Financial crisis	Economic recovery
GLC origin	**Malaysianisation**	**Privatisation**	**Recapitalisation**	**Restructuring**

Malaysianised companies

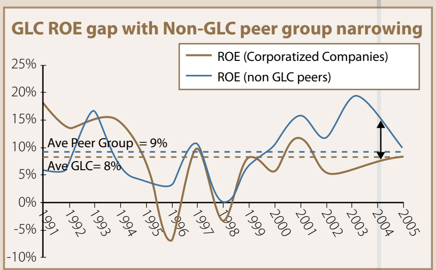
- Boustead
- CCM
- Golden Hope
- Kumpulan Guthrie
- Sime Darby

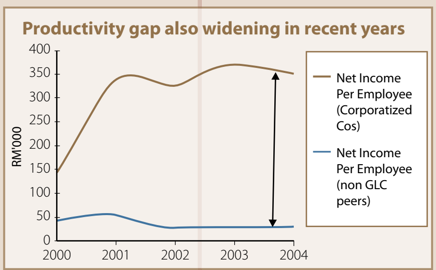




Corporatised companies

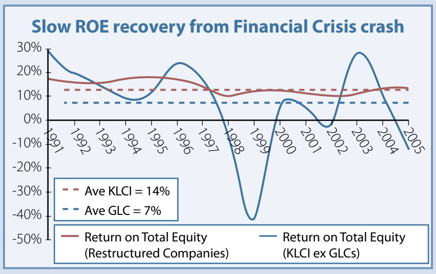
- POS Malaysia
- Malaysia Airports
- Telekom Malaysia
- Tenaga

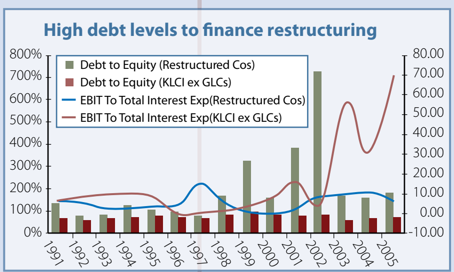




Restructured companies

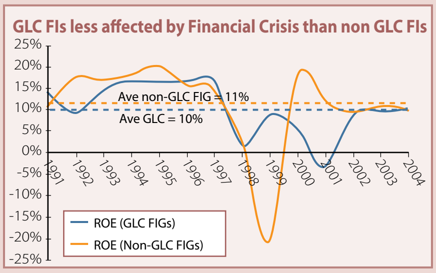
- Malaysia Airlines
- UEM World
- Proton
- MRCB

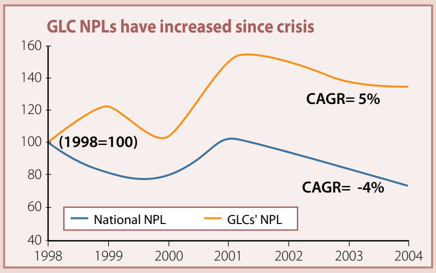




Financial institutions

- Affin
- Bank Islam
- BCHB
- Maybank





Greater achievements are expected of GLCs

GLCs have not been employing labour or capital as effectively as the broader market

While listed GLCs make up a significant share in incremental fixed investment, their contribution of value-added was markedly lower at just 7% of the Gross Domestic Product (GDP) in 2005, lower than the 8.5% share of GDP recorded in 2000.

Although listed GLCs are mostly capital-intensive and employ roughly only 3% of the national workforce, the value-added per employee ratio number stood at RM99 per 1000 employees, which is lower than some electronics manufacturers that are relatively-labour intensive.

Value-add per employee varies significantly across listed GLCs. With reference to the four groups of GLCs in Exhibit C2 (Malaysianised companies, corporatised companies, restructured companies, and Financial institutions) the value-add per employee for the restructured companies – MAS, MRCB, PROTON and UEM World – stood at only 44 sen per 1000 employees, which implies that there is significant room for improvement for those companies undergoing restructuring. In comparison, the Malaysianised companies – Boustead, CCM, Golden Hope, Kumpulan Guthrie and Sime Darby – collectively recorded a higher value-added of RM27.30 per 1000 employees despite their labour-intensity. The other two groups, namely the corporatised companies – MAHB, POS, Telekom, Tenaga – and the Financial Institutions – Affin, BIMB, CAHB, Maybank – collectively posted much higher value-added ratios of RM124 and RM123, respectively, per 1000 employees.

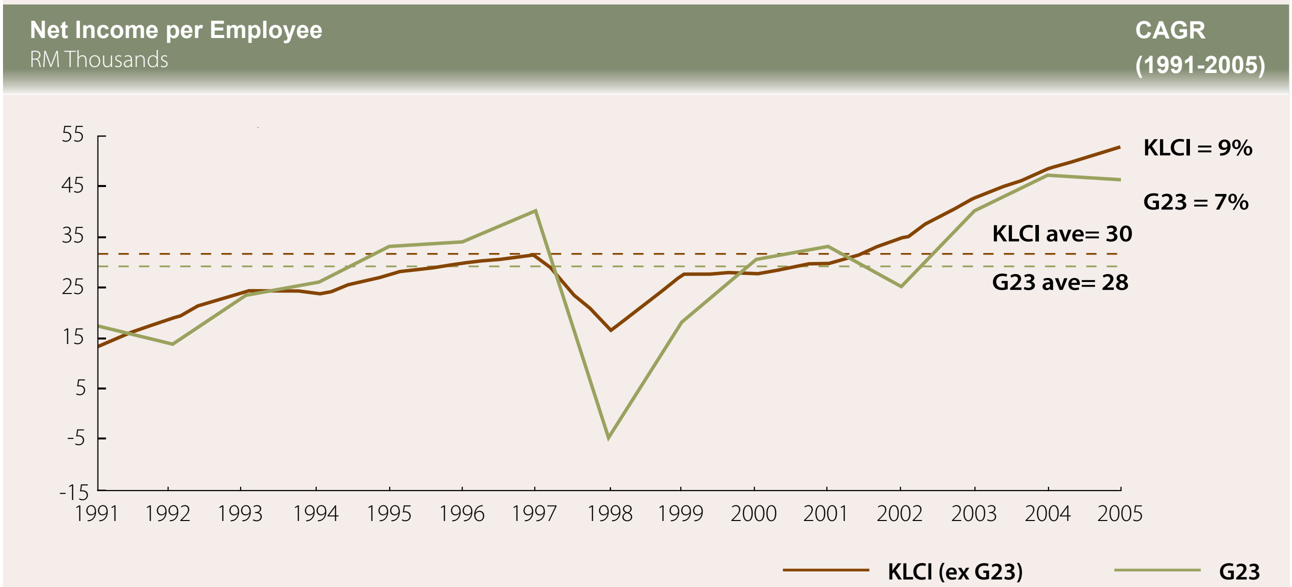
There are clear benefits not only to GLCs themselves but also to the broader economy as they enjoy greater efficiency improvements from the GLC Transformation Programme. To put things in perspective, a 10% improvement in equity value would raise Malaysia's equity value by RM29 billion. It is for this reason that the modest progress among the GLCs over the last decade is a concern.

Exhibit C3 demonstrates that GLCs have not been as productive as their private sector counterparts. A study by CIMB in 2004 demonstrated that in the 5 years preceding 2004, "56 GLCs (or almost 70% of listed GLCs) have been destroying shareholder value"[1], i.e. return on capital was less than the cost of capital. Exhibit C2 also shows that the net income per employee of GLCs has lagged the KLCI by an average of RM 2000 per employee.

[1] *"GLCs – Issues and Prospects", CIMB, 2004*

EXHIBIT C3

Performance of GLCs relative to the KLCI



Source: Bloomberg

GLCs were less adept in responding to the Asian Financial Crisis

The Asian Financial Crisis from 1997 to 1998 had a severe impact on the TSR of both GLCs and the broader market (albeit slightly less so for GLCs). However, the deeper drop in employee productivity for GLCs (-112%) compared with the KLCI (-48%) in 1998, implies that GLCs were less agile in responding to crisis due a relatively rigid employee base. This lack of flexibility in managing labour costs (among others) helps to explain why GLCs' EBIT were hardest hit only in 1999, one year after the KLCI registered their record EBIT losses. When losses did occur, the G-20 EBIT fell further at a loss of 17% compared with the KLCI's 12% loss in 1998.

Recovery efforts of the Government and Private sector have put Malaysia on a stronger footing

Subsequently, the Malaysian Government and the private sectors' concerted efforts at crisis management have resulted in the nation emerging on a stronger footing in all aspects of the economy. In particular, the corporate sector has increased its resilience through financial and operational restructuring, with stronger balance sheets and improved governance. To facilitate recovery, Government had also played a stronger role in economic management, especially in the banking and corporate sector, which resulted in several large corporation coming under Government ownership and control.

Employee productivity have been on a steady rise since 2000, albeit at a faster rate for the KLCI than for GLCs, indicating that Malaysia is indeed well on the path to recovery. However, GLCs still have to face the ever increasing challenges associated with globalisation.

Market liberalisation will require a step change in GLC performance

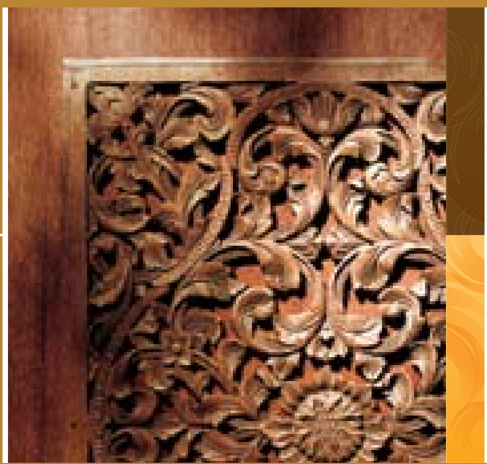
With the rapid onset of globalisation, GLCs now have to compete in a much more dynamic and complex environment. Even though GLCs now have greater access to international markets, they are also increasingly required to defend their domestic market share from international competitors. Further, the number and quality of competitors in the global market has increased rapidly in the last one to two decades – in no small part due to the entry of former communist states into the global market place and the establishment of China and India as economic powers. The playing field for GLCs is now more dynamic than ever and, as Asia surges forward, it is imperative that GLCs rise to the performance levels of global companies to keep apace.

The impact of GLC Transformation will contribute to the achievement of the National Mission and Vision 2020

As a significant contributor to the Malaysian economy, GLCs must be transformed in order to overcome the challenges and capture the opportunities that lie ahead. The opportunities associated with raising GLC performance are tremendous. PCG estimates that, in the next five to seven years, high performing GLCs could contribute a potential upside of RM250 to 300 billion in market capitalisation for Bursa Malaysia, or a doubling of current levels.

Further, with their long history of experience, significant scale and assets, and government-to-government (G-to-G) links, GLCs are strategically placed to take advantage of cross-border opportunities. With the right focus and effort, GLCs can be global players in their own fields, capable of exporting and branding their products, services and expertise in the spirit of making Malaysia a true trading nation.

Achieving this will allow Malaysia to make large strides towards the National Mission and Vision 2020 and meet many of the national development goals outlined in the Ninth Malaysia plan. For example, GLC transformation will necessitate a culture of high performance and will help to create a new generation of competitive and merit-based Bumiputera enterprises. It will also lead to increased productivity of established industries, enhanced job creation and an upgrade of employment opportunities.



1 PROGRAMME PERFORMANCE IN LINE WITH PHASE 2 OBJECTIVES

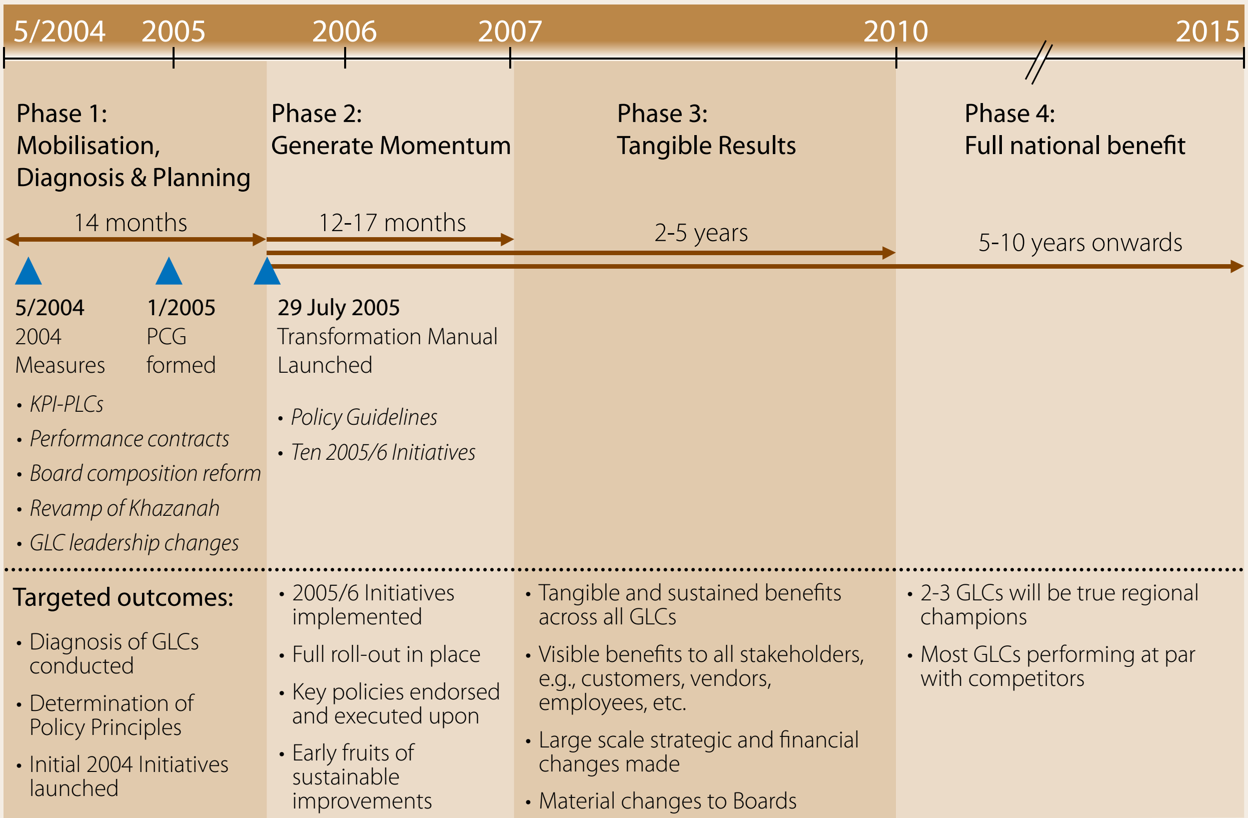
1 PROGRAMME PERFORMANCE IN LINE WITH PHASE 2 OBJECTIVES OF THE GLC TRANSFORMATION PROGRAMME

At the outset, the GLC Transformation Programme was designed with dual objectives: to enhance economic performance and to develop benefits for all stakeholders to accelerate the nation's social and economic development toward Malaysia's National Mission and Vision 2020. The materialisation of this long-term aspiration was expected to go through distinct phases – with Phase 2 (2005-2006) being primarily dedicated to generating momentum. In that regard, the key performance indicators of the Programme at this early stage are primarily input driven, which will be covered in the following chapters.

While not expecting radical changes in quantitative and qualitative results for all stakeholders yet, it is important to assess whether some early indicators of positive benefits emerge, providing clear clues that the Programme will eventually deliver on its dual promise.

EXHIBIT 1.1

Four phases of the GLC Transformation Programme



Source: Transformation Manual 29 July 2005

Overall, the financial performance of the Programme is on track

The best composite measure of financial performance, which has been tracked since the launch of the Programme, is total shareholder returns (TSR). It combines dividend and share value appreciation, reflecting both the short-term profitability performance of companies as well as the longer-term market expectations for performance. The G-20 TSR index was created to track the GLCs performance as a group using the KLCI (excluding the GLCs) as a core benchmark. Another measure that is being tracked is Economic Profit, which is important as it reflects a company's annual cash flow performance beyond its weighted cost of capital and hence its ability to create shareholder value.

G-20 companies performing in line with broader market

The year-to-date performance of the G-20 TSR in 2006 has been encouraging and in line with the KLCI and broader market. This is an achievement given the GLC's history of underperformance relative to its peers.

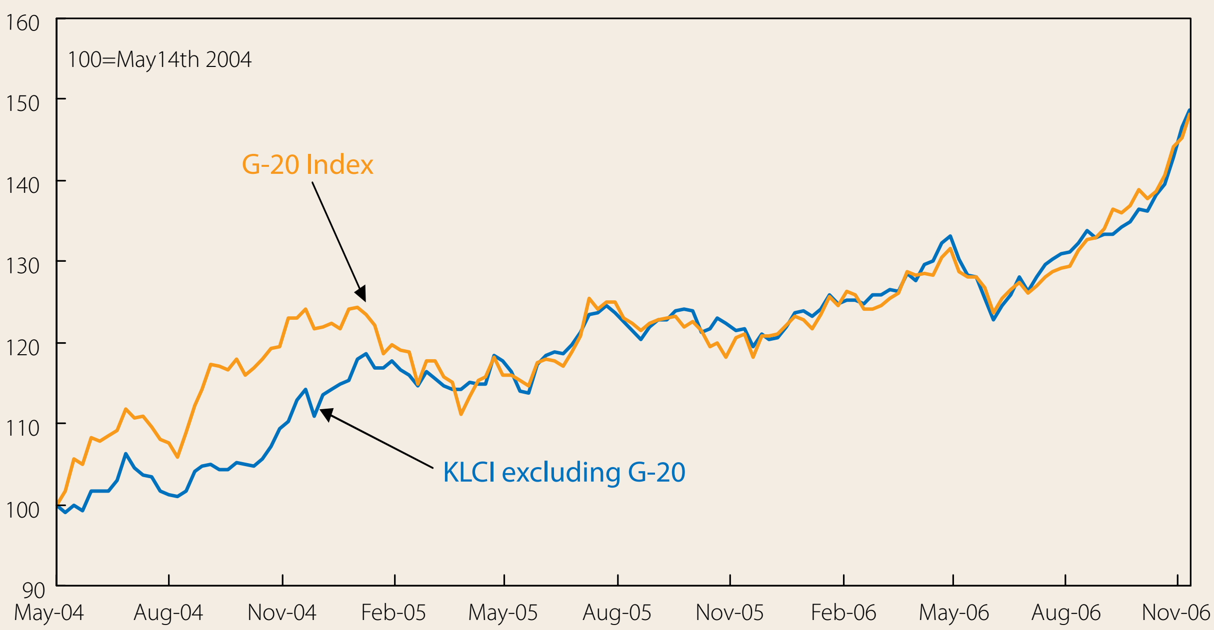
In 2004, as can be seen in Exhibit 1.2 below, the G-20 index, boosted by market expectations following the launch of the GLC Transformation Programme, experienced a short-lived bubble. However, this was soon followed by underperformance in 2005 as GLCs incurred substantial restructuring provisions and balance sheet clean up.

Overall, and despite the 2005 restructuring dip, the G-20 have increased their market capitalisation by approximately RM59 billion (equivalent to one third of their value) since the launch of the Programme 2004.

EXHIBIT 1.2

TSR performance of the G-20 and KLCI

Total Shareholders Returns (TSR) Index



Source: Bloomberg

Recent positive TSR trend based on improving economic profit fundamentals

While the 2004 G-20 TSR performance was primarily based on premature expectations, the 2006 TSR performance is now reflecting actual restructuring efforts in 2005 and indications of earnings improvements in 2006. Specific details of activities undertaken by GLCs is discussed in more detail in Chapter 3, but a summary can be found in Exhibit 1.3.

EXHIBIT 1.3

Examples of key activities undertaken by GLCs

Restructuring of business

- Some GLCs, having experienced (or having anticipated) significant losses have initiated company-wide restructuring efforts, in a bid to fundamentally reshape and turnaround their business, including:
- MAS launched its Business Turnaround Plan in February 2006. BCHB/CIMB implemented a highly transformational restructuring plan in 2005 that has allowed the group to create a significant new growth platform that has included selected major acquisitions.
- Bank Islam outlined a strategic plan in 2005 which included a revamped debt recovery division focused on the bank's high NPLs; while its parent company recapitalised the bank with investments from the Dubai Investment Group
- Proton has been undergoing restructuring since the beginning of 2006 and is expected to release a "Recovery Plan" by the end of 2006. TM has released a detailed Performance Improvement Plan (PIP) in 2006.

Increasing productivity

In line with the Yellow Book on Enhancing Operational Efficiency and Effectiveness, many GLCs have implemented changes to increase productivity, including:

- TNB has reduced transmission and disruption losses by 9.5% and thus SAIDI (System Average Interruption Duration Index) to 133 minutes in FY 2006
- Kumpulan Guthrie's Fresh Fruit Bunch (FFB) production has increased by 6.5% in Malaysia and 17.3% in Indonesia in FY 2005, while Golden Hope's average oil extraction rate has increased steadily to 21.5%, above the industry average of 19.5%
- Through separation schemes, organizations have been increasingly right-sized, including redeployment of 1,300 employees from Bumiputera-Commerce Finance (to other parts of the group), reduction of employee numbers by 6% in TM through voluntary separation scheme (VSS), and a mutual separation scheme for over approximately 2,600 employees at MAS.

Initiating strategic moves, including regionalisation, consolidation for growth and building new businesses

Many GLCs have taken steps to improve performance by more clearly defining scope and aspirations of their business, and in some cases have rationalised, consolidated or acquired assets (including beyond Malaysia) to deliver on these aspirations. For example:

- **Regionalisation** – TM continues to expand its footprint (beyond Sri Lanka, Bangladesh, Malawi, Guinea, and Cambodia) by acquiring significant stakes in PT Excelcomindo in Indonesia, MobileOne in Singapore, MultiNet in Pakistan, MTCE in Iran and Spice Telecom in India. BCHB has similarly expanded its securities business overseas by acquiring GK Goh in Singapore and BNP Paribas Peregrine Securities in Thailand, increased its stake in Bank Niaga in Indonesia, and set up an Islamic bank joint-venture in Bahrain.
- **Consolidation (for growth)** – Maybank through Maybank Fortis, acquired and integrated MNI Holdings, a leading insurance company in 2005; while BCHB acquired Southern Bank Berhad in June 2006, where synergies are expected to create RM200 million in profit per year over the next three years; and more recently, Sime Darby, Golden Hope and Kumpulan Guthrie will be merged to form the world's largest listed palm oil company accounting for 6% of global output.
- **New businesses** – Golden Hope is increasing its biodiesel capacity and aims to become Malaysia's largest biodiesel producer by 2008, with an annual output of 0.4 million tones of fuel from 20 biodiesel plants; while UEM World has been awarded projects under the Ninth Malaysia Plan such as the second Penang Bridge, and an increasing involvement in the development of the Iskandar Development Region in South Johor.

From an Economic Profit standpoint, 2005 saw a substantial decline[5] for half of the G-20 as a result of much needed balance sheet restructuring at several GLCs. For example, large provisions were made at Telekom Malaysia for DeTeAsia, at Proton for MV Augusta, with accelerated provisioning at Bumiputera-Commerce (BCHB) and so on.

Following this restructuring effort, 2006 Economic Profit numbers looks set to improve as year-to-date earnings of many G-20 companies are showing substantial improvement. For example, MAS and Tenaga, who reported the largest negative economic profits in 2005 are now on a recovery trajectory. Tenaga continues to narrow its economic loss in 2006, announcing an economic loss of RM-1.7 billion compared with RM -2.9 billion in 2004 and RM-2.1 billion in 2005. Both MAS and UEM World, who were also posting substantial negative economic profit in 2005, are showing clear signs of better performance in 2006. For example, UEM World Bhd's net profit for the first nine months to September this year was RM207.8 million, reversing a net loss of RM104.7 million registered for the same period in 2005. Group revenue was 67% higher at RM3.5 billion.

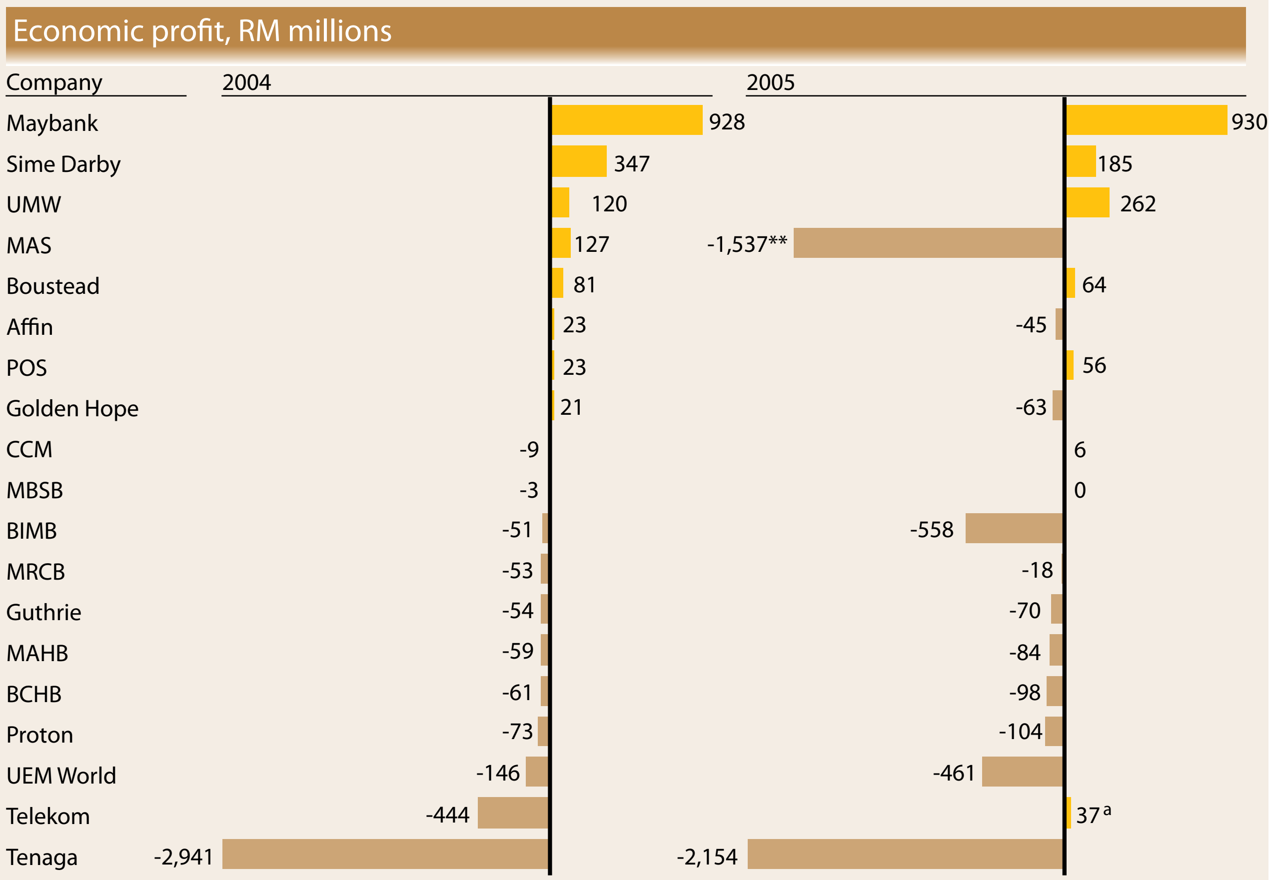
Similarly, Malaysia Airlines announced a net profit of RM240 million for the quarter ending September 2006 - the first profit recorded by the airline since the unveiling of its business turnaround plan in February this year.

The profit after tax of RM240 million in Q3 2006 was a substantial improvement over the loss of RM366 million in Q3 2005

[5] *"Substantial" decline is defined as economic profit falling by more than 15% year on year.*

EXHIBIT 1.4

Economic profit of G-20*



* Excludes TH Plantations
** Nine months results
a This excludes the RM879.5 million payment to De Te Asia. Had it been included, the EP will be (RM594.7 million)

Source: Joint Working Team and Company analysis

Finally, strong historical performers continue to do well. Maybank, for instance, is growing its economic profit to 13% over 2006 as compared with less than 1% in the previous year.

Importantly, the GLC Transformation Programme has managed to shift focus from accounting profit to broader measures such as economic profit – just being profitable is not a sufficient result if the profit does not cover the cost of capital – and some GLCs are now tracking economic profit quarterly.

Going forward, market expects continued steady profitable growth

A scan of equity research reports and interviews with a range of equity analysts suggests that the market is expecting to see sustained improvements in earnings going forward. Beyond the main objective of improved financial performance, the capital markets will also be watching closely for concrete and tangible evidence of organisational and operational improvements.

As expected in Phase 2, benefits to stakeholders are gradually emerging but the results so far are mixed

At this stage of the Programme, benefits to stakeholders are mixed and vary among stakeholder categories as much as within stakeholder categories. While some groups, such as customers, have seen initial benefits, others, such as the labour force, have witnessed changes and challenges in the short term, and yet others have not felt any significant change due to the early stage of the Programme. Therefore, in the context of Phase 2, programme performance is assessed according to the degree that the foundation has been laid for stakeholders to eventually capture promised benefits.

EXHIBIT 1.5

Benefits to all stakeholders of GLC transformation

Key stakeholders	Benefits
Customers	• Higher service and quality levels • Better value-for-money propositions from more productive and efficient GLCs
Labour force	• Better job prospects and human capital development at more dynamic and rapidly growing GLCs • Likely to be preceded by phase of reduced employment to drive out inefficiencies
Private sector	• Increased pressure for private sector to maintain competitiveness and skill levels, thereby increasing overall industry standards
Suppliers	• Increased transparency with merit-based procedures favouring the highest value-for-money suppliers • Reduce leakages, inefficiencies and corruption
Bumiputeras	• Uplift in GLC performance will support the continued development of a more competitive Bumiputera community, through better skilled Bumiputera employees and more capable Bumiputera suppliers

Source: Joint Working Team analysis

Customers - Overall, GLC customers have generally benefited from improved product and service quality. For example, the consolidation of business lines at Affin Holdings, and at BCHB, have resulted in convenient one-stop franchises for customers. BCHB, along with MBSB, have also embarked on branch transformation programmes, which focus on streamlining processes and shortening queue times.

In other sectors, Tenaga has focused on operational improvements that minimise power disruptions and POS has expanded its service range to include collection and payment services. Moreover, these positive trends match up against the required increases in prices of certain goods to better reflect economic realities, such as the recent electricity tariff hike and the raising of air fares by MAS.

Labour force - As expected, the GLC labour force has been negatively affected by the short-term reduction in employment levels, resulting from much needed operational restructuring efforts at some GLCs. Telekom Malaysia, Malaysia Airlines, Pos Malaysia, Bumiputera Commerce have recently undertaken Voluntary Separation Schemes (VSS), releasing anything up to 10% of employees in some instances.

On the positive front, the performance management system improvements that were simultaneously implemented in several GLCs have resulted in more transparent evaluation processes and higher rewards for good performers. In the long run, a continued drive to improve human capital management practices, coupled with the increased resilience that comes from operational improvements, should result in more dynamic, rewarding and developmental work environments for GLC employees.

Private sector - The private sector has yet to feel significant direct impact from the Programme, and there are potentially perceptions of being crowded out by GLCs. For many of the GLCs, the renewed competitive vigour has allowed them to regain some of the ground lost to their more efficient private sector competitors. These private sector companies are in turn facing pressure to strengthen thier own competitive position. As a consequence, actions by GLCs and private sector companies, if sustained, should help to push overall corporate competitiveness in Malaysia.

Suppliers - Suppliers are progressively affected by the implementation of Initiative 6.0, or commonly known as the Red Book on "Reviewing and Revamping Procurement Practices". Most of the G-20 are now moving to formulate and implement Procurement Improvement Plans, which should result in more effective and equitable procurement processes. These processes will favour more efficient suppliers in the short term, with strategic alliances and supplier capabilities being built in the longer term.

Bumiputeras - The GLC Transformation Programme reflects the policies of the Government and as such fully recognises the Bumiputera community as a key stakeholder group. There have been a number of early benefits of the Programme for the Bumiputera community, including a clear approach for GLCs to manage their procurement policies and processes, in particular those pertaining to Bumiputera suppliers (as articulated in the Red Book on "Reviewing and Revamping Procurement Practices"). This has resulted in clearer and more transparent opportunities for Bumiputera vendors and suppliers to serve major GLCs such as TM and Tenaga.

The Programme has also benefited the Bumiputera stakeholders by virtue of their position as a major employee group of the GLCs. Bumiputera employees have benefited from the introduction of leadership development and talent management initiatives at GLCs (as articulated in the Orange Book) – UEM Group has the YES programme while TM has the Smart Orange programme. As an example, a summary of selected Bumiputera Initatives undertaken by GLCs under the Khazanah stable can be found in Exhibit 1.6.

In addition, there are numerous programmes and focus at PNB, LTH, LTAT and EPF and their related companies that specifically address Bumiputera development initiatives in the various areas of procurement, entrepreneurship, equity holding and human capital development. Considering that Bumiputera Development and the development of the Bumiputera Commercial and Industrial Community (BCIC) is a national agenda, GLCs have collectively played a leading role in this regard, much more so than other segments of the Malaysian business community.

The following chapters will review the achievements of each agent in turn, and assess their effectiveness and ability to generate tangible results – either directly or indirectly – through the creation of the right environment.

EXHIBIT 1.6

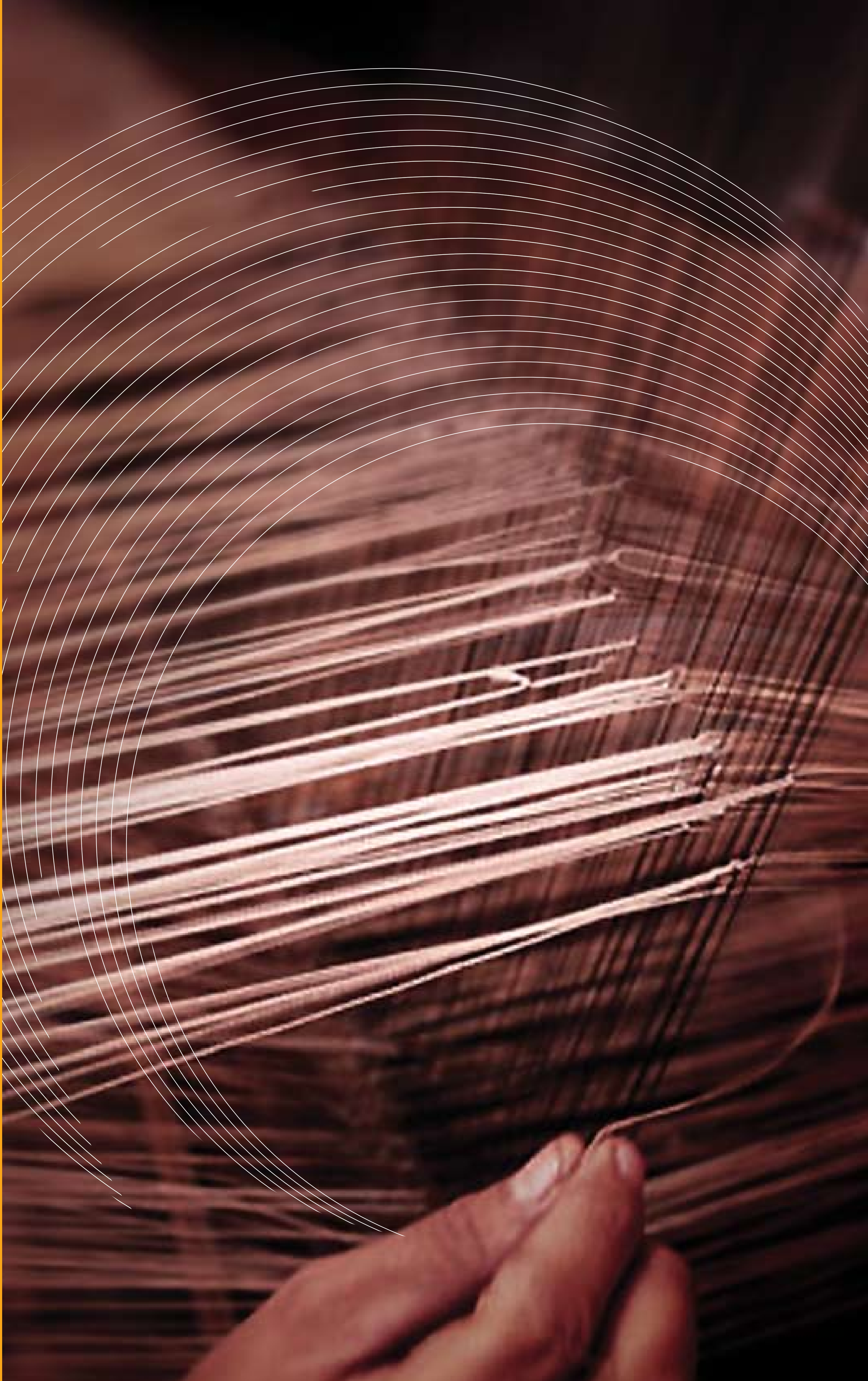
Summary of selected Bumiputera development initiatives at Khazanah related companies

NON-EXHAUSTIVE

Bumiputera entrepreneur development programme	• Since 1995, RM2.5 billion worth of contracts awarded to 108 Bumiputera entrepreneurs under the Vendor Development Scheme by TNB • 192 entrepreneurs developed by TM since 1994, of which 23 have manufactured products worth RM518 million • 33% of EON and Proton Edar dealers are Bumiputeras (as of 2004) • Faber Mediserve (part of UEM group) engages 67% of Bumiputera contractors with an annual contract value of RM37 million
Bumiputera procurement/ supplier policies	• At TNB, 67% of procurement contracts in 2004 were to Bumiputeras, with an average of 30% of procurement contracts annually to Bumiputeras • 72% of total value provided by Bumiputeras at TM, which involves 1,228 Bumiputera suppliers (of 54% of all suppliers) • Bumiputera suppliers increased from 4 (24% of total value) in 1985 to 108 (38% of total value) in 2004 at Proton • At UEM Group, Bumiputera suppliers increased from 106 (46% of total) in 2001 to 130 (78% of total) in 2004; equivalent to an increase of RM92 million in contract value (88% of total) in 2001 to RM150 million (93% of total) in 2004
Bumiputera retailer development programme	• As of June 2005, 1,226 or 68% of retail lots owned by UDA were let to Bumiputeras • Between 1996 to 2005, 59% of sales valued at RM68.7 million of retail space was sold to Bumiputeras by UDA
Employment and Human Capital Development at GLCs* of Bumiputeras	• 85% of Board of Directors are Bumiputeras • 81% of professional executives and 76% of senior managers are Bumiputeras • 80% of total executive staff or 11,125 executives employed by these GLCs are Bumiputeras • Targeted programmes such as Smart Orange at TM and YES at UEM
Scholarships, unemployed graduates, community development programmes	• At TNB, 85% or 3,800 students sponsored were Bumiputeras, while at TM, 81% of total scholars were Bumiputeras • Khazanah's GREEN programme which aims to assist and equip unemployed graduates with invaluable skills and experience to improve their chances of employment in the labour market • 30 schools were adopted by various GLCs in Penang • Community colleges being established, for example by UEM Group, to provide a source of skilled workforce during the construction of the Second Penang Bridge • Holistic development plans, including social and Bumiputera development under the Wilayah Pembangunan Iskandar Comprehensive Development Plan

Source: Feedback from companies

* Includes TNB, TM, Proton, UEM, MAS, and MAHB



2 PCG-LED PROGRAMME MANAGEMENT APPROACH HAS DELIVERED ACCORDING TO PLAN

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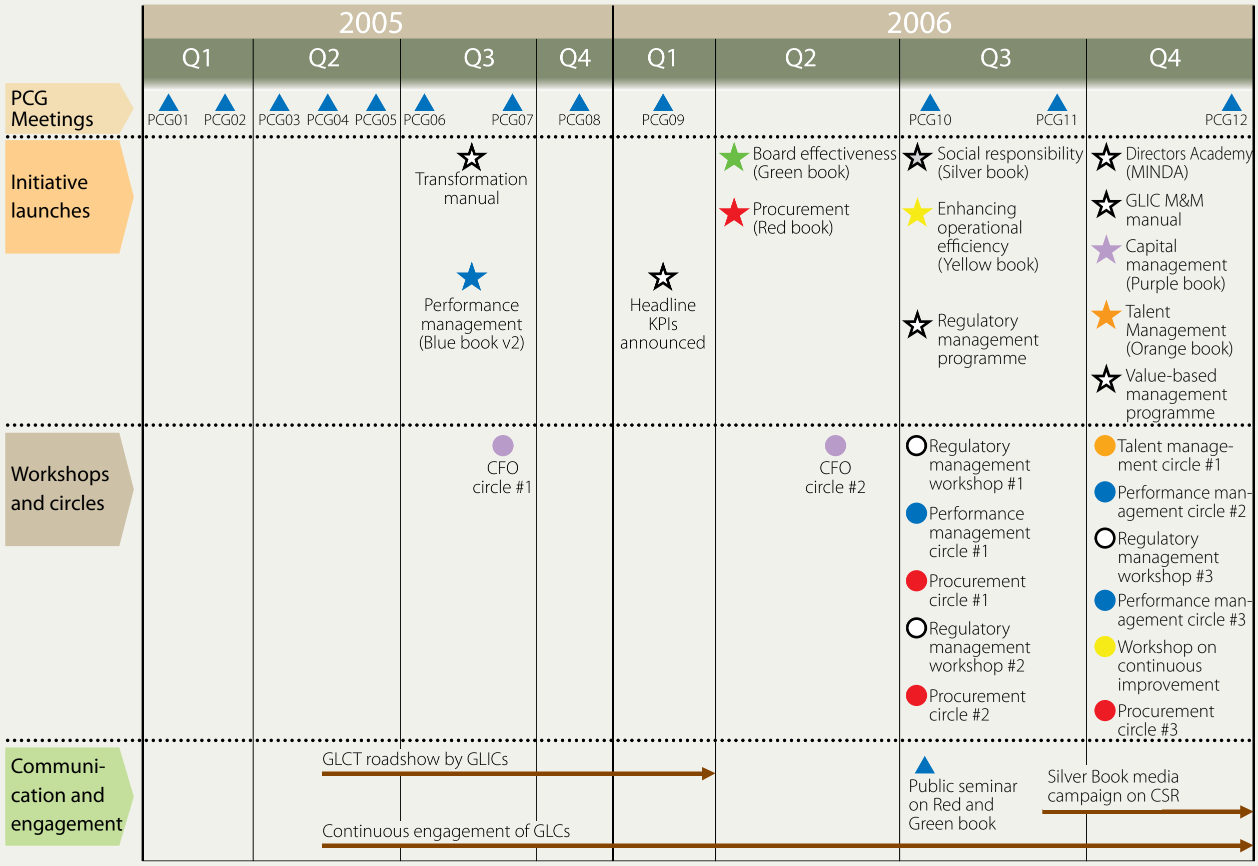
Structured programme adopted by PCG commensurate with national importance of transforming GLCs

Reflecting the importance of transforming GLCs, The Putrajaya Committee on GLC High-Performance (PCG) was established in January 2005 to spearhead the transformation effort. The PCG, recognising the range of stakeholders it needed to address, adopted a structured programme approach to deliver on its mandate of accelerating change across the GLCs. Khazanah was designated as the Secretariat and a Transformation Management Office (TMO) was set up within the Secretariat to provide full-time execution support to the PCG.

EXHIBIT 2.1

Key Milestones and activities of the GLC Transformation Programme



Source: TMO

PCG-led GLC transformation effort provided legitimacy and visibility

As the transformation of GLCs is a national priority, and the transformation is aimed at deep and structural improvements in GLC organisation and performance practices, there was a need for this effort to be led by a high-level group of strong and influential change agents. The PCG was created to build upon growing momentum and to lead this GLC transformation effort.

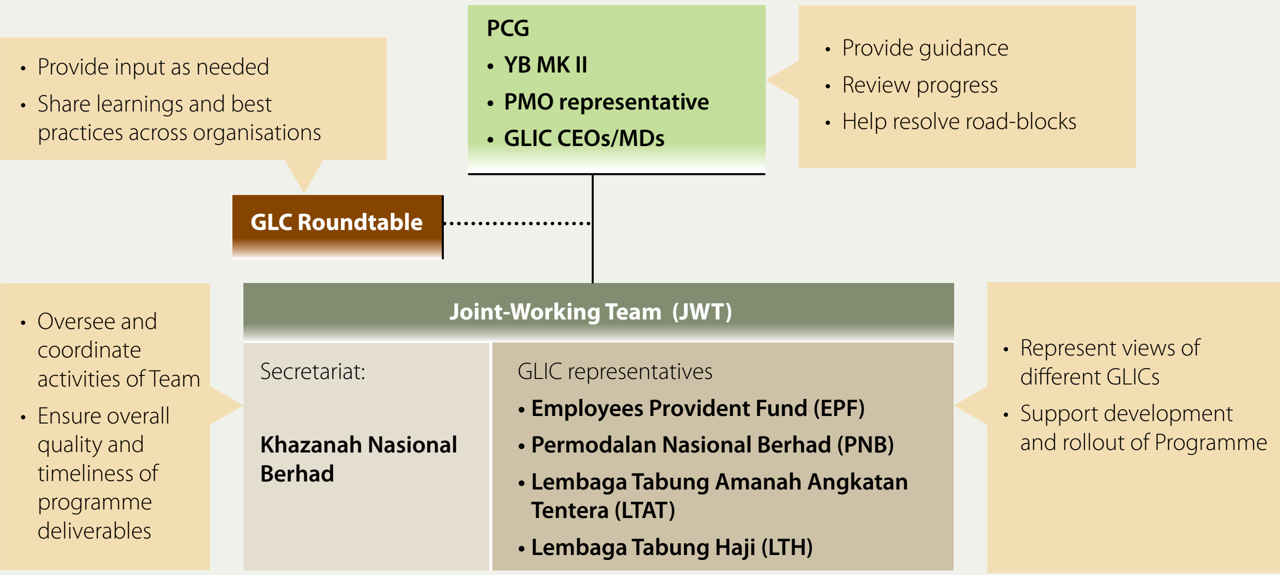
The PCG comprises the Chief Executives of the key Government Linked Investment Corporations (GLICs) including Permodalan Nasional Berhad (PNB), the Employees Provident Fund (EPF), Khazanah, Lembaga Tabung Amanah Angkatan Tentera (LTAT) and Lembaga Tabung Haji (LTH), with representatives from the Minister of Finance Inc. (MKD) and the Prime Minister's Office. It is chaired by YB Minister of Finance II, and reports to YAB Prime Minister.

As the key shareholders in GLCs and with clear government support, the PCG provides leadership and commitment to the GLC Boards and management. PCG also lends legitimacy and support to the GLC Transformation Programme to drive the execution and implementation of the tough changes required in any transformation.

The PCG has met 12 times since its formation, with many sessions involving CEO's of GLCs so that they can share with the PCG their transformation progress and challenges.

EXHIBIT 2.2

Structure of the PCG



Source: Joint Working Team compilation

Structured programme highlighted, prioritised and accelerated changes across GLCs

The GLC Transformation Programme addresses a diverse and large group of GLCs – all with different starting points, different operating environments, different strengths and weaknesses – yet all face common impediments that have limited their performance.

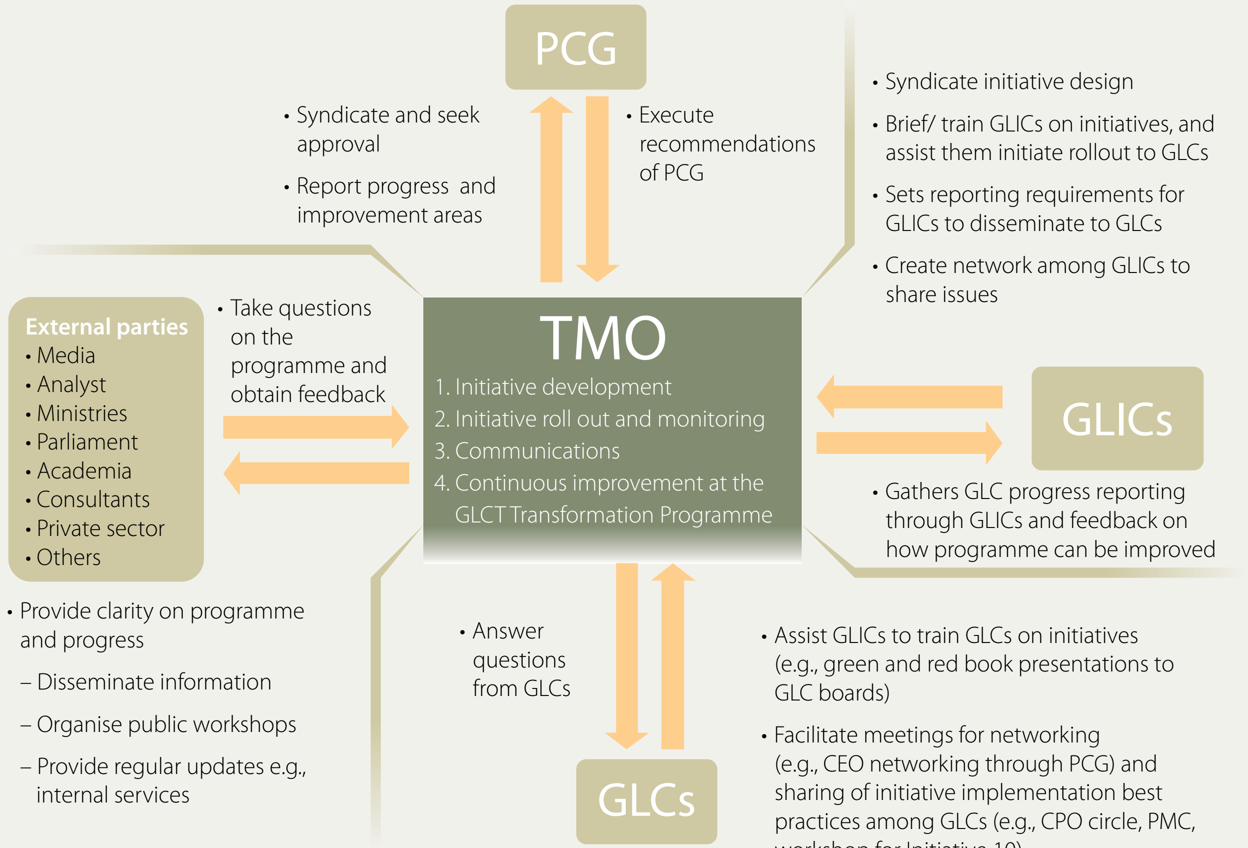
A structured centralised programme approach was adopted to ensure that the common levers that would yield the greatest impact across all GLCs would be highlighted and prioritised. Although many of the Initiatives and actions which GLCs have subsequently taken could have arguably occurred irrespective of this Programme, this structured approach has ensured that the most critical and sometimes sensitive issues were prioritised and addressed. Momentum was then created which, in turn, accelerated action and this led to solidarity among CEOs and Boards as they came to realise that they were not alone in facing and dealing with these issues. Further, with this approach, a process to monitor implementation has been put into place to ensure that actions translate into results.

TMO quickly established to execute programme

The Transformation Management Office (TMO) was established as the PCG Secretariat Office in August 2005 to formulate, syndicate, launch, facilitate implementation and monitor implementation of initiatives at the GLCs. Beyond this, the TMO also performs the critical role of coordinating among multiple agencies, preparing all programme-related communications, and given it has obtained subject-matter expertise through developing and launching the books, providing problem solving support on an ad-hoc basis to GLCs in relation to implementation of Initiatives. Overall, TMO has been well received by GLCs and there continues to be a high demand for its support.

EXHIBIT 2.3

Role of the Transformation Management Office (TMO)



Source: TMO

All 10 Initiatives launched as promised

The 10 Initiatives that form the basis of the programme have been launched as planned. With the exception of the Directors Academy which was originally planned to be launched in 2005, only minor delays were experienced against the original timeline laid out in the GLC Transformation Manual.

EXHIBIT 2.4

List of 10 Initiatives launched

No	Initiatives	Description	Output	
1	Enhancing Board Effectiveness	To enhance Board effectiveness through revamping Board practices and processes	Green Book	Launched 4/06
2	Strengthening Directors Capabilities	To develop a strategy to match Directors to the right Boards and also to establish a Directors Academy	Directors Academy	Dec '06
3	Enhancing GLIC Monitoring & Management Functions	To reinforce the ability of GLICs to monitor and manage individual GLCs	Blueprint for GLICs	Dec '06
4	Improving Regulatory Environment	To enhance regulatory capabilities at GLCs and create a Regulatory Knowledge Network	Programme for Managing Regulatory Environment	Launched 9/06
5	Achieving Value Through Social Responsibility	To guide GLCs to become responsible corporate citizens while creating value for their shareholders and stakeholders	Silver Book	Launched 9/06
6	Reviewing and Revamping Procurement Practices	To enhance the effectiveness and efficiency of the procurement processes in GLCs	Red Book	Launched 4/06
7	Optimising Capital Management Practices	To establish guidelines for GLCs to optimise their capital structure	Purple Book	Dec '06
8	Strengthening Talent Management Practices	To improve GLCs capabilities in attracting, developing and retaining talent	Orange Book	Dec '06
9	Intensifying Performance Management Practices	To encourage adoption of performance management best practices at GLCs	Blue Book version 2	Launched 7/05
			Announcement of Headline KPIs	Launched 3/06
			Programme for implementing Value-Based Performance Management	Dec '06
10	Enhancing Operational Efficiency and Effectiveness	To enhance operational efficiency and effectiveness through the adoption of a Framework for Continuous Improvement	Programme on the Framework for Continuous Improvement	Launched 9/06

Source: TMO

Initiatives delivered through Books and Workshops/'Circles'

The majority of the GLC Transformation Programme Initiatives were organised into 'Execution Books', which detail how selected Policy Guidelines are to be implemented. These books set out the terms of reference, guiding principles as well as supporting material such as step-by-step examples, templates, tools and forms. To support the roll-out of these Initiatives, in certain instances pilot programmes were undertaken at select GLCs to refine material, create momentum and to test execution challenges.

For those Initiatives that require a structured and sequential building of capabilities – for example via a series of lectures by subject-matter experts and hands-on learning exercises – Workshops/ Circles were used. For example, The Regulatory Management, Programme for implementing Value-Based Performance Management and Enhancing Operational Efficiency and Effectiveness Initiatives are being delivered in this manner.

Initiatives have addressed existing impediments, set standards and established a knowledge source for GLCs

The Initiatives, either via Books or Workshops/ 'Circles'; have served three important roles:

- **Established clear standards or benchmarks to which GLCs could aspire.** Clear standards, targets or definitions of 'what good is' have been set for GLCs in each Initiative so that GLCs know what is required of them and can calibrate their performance accordingly. Some Initiatives, like the Silver Book on Social Responsibility, pushes the boundaries further by setting standards greater than those set by private sector companies.
- **Removed some impediments, ambiguity or assumptions on sometimes sensitive issues.** The Green Book, for example clarified how and why Boards should be assessed and provided a framework for either GLICs or GLC Boards themselves to engage on the need and approach to improve Board effectiveness. Similarly, the Red Book elevated the importance of, and value attached to, good procurement processes; and the Blue Book established that performance should be differentiated and compensation should be linked to performance.

EXHIBIT 2.5

Benefits provided by Initiatives

FOR BOOKS LAUNCHED BY Q3 2006

Initiative	Benefit Provided
Green Book on Enhancing Board Effectiveness	• Clarified that Boards should be assessed • Framework for GLICs, top management and Boards themselves to engage on need and approach to improve Board effectiveness
Silver Book on Social Responsibility	• Clarifies that GLCs should have a primary objective of enhancing shareholder returns and meeting the needs of other stakeholders • Framework for GLCs to engage on how to manage their expectations and execution of contributions to society
Red Book on Procurement	• Put spotlight on procurement as a critical and value-enhancing function • Clarified need and boundaries for Vendor Development Programmes • Framework for GLCs to engage with government, vendors, and Board on need and approach to improve procurement practices
Blue Book on Performance Management	• Reinforced accountability of GLCs to be performance-driven • Highlighted need and ability for GLCs to differentiate performance and to link performance to compensation • Framework to guide GLCs in implementing performance management systems

Source: Joint Working Team analysis

- **Provided common knowledge source of best practice guidelines and tailored case studies to GLCs.** The collection of best practices that have been tailored for the GLC context have proved to be a valuable educational tool and reference point for many GLCs – especially as it would be near impossible for individual GLCs to gather detailed information on such a broad range of topics.

Consequently, the Books have been generally well received by GLCs and with considerable praise for their quality and relevance. Some GLCs have shared the feedback that the number of Books issued in a short period of time could exceed their ability to immediately follow through.

Multiple delivery channels used to disseminate Initiatives and create awareness

Following the launch of an Initiative book, the TMO disseminates information to create awareness about the Initiative through a variety of channels. Multiple delivery channels have been deployed, including:

- **Roadshows and targeted meetings** – these were conducted for all GLICs (via the Joint Working Team), GLC Boards, senior management and relevant functional areas (e.g. procurement team for the Red Book) of the G-20 companies after the launch of the Transformation Manual and the Initiative Books. The objective of these roadshows and meetings has been to familiarise these key stakeholders with the intent and content of the Initiatives and to assist them in understanding their role with respect to its implementation.
- **Public seminars** – these were held to introduce the Red Book and the Green Book to a broader audience, including industry participants like consultants and academic experts. As GLCs are expected to require support to implement these Initiatives, these seminars had been intended to build awareness and share knowledge amongst industry participants so that they can support GLCs.
- **Initiative Workshops/'Circles'** – individuals from the largest GLCs that are responsible for implementation are invited to participate in sessions to share best practices and problem solve common challenges as well as to build a network with other practitioners who are in similar situations. These Circles are facilitated by TMO, usually with the support of a panel of external experts. To date, there are six active Circles which are described in Exhibit 2.6.

EXHIBIT 2.6

Description of the active Workshops and Circles

Workshop/Circle	Objective	Participants
Performance Management Circle	• Facilitated sharing of experiences • Platform for networking • Injection of practical best practices from panel of experts	• HR and Strategy/Corporate planning from G-20 companies • In total about 55 people
Procurement Circle	• Discuss implementation approach and challenges of the Red Book	• Chief Procurement Officers (CPOs) from TM, TNB, Sime Darby, MAS, Proton and UEM
Regulatory Management Workshop	• To enable GLCs to acquire better understanding of economic regulation and strategies to efficiently engage regulators and other stakeholders	• Head of Regulation (where applicable) of G-20 companies
Talent Management Circle	• Develop an understanding of current HR capabilities and challenges • To collect feedback on the draft Orange book	• Individuals with HR responsibility (including HR Heads) from CIMB, MAS, TM, TNB, Sime Darby, Bank Islam and Maybank
Workshop on Framework for Continuous Improvement	• Explain the contents of the Yellow Book • Share best practices via guest panellists, e.g. from Proton, Toyota and Sime Darby • Opportunity for GLCs to ask experts questions	• Initiative champions from 50 GLCs • GLC and non-GLC panellists
CFO Circle	• To raise and debate common challenges faced by CFOs	• CFOs from Khazanah's GLCs

Source: TMO

PCG closely monitors Programme progress as required in Phase 2 (Generating Momentum)

PCG, via the TMO, has been diligently monitoring the GLCs' implementation of the Initiatives. The TMO, together with the Join Working Team, collates information on each of the G-20 as it relates to the GLC Transformation Programme and, in several instances, has worked with the GLCs to de-bottleneck problems.

To date, the focus of PCG has been to design, launch and disseminate the Initiatives. Therefore, a large amount of time has been dedicated to monitoring and reporting on the early momentum of GLCs in adopting and implementing these Initiatives. Consequently, the time available for PCG to actively debate, problem-solve or share best practices on common execution challenges and related policy matters has been, and will need to continue to be, expanded moving forward.

Phase 2 communications are focused on GLCs and GLICs

As GLCs are the primary agents of change, communication of this Programme and its Initiatives has been focused on them as well as GLICs. Consequently, there will be groups of other stakeholders who are still unclear about the nature of the GLC Transformation Programme, who do not understand the importance of their role, or who are unconvinced of the merits of the Programme.

Now that all Initiatives have been launched, communications should be intensified and a broader group of stakeholders should be engaged. It is envisaged that Phase 3 of the Programme will require intensified focus on stakeholder communications and, more critically, on stakeholder engagement.

3 GLCS HAVE MADE SIGNIFICANT PROGRESS AND EXECUTION MOMENTUM MUST BE STRENGTHENED

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GLCs have made substantial changes in line with principles of the GLC Transformation Programme

The success of the GLC Transformation Programme requires the support of a variety of stakeholders, but GLCs are the most important agent for change. Although the PCG/TMO has developed and disseminated the Initiatives, it is the responsibility of the GLCs to implement the Initiatives, manage their stakeholders and generate sustainable benefits to shareholders and other stakeholders.

The pace at which GLCs can implement these Initiatives is affected – both positively and negatively – by both internal factors, such as resource constraints, as well as external pressures. These pressures can be attributed to regulatory changes or market forces. For example, tariff hikes for Tenaga have allowed it to cope better with increased input prices, and access fees for the use of TM's network, have helped it to recover the cost of building shared infrastructure.

Some external pressures have had a significant impact on GLCs. The National Automotive Policy (NAP) has increased competition in the sector – the price of used cars has dropped by approximately 15% and raw material costs for car manufacturers have increased. MAS has been affected by increases in fuel prices and will continue to be affected by changes in the regulations of its traditional markets- domestic and regional.

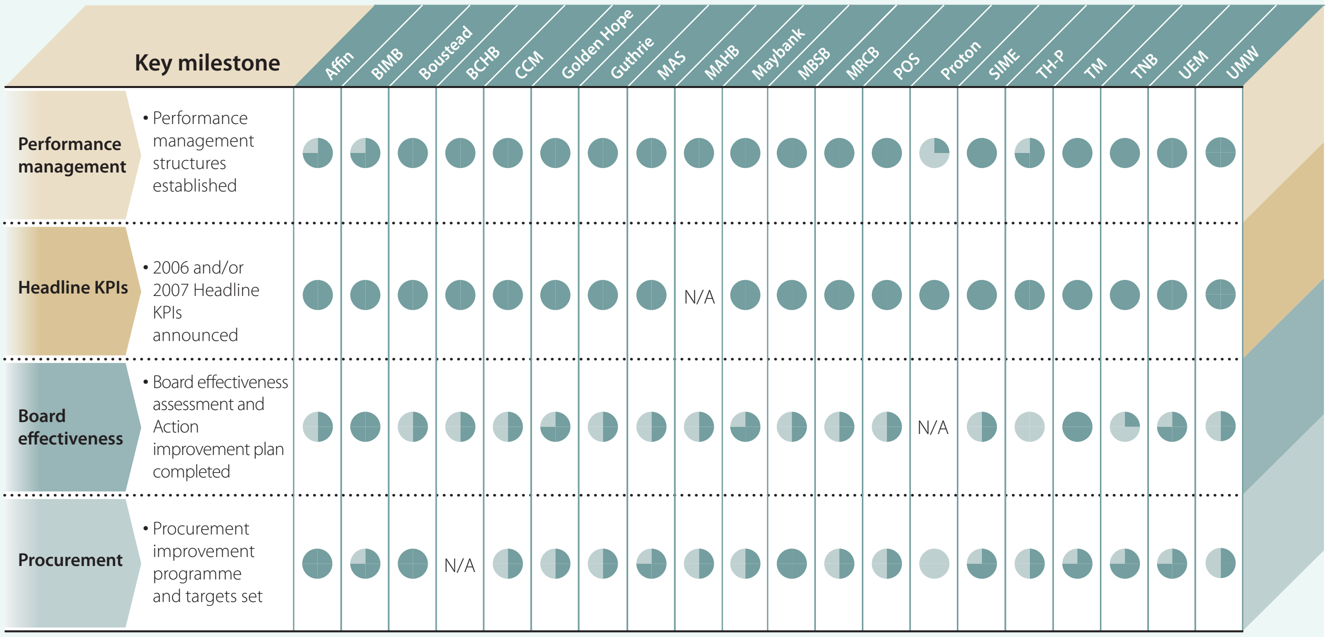
Despite these internal and external challenges, GLCs have made substantial progress in their transformation efforts. Achievements include instituting headline KPIs, making senior management changes, enhancing performance management, increasing productivity and initiating strategic moves.

Appendix II documents the achievements and challenges facing each of the G-20 in the form of 'Scorecards' and Appendix III summarises awards received. Appendix IV reports on implementation progress at the G-20 of the 'Performance Management', 'Board Effectiveness', and 'Procurement' Initiatives.

EXHIBIT 3.1

Status of Initiative implementation

Not started
On track to reach milestone
Milestone completed
N/A Not available



Source: GLC self reports via JWT as of Oct and Nov 2006

Instituting Headline KPIs

In March 2006, the G-20 announced Headline KPIs with targets for 2007 (see Appendix II). These announcements by the major GLCs are indicative of the commitment to the GLC Transformation Programme and are strong signals of changes being undertaken by GLCs:

• Headline KPIs increase transparency and accountability at GLCs both internally and externally, which historically have been weak.

• KPIs reinforce the importance of achieving sustainable economic profits and are a strong signal from GLCs of an increased commitment to delivering on promises of improved performance.

• These metrics and targets provide a basis for stakeholder feedback to the GLCs. While acknowledging that different stakeholders will have different perspectives on the suitability of the metrics and the achievability of the targets, the announcements are in themselves a significant step in the right direction.

There is a new level of focus in GLCs as senior management organise their operations, activities and resources around achieving these clear targets. Some GLCs have begun to track their performance against KPIs through monthly scorecards and flash reports and hold regular business reviews to understand the root drivers of performance such that corrective actions can be implemented in a timely fashion. Furthermore, reports from the G-20 suggest that these KPIs have also been cascaded down to business units and individuals at least to the General Manager level and in some instances all the way to the frontline.

Although these efforts in establishing KPIs and announcing them to the public are commendable, there does remain room for improvement. Specifically, for some GLCs, the link between the Headline KPIs and strategy is unclear. The mixture or balance of KPIs can also be improved – for example, on average, there is over emphasis on short-term KPIs (rather than looking at developments over three years or more).

Recognising that GLCs have only just begun to use publicly announced Headline KPIs, it is fully expected that as targets are met easily or missed completely, the investor community will provide feedback to GLCs and guide their development of more robust sets of KPIs and targets.

Making senior management changes

A strong leadership that has both the skills and passion to drive change can have a fundamental impact on the pace and effectiveness of transformation efforts at a GLC. Therefore, it is encouraging that in the last 2 years there have been some significant CEO changes at GLCs (see Exhibit 3.2).

EXHIBIT 3.2

CEO changes since 2004

Company	New CEO	Date of Entry
Golden Hope Plantations Bhd	Dato' Sabri Ahmad	Jan 2004
Chemical Company of Malaysia Bhd	Dr. Mohamad Hashim bin Ahmad Tajudin	May 2004
Kumpulan Guthrie Bhd	Dato' Abdul Wahab Maskan	June 2004
Sime Darby Bhd	Dato' Ahmad Zubir bin Haji Murshid	June 2004
Telekom Malaysia Bhd	Dato' Abdul Wahid Omar	July 2004
Tenaga Nasional Bhd	Dato' Sri Che Khalib Bin Mohd Noh	July 2004
UEM World Bhd	Dato' Ahmad Pardas Senin	July 2004
BIMB Holdings Berhad	Dato' Noorazman A. Aziz	April 2005
Malaysian Airline System Bhd	Idris Jala	Dec 2005
Proton Holdings Bhd	Datuk Syed Zainal Abidin bin Syed Mohamed Tahir	Jan 2006
CIMB Group	Dato' Nazir Razak	Nov 2006

Source: Company Websites, Annual Reports

Bank Islam, MAS, TM, Proton, Tenaga and UEM brought in new CEOs to take the GLCs to the next level of performance and, in some cases, to lead turnaround programmes. Each CEO brings valuable experience to the GLC. For example, Idris Jala at MAS has deep turnaround experience; Dato' Abdul Wahid Omar at Telekom Malaysia and Dato' Sri Che Khalib at Tenaga Nasional both have strong financial restructuring and cost management credentials; Bank Islam's Managing Director Dato' Noorazman Aziz was previously head of Corporate Banking of Citibank Malaysia; and Proton's current CEO Datuk Syed Zainal Abidin has local industry knowledge and operational experience, having been an executive director of Perodua's manufacturing arm.

Some GLCs, recognising the value of industry- and company-specific experience, and with successors in place, have promoted their best performers to senior positions, including CEO. For example, Dato' Seri Sabri Ahmad, current CEO of Golden Hope Plantations, has been with the group's various divisions since 1985. Similarly, all of the five senior management replacements made at Sime Darby in 2004 and 2005 were from within the group.

In addition to changes at the CEO level, many GLCs have made significant senior management changes. For example, changes have been made at TM, UEM, MAS, Tenaga, BIMB and Maybank among others. These new leaders have come from domestic private sector and international companies and bring a wealth of relevant industry experience to the GLCs they join. For example, MAS' new COO joined the company from British Airways, and it's Head of Network and Revenue Management was one of the founding members of Air Asia.

Enhancing performance management

Overall, most of the G-20 are on track to implement the performance management structures as detailed in the Blue Book. Many of the G-20 have started to implement variable compensation schemes linked to performance. While this is a positive step forward, the efficacy of performance-linked schemes is contingent on clear and well distributed performance evaluations – which have yet to be instituted adequately.

Most of the G-20 have also now put in place short-term performance-based contracts for CEOs and an increasing number of senior management. While this is a necessary start to establishing performance pressure, success will depend on the ability of GLCs to identify, manage and potentially remove poor performers. With implementation still in its early stages, the benefits and successes of this Initiative are yet to be fully observed.

Restructuring of business

Some GLCs, having experienced (or having anticipated) significant large losses have initiated company-wide restructuring efforts, led by new CEOs, in a bid to fundamentally reshape and turnaround their businesses:

- MAS launched its Business Turnaround Plan in February 2006. The plan, led by MAS' new CEO Idris Jala, is structured around a 5-prong strategy that includes anchoring key business activities on the P&L, and talent development. To date, the Business Turnaround Plan has led to: cutting of loss-making international routes, a yield increase of 17%, and a mutual separation scheme. MAS has seen cost savings of almost RM340 million in the first half of 2006 and saw a return to operating profitably in Q3 2006.
- Bank Islam outlined a strategic plan in 2005 which focuses the business on four core areas – namely, franchise, people, risk and controls and financials. At the same time, BIMB holdings recapitalised the Bank by obtaining investments from the Dubai Investment group, which now owns 40% of the Bank. Thus far, the strategic plan has resulted in, amongst other successes, a revamped Debt Recovery Division to focus NPL recovery strategies, a redefinition of Bank Islam target market and distribution strategy.
- Proton has been undergoing restructuring since the beginning of 2006 and as announced by the Minister of Finance, will release a "Recovery Plan" by the end of 2006.

Increasing productivity

In line with the Yellow Book on Enhancing Operational Efficiency and Effectiveness, many GLCs have implemented changes to increase productivity. These changes have included process and organisational improvements, divesting non-core or unprofitable businesses or assets and, where necessary, rationalising staffing of the GLCs. The following are select examples of how some GLCs have taken action to increase productivity:

- TNB, by addressing a number of operational levers has seen improvements in operational KPIs, including availability, and SAIDI (System Average Interruption Duration Index) – in FY2006 transmission and disruption losses reduced by 9.5% and a SAIDI of 133 minutes.
- Kumpulan Guthrie sold its medical products business in 2005, and plans to divest assets in manufacturing, golf and resorts, and IT so that it can focus on its core plantation business.
- Golden Hope, TH Plantations and Kumpulan Guthrie have implemented process and operations improvements that have successfully increased crop yields and extraction rates – Kumpulan Guthrie's Fresh Fruit Bunch (FFB) production in Malaysian operations increased by 6.5% and Indonesian operations increased by 17.3% in FY2005, and Golden Hope's average oil extraction rate has increased steadily to 21.5%, much higher than the industry average of 19.6%.
- CIMB's integration of Bumiputera-Commerce Finance Bhd into the bank involved a separation scheme for 1,300 employees. Those who had not opted for the separation scheme were successfully redeployed within BCB and other CIMB subsidiaries. BCB has also reported that its operations-related improvements have improved important customer services measures such as waiting times.
- Telekom Malaysia, to reduce operating losses and improve its productivity, reduced employee numbers by 6% in 2005 through a voluntary separation schemes (VSS). Going forward, the company has plans to consolidate some of its call centres.
- MAS undertook a mutual separation scheme (MSS) for some 2,600 employees as part of its Business Turnaround Plan. The company has also instituted a performance-linked bonus system for pilots and ground staff, cut back or eliminated unprofitable routes and divested non-core assets such as property. In addition, MAS has announced its intention to outsource its revenue processing function for passengers starting in January 2007.
- Malaysian Building Society is refocusing on its core mortgage retail business and has scaled down its property development activities significantly over the past few years. In 2005, MBSB ended some of the joint venture arrangements it had relating to property developments. The company's improvements in risk management and collection processes, together with market shifts, has allowed it to reduce NPLs from 41% in 2004 to 34% in 2005.

Initiating strategic moves - regionalisation, consolidation for growth, and building new businesses

Regionalisation

GLCs have sought growth opportunities outside Malaysia, either by acquiring assets or companies or entering into joint venture agreements. Some example include:

- BCHB has expanded its securities business overseas by acquiring GK Goh in Singapore and BNP Paribas Peregrine Securities in Thailand. The bank has also increased its stake in Bank Niaga Indonesia and set up an Islamic bank joint venture with Yusuf Bin Ahmed Kanoo Holdings in Bahrain.
- Chemical Company of Malaysia is expanding its fertiliser business in Malaysia and Indonesia and has completed land acquisitions for new plants in Bintulu and Medan. Further, the company has plans to open offices in Thailand (by end 2006) and Philippines (in 2007), adding to existing operations in Indonesia, Singapore, and Vietnam.
- Sime Darby acquired Jardine Cycle and Carriage's automotive and truck business in New Zealand as part of its overseas expansion.
- UMW Holdings has completed a number of overseas deals including acquisitions in China (e.g. a drilling equipment manufacturer Wuxi Seamless Drill Pipe Co) and more recently, a joint venture with Chemtreat India Ltd to form Oil Country Tubular Goods.
- Telekom Malaysia continued to expand its footprint (beyond Sri Lanka, Bangladesh, Malawi, Guinea, and Cambodia) in 2005 and 2006 by acquiring significant stakes in PT Excelcomindo in Indonesia, MobileOne in Singapore, MultiNet in Pakistan, MTCE in Iran and Spice Telecom in India.
- TNB, along with Khazanah and Malakoff, has invested in a landmark USD2.5 billion Shuaibah 3 desalinated water and power plant in Saudi Arabia.

Consolidation for growth

GLCs have strengthened their competitive positions and achieved synergy/scale benefits by acquired other companies in related businesses.

- Affin Holdings pursued a number deals to strengthen its position in financial services. Specifically, it bought out UOB's 45% stake in Affin Securities in 2004, and MISC's 37% stake in Affin Merchant Bank in June 2005. Affin's AXA Affin Life Insurance (AALIB) acquired the life insurance business of Tahan Insurance Malaysia in June 2006.
- Plans have been announced to merge Sime Darby, Kumpulan Guthrie, Golden Hope and other companies from the PNB group to form the world's largest listed palm oil company accounting for 6% of global output. The combined company, with total revenues of RM31 billion (including non-palm oil businesses), will be more competitive and emerge as a global player.
- BCHB acquired BCB in June 2005, and SBB in June 2006, to form the second largest bank in Malaysia (by assets). Synergies from the integration of Southern Bank Berhad (SBB) are expected to create RM200 million in profit per year for the next three years (2007-09).
- Maybank, through Maybank Fortis, acquired and integrated MNI Holdings, a leading insurance company, in 2005. This move aimed to strengthen Maybank's position as an integrated financial services group and achieve its aspiration of becoming the "National Insurance Champion".
- Chemical Company of Malaysia acquired Duopharma Biotech Berhad (74%) in November 2005, resulting in its healthcare division's pre-tax margins increasing by 19% after consolidation (compared with 8% previously).
- Boustead Holdings increased its participation in marine-related services in 2005 by increasing its stake in PSC Industries from 19% to 38% and acquiring a 31% stake in PCS Naval Dockyards.

Building new businesses

GLCs have become more effective at capturing business opportunities that have arisen from Government policy and/or global trends.

- Golden Hope is increasing its biodiesel capacity and aims to become Malaysia's largest biodiesel producer by 2008, with an annual output of 0.4 million tonnes of fuel from 20 biodiesel plants using approximately 2 million tonnes of palm product.
- UEM has been awarded projects originating from the Ninth Malaysia Plan e.g. Second Penang Bridge and has become increasingly involved in the development of Iskandar Development Region.

GLCs translating Initiatives into GLC-specific plans

The intention behind the 10 Initiatives in Phase 2 of the Programme – launched by the PCG/TMO and communicated using Book and Workshops/ 'Circles' – was that each GLC would adopt only those that are applicable to its overarching business strategy, then translate these into GLC-specific plans, and subsequently execute against the plans. While some GLCs have been able to do so successfully, others are still considering possible courses of action or have been thwarted in their implementation efforts by a shortage of execution and functional capabilities or resources.

GLCs actively reviewing Books and considering best execution approach

While most if not all GLCs have what constitutes their internal strategic plans, the level of detailing and relevance in these plans have varying levels of effectiveness, and the extent at which they draw on the spirit and form of the GLC Transformation Programme initiatives. The pace at which transformation plans are being developed across GLCs reflects the time and resources required to review the Books and other PCG communications, decide on an execution approach and codify this in a GLC-specific transformation plan. The biggest hurdles are a shortage of execution and functional capabilities and resources.

Critical skills required to support a company-wide transformation, such as programme-management and communications, have historically not been built and developed proactively and so are not readily available. Further, many of the functional areas that the Programme seeks to address – such as procurement, performance management and human capital management – are, by definition, weak in GLCs. Therefore, the capabilities to translate the GLC Transformation Programme Policies and Initiatives into GLC-specific plans, and subsequently execute the plans, are limited. In addition, for most GLCs, this operational transformation or change journey will be a new experience; historically, most change efforts have been financial rather than operational in nature.

As a result, some GLCs are reaching out to the TMO for support in bridging this execution gap – either in the form of resources or by supplementing 'Books' with additional implementation information. While recognition should be given to the TMO for quickly building the relevant functional knowledge, it should also be recognised that the onus for implementation lies with the GLC and that the TMO's current mandate and resources do not allow for the level of implementation support that some GLCs would like.

Execution momentum must continue to be strengthened

GLCs today operate in an increasingly competitive and complex environment. GLC CEOs need to be able to rally employees and manage an intricate web of stakeholders.

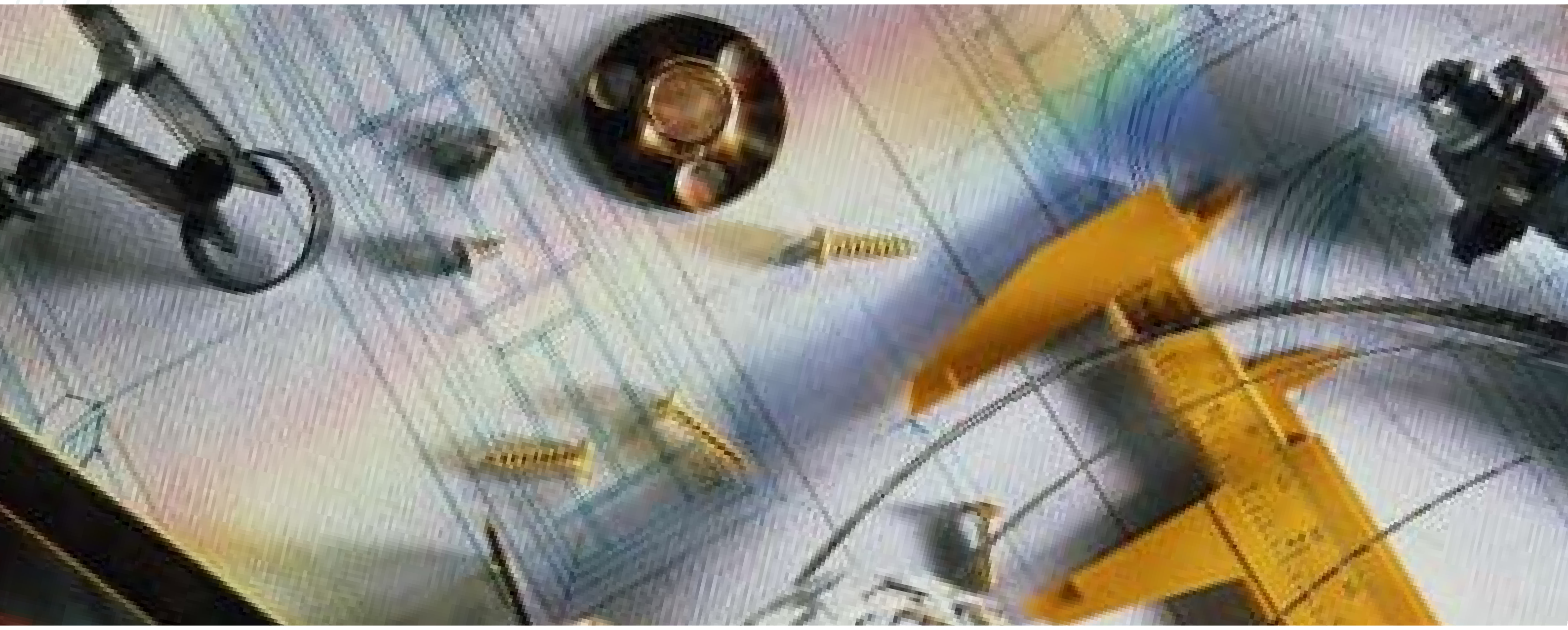
Although GLC Boards, CEOs and senior management are increasingly embracing the Programme, and are convinced of the need for reforms to improve performance, this conviction must be built throughout the organisation.

It will take time to win the hearts and minds of the full spectrum of employees at GLCs. Some of the reasons for this are detailed below:

- Some employees may continue to believe that 'GLCs are not in that much trouble' because: reporting of strong headline profits can mask the true operational and future performance of some GLCs; and there is insufficient transparent communication of the true state of these companies.
- Some employees may continue to believe that the Government will not allow GLCs to fail and, if necessary, will continue to support or provide financial assistance.
- Some employees may not be able to relate to the GLC's level of ambition because, for most GLCs, these ambitions are not high enough, concrete enough or meaningful enough.

There is also a need for GLC top management to manage external stakeholders. With its focus on performance, the GLC Transformation Programme could prove challenging for some GLC stakeholders. For example, in the short term, streamlining vendors, increasing prices for some customers, and rationalising employees are all possible. It should be noted, however, that while some segments might suffer in the short run, other segments might quickly enjoy benefits, such as improved service or product quality, lower prices and a more dynamic work environment.

While in the long term, benefits should be delivered for all stakeholders – investors, customers, labour, distributors, vendors, private sector, government and the Bumiputera community – in the short to medium term as reforms and structural adjustments continue to be instituted, active engagement of these stakeholders will be necessary to effectively manage their expectations.



4 GLC BOARD EFFECTIVENESS STARTING TO EVOLVE AND PACE MUST BE ACCELERATED

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Several changes made to GLC Boards

Upgrading the effectiveness of GLC Boards is one of the five Policy Thrusts of the GLC Transformation Programme because Boards are critical to overseeing – and, in some cases, driving – performance improvements within GLCs. One way to achieve this upgrade is to widen the breadth and mix of GLC Board membership to include broader expertise and experience. This could include, in particular, greater operational, technical, or sector-specific experience as well as more practices to systematically renew and rejuvenate Board composition and Chairmanship.

Since the launch of the Programme in 2004, a number of new Directors have been appointed and the composition of GLC Boards revamped. With these changes, the overall effectiveness of Boards is expected to improve.

EXHIBIT 4.1

Board changes since launch of the GLC Transformation Programme

Company	New Board Member*	Date of Entry
Affin Holdings Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi Haji Zainuddin (Chairman)	Oct 2005
BIMB Holdings Bhd	En. Salih Amran Jamiaan	Feb 2005
	Dato' Hairuddin Mohamed	Oct 2006
	En. Ismee Ismail	Oct 2006
Bumiputra-Commerce Holdings Bhd	Tan Sri Dato' Md. Nor Md. Yusof (Chairman)	July 2006
	Dato' Mohd Shukri Hussin	Jan 2006
	Dato' Hamzah Bakar	Nov 2006
	Tan Sri Dato' Seri Haidar Mohamed Nor	Nov 2006
	Dato' Zainal Abidin Putih	Nov 2006
	Datuk Dr Syed Muhamad Syed Abdul Kadir	Nov 2006
	Mr. Cezar Peralta Consing	Nov 2006
	Dato' Robert Cheim Dau Meng	Nov 2006
Chemical Company of Malaysia Bhd	Tan Sri Abdul Rahman Omar	May 2004
	Dato' Kalsom binti Abdul Rahman	May 2004
	Pn. Jamiah binti Abdul Hamid	Apr 2006
	En. Abdul Rahim bin Abdul Hamid	Apr 2006
Kumpulan Guthrie Bhd	Tan Sri Dato Dr Wan Mohd Zahid Mohd Noordin (Chairman)	2006
Malayan Banking Berhad	Tan Sri Megat Zaharuddin	July 2004
	Datuk Zainun Aishah binti Ahmad	July 2004
	Datuk Agil Natt	Sep 2004
Malaysian Airports Holding Bhd	En. Izlan Izhab	June 2005
	Dato' Ahmaad Fuaad Mohd Dahalan	Aug 2005

* Excludes new CEOs
Source: GLC reporting; Annual reports, Company websites

EXHIBIT 4.1

Board changes since launch of the GLC Transformation Programme

Company	New Board Member*	Date of Entry
Malaysian Airline System Bhd	Dato' Dr. Mohd Munir Abdul Majid (Chairman, Aug 2004)	June 2004
	Tan Sri Izzuddin Dali	Sep 2004
	Tengku Dato' Azmil Zahruddin Raja Abdul Aziz	Aug 2004
	Dato' Mohd Annuar Zaini	Feb 2005
	Dato' Zaharaah Shaari	July 2005
	Datuk Haji Yusoff Datuk Haji Mohamed Kasim	Jan 2006
	Tuan Haji Abdul Rahman Abdul Ghani (Alternate Director)	Jan 2006
	Datuk Haji Mohamad Morshidi Abdul Ghani (Alternate Director)	Aug 2006
Malaysia Building Society Berhad	En. Khalid Haji Sufat	Aug 2005
	En. Aw Hong Boo	Nov 2005
Malaysian Resources Corp Berhad	Datuk Azlan Zainol (Chairman)	Jan 2005
	En. Ahmad Zaki Zahid	Jan 2005
	En. Mohamad Lotfy Mohamad Noh	July 2005
POS Malaysia & Services Holdings Bhd	Dato' Zukri Samat	Mar 2006
	Puan Sri Nazariah Mohd Khalid	April 2006
	Dato' Ng Kam Cheung	April 2006
	Puan Salmah Sharif	Aug 2006
	En. Faisal Ismail	Sep 2006
Proton Holdings Bhd	Dato Mohd Azlan Hashim (Chairman)	Dec 2004
	En. Mohd Zainal Shaari	Dec 2004
	En. Abdul Kadir Md Kassim	Mar 2005
	Dato' Ahmad Haji Hashim	Oct 2005
	Dato' Lim Hih Peok	
	En. Mohd Izzaddin Idris	
Sime Darby Bhd	Dato' Mohamed Sulaiman	Oct 2005
	Datuk Seri Panglima Andrew Sheng Len Tao	Mar 2006
Telekom Malaysia Bhd	Dato' Azman Mokhtar	June 2004
	Datuk Nur Jazlan	June 2004
	Dato' Ahmad Haji Hashim	Oct 2005
	Leonard Wilfred Yussin (Alternate Director)	Sep 2006
Tenaga Nasional Bhd	Datuk Amar Leo Moggie (Chairman)	Apr 2005
	Dato' Azman Mokhtar	June 2004
	Datuk Zaid Ibrahim	June 2004
	Datuk Zalekha binte Hasan	Nov 2004
	Dato' Puteh Rukiah Binti Abdul Majid	Sep 2006
	En. Mohd Zainal Shaari (Alternate Director)	Dec 2004
UEM World Bhd	Dato' Azman Mokhtar	June 2004
UMW Holdings Bhd	Dato' Haji Darwis Mohd. Daik	Feb 2004

* Excludes new CEOs
Source: GLC reporting; Annual reports, Company websites

Board Effectiveness Assessments underway at the G-20 will accelerate improvements

Although the Green Book on Board Effectiveness was only launched in April 2006, Board Effectiveness Assessments (BEA) have already been completed at many of the G-20, with the remaining expected to be completed by the end of 2006. The BEAs will give the Board and GLICs an understanding of three important areas:

- The robustness of the Board's existing composition
- The effectiveness of board operations and interactions
- The extent to which the Board has been able to fulfil its fundamental roles and responsibilities.

Actionable improvement programmes (AIPs) are now in the process of being developed to address weaknesses identified by the BEA (and it is expected that these will also be completed by the end of 2006). It is expected that the AIPs will have clear timelines and milestones and progress will be reviewed bi-annually.

Based on the BEAs that have already been conducted at some GLC Boards, there continues to be a need to upgrade Boards, both in terms of composition (so that relevant expertise and experience exists within the Board) and in terms of overall dynamics and operating effectiveness.

In that regard and beyond the initial wave of changes in 2004/5, Board renewal and rejuvenation could still be necessary and should be institutionalised as a standard and normal practice.

Even for Boards that are well composed, the continued enhancement of intra-Board operations and interactions – particularly in terms of focus and alignment with the CEO and overall company's mandate – will lead to increased effectiveness.

5 IN LINE WITH GLOBAL DEVELOPMENTS, GLICS ARE INCREASINGLY BECOMING MORE ACTIVE SHAREHOLDERS

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Many governments are opting for active shareholder roles in State-owned Enterprises

Recent years have witnessed many governments, like Malaysia, establishing agencies to monitor and manage their investments with the aim of enhancing shareholder value and driving national development. This includes those governments that seek to apply a consistent and professional approach to managing assets that cannot be privatised, such as, UK's Shareholder's Executive, New Zealand's CCMAU and France's APE, or those governments that seek to reform their large state-owned sectors in preparation for economic liberalisation, such as China's SASAC and Vietnam's SCIC.

EXHIBIT 5.1

Examples of Government Holding Companies

Country	Holding company	Year established	Examples of investments*
	TEMASEK HOLDINGS	1974	DBS; SingTel; SINGAPORE AIRLINES
	ccmau	1993	NZM New Zealand Mail; New Zealand Railways
	KHAZANAH NASIONAL	1994	TM; CIMB GROUP
	dti	2003	British Energy; Royal Mail; British Waterways
	SASAC	2003	中国电信 CHINA TELECOM; 中国卫通 CHINA SATCOM; BEIJING 2008
	APE Agence des participations de l'État	2004	AIR FRANCE KLM; EADS
	Samruk	2006	KAZAKHTELECOM; Kazakhstan Electricity Grid Operating System; KazMunaiGas
		2006	• Includes companies in transportation, public utilities, telecommunications, defence etc

* CCMAU and UK Shareholder Executive do not hold equity in companies, but perform monitoring and management functioning

Source: Company websites

A dedicated state-holding company with a clarified mandate is naturally able to be significantly more focused, consistent and proactive in the monitoring and management of investments. For example, a review of the mandates of the aforementioned government holding agencies reveals a common goal of being active investors. Further, to be effective, these companies are increasingly run as small, professional organisations where there is significant emphasis on developing the necessary processes and talent to drive improvements within their portfolio companies.

GLICs in Malaysia have been correspondingly active

Within the boundaries of their mandates, GLICs in Malaysia have also taken more active shareholding roles, albeit in different ways.

PNB, adopting a conglomerate approach, encourages inter-portfolio company business relationships (e.g. buying and selling from one another), and realises synergies through the rationalisation of assets and the rotation of talent between portfolio companies. Some of the ways this has been done include:

- PNB's agriculture and plantation companies purchase of fertiliser from Chemical Company of Malaysia has been a significant driver of growth for CCM since it became part of PNB's portfolio in 2004.
- Between 2003 and 2004, PNB led a rationalisation of the plantation sector by exchanging Island & Peninsula's plantation business for Golden Hope's property business. Similarly, in the financial services sector, MNI Holdings was sold to Maybank.
- The new CEOs of CCM and Kumpulan Guthrie were previously senior management at Golden Hope.

Khazanah, on the other hand, has taken the approach of managing its portfolio companies in a way that is similar to that taken by strategic investor or private equity investor.

As a result, Khazanah has been a major proponent of Board renewal, and has supported the changes of Boards at Proton, Tenaga, Telekom Malaysia, UEM World and, more recently, at POS. In addition, Khazanah assists the Board in sourcing and identifying potential CEOs from outside the GLC environment on behalf of its portfolio companies. Further, Khazanah supports the top management in its engagement of stakeholders, particularly with the Government.

The mandates of EPF and LTH are typically as portfolio or institutional investors. However, even within this mandate, these GLICs have been increasing active as proponents of good corporate governance. For example, EPF has strict guidelines as to how it votes on corporate exercises that involve the issuance of capital and on the renewal of Board members. Similarly, LTAT ensures that any related-party transactions are clearly disclosed. LTH's recent actions of supporting BIMB through its recapitalisation and the IPO of TH Plantations illustrate an appreciation of adhering to governance principles and drawing clear boundaries between shareholders and management.

LTAT has a combination of both strategic shareholdings in companies such as Affin Holdings and Boustead as well as portfolio holdings to fund the armed forces pension fund.

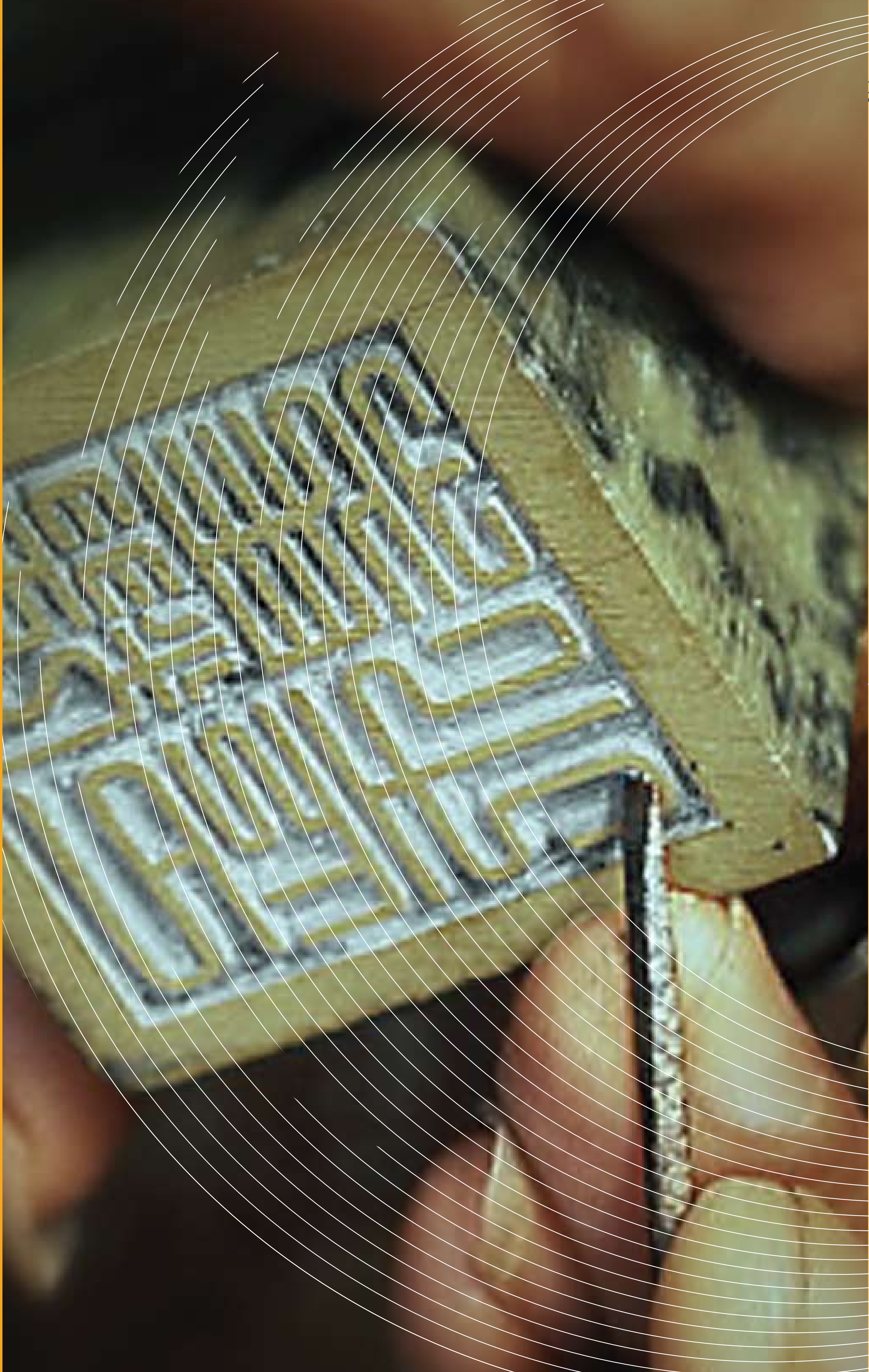
GLICs continuously enhancing their active shareholder capabilities

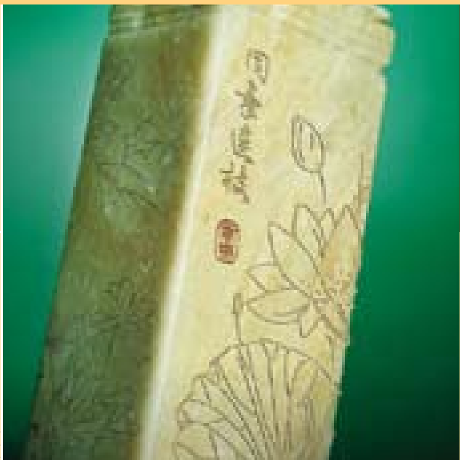
As each GLIC has a different mandate, the exact role that it will play with respect to its portfolio companies will be different – and will be different again for each GLC depending on the context of the GLC. There remains an opportunity to make these roles explicit so that GLCs do not continue to have diverging (and sometimes inflated) expectations of GLICs.

In addition, while GLICs have been increasingly active in their monitoring and support of the GLCs, GLICs are still in the process of developing standardised processes and tools to do so effectively – for example, formal value creation plans with independent perspectives on targets and prioritised business levers to drive change. Consequently, as skills currently reside primarily with a handful of individuals, there remains the need for skills to be fully institutionalised.

In that regard, and in line with good corporate governance, selecting the appropriate Nominee Directors is an important way for GLICs to contribute to GLC governance and deliver on the GLICs' responsibilities as an active shareholder. Reflecting the importance of Nominee Directors, GLICs should become more active and systematic in preparing and supporting the Directors in their role. For example, the tools that would be used to monitor and manage GLCs should be shared with the Nominee Directors to provide them with additional information and perspective on the relevant GLCs.

Finally, as several of the GLICs are being revamped and undergoing transformation themselves, there is an opportunity for them to implement some of the GLC Transformation Programme's Initiatives within the GLIC. Doing so will not only make the GLICs more efficient, but also serve as an example for GLCs and afford the GLICs greater credibility as they monitor the adoption and implementation of the GLC Transformation Programme Initiatives at their GLCs..





6 STRONG SUPPORT AND COMMITMENT FROM GOVERNMENT TO BE SUSTAINED

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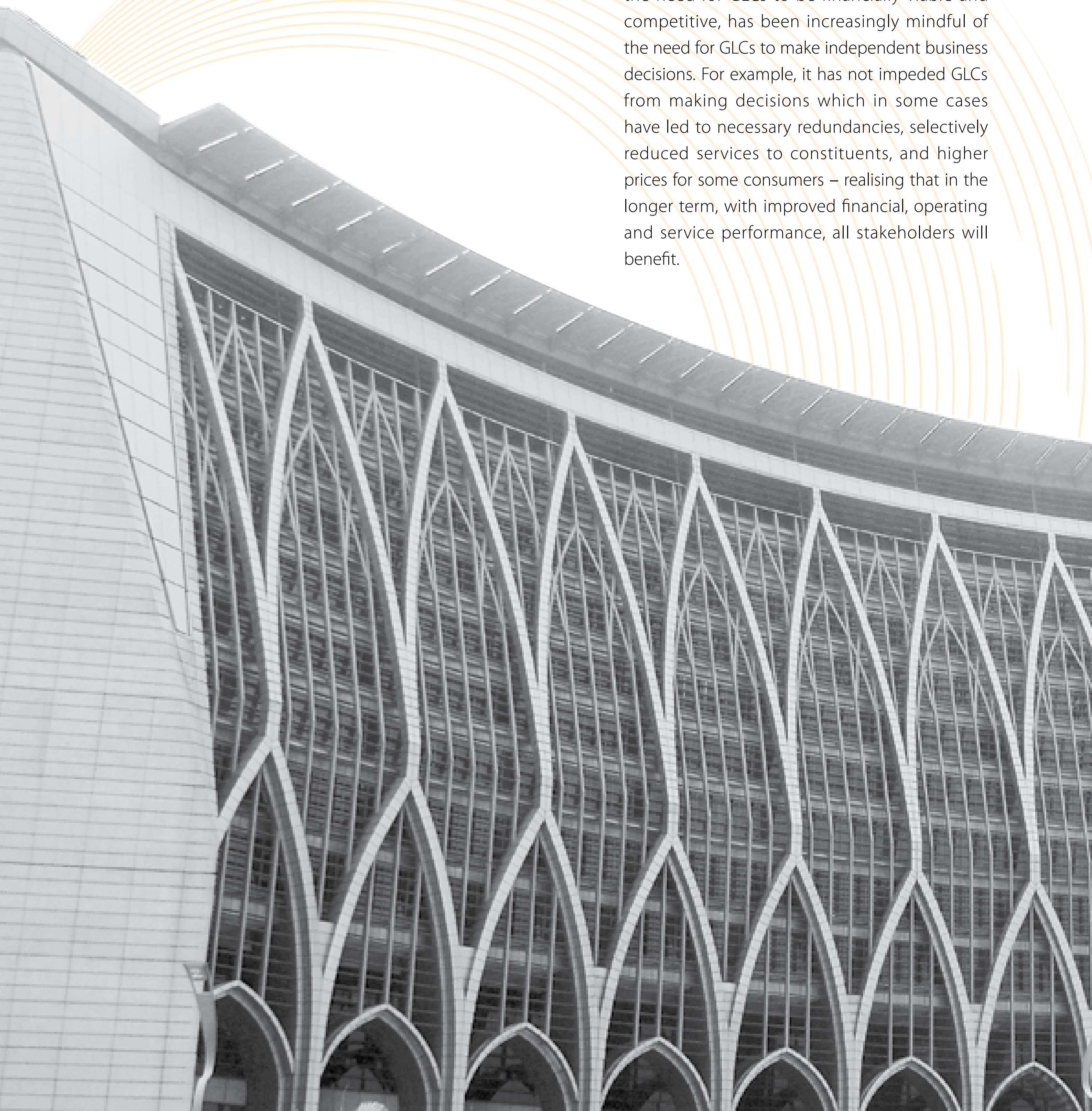
GLC Transformation Programme has enjoyed visible support and commitment from the Government

The importance of the GLC Transformation Programme to Malaysia's development has been emphasised on an ongoing basis by senior members of Government, including YAB Prime Minister and YB Minister of Finance II. Their support has afforded the Programme a distinct level of legitimacy, resulting in greater buy-in from multiple stakeholders, the securing of resources and the generation of momentum for implementing the Initiatives.

Further, the Government has demonstrated its commitment to the Programme by removing some of the impediments to GLICs and GLCs achieving transformation success. For example, it has allowed the EPF to adjust its compensation bands so that it is in line with the private sector and is therefore able to attract and retain the talent required to be an effective shareholder. Tariff adjustments have allowed Tenaga to better cope with higher input costs, and improved access pricing has allowed TM to partially recover the cost of developing and maintaining the fixed line network.

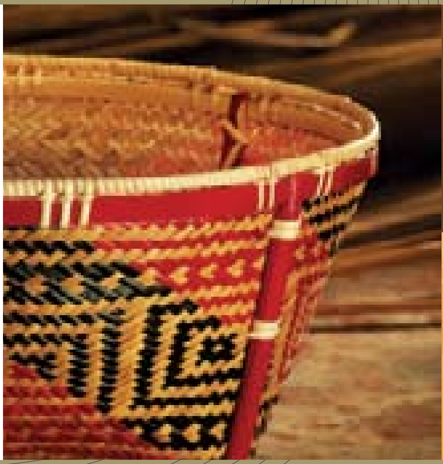
STRONG SUPPORT AND COMMITMENT FROM GOVERNMENT TO BE SUSTAINED

To be commercially competitive and generate value for all stakeholders in the long run, GLCs have to make business decisions that are sometimes in conflict with interests of select stakeholders – including, in some cases, the Government. The Government, appreciating the need for GLCs to be financially viable and competitive, has been increasingly mindful of the need for GLCs to make independent business decisions. For example, it has not impeded GLCs from making decisions which in some cases have led to necessary redundancies, selectively reduced services to constituents, and higher prices for some consumers – realising that in the longer term, with improved financial, operating and service performance, all stakeholders will benefit.



Opportunity to build broader understanding and support across Government agencies

Communications for this Programme and its Initiatives have, to date, focused on the GLCs as the primary agents of change, as well as the broader public. Consequently, the depth of awareness and understanding of the principles and initiatives of the GLC Transformation Programme among Government agencies to other Ministries, regulatory bodies and civil servants– can be developed further. This additional communication effort will be important to marshal the support of all Government bodies and allow for stronger and meaningful consensus building on the GLC Transformation Programme among all key stakeholders.



7 RECOMMENDATIONS FOR PHASE 3 (2007-2010): DELIVERING SUSTAINABLE AND TANGIBLE RESULTS

7 RECOMMENDATIONS FOR PHASE 3 (2007-2010): DELIVERING SUSTAINABLE AND TANGIBLE RESULTS

Phases 1 and 2 of the GLC Transformation Programme have provided an encouraging start, largely achieving what was set out to be accomplished in the past two years. A structured overall programme is in place with visible support from key Government and business leaders; a comprehensive set of enabling policy guidelines and initiatives have been launched; and execution is underway with some early promising signs of results.

Building off this strong start, Phase 3 (2007-2010) of the Programme is about **delivering** – delivering sustainable and tangible results. The challenge is now to stay the course until results are delivered, and overcome any risk of declaring success too early.

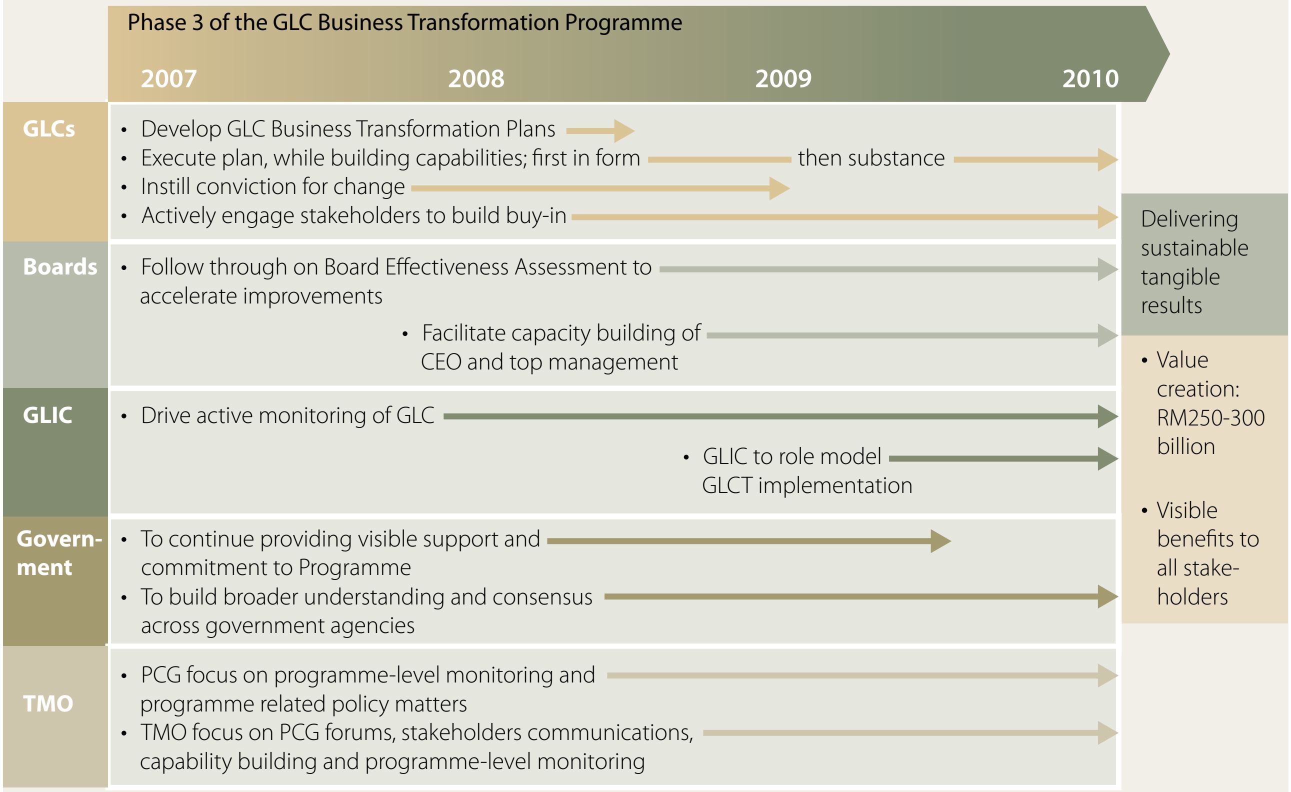
The focus of the Programme also now needs to shift to build on what is in place and address the big challenges that lies between us and results. The focus of the Programme will need to shift in five ways:

- From a broad programme launched to all GLCs, to **GLC-specific programmes** tailored by each GLC to address its specific challenges and business outcomes
- From providing knowledge to **building execution capabilities**
- From raising awareness to **building conviction** amongst stakeholders
- From a PCG/TMO led effort to **institutionalisation** of the changes in GLIC, Boards and GLCs (so that the 'scaffolding' provided by PCG/TMO can be gradually removed)
- From focusing on GLCs to also ensuring a **conducive external environment** for GLCs to transform

The five transformation agents in the Programme – GLC CEO/Top Management, Boards, GLICs, Government, and PCG/TMO – all have pivotal roles to play to ensure the Programme can make these shifts and deliver results. The recommendations for each agent's role are set out in the following pages.

EXHIBIT 7.1

Overview of Phase 3



Source: Joint Working Team Analysis

GLC top management to strengthen execution momentum while building buy-in from all stakeholders

To deliver sustainable and tangible results, execution momentum and capabilities within GLCs will have to be strengthened. Further, to successfully transform a company, mindsets of the entire organisation must be shifted – so that there is full conviction for change. In addition, due to the complex environment that GLCs operate in, active engagement of external stakeholders will be necessary to align focus on the long-term benefits.

Develop a GLC Business Transformation Plan that incorporates GLCT Initiatives

All GLCs should develop a Business Transformation Plan by the end of 2007, and issue a summary of that plan which focuses on stakeholders issues by April 2008. The Plan should be tailored to the GLC, but incorporate a clear perspective on all the relevant GLC Transformation Initiatives. This plan should:

- Clearly articulate the GLC's aspirations from now until 2010, including Headline KPIs
- Communicate the relevant case for change with clear facts on the key challenges and the risks associated with insufficient action
- Set out a timeline for the implementation of Initiatives. Importantly, this timeline should include the sequencing of the most applicable GLC Transformation Initiatives for the GLC – for example, the Red Book on Procurement, the Orange Book on Leadership Development, etc.

- Set expectations of all stakeholders by being explicit about the expected impact for each stakeholder group, including any short-term trade-offs that may be required to realise the longer-term benefits.

Build execution capabilities while delivering results

While the preparation of this Transformation Plan is important, it is the delivery of results that matters most. Unfortunately, many GLCs remain short of leaders and important functional skills like programme management, change management, procurement, operations and human capital management. The CEO is accountable for identifying the capabilities required and then acquiring, borrowing and/or building them. Even with the CEO's strong leadership, there is still a need to build the capabilities required to translate the "Books" into GLC-specific plans and execute against these plans in a way that will sustainable results.

Development of these execution capabilities must be prioritised

The acknowledgment by top management that these capabilities must be developed is a critical first step to ensure that it receives the appropriate level of attention and quality of resources. Thereafter, GLCs must then prioritise within these capabilities, based on the biggest capability gaps that are preventing delivery of business results – for example, determining whether leadership, procurement or human capital management or programme management skills be developed first.

'Buy' or 'borrow' expertise first, then institutionalise capabilities

If the appropriately skilled individuals cannot be hired, then GLCs should consider either 'buying' expertise from multi-nationals or private sector companies within or outside Malaysia; or 'borrowing' from consultants or individual experts. This kind of imported expertise should be secured with the mandate to train, transfer and institutionalise their capabilities within the GLC

Instil conviction for change amongst employees

Unfortunately, there are no easy or quick fixes to instil conviction or "win the hearts and minds" of employees. Instead, it requires deep engagement with employees in the following two ways:

Transparent and relentless communication of a compelling case for change

With the facts laid out in the Transformation Plan, a compelling "burning platform" or "call to action" should be regularly communicated throughout the organisation so that true conviction to change is instilled. This communication can use a combination of methods – a "*turun padang*" or nation-wide roadshow to employees, dialogue and Question and Answer sessions, regular newsletters disseminated throughout the organisation, media coverage of public speeches made by the CEO and senior management, and one-on-one meetings with key influencers within the organisation, such as union leaders, heads of departments and regional leaders.

As the execution of the Transformation Plan proceeds, the communication plan should continue to reinforce the case for change and the long-term benefits for all stakeholders and to show that actual changes are being made and that early results and benefits are being delivered.

Consistent and visible actions by top management that clearly demonstrate the determination to change

Actions speak louder than words. Once communicated, CEOs and top management should undertake three types of actions to reinforce the change that they are requesting of the organisation: bold business decisions, symbolic actions and personal role modelling. Most of these actions should be positive and motivating in nature, but some need to be appropriatley tough and uncompromising.

Through top management actions, together with constant and transparent communication, the rest of the organisation can be convinced – in their "hearts and minds" – of the need for change and, in time, will translate that conviction into action.

Actively engage stakeholders to build buy-in

The ultimate transformation of GLCs will deliver benefits for all stakeholders – investors, customers, labour, distributors, vendors, private sector, Government and the Bumiputera community. Some stakeholder segments will quickly enjoy benefits, such as improved service or product quality and lower prices. However, with its focus on performance as a pillar (but not its ultimate objective), the Transformation Programme might prove challenging to some stakeholders group in the short-term – for example, the rationalisation of some vendors and increased prices for some customers. For this reason, it is necessary to actively engage stakeholders, build coalitions and align their focus on the long-term benefits rather than the short-term challenges.

Primary responsibility for stakeholder engagement lies with the GLC top management, particularly in relation to investors, customers, labour, distributors, and vendors. Other agents like PCG/TMO will play supporting roles, particularly in managing Government, private sector and the Bumiputera community. The following steps should be taken by GLC top management.

Regularly communicate actual benefits delivered

Once clear expectations have been set and communicated to stakeholders, then progress or actual results against those expected benefits should be actively and regularly communicated. The communication of benefits should be fact-based and, ideally, quantitative – for example, the GLC's customer service levels compared with the competitors' (as determined by independent survey).

Ensure performance objective of GLCs is transparently applied to stakeholders, within the broader national development objective

GLCs need to balance national development objectives with intensely managing their performance – particularly the performance of vendors, distributors and employees. GLCs need to first transparently communicate a clear mechanism for balancing these objectives, and then firmly manage performance within this mechanism. For example, in line with the Red Book on Procurement, for GLCs that decide to establish a Vendor Development Programme should regularly monitor and evaluate the performance of vendors. Vendors that graduate from the Programme should become preferred suppliers – but, must also in a meritocratic fashion, compete with other preferred suppliers.

Strategically leverage Corporate Social Responsibility (CSR) initiatives to build stakeholder capital

In line with the Silver Book on 'Achieving Value through Social Responsibility', GLCs should proactively contribute to society in ways that create value for their shareholders and other key stakeholders. As GLCs implement this Initiative, they should also communicate their CSR plans and the outcomes achieved within the Business Transformation Plan to build stakeholder capital.

Systematically engage with stakeholders

GLCs need to monitor the pulse of each stakeholder group to understand what is important to them and how they perceive the GLC. What these stakeholders believe will not be static, but constantly evolving and shaped by daily events. Therefore, GLCs need to prioritise their stakeholders and determine who will be their "point people", those who will stay in regular touch with the stakeholders, for example, Board members. At least once a year, GLCs should ask these "point people" to collate a stakeholder audit that will be discussed at Board level.

GLC Boards to upgrade capabilities of the Board, CEO and Top management

Follow-through on Board Effectiveness Assessments to accelerate critical improvements to the Board

As outlined in the Green Book on Improving Board Effectiveness, all GLC Boards are completing a Board Effectiveness Assessment (BEA) by the end of 2006. This is only a start. It is critical that there is real follow-through on the BEA in the following ways:

- **Accelerate necessary renewal and rejuvenation of GLC Board composition, including the Chairman position**. The Nomination Committee should use leverage the objective assessment of the BEA to trigger any necessary changes. Regular renewal and rotation of Board members, including the Chairman, is critical. In the context of active governance, the role of Chairman becomes increasingly pivotal and demands the corresponding experience, skills and availability.

  New Directors should have the knowledge and experience required to deliver the GLC's aspirations, with an understanding of Malaysia's context. This implies an injection of internationally experienced individuals as board members for GLCs that are international (such as MAS), regional (such as TM), or competing domestically with serious foreign competition (such as CIMB and Maybank).

- **Invest in the development of Directors**. Even after improvements in board composition, the Board as a whole or individual directors will have capability gaps relative to what is required to be effective on that specific GLC Board. To close these gaps, the Board should work with the new Malaysian Directors Academy (MINDA) and other external providers.

- **Align on the CEO mandate and the boundaries between the Board and Management.** The Board should explicitly outline its expectations for the CEO, including expected accomplishments, priorities, freedoms and any boundary conditions. Once this has been defined, the Board should align its own mandate to that of the CEO and clarify roles and responsibilities.

- **Implement a Board Improvement Plan.** The Board, with the support of management, and drawing on the BEA results, must execute an improvement to address the most critical gaps identified in Board operations, interactions and roles and responsibilities.

- **Continuously measure progress and make adjustments**. The Board should take time, about an hour every six months to discuss the Board's progress against the improvement plan, and then conduct a BEA every two to three years.

Facilitate capability building of CEO and top management

In addition to a strong Board, the success of a company's transformation will be dependent on the quality of leadership provided by the CEO and senior management.

The biggest lever the Board has to transform the GLCs is the right CEO. However, given the complexities that GLCs face, few Malaysian CEOs, no matter how experienced, will be immediately ready and equipped to lead a GLC through its transformation. Therefore, up-front and continuous capability building and support from the Board will be necessary.

- **Arrange customised conditioning programme for new CEOs.** Prior to a CEO officially taking on the position of CEO, the Board should arrange for a customised conditioning programme to close any potential gaps between the CEO's existing and required knowledge and skills. This could include deep briefing sessions on the sector and the company, knowledge building in particular functional areas (such as finance, procurement or IT), the development of practical skills like communication, change management and stakeholder management or introductions to industry networks. Providers for these sessions could include experts in each field, as well as experienced or retired CEOs from within and outside Malaysia.
- **Provide ongoing support for CEOs via access to leadership coaches and networking with other CEOs.** The situation and challenges faced by each CEO will be unique. With access to leadership coaches, specific situational skills tailored to a CEO's needs can be developed. In addition, networking with other CEOs (for example via formal semi-annual gatherings) and informal mentoring by other CEOs who have successfully transformed major companies including those from overseas (for example Telefonica, Poste Italiano, or ANZ).
- **Assemble a leadership team to complement the skills of the CEO.** Even though the CEO makes the final decision on the composition of the top team, the Board can ensure that, together, this top team does not have significant gaps in the knowledge and skills required . This might mean recruiting leaders from elsewhere in the world – especially if the GLC has high aspirations, is international (e.g. MAS), is regional (e.g. TM), or competes domestically with strong foreign players (e.g. CIMB or Maybank).

Although the above initiatives need to be led by the Board, the PCG/TMO and GLICs could offer important support. The PCG/TMO, in particular, could support the identification of potential leadership coaches and the organisation of CEO forums. GLICs could support the implementation of conditioning programmes for new CEOs.

GLICs to step-up role as active shareholders

GLICs must play a critical role in the GLC Transformation Programme. As shareholders, their oversight and influence over GLCs is through their Nominee Directors that oversight and influence over GLCs is obtained. For every step forward that GLCs take, GLICs should be taking at least two steps. Many GLICs have embarked on their own transformation journey and are in the process of building their own capabilities. That said, they should accelerate the development of capabilities to be active shareholders and role model many of the changes expected of GLCs.

Institutionalise capabilities to actively monitor GLCs

To date, the Programme has focused on launching Initiatives to be adopted by GLCs. However, this third phase is focused on delivering tangible and sustainable results. Therefore the burden of monitoring GLC performance to ensure that results are being delivered should fall predominantly on GLICs. The level of active monitoring that each GLIC will take will depend on their respective mandates; however, in all instances some form of monitoring will be required.

Clearly define the GLIC's role

To be effective, each GLIC should define for itself the role that it will play relative to its portfolio of GLCs. This role should then be clearly communicated to GLC CEOs and its Nominee Directors, particularly to manage and align (and potentially negate) currently unclear or diverging expectations from GLCs.

Strengthen quality, preparation and management of Nominee Directors

A significant contribution that GLICs can make to a GLC Board is in selecting an appropriate Nominee Director – one who has the relevant skills and experiences required by the GLC. Expectations for Nominee Directors should be clearly articulated in term sheets. In setting these expectations, GLICs must also ensure that its Nominee Directors are adequately equipped to fulfil them – through training sessions and the support of a management and monitoring (M&M) team.

Upgrade quality of management & monitoring (M&M) teams

In the event where a GLIC has decided – and in line with its mandate – that it will be an active shareholder, it will need an internal M&M team to develop an independent perspective of the particular GLC's value-creation potential and then rigorously monitor the GLC's performance and implementation of critical initiatives (including the GLCT Initiatives). The perspective on value-creation potential should be codified in a clear plan that serves as a tool to aid Nominee Directors to challenge management's strategy and targets of the GLC's Transformation Plan as well as problem-solve with management the appropriate levers and potential action plans to focus on. Putting together these value-creation plans is a substantial task that requires deep knowledge about the sector, strong financial modelling skills, and operational experience to determine which actions to take and the time frame in which to expect results. The appropriate capabilities should be built within GLICs to be able to develop these valuecreation plans and monitor results.

Conduct informal performance dialogue sessions with respective GLCs

The GLIC CEO should have structured dialogues with the GLCs to (i) clarify the GLIC's expectation of the GLC, (ii) challenge the GLC's Transformation plan, (iii) monitor results, drivers and implementation of GLCT Initiatives, and (iv) obtain feedback as to improvements that the GLIC can make. These dialogues will help GLICs to fulfil their monitoring role while actively building a constructive relationship with the GLC's top management. To ensure that these dialogues are effective, attendance at these sessions should include the GLIC CEO, the GLC Chairman, GLIC Nominee Directors, GLC CEO and GLIC M&M Desk Officer. The frequency of these sessions should be determined by the context of the GLC, but should occur at least once a year prior to the release of Headline KPIs.

GLICs to role-model GLCT implementation

In the same manner that PCG is urging all GLCs to take bold actions and make tough decisions to accelerate implementation, GLICs must execute the relevant policy guidelines and Initiatives quickly and effectively. Consequently, GLICs should intensify their performance management practices, adopt the procurement guidelines and revamp leadership development within their organisations.

Government to continue providing visible support and commitment to Programme

Government has given the GLCT Programme visible support and commitment and this is expected to continue into Phase 3 of the Programme. Going forward, there is opportunity to build broader understanding and support across Government agencies to allow for stronger consensus building on the GLC Transformation Programme among the key Government stakeholders involved.

GLCT Programme has enjoyed visible support and commitment from Government

The importance of the GLCT Programme to Malaysia's development has been emphasised on an ongoing basis by senior members of Government, including YAB Prime Minister and YB Minister of Finance II. Their support has afforded the Programme a distinct level of legitimacy, resulting in greater buy-in from multiple stakeholders, the securing of resources and the generation of momentum for transformation Initiatives.

Opportunity to build broader understanding and support across Government agencies

Communications for this Programme and its Initiatives have, to date, primarily focused on the GLCs themselves as the primary agents of change, as well as the broader public. Consequently, the depth of awareness and understanding of the principles and initiatives of the GLC Transformation Programme amongst Government agencies beyond YAB Prime Minister and YB Minister of Finance II and their staff – namely other Ministries, regulatory bodies and civil servants– can be developed further. Such additional communication effort will be important to marshall the support of all government bodies and allow for stronger consensus building on the GLC Transformation Programme among the key Government stakeholders involved.

PCG mandate affirmed with evolving roles and responsibilities

Transformation is a continuous journey that will take time to show full results. The PCG, with the support of the Secretariat and TMO, has provided a platform and forum for establishing policy/ initiatives, for common GLC issues to be hashed out, and for GLICs and GLCs to network. Looking forward, while the mandate of the PCG remains relevant – i.e. to catalyse GLC High Performance – the focus of PCG (and consequently the Secretariat and TMO) needs to shift with the focus on the next stage of the GLC Transformation programme.

PCG and its Secretariat to see Programme through Phase 3

PCG (and its Secretariat) should exist until the fundamental challenges identified in this Progress Report have been overcome – particularly with respect to the strength of GLICs and GLC Boards. When GLIC and GLC Boards are strong, there will be little need for the 'scaffolding' provided by PCG. However, addressing these challenges will likely take about 4 years and therefore PCG will need to continue to exist until at least till 2010, which marks the end of the next phase of this Transformation Programme.

Further, a programme-management approach is still required to ensure follow through on Initiatives to implementation and results. However, it will be important to slowly, but explicitly, shift greater responsibility onto individual GLICs and Boards.

PCG to focus on programme-level monitoring and programme related policy matters

Moving forward, PCG should have the following two roles and responsibilities:

Programme-related policy-making – particularly when it is necessary for policies to be developed or modified to remove barriers or to create a more conducive environment for GLCs to improve performance. Issues can be identified and highlighted from GLCs via "CEO Round Table" and "Policy Labs", which draw on GLC CEOs' experience and perspectives to frame potential solutions to policy issues that affect GLCs and their stakeholders. Issues can then be tabled for discussion and debated at the PCG.

Programme monitoring and reporting – for the overall GLC Transformation Programme (not individual GLCs). It will continue to be the role of GLICs to monitor their portfolio of GLCs.

The composition of the PCG will remain the same with YB Minister of Finance II as Chair, a Representative from the PM's Office and the GLIC CEOs, save for an additional member, YB Deputy Finance Minister II who will chair PCG meetings in the absence of YB Minister of Finance II.

Secretariat/TMO to focus on four main roles

As the Programme evolves from launching Initiatives to accelerating implementation, the Secretariat/TMO will have to be redefined. Secretariat/TMO currently does not have the resources, authority or depth to effectively monitor and scrutinise the implementation progress of Initiatives across all GLCs – this should be the role of the Board as well as, potentially, the Nominee Directors and GLIC M&M teams. However, given the Secretariat/TMO's depth of understanding of the GLC Transformation Programme and its associated initiatives, it can be a valuable resource to GLICs and GLCs as they continue their transformation journey. Specifically, the role of Secretariat/TMO will have four roles.

a. Orchestrate key PCG forums

As part of its ongoing role to support PCG, Secretariat/TMO will be responsible for designing and coordinating the agendas and logistics for PCG meetings and any other GLCT forums, including the preparation of any meeting materials or reports.

Secretariat/TMO will also facilitate "CEO Policy Labs" which will be voluntary forums for CEOs to come together to frame common problems, problem-solve and debate solutions – prior to surfacing policy issues to PCG. Potential topics include reforming current labour laws, and engaging with Government bodies on policy matters that might be limiting GLC performance.

b. Broaden and deepen programme communication across all stakeholders

Now that all the Initiatives have been launched, the management of this Programme will shift focus to engagement around, and dissemination of, the Initiatives. For this Programme to be successful, the right environment must be created for GLCs to perform. This involves engaging stakeholders beyond the GLCs themselves, in particular:

- **Building broader support from the Government.** To build this support, key individuals within the Government, select ministries and agencies, and senior civil servants need to be aware of the Programme, understand its implications, and be convinced of its value before they are able to act in accordance with it or support it. Therefore, a broader communication and outreach programme needs to be established including briefings to YAB Prime Minister, the Cabinet, key ministers and senior ministry officials.

- **Engaging with cross-GLC stakeholder communities** to support GLCs in their engagement of stakeholders. Potential groups include the Bumiputera Vendors Association, foreign investors through investor roadshows and unions within the GLCs.

c. Facilitate programme level capability-building support across GLCs

While the onus to build capabilities within a GLC lies with the CEO and top management, Secretariat/TMO can provide GLCs with some support.

- **Clarify content of Initiatives.** Through the development of the Initiatives and facilitating of Circles, Secretariat/TMO has amassed valuable knowledge that can be shared with GLCs either through structured problem-solving sessions or in answer to ad-hoc enquiries. Secretariat/TMO's role here would be to disseminate knowledge and understanding, but not to actually develop GLC-specific plans or to assist GLCs with implementation.

- **Institutionalise an experts network.** Secretariat/TMO has also established valuable contacts, which could become a network of experts. This network could include specific individuals at GLCs or companies that have true expertise on a specific function, and groups of consultants or experts that GLCs could engage or import. This information should be codified and shared with GLCs.

- **Facilitate 'Circles' and post-launch follow-through**. Secretariat/TMO will continue to facilitate and lead the 'Circles' established, to raise awareness of the Initiatives to relevant audiences, to encourage the sharing of best practices and to problem-solve challenges faced. Where necessary, learnings or best practices will be codified and disseminated as 'supplementary' material to the Books and Guidelines.

- **Identify and help resolve major capability barriers that span across GLCs.** TMO should assist in developing cross-GLC solutions where there are critical capability gaps that GLIC/GLCs cannot close the gap on their own. In this case, TMO should first identify and prioritise the capabilities and then tailor and enable the right solutions. For example, establishing an Operations Academy for Malaysia; expanding MINDA to include leadership development, leverage one GLC's PMO to train other PMO teams.

d. Monitor and report on the progress of the GLC Transformation Programme

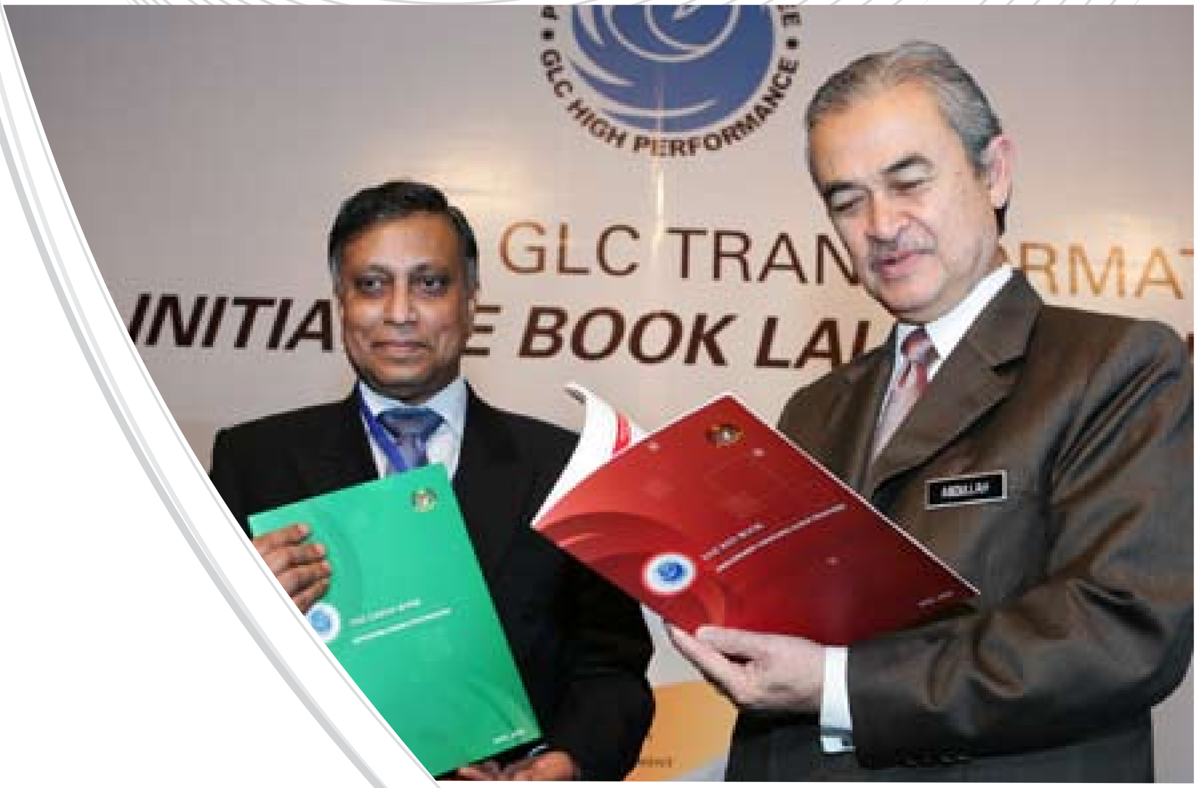
As per the adage "what gets measured, gets done", PCG should continue to provide overall oversight and monitoring of the GLC Transformation Programme. TMO needs to play three different monitoring roles:

- **Establish clear Programme KPIs,** Successes of the Programme to date has been around the completion of activities or inputs. In the next three to four years, more tangible results or outputs are expected. To ensure that there is an objective evaluation of the Programme, clear KPIs and targets must be established. The KPIs should include metrics that cover benefits to the six primary stakeholders – investors, employees, private sector, suppliers, customers and Bumiputeras – and be consistent with the Headline KPIs in the Transformation Plans issued by the GLCs.
- **Monitor overall programme outcomes and initiatives.** Moving forward, GLICs bear the responsibility – as part of their overall M&M process – to monitor GLC-specific Initiatives like procurement or performance management. However, TMO will be responsible for collating reports from the GLICs and collating output data on overall GLC performance – for example TSR, market cap enhancement or specific financial metrics. In addition, TMO would monitor cross-GLC Initiatives like MINDA until a clear steward is identified to take on this role.
- **Conduct a regular stock-take.** A regular stock-take would assess achievements, shortcomings and the effectiveness of the Programme and report its findings in a Progress Report. It is proposed that the next Progress Report is published at the end of 2008, half way through Phase 3.

En Idris Jala, Managing Director, Malaysia Airlines Bhd, Datuk Amirsham Abdul Aziz, President/ Chief Executive Officer, Maybank Group, Tan Sri Nor Mohamed Yakcop, Minister of Finance II, Tan Sri Dato Sri Mohd Hassan Marican, President/ Chief Executive Officer, PETRONAS, Dato' Azman Mokhtar, Managing Director, Khazanah Nasional Bhd.

GLC Transformation Programme: 2006 Initiative Book Launch and Transformation Seminar

One of the highlights of the GLC Transformation Programme was when YAB Prime Minister and YB Minister of Finance II graced the launch of Red and Green Books.



Y.A.B. Dato' Seri Abdullah Bin Haji Ahmad Badawi (at right) at the launch of Red and Green Books, with Minister of Finance II, Tan Sri Nor Mohamed Yakcop.

Malaysia's corporate leaders and business executives lent their full support by attending the launch of Red and Green Books.

8 APPENDICES

8 APPENDIX

Appendix 1: Definition of GLCs and GLICs

1. GLCs

Government-Linked Companies (GLCs) are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake.

Controlling stake refers to the Government's ability (not just percentage ownership) to appoint BOD members, senior management, make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.) for GLCs either directly or through GLICs.

Includes companies where GLCs themselves have a controlling stake, i.e. subsidiaries and affiliates of GLCs.

2. GLICs

Government-Linked Investment Companies (GLICs) are defined as Federal Government linked investment companies that allocate some or all of their funds to GLC investments.

Defined by the influence of the Federal Government in: appointing/approving Board members and senior management, and having these individuals report directly to the Government, as well as in providing funds for operations and/or guaranteeing capital (and some income) placed by unit holders.

Market Capitalisation and shareholding levels of listed GLCs[1] (G-20 companies listed in bold)

	Company	Market Cap (RM millions)
1	**Tenaga Nasional Bhd**	46,569
2	**Malayan Banking Bhd**	44,442
3	MISC Bhd	34,408
4	**Telekom Malaysia Bhd**	32,260
5	**Bumiputera Commerce Holdings Bhd**	24,663
6	Petronas Gas Bhd	17,809
7	**Sime Darby Bhd**	16,093
8	PLUS Expressways Bhd	14,450
9	**Golden Hope Plantations Bhd**	7,947
10	**Malaysian Airline System Bhd**	5,464
11	Petronas Dagangan Bhd	4,729
12	**Kumpulan Guthrie Bhd**	4,381
13	**UMW Holdings Bhd**	3,967
14	**Proton Holdings Bhd**	3,185
15	Highlands & Lowlands Bhd	3,082

[1] *Market capitalisation numbers are as of 30 November 2006*

Market capitalisation and shareholding levels of listed GLCs (continued)

	Company	Market Cap (RM millions)
16	**POS Malaysia & Services Holdings Bhd**	2,582
17	**Affin Holdings Bhd**	2,481
18	**Malaysia Airports Holdings Bhd**	2,332
19	**UEM World Bhd**	2,221
20	Time dotCom Bhd	2,012
21	Sime UEP Properties Bhd	1.570
22	Pantai Holdings Berhad	1,424
23	UEM Builders Bhd	1,398
24	**Chemical Company of Malaysia Bhd**	1,296
25	NCB Holdings Bhd	1,218
26	Island & Peninsular Bhd	1,176
27	**Boustead Holdings Bhd**	1,173
28	Malaysian Industrial Development Finance Bhd (MIDF)	1,091
29	Malaysian Nasional Reinsurance Holdings Bhd	959
30	Boustead Properties Bhd	822
31	**Malaysian Resources Corporation Bhd**	757
32	Sime Engineering Services Bhd	750
33	**BIMB Holdings Bhd**	721
34	Petaling Garden Bhd	639
35	Guthrie Ropel Bhd	549
36	Cement Industries of Malaysia Bhd (CIMA)	529
37	TIME Engineering Bhd	508
38	**TH Plantations Bhd**	498
39	Pharmaniaga Bhd	460
40	**Malaysia Building Society Bhd**	459
41	VADS Bhd	412
42	Duopharma Biotech Bhd	368
43	UAC Bhd	309
44	Syarikat Takaful Malaysia Bhd	221
45	Opus Bhd	206

Market capitalisation and shareholding levels of listed GLCs (continued)

	Company	Market Cap (RM millions)
46	Faber Group Bhd	201
47	Negara Properties (M) Bhd	159
48	Mentakab Rubber Company (M) Bhd	116
49	D'Nonce Technology Bhd	36
50	Johan Ceramics Bhd	18

Summary Facts on Listed GLCs and G-20 (as of 30 November 2006)[2]

	G-20	Listed GLCs
Total number	20	50
Total Market cap	RM203 billion	RM295 billion
% of KLCI Index [2]	35%	41%
% of Total Bursa	25%	36%

[2] G-20 companies not listed on KLCI are UEM World Bhd, Boustead Holdings Bhd, BIMB Holdings Bhd, Malaysian Resources Corporation Bhd, TH Plantations Bhd and Malaysia Building Society Bhd

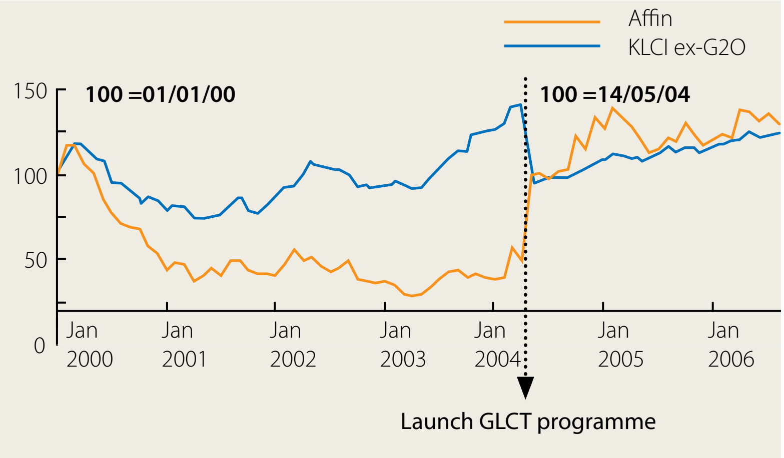
Appendix 2: Scorecard for G-20 Companies

THE G20 SCORECARDS

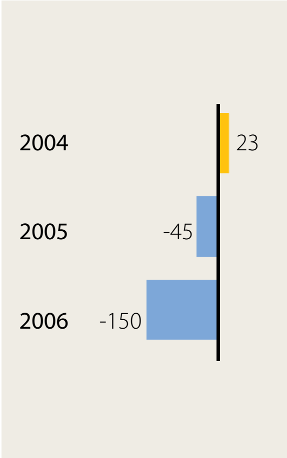
Scorecard for Affin Holdings Berhad

AFFINHOLDINGS

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- AFFIN Bank reduced non-performing loans (NPL) portfolio from 23.6% to 13.2% – September 2006
- Completed AFFIN Bank / AFFIN-ACF Finance merger – June 2005
- Completed reorganisation of AFFIN Bank senior management team – 2005
- AXA AFFIN Life Insurance Berhad acquired life insurance business of Tahan Insurance Malaysia Berhad – June 2006
- AFFIN Islamic Bank Berhad commenced operation after Islamic Banking license issued by MOF in January – April 2006
- Completed the transfer of discount house business of AFFIN Discount to AFFIN Investment Bank – July 2006
- AFFIN Investment Bank acquired AFFIN Fund from AFFIN Holdings to form AFFIN Investment Bank – July 2006
- AFFIN Investment Bank obtained BNM's approval to open three new branches in Kuching, Penang and Johor Bahru. Recruited 3 more senior management members to strengthen its Senior Management team

Headline KPIs

- After-Tax Return on Equity 8.9% (FY06); 9.8% (FY07)
- After-Tax Return on Assets 0.9% (FY06); 1.0% (FY07)
- Net NPL Ratio 10.6% (FY06); 8.0% (FY07)
- Earnings Per Share 25 sen (FY06); 28 sen (FY07)

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

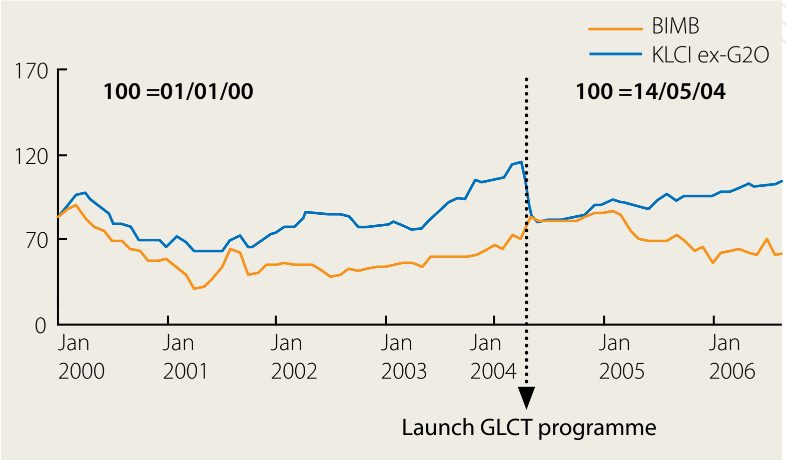
FY Dec 31	2003	2004	2005
Revenue	1,916	1,850	1,775
Net Income	282	445	423
Pre-Tax Profit	156	331	331
Net Profit After MI	132	232	236
EPS (RM)	0.13	0.23	0.20
Shareholders' Funds	2,384	2,687	3,206
Net Tangible Assets	1,532	1,823	2,217
Core Capital Ratio	10.08	11.75	11.35
RWCR	13.94	15.70	15.43

Challenges / Negative external factors

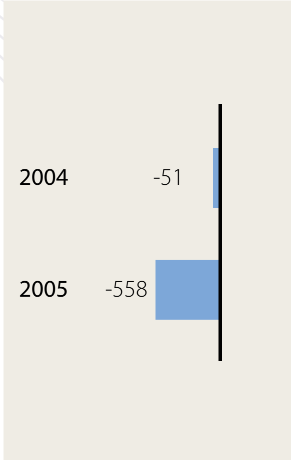
- Further reduce NPL ratio and cost to income ratio of the Group to a more reasonable level
- Realise synergy from support services that will be centralised at AFFIN Bank – such as risk management, internal audit and IT
- Realise synergy to the Group from the acquisition of the life insurance business of Tahan Insurance Malaysia Berhad
- Ensure the creation of AFFIN Investment Bank is successfully integrated with the Group and synergy is realised
- Address greater competition from foreign banks with the opening of new branches
- Address greater competition with the entry of foreign banks from the Middle East

Scorecard for BIMB Holdings Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Improved market orientation via redefining target market, enhanced delivery system and product focus
- Enhanced Debt Recovery Division to streamline recovery strategies and overall operations of bank wide NPF and delinquent management
- Reviewed expenses and implemented austerity drive for cost control
- Reorganised manpower as per business needs and developed talent inventory based on skill sets and performance
- Recapitalised Bank Islam with Rights Issue in August 2005, resulting in Dubai Investment Group acquiring a 40% stake in the company

Headline KPIs

- NPF — Contain to below 25% (FY06)
- RWCR — Improve to 12% (FY06)
- Revenue Growth — 20% year on year (FY06 – FY09)
- Expense Growth — 5% year on year (FY06 – FY09)
- Return to Profitability — By FY07
- Return on Equity — 5% (FY06 – FY09)

Historical Financial & Operational Highlights (RM million)

FY Mar 31	2004	2005	2006
Revenue	687	1,063	951
EBITA	n/a	n/a	n/a
EBIT	n/a	n/a	n/a
Net Income	86	(457)	(1,230)
EPS (RM)	0.15	0.81	-2.185
Total Shareholders' Equity	1,163	1,251	28.14
Tangible Assets	12,959	18,508	17745

Challenges / Negative external factors

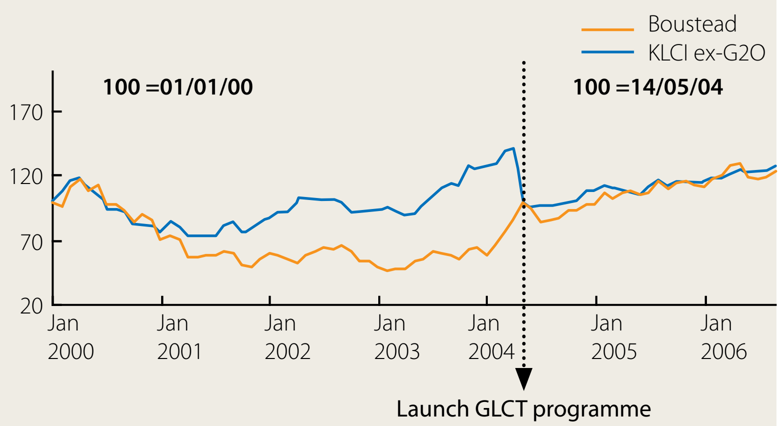
- Data quality and integrity issues resulting from poor end-to-end integration of disparate applications and supporting processes
- Considerable distressed assets portfolio which could lead to further losses

Source: Joint Working Team

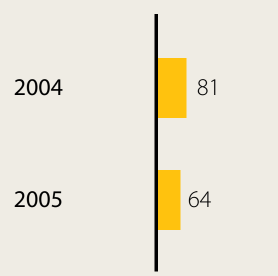
Scorecard for Boustead Holdings Berhad

Boustead Holdings Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Completed an Islamic plantation Asset Backed Securitisation (ABS) programme (Nov 2005) amounting to RM742 million. Gain of RM163 million realised from this sale and leaseback of plantation assets.
- Trading division pre-tax profit rose by almost 8 times compared to the previous year in 2005, with the inclusion of the new subsidiary Boustead Petroleum Marketing Sdn Bhd.
- Increased its stake in PSC Industries (PSCI) from 18.6% to 32.7% in 2005. Through numerous corporate exercises, Boustead is in the process of increasing its equity interest in Boustead Naval Shipyard Sdn Bhd by a further 32.6%, which will ultimately result in a total shareholding of 63.3%.
- In the process of establishing an Islamic plantation real estate investment trust, known as Al-Hadharah Boustead REIT. The REIT involves the sale and leaseback of its palm oil estates/mills valued at approximately RM472 million.
- As at Nov 2006, crude palm oil (CPO) prices has risen to above RM1,800 per tonne.

Headline KPIs

• Return on Equity	7.9% (FY06); 8.7% (FY07)
• Pre-tax Return on Asset	7.6% (FY06); 8.4% (FY07)
• Dividend Payout Ratio	49.9% (FY06); 50.0% (FY07)
• Gross Dividend per Share	16 sen (FY06); 16 sen(FY07)

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

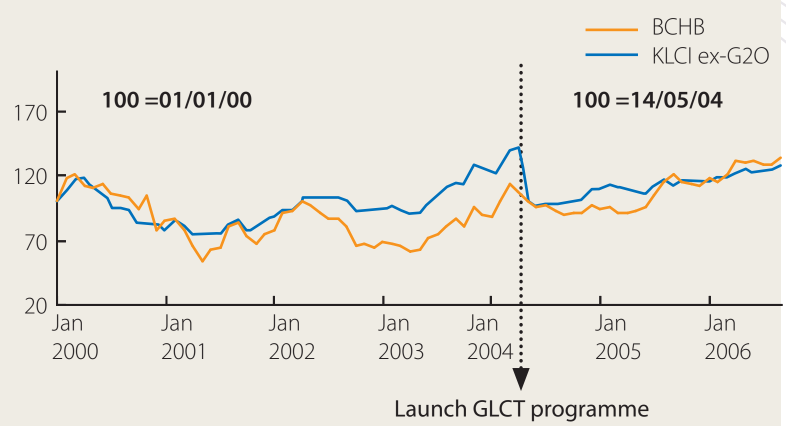
FY Dec 31	2003	2004	2005
Revenue	1,081	1,268	1,924
EBITDA	311	375	464
EBIT	281	335	410
Net Income	113	119	191
EPS (RM)	0.26	0.21	0.32
Total Equity	2,336	2,404	2,405
Total Tangible Assets	4,337	4,638	5,113
Net Debt/(Cash)	1,532	1,619	1,678
Net Debt/Total Equity Ratio	0.66	0.67	0.70

Challenges / Negative external factors

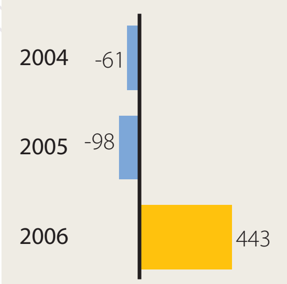
- To improve the performance of its plantation division, which in 2005 recorded a pre-tax surplus of RM34 million (lower by 66% as compared to 2004), mainly due to lower oil palm prices and increased manufacturing cost.
- For property division, with the maturity of the Curve, a lifestyle shopping mall, it is hoped that Boustead will be able to reap the benefits and full potential of its property investment.
- The property division also faces the challenge of seeking new landbank in strategic locations to ensure the continuity and expansion of its property development activities.
- Manufacturing and Services division will continue to be affected negatively by weaker domestic demand and escalation of raw materials costs.

Scorecard for Bumiputera-Commerce Holdings Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Completed major restructuring to integrate commercial and investment banking arms, involving 1,300 staff opting for VSS
- Successfully acquired SBB to strengthen commercial banking franchise and launched Re-branding effort at CIMB Group
- Acquisition of SBB resulted in estimates synergies of RM200m per annum starting 2007 until 2009
- Successful regional expansion of Securities via acquisition of GK Goh (Singapore) and BNP Paribas Peregrine Securities (Thailand)
- Consolidated presence in Indonesia through increased stake in Bank Niaga
- Set up Islamic Bank (JV with Yusuf Bin Ahmed Kanoo (Holdings)) in Bahrain
- Improved capital management structure with better capital allocation and tiering of capital structure
- Restructuring of insurance arm and commencement of Takaful business
- Revamping branch processes to decrease queue times, institute greeter etc
- 3Q06 performance on track to meet targets e.g. ROE of 13.1%
- Standard & Poors reaffirmed rating of BCHB, CIMB Bank and CIMB Investment and negative watch removed

Headline KPIs

- Return on Average Equity 13% (FY06)
- TSR Outperform KLCI TSR (FY06)

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

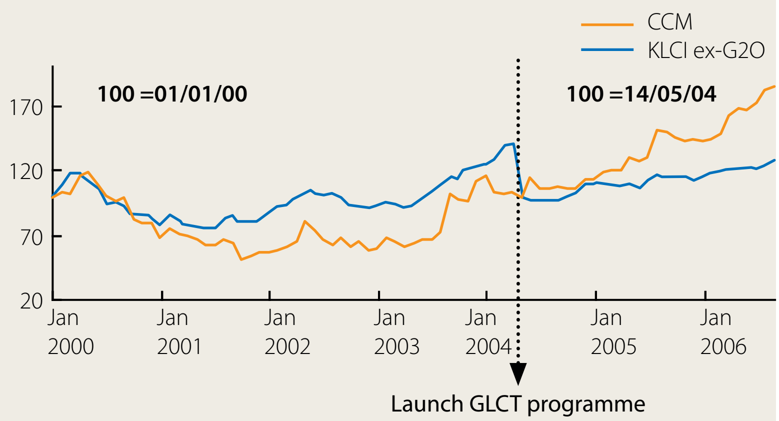
FY Dec 31	2003	2004	2005
Revenue	3,579	4,155	4,723
Profit Before Provision	1,872	2,201	2,445
Pre-Tax Profit	1,241	1,053	1,313
Net Profit After MI	782	735	827
EPS (RM)	0.31	0.28	0.31
Shareholders' Funds	7,900	8,959	9,637
Net Tangible Assets	7,565	8,593	9,091
Core Capital Ratio	10.94	9.96	11.20
RWCR	14.79	13.81	15.23

Challenges / Negative external factors

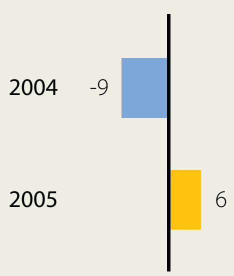
- Shortfall in FY05 target ROE of 12% with actual ROE of 8.9% due to provisioning, consolidation and merger costs
- On-going consolidation and liberalisation of banking sector will result in intensifying competition
- Slowing loan growth coupled with deteriorating asset quality is resulting in challenging earnings environment
- Analysts have raised concern over BCHB's ability to successfully execute and deliver on integration due to sheer size and complexity of task.

Scorecard for Chemical Company Of Malaysia

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Acquired Duopharma Biotech Berhad (74%) - pre-tax margin of healthcare division jumped to 19% post consolidation (pre consolidation - 8%)
- Opened operating office in Vietnam in 2005 (existing operations in Indonesia and Singapore), to open operating office in Thailand by end 2006 and further plans to open office in the Philippines in 2007
- Expansion of fertiliser business in Malaysia and Indonesia, with completed land acquisitions for new plants in Bintulu and Medan
- Continued to divest non core assets e.g. shares in Cardiome (Canada) and Impax (USA), realising capital gains of RM118 million in 2005 and 2006

Headline KPIs

• Turnover	RM1.155 billion (FY06)
• Profit Before Tax (PBT)	RM99.2 million (FY06)
• Export / Regional Sales	RM200 million (FY06)
• Turnover Growth Rate	41.9% (FY06)
• PBT Growth Rate	33.7% (FY06)
• PBT Return on Sales	8.6% (FY06)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	577	697	814
EBITDA	56	70	92
EBIT	25	43	69
Net Income	44	168	90
EPS (RM)	0.13	0.46	0.24
Totsl Shareholders' Equity	525	669	779
Tangible Assets	941	1,103	1,166
Net Debt/(Cash)	59	(70.48)	114
Net Debt/Total Shareholders' Equity Ratio	0.11	(0.11)	0.15

Challenges / Negative external factors

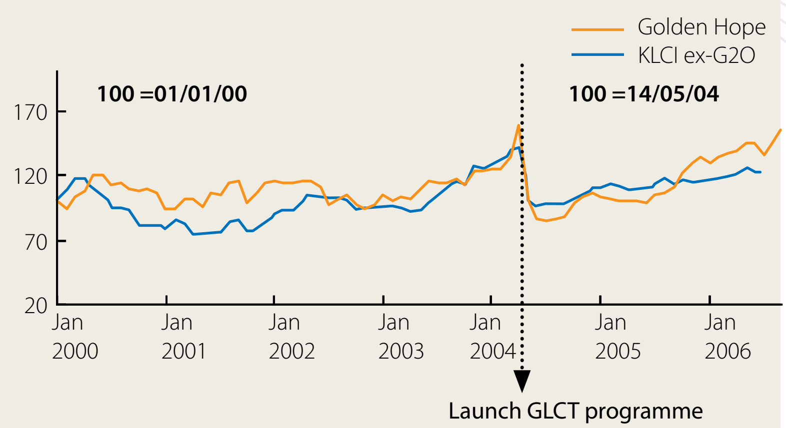
- Continue expansion of core businesses in Malaysia
- Accelerate expansion of businesses in ASEAN market
- Need to acquire businesses to enhance CCM's position in Malaysia and ASEAN
- All of the above are expected to contribute towards achieving the challenge turnover of RM2 billion in 2007

Source: Joint Working Team

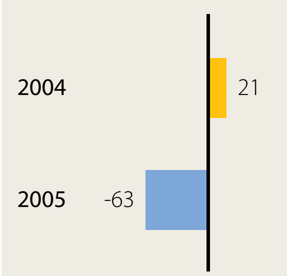
Scorecard for Golden Hope Plantations Berhad

Golden Hope

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Completed rationalisation exercise with Island & Peninsular Berhad in 2004, now focusing only on core competency of plantation and related downstream activities
- Average return on equity of 8% for the last 2 years
- Average oil extraction rate has increased steadily to 21.52%, much higher than the industry average of 19.6%
- Increasing biodiesel capacity, set to become Malaysia largest biodiesel producter in 2008
- Acquired Unilever Oils and Fats businesses, Hudson & Knights in South Africa (2004)
- Agreed with Cognis BV to expand scope of JV from Malaysian to Worldwide Oleochemical business in 2006
- Pursuing optimal capital structure at acceptable risk level
- Increasing CPO price forecast

Headline KPIs

• Return on Equity	Between 8% to 12% (FY06 – FY10)
• Percentage of Sales Volume from High Value-Added, Non-Commodity Oils and Fats	Increase from 30% to 50% by FY10
• Dividend	At least 50% of yearly net earnings

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

FY Jun 30	2004	2005	2006
Revenue	2,783	3,336	3,825
EBITDA	501	498	470
EBIT	425	399	351
Net Income	342	550	260
EPS (RM)	0.33	0.42	0.18
Total Shareholders' Equity	4,832	6,438	5,158
Tangible Assets	5,753	7,597	6,438
Net Debt/(Cash)	(26)	(1,352)	419
Net Debt/Total Shareholders' Equity Ratio	(0.01)	(0.21)	8.13

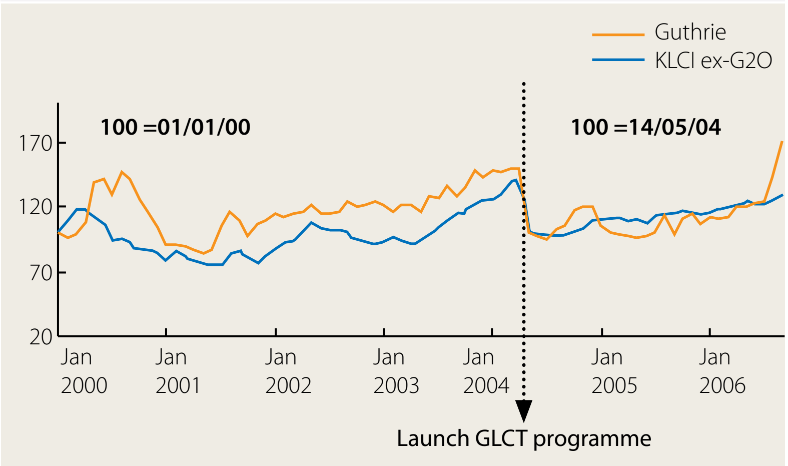
Challenges / Negative external factors

- In FY06, the group missed its 8% ROE target by 3% pts due to a drop in Fresh Fruit Bunch (FFB) output, FBB output has since recovered
- ROA has been depressed resulting in negative Economic Profit for 2005/06 as a large proportion of the palm trees are immature. As the trees move into their prime age, the economic profit is expected to be positive from 2006/07 onwards
- Experiencing increasing losses from manufacturing/ overseas units due to rising competition and higher CPO costs

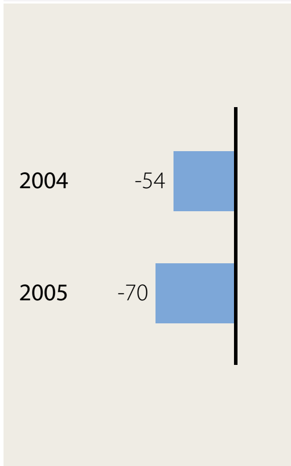
Scorecard for Kumpulan Guthrie Berhad

KUMPULAN GUTHRIE BERHAD

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Divesting non-core assets e.g. sold Guthrie Medical Products in 2005, further plans to divest manufacturing, golf and resorts, IT etc
- Fresh Fruit Bunch (FFB) production of Malaysian operations increased by 6.5% and Indonesian operations increased by 17.3% in FY2005 to FFB yield per hectare of 17.3 tonnes and 15.8 tonnes respectively
- Debt restructuring as initiative to improve capital management
- Looking into Biodiesel production in response to Government incentives

Headline KPIs

- Return on Equity — 8% (FY06), 12% (FY08)
- Target Fresh Fruit Bunch — 20.1mt (Malaysia), 17.5mt (Indonesia) (FY06)

  Yield per Mature Hectare — 22.0mt (Malaysia), 20.3mt (Indonesia) (FY08)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	3,047	2,516	2,132
Gross Profit	859	852	757
Pre-Tax Profit	469	352	256
Net Profit After MI	139	160	49
EPS (RM)	0.14	0.16	0.05
Shareholders' Funds	3,072	2,950	2,859
Net Tangible Assets	2,776	2,673	2,598
Total Debt	2,751	3,307	3,062
Debt / Equity Ratio	0.90	1.12	1.07

Challenges / Negative external factors

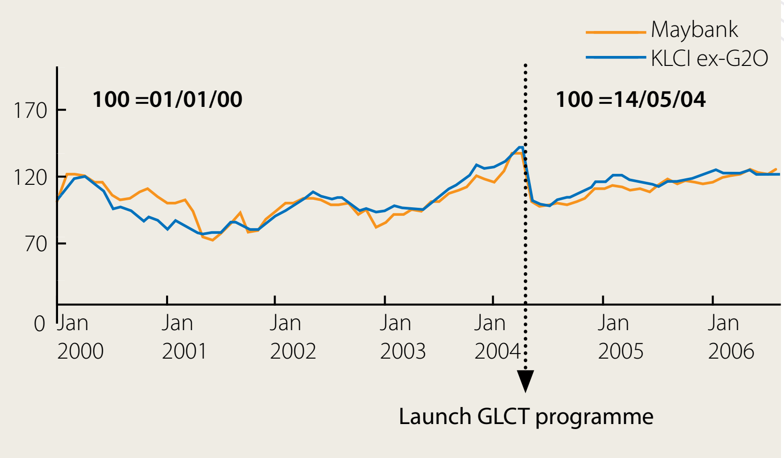
- Interest expense is still high though borrowings have reduced by RM300 million
- Exposure to Indonesia caused unrealised foreign exchange loss of RM54 million in FY05 as Rupiah weakened against US dollar
- Massive replanting exercise undertaken earlier by the company had negatively affected financial performance in recent years, but will be significantly advantageous to Guthrie as the plantations enter their prime production phase
- High capital expenditure needed to build capacity to match processing requirement

Source: Joint Working Team

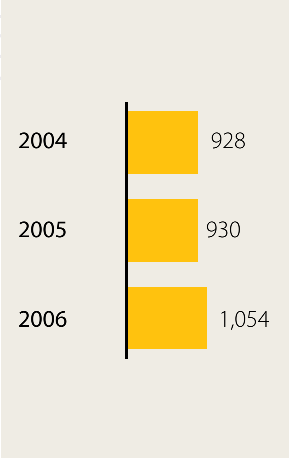
Scorecard for Maybank

Maybank

TSR Index



Economic profit
(RM million)



Achievements

- Average net return on equity for the last 2 years was 17.8%
- Net NPL ratio for the Group registered further improvement with it falling from 4.93% in June 2005 to 4.67% in September 2005, 4.48% in December 2005, 4.13% in March 2006 and 3.84% in June 2006.
- To achieve aspiration of becoming the "National Insurance Champion", the Group through Mayban Fortis acquired MNI holdings from PNB and Takaful Nasional in 2005
- Implemented capital management program, which included optimum level of capital adequacy ratio, capital mix and composition of Tier 2 capital.
- Significantly ahead of the industry in its Basel II preparedness

Headline KPIs

For FY 2006 – 2008

- Return on Equity : 18%
- Revenue Growth : 10%

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

FY June 30	2004	2005	2006
Revenue	10,404	11,216	12,702
Profit before taxation	3,359	3,494	4,031
Profit after taxation and minority interest	2,425	2,503	2,804
EPS (RM)	0.67	0.68	0.74
Total Shareholders' Equity	14,623	16,401	16,766
Total Assets	179,507	191,895	224,205
Total Customer Deposits	123,366	131,068	136,218
Total Loans	109,294	119,594	131,454
Return on equity	18.8%	17.4%	18.1%
Cost to income ratio	40.2%	39.4%	39.6%
Net non-performing loans ratio	6.0%	4.9%	3.8%

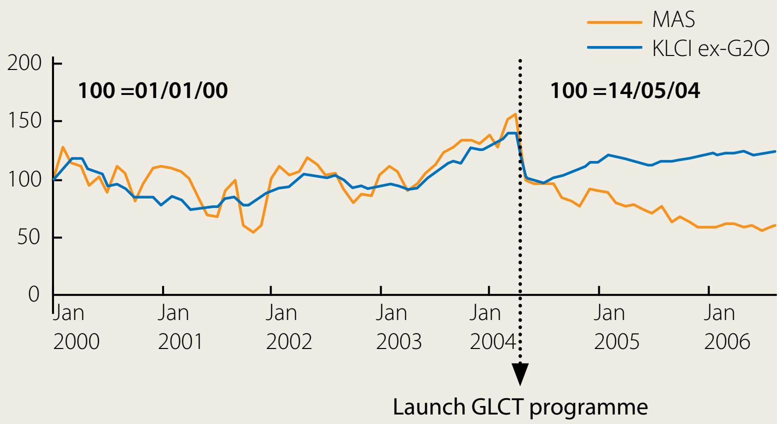
Challenges

- Impact of rising interest rates in traditional growth areas
- Surplus liquidity –margin compression
- Industry liberalisation and market competition

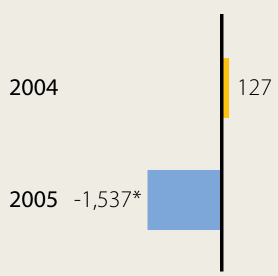
Maybank is confident that its three-pronged strategy to diversify its income streams to include other non-banking sectors, improve revenue from overseas operations as well as to grow non-interest income has positioned it to face the prospect of an increasingly challenging operating environment.

Scorecard for Malaysian Airline System Berhad

TSR Index



Economic profit (RM million)



*Nine months result

Achievements / Positive external environment

The Business Turnaround Plan has successfully addressed the key issues confronting MAS:

- Low yield – to-date, MAS has increased yield (sen/RPK) by 17%
- Inefficient network – MAS ceased operations for 15 international loss-making routes, signed codeshare and interlining agreements with Gulf Air and Virgin Blue, and rationalised its domestic routes.
- Low productivity – about 2600 staff had been released under the Mutual Separation Scheme.
- Poor cost control – for 1st half 2006, MAS has achieved cost savings of RM338 million.
- Return to profitability – 3Q 2006 net profit of RM240 million.

Historical Financial & Operational Highlights (RM million)

FY Dec 31	03/2003	03/2004	12/2005
Revenue	8,675	8,588	8,851
EBITDA	1,020	676	(1,005)
EBIT	367	462	(1,245)
Net Income	337	461	(1,265)
EPS (RM)	0.39	0.37	(1.01)
Total Shareholders' Equity	2,574	3,036	2,036
Tangible Assets	5,718	6,616	6,304
Net Debt/(Cash)	(932)	(2,191)	(1,179)
Net Debt/Total Shareholders' Equity Ratio	(0.36)	(0.72)	(0.58)

Headline KPIs

• Net (Loss)/Income	- RM620 million (FY06); RM50 million (FY07); RM500 million (FY08)
• Cash Surplus	RM1.0 billion (FY06)
• Profit for MAS Kargo	RM107 million (FY06)
• On Time Performance	80% of flight schedules (FY06)
• Number of Incidents	Not more than 3 cases per month (FY06)

Challenges / Negative external environment

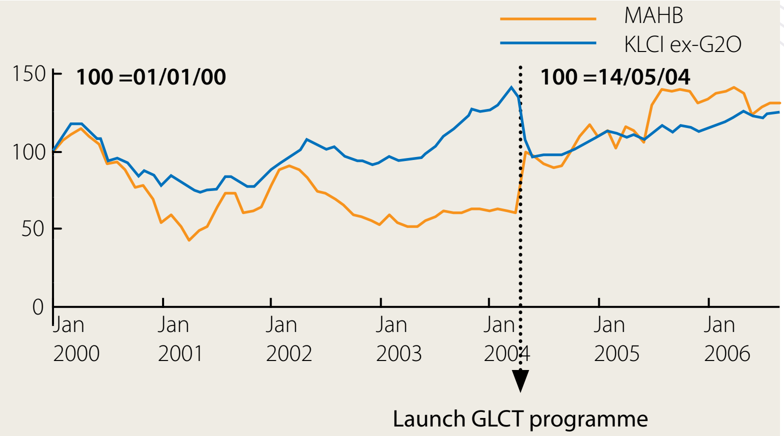
- Intensifying competition on all fronts (domestic and international, low cost and business)
- High fuel prices
- Pressure on yield from increasing industry capacity
- Continuing govt support is critical
- Pressure on early liberalisation vis-à-vis 'open skies'
- High and rapidly rising cost base e.g. maintenance, labour
- Aging and unintegrated IT system
- Developing leaders and attracting good talents

Source: Joint Working Team

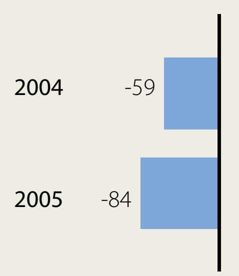
Scorecard for Malaysia Airports Holdings

MALAYSIA AIRPORTS

TSR Index



Economic profit
(RM million)



Achievements / Positive external environment

- KLIA awarded World's Best Airport (15-25mppa category) in AETRA 2005 survey
- Won bid in 2006 (as part of a JV) to privatise New Delhi Airport, 2nd largest in India.
- Estimated revenue and cost saving from transformation initiatives till Dec 2006 is RM20 million.
- Revenue per pax increase from RM25.99 (2004) to RM26.77 (2005)
- Total passenger movement increase 5.4%, from 39.4 million (2004) to 41.6 million (2005)
- Cost per passenger decrease from RM13.94 (2004) to RM12.68 (2005)
- KLIA's LCC Terminal awarded CAPA Low Cost Airport of the Year (Y2006).
- As result of extensive marketing, 4 new airlines have confirmed to commence their service to KLIA in 2007

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	894	1,025	1,113
EBITDA	206	270	331
EBIT	141	173	236
Net Income	85	125	182
EPS (RM)	0.08	0.11	0.17
Total Shareholders' Equity	2,388	2,498	2,656
Tangible Assets	3,555	4,079	n/a
Net Debt/(Cash)	(117)	(314)	(306)
Net Debt/Total Shareholders' Equity Ratio	(0.05)	(0.13)	(0.12)

Headline KPIs

- Not applicable as MAHB is pending restructuring

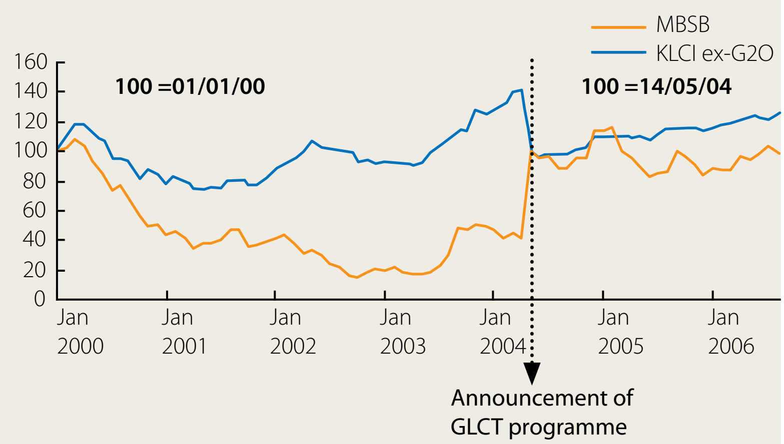
Challenges / Negative external environment

- Outstanding lease payment of RM840 million to the Government
- Pending decision on MAHB restructuring plan
- Increase in oil prices may reduce prosperity of air travel
- Malaysia Airlines Route Rationalisation has reduced revenue from PSC, landing and parking fees.
- Lower yields from LCC passengers due to decrease in international PSC from RM45 to RM35
- Increase in operational costs due to new and larger airport facilities and global terrorism threat.
- Epidemics – ongoing risks of possible Avian Flu and SARS outbreak
- Development of new airports and expansion of terminals is being determined by government, therefore, may not be optimal to MAHB
- Retail optimisation plan deferred due to Visit Malaysia Year 2007. Beside reducing revenue for Malaysia Airports, it will also jeopardise the effort to balance revenue between the aeronautical and non-aeronautical business activities

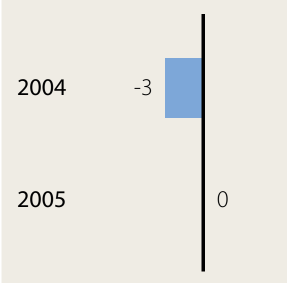
Source: Joint Working Team

Scorecard for Malaysia Building Society Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- NPLs reduced from 41% (FY04) to 34% (FY05)
- Introduced comprehensive risk management framework and boost role of internal audit department
- Divested non-core property assets to focus on core mortgage retail business, for example successfully terminated some of the Joint Venture Arrangements (JVA) either through takeovers by JV partners or via settlements
- Rolled out Branch Transformation programme in 2005 to enhance the delivery system and customer service in line with the transformation of MBSB into a customer centric organisation.
- Conducted a series of change management programmes to ensure employees understand the key role they play towards the achievement of corporate goals and aspirations

Headline KPIs

• Return on Equity	8.83% (FY06) (without Tax Adjustments)
• Profit Before Tax Growth	37% (FY06)
• Retail Loan Growth	30% (FY06)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	184	199	229
EBITDA	(60)	30	34
Pre-Tax Profit/(Loss)	(67)	23	25
Net Profit/(Loss) After MI	(67)	32	39
EPS (RM)	(0.20)	0.09	0.11
Shareholders' Funds	302	342	376
Net Tangible Assets	3,949	4,536	4,921
Net Debt	1,896	1,507	920
Debt/Equity Ratio	6.81	5.00	2.81

Challenges / Negative external factors

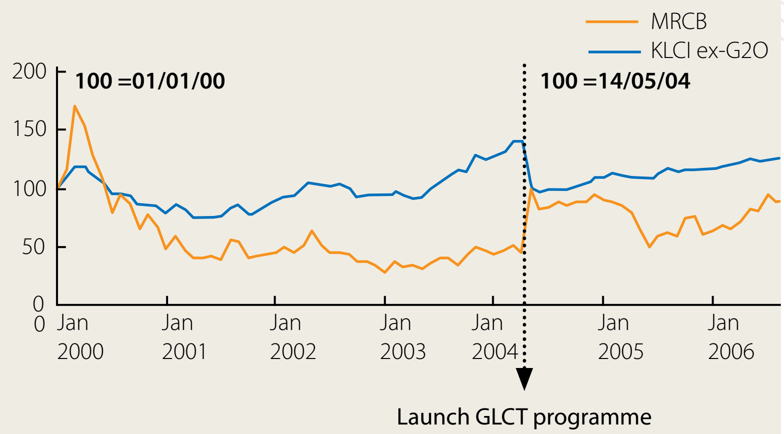
- Viewed as a 2nd tier financial services institution
- Has a significant legacy of corporate NPLs
- Facing increasing competition in its core mortgage market
- Does not have sufficiently positive brand recognition
- Limited distribution channels
- Non-interbank player

Source: Joint Working Team

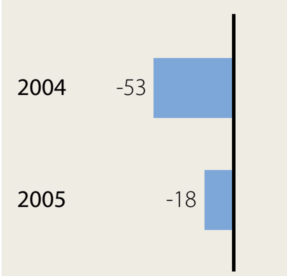
Scorecard for Malaysian Resources Corporation Berhad

MRCB

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- KL Sentral development project has on-going order-book of RM1.2bn in 2005 and balance of RM3.5 billion gross development value until 2012
- On-going external work order for engineering, infrastructure & others stood at RM 1 billion in 2006
- Secured RM390 million construction project in Dubai, UAE
- Working on securing the Penang Light Monorail Project
- To participate in the new Ninth Malaysia Plan projects after the securing the Eastern Dispersal Link (EDL) in Johor Bahru.
- Restructuring and refinancing the existing KL Sentral Bond (BaIDS)

Headline KPIs

• Group Revenue Growth	50% (FY06)
• New Property Development	RM600 million (FY06)
• New Order Book Growth for Engineering, Infrastructure & Others	RM1 billion (FY06)
• Group Profit Before Tax Growth	50% (FY06)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	360	188	320
EBITDA	232	84	NA
Pre-Tax Profit	116	22	27
Net Profit After MI	125	34	17
EPS (RM)	0.13	0.04	0.02
Shareholders' Funds	436	467	483
Net Tangible Assets	425	457	473
Net Debt/(Cash)	1,098	973	941
Debt/Equity Ratio	2.52	2.08	1.95

Challenges/ Negative external factors

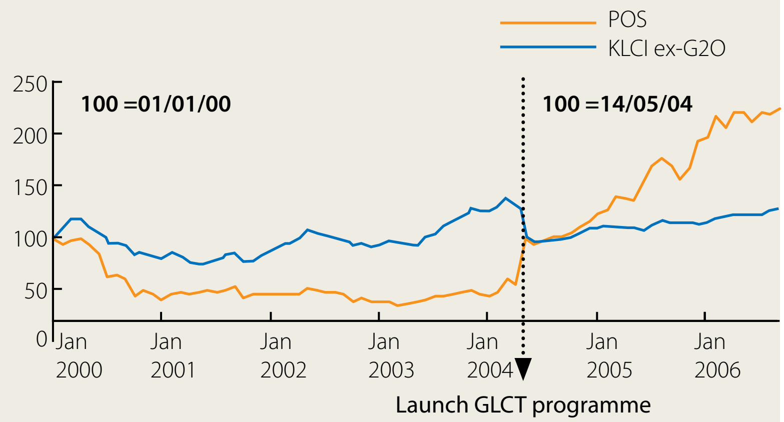
- Overseas ventures slow to take off due to financial limitations and lack of right talent
- High borrowing cost and lending imposition on use of cash proceeds limits both business expansion and optimal use of cash in sinking funds
- Needs to utilise foreign consultants due to limited availability of local talent in specialised fields

Source: Joint Working Team

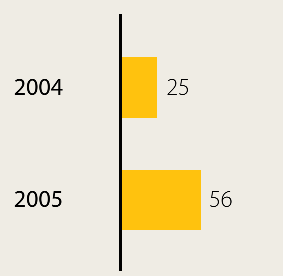
Scorecard for POS Malaysia & Services Holdings

PSH

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Khazanah-led proposal to merge 2 tier board (Holdings and PMB) and distribute RM785 million cash to shareholders pending approval from Government
- Revenue increased by RM94 million (13.3% YoY-growth) due to a 3% increase in mail volume and reclassification of mail in March 2005.
- Net profit similarly increased by RM69 million to RM145.4 million for FY05 (91% YoY-growth) on the back of higher turnover growth, which was underpinned by strong contributions (18.1% YoY-growth) from the mail division; and due to tax write-back arising from overprovision in previous years
- Voluntary separation scheme implemented in September 2005 reduced workforce by 10%, which resulted in a 7% reduction in staff costs.
- Sustained improvement in EBITDA margins from 11.3% (FY03) to 19.3% (FY05)

Headline KPIs

- Revenue — RM876 million (2006)
- EBITDA — RM174 million (2006)
- Dividend policy — At least 35% of Profit After Taxation p.a. (until 2008)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	648	694	787
EBITDA	81	104	148
EBIT	40	67	114
Net Income	67	76	145
EPS (RM)	0.17	0.18	0.29
Total Shareholders' Equity	1,171	1,333	1,573
Tangible Assets	1,657	1,734	2,006
Net Debt / (Cash)	(605)	(694)	(977)
Net Debt / Total Shareholders' Equity Ratio	(0.52)	(0.52)	(0.62)

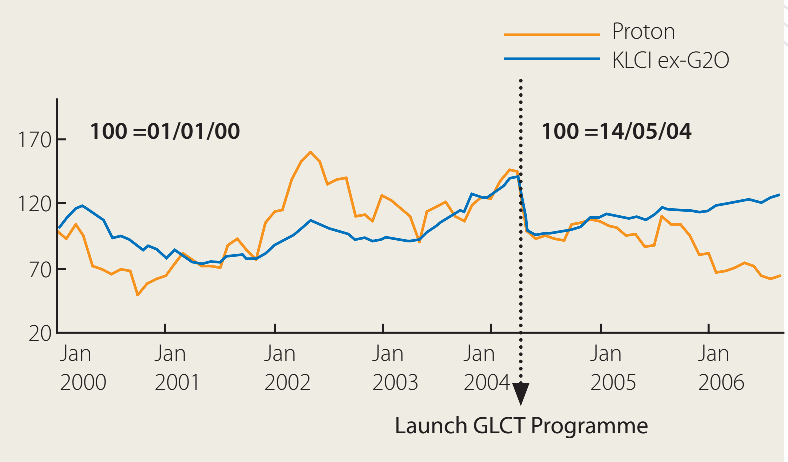
Challenges / Negative external factors

- Initiate a more proactive Regulatory Management approach to help shape industry landscape to prepare for future tariff hike proposal and liberalisation
- Undertake numerous transformation initiatives to create value, the current limitation to human capital notwithstanding.
- Explore other product segments with high growth potential
- Rising fuel and energy costs

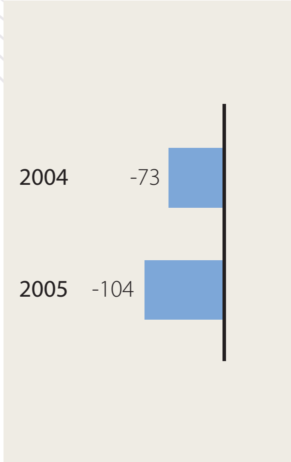
Source: Joint Working Team

Scorecard for Proton Holdings Berhad

TSR Index



Economic profit (RM million)



Achievements / Positive external factors

- New senior management team installed. To finalise candidates for remaining management gaps (e.g CFO)
- Review of detailed organisation structure in-progress
- Strategic Review in progress to determine end-state and develop road-map
- Signed Letter of Intent with PSA to conduct a 3-month feasibility study
- In process of formulating business turnaround plan

Headline KPIs

• Domestic Market Share	45.8% (FY07)
• Export Sales (% Contribution to Revenue)	8.6% (FY07)
• EBIT Margin	2.5% (FY07)
• Customer Satisfaction Index	720 points (FY07)

Source: Joint Working Team

Historical Financial & Operational Highlights (RM million)

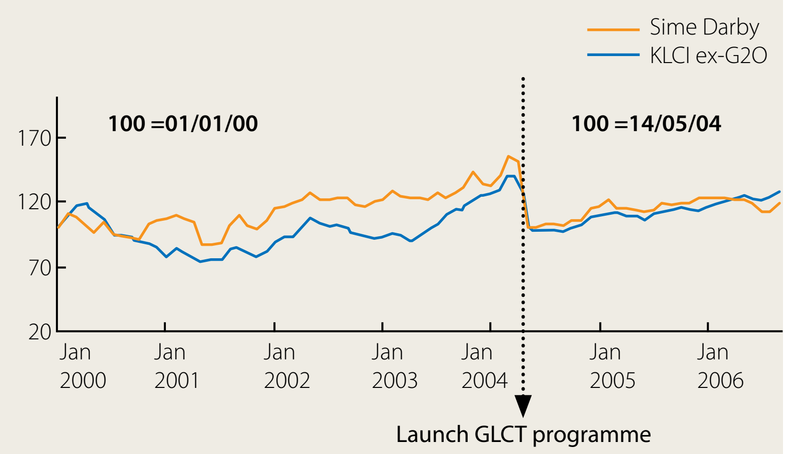
FY Mar31	2004	2005	2006
Revenue	6,470	8,483	7,797
EBITDA	806	771	365
EBIT	319	405	13.7
Net Income	510	442	47
EPS (RM)	0.93	0.81	0.09
Total Shareholders' Equity	5,538	5,860	5,871
Tangible Assets	8,027	8,802	8,284
Net Debt/(Cash)	(2,439)	(1,669)	(102)
Net Debt/Total Shareholders' Equity Ratio	(0.44)	(0.28)	(1.74)

Challenges / Negative external factors

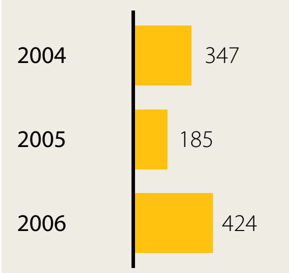
- Losses reported Q1 FY07 RM59 million (after tax)
- Bookings of recent product launches (e.g.. Satria Neo), insufficient to stem falling domestic market share
- Short-term stabilisation of operational cash flow difficult to maintain unless significant changes are made to Proton's value chain (product, production, sales)
- Intensifying competition and lack of scale to compete effectively
- Depressed prices and stock overhang in the second-hand market stifling domestic market car sales going forward
- In critical need to tie up with strategic or technical partner to remain competitive in the mid to long term

Scorecard for Sime Darby Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive External factors

- Performance exceeded Headline KPIs
- FY06 net profit growth of 40% and Return on Average Shareholders' Funds improving to 13.3% from 9.75% in FY05
- On-going disposal of non-core assets e.g. Jaya Holdings, which resulted in a gain of RM452 million
- Completion of several pilot projects in the procurement improvement project

Headline KPIs

• Return on Shareholders' Funds Target	11.5% (FY06); 15% (FY08)
• Net Profit Target	RM1,006 million (FY06); RM1,400 million (FY08)
• FY06 Actual	ROSF = 13.3% Net Profit=RM1,121 million

Historical Financial & Operational Highlights (RM million)

FY Mar 31	2004	2005	2006
Revenue	14,904	18,646	20,162
EBITDA before unusual items & assoc	1,598	1,891	1,971
EBIT before unusual items & assoc	1,262	1,528	1,590
Net Income	919	801	1,121
EPS (RM)	0.39	0.34	0.46
Total Shareholders' Equity	8,425	8,005	8,804
Tangible Assets	15,468	16,162	17,466
Net Debt / (Cash)	(203)	483	408
Net Debt / Total Shareholders' Equity Ratio	(0.02)	0.06	0.05

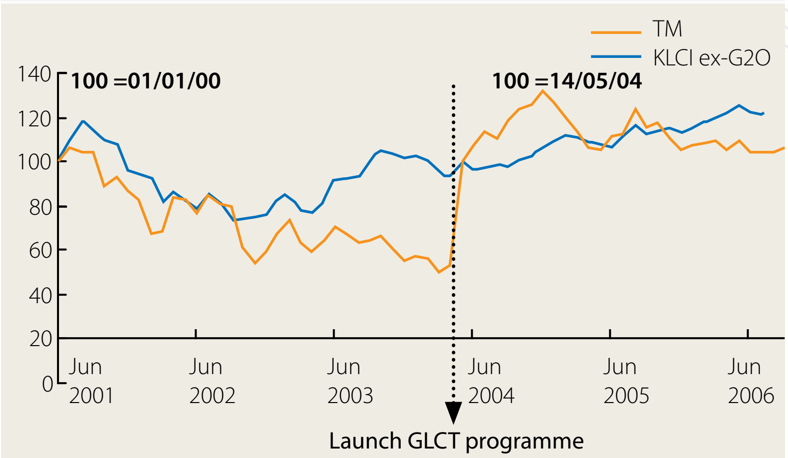
Challenges

- Having recorded a 40% growth in net profit in FY06, growth in FY07 will be more challenging in the face of slowing demand on big-ticket items namely property and motor vehicle sales.
- Issues in developing the right reward system for Business Units to compete with competitors which are primarily entrepreneurial-owned companies

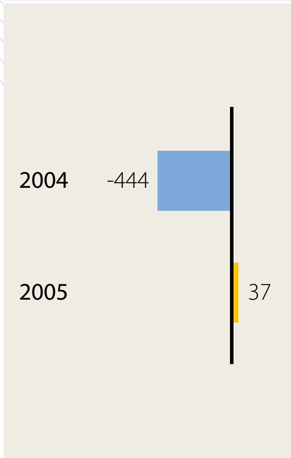
Source: Joint Working Team

Scorecard for Telekom Malaysia Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- New senior management team installed
- VSS programme– reduced workforce by 6% in 2005
- Granted fairer access pricing structure with outflow savings of RM100 million p.a.
- Earnings from regional expansion plan bearing fruit eg. Divestment of Telkom South Africa in 2004
- Successful listing of Dialog (Sri Lanka) and acquiition of mobile operators: Excelcomindo (Indonesia) & DCIL (India) in 2005
- Roaming and co-branding partnership with Vodaphone
- Launched "Smart Orange" programme on Talent Development
- Implementing Board improvement programme after completing "Board Effectiveness" pilot
- Launch of TM's 4 year Group-wide Performance Improvement Program

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	11,796	13,251	13,942
EBITDA	5,417	5,558	6,157
Pre-Tax Profit	1,811	3,173	1,578
Net Profit After MI	1,390	2,614	875
EPS (RM)	0.44	0.78	0.26
Shareholders' Funds	16,782	19,453	19,384
Net Tangible Assets	31,968	33,603	34,213
Net Debt	8,099	1,833	5,129
Net Debt/Equity Ratio	0.48	0.09	0.26

Headline KPIs

- Revenue RM17 billion (FY06)
- EBITDA Margin 45.9% (FY06)
- Return on Capital Employed* 10.6% (FY06)

* Return on Capital Employed = EBIT/Average Capital Employed

Challenges / Negative external factors

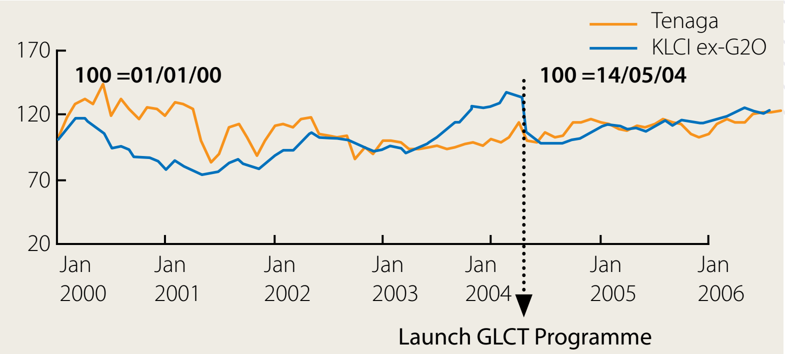
- Loss of RM701 million on settlement of RM879.5 million claims by De Te Asia in 4th Quarter (FY05)
- Intense competition in cellular segment typified by price wars
- Saturation of domestic cellular business
- Fewer overseas investment opportunities in the region coupled with strong competitors for Telco assets in countries such as Vietnam, Philippines & India
- Need for more focus on cost cutting
- Industry structure not necessarily optimal. Require stronger regulatory support to clarify a sustainable industry objective and consistent actions
- Declining fixed line business in line with global trend towards alternative voice service providers e.g. VOIP
- The need to venture into Next Generation Networks and Technologies focusing on fixed/mobile convergence to meet the future demands of consumers

Source: Joint Working Team

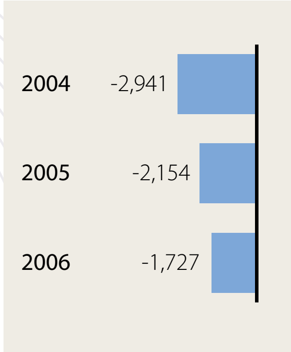
Scorecard for Tenaga Nasional Berhad

TENAGA NASIONAL BERHAD

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Government approved 12% electricity hike in June 06
- Efficiency gains of RM893.7million realised in FY06, exceeds the target of RM600 million.
- No further IPP until 2012 and government has decided to implement competitive bidding for future generation planting-up
- Sustained improvement in EBITDA margins
- Improvements in operational KPIs, including availability, SAIDI
- Settlement arrangement with all delinquent accounts finalised – collection of debt in progress (including with Perwaja)
- Positive outcome of SESB Turnaround: SESB recorded profit of RM125 million in FY06, no advances from TNB to SESB in FY06 and positive progress in diesel subsidy collection by SESB
- Successful bid (through JV) for Saudi IWPP project–Shuaibah 3
- ISO certification at Corporate level.
- Good performance of share price and increased foreign shareholding (in Nov 06, foreign shareholding reached its all-time high of 19.4%)
- Major awards: Most Promising Employer Award, Platts Top 250 Global Energy Company (ranked 42nd in Asia), Most Improved Company in Malaysia in terms of Corporate Governance.

Headline KPIs

- Return on Assets — 3.3% (FY06)
- Gearing — 58.1% (FY06)
- Unplanned Outage Rate — 4.7% (FY06)
- Reduction in Transmission and Distribution Losses — 11.03% (FY06)
- System Average Interruption Duration Index (SAIDI) — 101.6 minutes (FY06)

Historical Financial & Operational Highlights (RM million)

FY Aug 31	2004	2005	2006
Revenue	17,712.10	18,977.50	20,384.20
EBITDA	5,964.80	5,928.30	7,268.80
EBIT	3,325.20	3,135.70	3,948.60
Net Income	813.70	1,280.00	2,126.90
EPS (RM)	26.10	32.00	52.50
Total Shareholders' Equity	14,890.20	16,200.80	19,546.50
Tangible Assets	63,069.40	63,204.10	64,812.20
Net Debt/(Cash)	28,637.40	27,139.00	23,165.90
Net Debt/ Total Shareholders' Equity Ratio	1.92	1.68	1.19

Challenges / Negative external factors

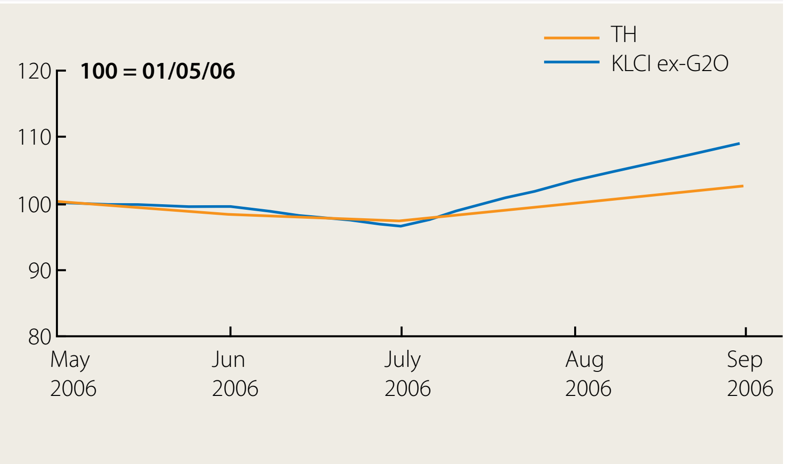
- Threat of open market concept by regulator
- Increased operating costs (on high fuel and material costs)
- Poor publicity due to occasional blackouts exacerbating weak public perception on reliability
- Continued reliance on subsidised gas pricing
- Carrying inequitable burden to provide high reserve margins
- Absence of comprehensive electricity supply industry plan
- Unclear regulatory functions and responsibilities
- Unclear direction and approach on the proposed PPA renegotiations

Source: Joint Working Team

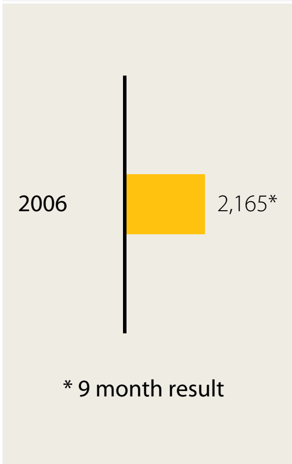
Scorecard for TH Plantations

TH Plantation Berhad

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Completed an IPO in April 2006 and received a fresh injection of capital - using capital for expansion of land bank, and operational improvements (e.g., upgrading of Palm Oil Refinery)
- In October 2006, TH Plantations announced that it plans to raise RM250 million from a bond sale to finance expansion of its palm oil plantations. The company plans to double its current land bank of about 16,000ha in three years

Headline KPIs

- Return on Equity 20.3% (FY06)
- FBB yield per mature hectare 22.3mt (FY06)
- Distribute approximately 50% of group's PATAMI (FY06)
- Landbank increase by one fold per year (FY07 to FY09)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	141	146	112
EBITDA	63	63	53
EBIT	56	56	45
Net Income	40	40	31
EPS (RM)	0.08	0.08	0.02
Total Shareholders' Equity	n/a	n/a	124
Tangible Assets	n/a	n/a	204
Net Debt / (Cash)	n/a	n/a	(35)
Net Debt / Total Shareholders' Equity Ratio)	n/a	n/a	(0.28)

Challenges / Negative external factors

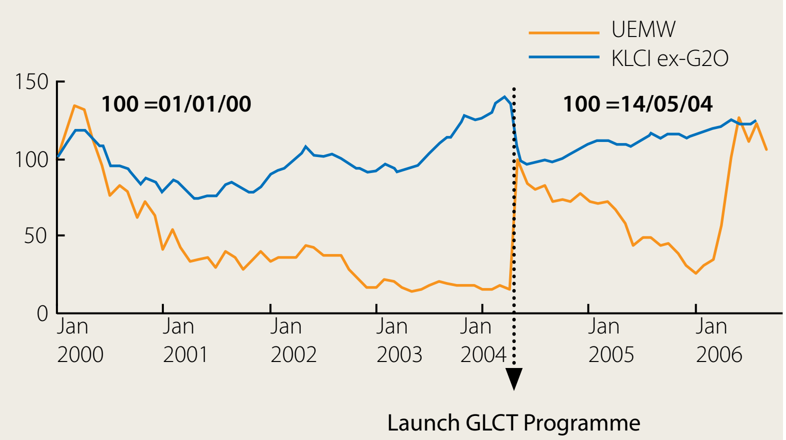
- Need to increase land under cultivation to achieve economies of scale (in a commoditised sector)

Source: Joint Working Team

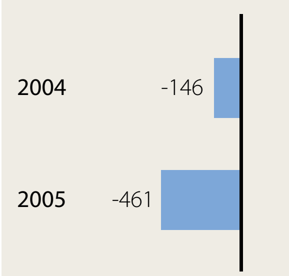
Scorecard for UEM World

UEM WORLD

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Revamp of senior management teams at Group companies
- Order books of RM3 billion, mainly from domestic contracts
- Consolidation of key strategic business units within group (e.g. increased stake in Pharmaniaga to 72%)
- Creation of an international business development unit to spearhead overseas ventures
- Pharmaniaga's investments in Indonesia and China
- Opus' acquisitions to expand presence in UK and Canada
- Awarded projects originating from Ninth Malaysia Plan eg. 2nd Penang Bridge and Increased involvement in development of Nusajaya

Headline KPIs

- Revenue Growth 36.0% (FY06)
- Return on Equity 12.0% (FY06)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2004	2005
Revenue	2,863	3,257
EBITDA	375	87
Pre-Tax Profit/(Loss)	160	(167)
Net Profit/(Loss) After MI	64	(103)
EPS (RM)	0.05	(0.07)
Shareholders' Funds	1,121	991
Net Debt	3,327	3,574
Debt/Equity Ratio	3.8	4.6

Challenges / Negative external factors

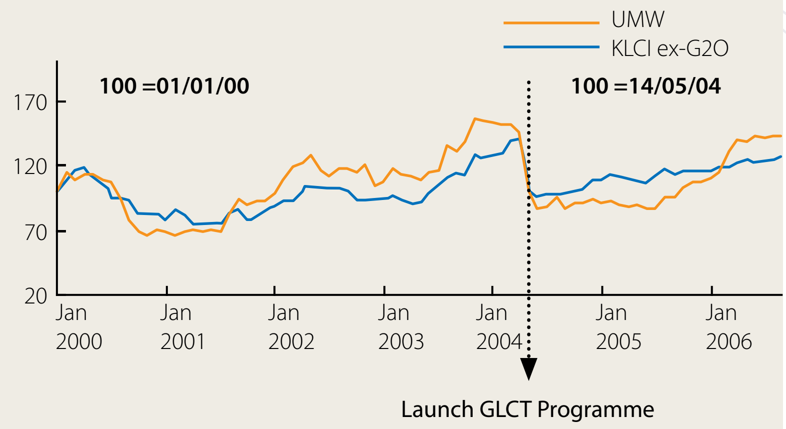
- Need to grow international construction work
- Diverse business portfolio – need to refocus management and capital resources
- Conglomerate style structure requires combination of solid recurring income, growth opportunities and operational synergies

Source: Joint Working Team

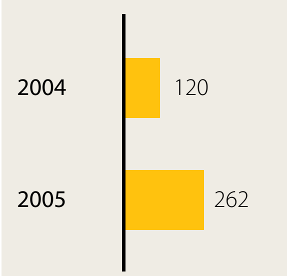
Scorecard for UMW Holdings

UMW HOLDINGS BERHAD

TSR Index



Economic profit
(RM million)



Achievements / Positive external factors

- Toyota and Perodua now command 48% of the market share.
- Investment in China has given expected dividends/ return.
- Oil and Gas is now the second contributor to the Group's result.
- Toyota forklift continues to maintain its pole position in the forklift market.

Headline KPIs

- Return on Shareholders Fund 13% (FY06)
- Dividend Payout Ratio 50% of Net Profit (FY06)
- Dividend Rate – Gross 40% (FY06)

Historical Financial & Operational Highlights (RM million)

FY Dec 31	2003	2004	2005
Revenue	5,223	6,244	9,869
EBITDA	442	355	686
EBIT	348	255	535
Net Income	217	165	284
EPS (RM)	0.47	0.35	0.56
Total Shareholders' Equity	2,564	2,851	3,263
Tangible Assets	3,376	3,907	5,628
Net Debt / (Cash)	(1,002)	(1,018)	(824)
Net Debt / Total Shareholders' Equity Ratio	(0.39)	(0.36)	(0.25)

Challenges / Negative external factors

- Slower auto sales in 2006 due to softening new car market resulting from the NAP introduction in March 2006 and stringent loan approvals. Sale should increase with the launch of the new CBU Camry and rollout of Kancil and Kelisa replacement models (early 2007)
- Stiff competition in auto segment stifling margins resulting in higher promotion and sale incentive
- Difficulties in getting the required volume of AP for CBU business
- Export of HiAce (Van) programme to Thailand hampered due to imposition of 40% import duty by Thai authorities

Source: Joint Working Team

Appendix 3: Awards and Achievements of G-20 Companies (2005 to 2006)

THE G20 AWARDS

G-20 GLC	GLC's subsidiaries	Awards
2005		
Boustead Holdings Bhd	Mutiara Rini Sdn Bhd	• Top 10 Property Developers Year 2004 & 2005 - The Edge • Mutiara Damansara Township - Malaysian Institute of Planners - Best Town Planning Award Year 2003, Category 5A - New Township Development below 500 acres - Pertandingan Lanskap Peringkat Negeri Selangor Year 2003 - Taman Bandar, Pemenang Ketiga • Mutiara Rini, Johor Bahru - Malaysian Institute of Planners - Best Town Planning Award Year 1999 - Mutiara Rini, Johor Bahru - Majlis Daerah Johor Bahru Tengah - Best Town Planning Award Year 1998 - Mutiara Rini, Johor Bahru
Bumiputera Commerce Holdings Bhd	Bumiputera Commerce Bank	• Top SME (Small Medium Enterprise) supporter for 10 consecutive years - Credit Guarantee Corporation.
	CIMB Group	• Malaysia's Most Improved Fund House for 2005 – Asia Asset Management 2005 • Best Country Deal for Malaysia 2005 – Finance Asia 2005 • Inaugural Best Islamic Finance Deal 2005 – Finance Asia 2005 • Best Private Bank In Malaysia – Euromoney 2005 • Best Islamic Bank in Asia – Euromoney 2005 • Best Local Brokerage – Asiamoney 2005 • Best Debt House – The Asset 2005 • Best Equity House – The Asset 2005 • Best Domestic Investment Bank – The Asset 2005 • Best Domestic Brokerage House – Asiamoney 2005 • Best M&A House – Euromoney 2005 • Best Domestic Equity House – Euromoney 2005 • Best M&A House – Asiamoney 2005

G-20 GLC	GLC's subsidiaries	Awards
2005		
		• Best Domestic Equity House – Asiamoney 2005 • Best Equity House – Finance Asia 2005 • Best Broker – Finance Asia 2005 • Best Investment Bank Malaysia – Finance Asia 2005
Chemical Company of Malaysia Bhd	CCM Chemicals Sdn Bhd	• CICM Responsible Care Programme 2004 - Merit Award for Distribution Code • MSOSH Occupational Safety & Health Gold Award 2004 • Innovative New Business Development 2004
	CCM Pharmaceuticals Sdn Bhd	• Industry Product Excellence Award 2004 - Ministry of International Trade & Industry • Super Branding Award 2004 for Champs - Parents Magazine – Hong Kong • Customers' Choice Award 2004 for Champs - Guardian • Health & Beauty Consumers' Choice Award 2004 for Champs M Multivitamin Supplement & Flavette Sugar-Free Vitamin C - Watson
	CCM Fertilisers Sdn Bhd	• Best Practice Award - National Award for Management Accounting 2005
Golden Hope Plantations Bhd	Group	• One of the top "Under a Billion" companies in Asia-Pacific - Forbes Asia, 2005 • Anugerah Majikan Prihatin (Syarikat Besar) - Human Resources Ministry 2006 (based on 2005) • Mesra Award for the Environment (Golden Hope Annual Report) - ACCA, 2004 • Award for the best Bahasa Malaysia Annual Report - Citra, 2005
Kumpulan Guthrie Bhd	Group	• Special Mention 2004 ACCA Malaysia Environmental & Social Reporting Awatd (MESRA) - Association of Chartered Certified Accountants • "Ladang Bahagia Harapan 2005" Award to Bukit Selarong & Padang Buluh Estates - Labour Day Celebration • Best Annual Report in Bahasa Malaysia 2005 • Industry Excellence Award in Plantation & Mining Category - National Annual Corporate Report Awards (NACRA)

G-20 GLC	GLC's subsidiaries	Awards
2005		
		• Hazard Analysis & Critical Control Point(HACCP) 2005 certification to Tanah Merah Mill, Negeri Sembilan - Ministry of Health, Malaysia
	Guthrie Property Development Holding Berhad	• ISO 9001:2000 Certification 2005 - SIRIM QAS International Sdn. Bhd.
Malaysia Airports Holdings Bhd		• 2005 World Airport Awards - KLIA in the top 10 airports - Skytrax Research, a British based air travel industry research company. • KLIA voted second Best Airport (15-25 million passengers per annum category) - 2004 AETRA Airport Customer Satisfaction Survey. • Pan Pacific Kuala Lumpur International Airport – voted The Best Airport Hotel in Asia 2005 - Business Asia Magazine • Certificate of Merit – Malaysia Airports 2004 Annual Report - National Annual Corporate Report Awards 2005 (NACRA), the second time Malaysia Airports received the NACRA award • Favourite Asian Airport category – KLIA voted second runner-up - TIME Readers' Travel Choice Awards
Malaysian Airline System Bhd		• World Airline Star Ranking (5-Star Airline) • Top 10 Airlines of The Year • Best In-Flight Entertainment (Top 5 Airlines) • Best Cabin Staff (Top 3 Airlines) • Best Airline Southeast Asia - Skytrax Research, UK • 'Best South-East Asian Airline' in the 16th Annual Travel Awards 2005 survey - Travel Trade Gazette Asia Media Pte Ltd. • Favourite Airline Food (1st Place) - 2005 SMART TRAVEL ASIA FAVOURITE AIRLINE POLL • Skyliner Award (Long-Haul Airline) - Manchester Airport • Ranked 2nd amongst airlines operating from Germany to Australia for three Consecutive years. - www.australien-info.de / Airline Barometer 2005 • 'Special Contribution To Guangxi Tourism Award' (In recognition for the effort in bringing in tourists to Guangxi, China. Malaysia Airlines was the only national carrier who received the award. - Guangxi Tourism Industry (Nanning, China)

G-20 GLC	GLC's subsidiaries	Awards
2005		
Malaysian Resources Corporation Bhd	Kuala Lumpur Sentral Sdn. Bhd	• First MSC CyberCentre 2006 - Multimedia Development Corporation
	Semasa Sentral Sdn. Bhd	• Special Award – Quality Management Excellence 2005 - Ministry of Trade & Industry • 1st Prize Winner for `Pertandingan Kebersihan Tandas Awam Kuala Lumpur 2005 - Kategori Perhentian Awam' organised by Dewan Bandaraya Kuala Lumpur • 1st Prize Winner for `Peserta Terbaik Latihan Luar bagi Kursus Asas Polis Bantuan' - Pusat Latihan Polis DiRaja Malaysia
	Semasa Services Sdn. Bhd.	• ISO 9001:2000 Certification - Sirim QAS + UKAS Quality Management
Proton Holdings Bhd	Group	• Gold Award (Car Category) - Reader's Digest Super Brand 2005 • 1st place Overall and Class 'O' Winner - Merdeka Millenium Endurance Race 2005 • Overall Class Winner – P10 category - Malaysian Rally Championship 2005
Pos Malaysia & Services Holdings Berhad	Posmel	• "Best Stamp Award" in the 4th Annual Best Foreign Stamp Poll by the Organisation Committee of the Annual Best Foreign Stamp Poll, held in Beijing China on 8th December, 2005
	Poslaju	• Won the Universal Postal Union (UPU) Bronze Level 2005 Award in recognition of the company's Expedited Mail Service (EMS)
Sime Darby Bhd	Sime Plantations Sdn. Bhd	• Merlimau Estate received the "Ladang Swasta Terbaik" (Best Estate - Private Sector) for recording the highest yield in 2003 (more than 36 metric tonnes per hectare, higher than the MPOB's vision of 35 metric tonnes per hectare.) - Malaysian Palm Oil Board (MPOB). • "Excellence Achievement in Refinery Quality Competency Management" - Malaysian Palm Oil Board (MPOB)
	Group	• Sime Darby was voted the "Best Managed Company." - Asiamoney, Asia's leading capital markets publication, in conjunction with its 15th anniversary,
	Subang Jaya Medical Centre	• 282 nursing graduates receiving Diplomas in Nursing and Certificates in Post Basic Courses, the largest number since 1995. - Subang Jaya Medical Centre's College of Nursing

G-20 GLC	GLC's subsidiaries	Awards
2005		
	Century Automotive Products Sdn Bhd	• Awarded Superbrand certificate for the third year in a row
	Tractors Malaysia Training & Development Centre (TMTDC)	• Received Approved Assessment Centre Certificate from His Royal Highness Prince Michael of Kent, the IMI's Patron - The Institute of the Motor Industry (IMI),(UK)
	Sime UEP Properties Berhad	• Environment Management System ISO 14001 : 2004 certificate (It is the only Malaysian property developer to be awarded this upgraded certification) - Standard & Industrial Research Institute of Malaysia (SIRIM)
	Asian Composites Manufacturing Sdn Bhd (ACM)	• ACM accredited to NADCAP (Aerospace and Defence Contractors Accreditation Programme) Composites Process - Performance Review Institute
	Sime Darby Child Care Centre (SDCCC)	• SDCCC celebrated its 10th anniversary as one of the first workplace in-house childcare centres in the Klang Valley and perhaps in the country, too.
TM	Group	• Hadiah Utama Anugerah Kualiti YB Menteri Tenaga Air dan Komunikasi Tahun 2004 - Ministry of Energy, Water & Communications Awards • Overall Best Corporate Governance • Most Improved Management Practices • Most Improved Investor Relations • Regional Deal of the Year - Asiamoney Annual Awards • Data Communications Provider of the Year • Broadband Service Provider of the Year - Frost & Sullivan Awards • Malaysia's Highest Altitude Public Payphones - Malaysia Book of Records • Best Practice Energy Efficiency Building Award • 2nd place in the New & Existing Building Category - ASEAN Energy Efficiency & Conservation • Best Internal Audit Practice Award Category 1 (Shareholders equity >RM200 million) - Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia • Best Booth Design Award - ASEAN Communications Expo & Forum 2005

G-20 GLC	GLC's subsidiaries	Awards
2005		
		• Best Designed Annual Report - NACRA – Industry Excellence Award (Trading & Services for Annual Report) • Gold Award for 4 TM Quality Teams - National Productivity Corporation (NPC) Innovative & Creative Circle (ICC) 2005
	Celcom (M) Bhd	• Anugerah Citra Iklan Radio - Dewan Bahasa & Pustaka • Awards for Excellent Customer Service Category - Ministry of Energy, Water & Communications Awards – (Selangor)
	TM Net Sdn. Bhd	• Awards for Authorised Service Outlet • Excellent Customer Service Counter Category - Ministry of Energy, Water & Communications Awards (Selangor) • Best Internet Service Provider of 2005 • Best Wi-Fi Hotspot Operator - PC.Com Awards
	VADS Bhd	• Platinum Club & Strategic Win Award for high level of customer service and technical expertise - IBM • Cisco Best Managed Services Partner Award for Malaysia - CISCO
	Telekom Research & Development Sdn Bhd	• Innovative Learning & Development Award 2004 - Ministry of Science, Technology & Innovation Awards • Gold Award for Handwritten Signature Verification • Bronze Award for VoIP Communications Applications • Gold & Bronze award for Industry Design Category - International Invention Innovation Industrial Design & Technology Exhibition 2005 (I-Tex)
	Menara KL	• 2nd place for Best of the World Office/Industry Category - International Real Estate Federation (FIABCI)
	Multimedia University (MMU)	• 1st Prize for Digital Library Malaysia Library Website Competition - Microsoft Imagine Cup • Software Design Challenge (Top 3 prizes) - Microsoft Imagine Cup Malaysia
	TM International Bangladesh Limited (TMIB)	• Award for 'Most Outstanding Company 2005' - Arthakantha Business Award
	M1 (Singapore)	• Best Broadcast Commercial - GSM Association Awards 2005

G-20 GLC	GLC's subsidiaries	Awards
2005		
	Excelcomindo (Indonesia)	• Best Operator for Product Innovation & Technology 2005 - Indonesian Associated Press • Most Reference-able Customer Services - SAP Indonesia • Favourite Innovative Marketing 2004 - Selular Magazine • Top 10, Best Investor Relations 2005 - Finance Asia
Tenaga Nasional Bhd		• Top 10 Best Employers in Malaysia in annual Best Employers in Asia survey - Hewitt Associates • Caring Employers (Large Corporation category) – Government • Most Promising Employer Award 2005 - National Labour Day 2005 celebration • TNB 2MW landfill gas generating project and Peninsular Malaysia's first biomass Renewable Energy Award (On-grid category) - Asean Energy Awards • Gold Award Class II (Sultan Iskandar Power Station) • Silver Award (Connaught Bridge Power Station) - Malaysian Association of Occupational Safety and Health (MSOSH) • Best Innovative Award at the 4th Malaysia ICT Asean Communication & Multimedia (ACM) Expo and Forum 2005 • Juara Kaunter Perkhidmatan Terbaik award from Ministry of Energy, Water and Communications for Kedai Tenaga Kangar, Perlis • National 5S Competition 2005 award for 'Open Category' for Putrajaya Power Station
UEM Group	Rangkaian Segar Sdn Bhd	• "Most Innovative Prepaid Card Award" (Touch 'n Go Zing Card) - European Financial Management and Marketing Association (EFMA)
	Plus Expressways Berhad (PLUS)	• UEM Group Sri Cemerlang Award for "Best Performing Company" - United Engineers Malaysia Bhd • Anugerah Khas Konsesi Lebuhraya Terbaik – Pengurusan Kawasan Rehat dan Rawat (Northern Region) - Malaysian Highway Authority • Anugerah Khas Konsesi Lebuhraya Terbaik – Pengurusan Kawasan Hentian Sebelah (Northern Region) - Malaysian Highway Authority • MHA Quality Day – Winner for Quality Improvement Competition ((QCC Team – Warisan Section Office S3)) - Malaysian Highway Authority

G-20 GLC	GLC's subsidiaries	Awards
2005		
		• Most Accessible Directors and Sr. Management (4th in Asia and top in Malaysia for Most Accessible Directors and Sr. Management) - Euromoney Magazine • UEM's CEO Challenge Trophy and Best Presentation during UEM Continual Improvement Competition 2006 (Team 'Jati' from PLUS S5 Section Office) - United Engineers Malaysia Bhd
	Pharmaniaga Berhad	• Watson's Health & Beauty Award 2005 to Pharmaniaga Marketing - Watson's • Anugerah Penghargaan Pelaburan Negeri Selangor - State of Selangor • Asia's Best Managed Company in the Pharmaceutical Sector - Euromoney's Best Asian Companies Award
	Dagang Net Technologies Sdn Bhd	• MSC-Asia Pacific ICT (MSC-APICTA) Awards 2005 for Best of "e-Government and Services" category - Multimedia Development Corporation
UMW Holdings Bhd	Group	• ISO 9001:2000 Certification (Group HR Division, UMW) - Sirim QAS + UKAS Quality Management • Caring Employers (Large Corporation category) – Government - National Labour Day 2005 celebration
	UMW Industrial Power Sdn Bhd	• Most Professional Distributor for The Asia Pacific Region - Cooper Compression, USA • 2005 GE Representative Award for New Genset Engine Sales - GE, Transportation Systems Division USA
	UMW Industries (1985) Sdn Bhd	• President Award - Toyota Material Handling Company, Japan
	UMW Pennzoil Sdn Bhd	• Superbrands Award - Independent Superbrands Council
	UMW Autoparts Sdn Bhd	• Toyota 100% Delivery Performance Award: received 13 April 2005 • Toyota 5 Year Outstanding Quality Performance Award: received 13 April 2005 • TS 16949 Certification - SGS (M) Sdn Bhd
	KYB-UMW Malaysia Sdn. Bhd.	• ISO 14001 - Moody International
	UMW Equipment & Engineering Pte. Ltd	• Singapore H.E.A.L.T.H Gold Award 2005 - Ministry of Health, Singapore

G-20 GLC	GLC's subsidiaries	Awards
2006		
BIMB Holdings	Bank Islam	• Achievement Award 2005 for Islamic Finance - Asian Banker
	CIMB Group	• Best Equity House – The Asset Triple A Country Awards 2006 • Best Domestic Investment Bank – The Asset Triple A Country Awards 2006 • Bank of the Year Malaysia – The Banker 2006 • Best Local Brokerage – Asiamoney 2006 • Global Islamic Investment Bank of the Year – The Banker 2006 • House of the Year – Asia Risk 2006 • Best Domestic Debt House – Asiamoney Awards 2006 • Best Domestic Equity House – Asiamoney Awards • Best Investment Bank (Malaysia) – Finance Asia 2006 • Best Equity House – Euromoney 2006 • Best Debt House – Euromoney 2006 • Malaysia Fund House of The Year – Asian Investor (Finance Asia) 2006
Chemical Company of Malaysia Bhd	Group	• Malaysia Business Corporate Governance Award 2005 - Merit Award • Technology Business Review Award 2005 - Award for Excellence in Petrochemicals & Chemicals
	CCM Chemicals Sdn Bhd	• CICM Responsible Care Programme 2005 - Gold for Pollution Prevention Code Award - Gold for Community Awareness & Emergency Response Code Award - Silver for Distribution Code Award - Silver for Employee Health & Safety Code Award - Merit for Process Safety Code Award
	CCM Pharmaceuticals Sdn Bhd	• Health & Beauty Consumers' Choice Award 2005 for Flavette Sugar-free Vitamin C and Uphamol 650 - Watson • Customers' Choice Award 2005 for Children's Multivitamin for Champs M Lysine - Guardian

G-20 GLC	GLC's subsidiaries	Awards
2006		
Kumpulan Guthrie Bhd	Group	• "Ladang Bahagia Harapan 2006" Award for Ladang Ulu Remis, Johor - Ministry of Human Resources • Highest Oil Extraction Rate (OER) in Northern Region, Peninsula Malaysia for year 2005 (Corporate) • OER Achievement exceeding the average OER for Peninsula Malaysia for year 2005 - MPOB Awards for Sungai Dingin Mill, Kedah
Malaysia Airports Holdings Bhd		• KLIA voted Best Airport (15–25 million passengers per annum category) - 2005 AETRA results. • KLIA won third place in Best Airport Worldwide and Best Airport in Asia/Pacific categories - AETRA 2005 results • KLIA voted third in Best Airports Worldwide - Best in Travel Poll 2006, a survey by SmartTravelAsia.Com, the region's only dedicated online travel magazine. • KLIA received 'Highly Commended" award - OAG Airport Marketing Awards 2006 in conjunction with the 12th World Route Development Forum in Dubai. • CAPA Low-Cost Airport of the Year award (owning and operating the best low-cost carrier terminal (LCCT) airport in the region) - Centre for Asia Pacific Aviation
Malaysian Airline System Bhd		• Best Economy Class (World Airline Awards 2006) • Economy Class On-Board Service Excellence (Global Winner – Airline Excellence 2006) • Top 3 – Best Asian Airline • Top 5 – World's best cabin staff • Top 10 –World's best airlines - Skytrax Research, UK • Best Airline To Asia' award in the 2006 Travel Weekly Globe Awards - Travel Weekly (UK-based magazine) • Best Economy Class – Skytrax • Economy Class Onboard Service Excellence 2006 – Skytrax • "Best Airline for New Business Class" • Best On-Board Service – 3rd Place • Best Trans-Pacific Airline – 4th Place • Best In The World – 8th Place • Best Business Class – 10th Place - Global Traveler magazine

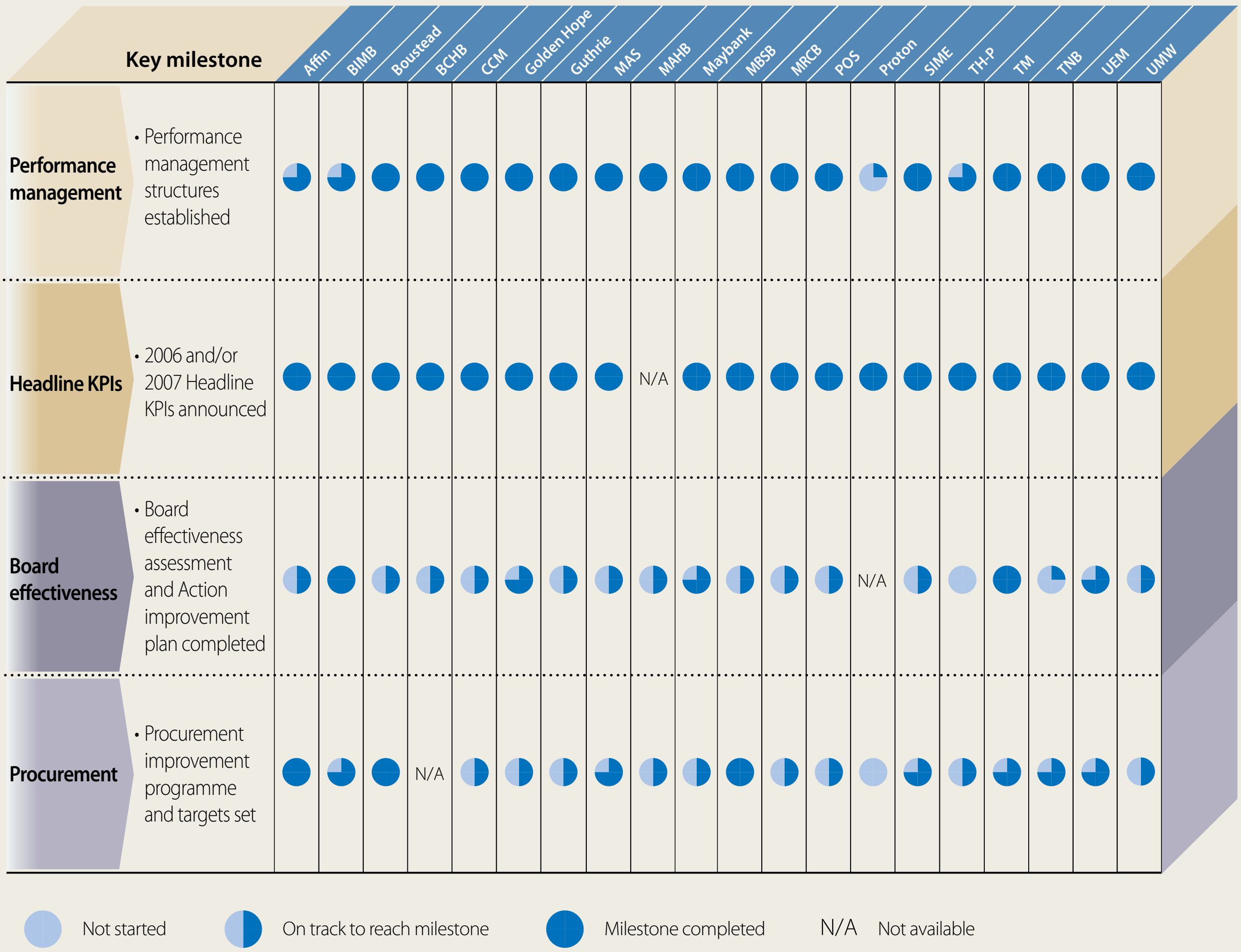
G-20 GLC	GLC's subsidiaries	Awards
2006		
		• "Reader's Digest Trusted Brand Platinum Award 2006" (Airline Category) - Reader's Digest Magazine • Silver Quill Awards – Malaysia Airlines won the following for its 2004/2005 Annual Report submitted under various categories: • Communications Creative – Division Champion • Electronic & Digital Communication – Silver Quill • Publication Design – Silver Quill • Brand Communication – Silver Quill • Multi-Lingual Communication – Silver Quill • Publication - Merit - Malaysia Chapter of the International Association of Business Communicators • Airline Turnaround of the Year 2006 award - Centre for Asia Pacific Aviation (Capa)
Pos Malaysia & Services Holdings Berhad	Poslaju	• Won the Gold Award of the Readers' Digest Trusted Brands Award 2006 for the air freight/ courier service in Malaysia category.
Proton Holdings Bhd	Group	• Gold Award (Car Category) - Reader's Digest Trusted Brand 2006 • Chinese New Year Greeting Advertisement Award (Full Colour Category) (5th Runner up) - Nanyang Siang Pau
Sime Darby Bhd	Sime Plantations Sdn Bhd	• Kempas Estate received the "Ladang Bahagia" award - National Labour Day 2006.
TM	Group	• Commendation for Social Reporting in an Annual Report – ACCA Malaysia Environmental & Social Reporting Awards 2005 - Association of Chartered Certified Accountant (ACCA) • Platinum Award in Telecom Company category – Reader's Digest Trusted Brand Award 2006 - Reader's Digest • Gold Award in Mobile Service Provider category – Reader's Digest Trusted Brand Award 2006 - Reader's Digest • Data Communications Service Provider of the Year (Frost & Sullivan Malaysia Telecoms Awards 2006) - Frost & Sullivan • Service Provider of the Year (Frost & Sullivan Malaysia Telecoms Awards 2006) - Frost & Sullivan

G-20 GLC	GLC's subsidiaries	Awards
2006		
		• Runner-up among 100 top companies in Bursa Malaysia (MSWG Corporate Governance Survey 2004) - Minority Shareholder Watchdog Group (MSWG) • Anugerah Penjana Perpaduan (Programme Sambutan Minggu Perpaduan 2006) - Jabatan Perpaduan Negara dan Intergasi Nasional, Jabatan Perdana Menteri • Second Runner-up (Malaysia Business Corporate Governance Award 2005) - Malaysia Business • Malaysia's CEO of the Year 2006 - Business Times and Maybank / Amex • Anugerah Perkhidmatan Kaunter Terbaik 2005 for Communication category - Ministry of Energy, Water and Communications Malaysia • Hadiah Galakan Industri Komunikasi dan Multimedia 2005 bagi kategori Penggunaan dan Penulisan Bahasa Malaysia Terbaik Dalam Keseluruhan Komunikasi Bercetak Syarikat – Anugerah Citra Wangsa Malaysia 2005 - Dewan Bahasa dan Pustaka (DBP) • Juara Berbalas Pantun 2006 - Kementerian Kebudayaan, Kesenian & Warisan Malaysia
	TM Net Sdn. Bhd	• Best Wi-Fi Hotspot Operator 2005 - PC.Com • Best Broadband Internet Service Provider 2005 - PC Com • Broadband Service Provider of the Year (Frost & Sullivan Malaysia Telecoms Awards 2006) - Frost & Sullivan
	Telekom Research & Development Sdn Bhd	• Gold Awards for KenalMuka (International Invention, Innovation, Industrial Design & Technology Exhibition 2006) - Malaysian Invention & Design Society (MIDS) • XstreamX P2P – International Invention, Innovation, Industrial Design & Technology Exhibition 2006 - Malaysian Invention & Design Society (MIDS) • Innovative Product Award – International Invention, Innovation, Industrial Design & Technology Exhibition 2006 - Malaysian Invention & Design Society (MIDS) • Genius Prize Budapest – International Invention, Innovation, Industrial Design & Technology Exhibition 2006 - Malaysian Invention & Design Society (MIDS)

G-20 GLC	GLC's subsidiaries	Awards
2006		
Tenaga Nasional Bhd		• Ranked 42nd among the top 57 energy companies in Asia in the Platts Top 250 Global Energy Company survey. Globally, TNB is ranked 168th among the top 250 Global Energy Companies. • 'Most Popular Booth Award' at the Tenaga 2006 Expo and Forum. • Gold (Class II) Award 2006 from the Malaysian Association for Occupational Safety and Health (MSOSH). • MS ISO 9001:2000 certification in February 2006. • Named most improved company in Malaysia in terms of Corporate Governance and most improved company in the utilities industry in a study by Deutsche Bank on Companies in Malaysia and Australia. • 'Best Show Award for Best New Services': e-CIBS at the 5th Malaysia ICT Asean Communication and Multimedia (ACM) Expo and Forum 2006. • Work Improvement Team, K-Power from Distribution Division, Kuala Lipis, Pahang, was announced as 'Johan Sektor Perkhidmatan' for the ninth time at the National ICC Convention 2006.
UEM Group	Plus Expressways Berhad (PLUS)	• Rekabentuk Tandas Terbaik (Tapah Rest and Service Area (South Bound)) - Kementerian Perumahan dan Kerajaan Tempatan, Malaysia • Sri Cemerlang Award (Productivity of Resources) - United Engineers Malaysia Bhd - Malam Anugerah Kumpulan UEM 2006
	Dagang Net Technologies Sdn Bhd	• Technology Business Review Awards 2006 for Excellence In Information Technology E-Commerce Solutions - Technology Business Review magazine
UMW Holdings Bhd	Group	• 2006 Top 200 Companies in Asia ranked by The Wall Street Journal Asia. • No 9: Malaysia's Top 10 Most Admired Company, The Wall Street Journal Asia
	UMW Auto Parts Sdn Bhd	• ISO/TS 16949: 2002 Certification - SGS (M) Sdn Bhd
	UMW Industries (1985) Sdn Bhd	• Toyota Overall Excellence Award 2005 - Toyota Industries Corporation, Japan

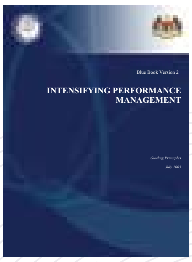
Appendix 4: Status of Initiative Implementation by G-20 Company

Initiative implementation is largely on schedule



Source: GLC self reports via JWT as of Oct and Nov 2006

Performance Management (Blue Book) Implementation Tracking (1/2)



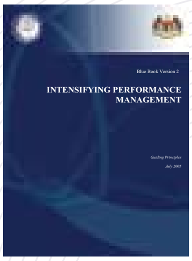
GLC	Guideline Fully Implemented (in form)	If not, what are the next steps
AFFIN HOLDINGS	• Affin Bank and Affin Investment Bank have existing KPIs and performance linked compensation system in place	• Consultants have been appointed to develop the KPI processes and performance linked compensation programme within the group
BIMB HOLDINGS BERHAD	• Reward based on performance not yet implemented	• Strengthen the performance management & development's tools and implementation • Communicate performance-linked compensation's concept, methodology and tools
Boustead Holdings Berhad	• Boustead Holdings has cascaded the KPIs targets for its subsidiaries up to managers' level.	• N/A
CIMB GROUP	• √	• N/A
ccm	• √	
Golden Hope	• √	
KUMPULAN GUTHRIE BERHAD	• √	
malaysia	• √	• N/A
MALAYSIA AIRPORTS	• √	
Maybank	• √	

Source: GLC self reports via JWT as of Oct and Nov 2006

- Not started
- On track to reach milestone
- Milestone completed
- √ Completed

By When	If form in place, what are the next steps for quality assessment	By When	Current Status
• Dec 06	• BinaFikir Sdn Bhd has been appointed to assess the KPI processes and performance linked compensation programme within the group	• Dec 06	
• Jul 07	• N/A	• N/A	
• Jul 07	• N/A	• N/A	
• N/A	• To ensure that KPIs are monitored closely and will ultimately have an impact on the compensation package for the employees	• Ongoing	
• N/A	• To cascade KPIs to managerial level at subsidiary companies (at this point, KPIs are implemented up to senior management level)	• TBD	
• N/A	• Staff PMS assessment	Jan/Feb 07	
	• To evaluate the effectiveness of Human Performance Management system and to implement consequence management	• Q2 07	

Performance Management (Blue Book) Implementation Tracking (2/2)



GLC	Guideline Fully Implemented (in form)	If not, what are the next steps
MBSB	• √ (except for plan for non-performers)	
MRCB	• √	
PSH	• √	• N/A
PROTON	• Ongoing audit of PMS forms (80% completed) • Red Flag - KPIs still not aligned and some targets not measurable	• Ongoing strategic review to resolve
Sime Darby	• √	
TH Plantation Berhad	• On going review on the method of monitoring individual performance • Reviewing performance link bonus	• Seeking BOD approval
TM	• √	• N/A
TENAGA NASIONAL BERHAD	• √ (except for plan for non-performers)	• To develop plan for non-performers
UEM WORLD	• √ (except for plan for non-performers)	• Develop Leadership programme - reward programme for high performers - assessment and promotion based on 4E/P - develop consequence management programme
UMW HOLDINGS BERHAD	• Partial implementation	• Planning Blue Book implementation together with Project Champion and CEO

Source: GLC self reports via JWT as of Oct and Nov 2006

Not started
On track to reach milestone
Milestone completed
√ Completed

By When	If form in place, what are the next steps for quality assessment	By When	Current Status
	• Year-end review to assess quality of KPIs	• TBD	
	• Year-end review	• TBD	
• N/A	• Develop PMS for the staff	• TBD	
• Oct 06	• N/A	• N/A	
• Sep 06			
• N/A	• Improve future KPIs by matching top-down and bottom up targets to ensure targets are realistic • Revise performance distribution curve to ensure more spread • Improve root-cause analysis of performance deviations and clarify accountability		
• Develop in 06/07 for implementation in 07/08	• Assess quality of corporate KPIs	• TBD	
• Ongoing (for all, except consequence management programme by Sept 2006)	• Consequent management/ Performance Improvement Plan approved by the Board (Sept 06)	• TBD	
Q1 07	• N/A	• N/A	

BOARD EFFECTIVENESS (GREEN BOOK) IMPLEMENTATION TRACKING (1/2)

Key steps to complete 2006 milestone	1. Adoption of Green Book endorsed by Board	2. Board Effectiveness Assessment (BEA) conducted
Shading assigned if step complete		
AFFIN HOLDINGS	√	BEA in progress
BIMB HOLDINGS BERHAD	√	√
Boustead Holdings Berhad	√	In progress. Have obtained feedback from all directors through the BEA survey forms
CIMB GROUP	√	Nov 06
ccm	√	√
Golden Hope	√	√
KUMPULAN GUTHRIE BERHAD	√	In progress
MALAYSIA AIRPORTS	Briefing on 28 September	Conducted. Results of BEA & AIP to be presented in Dec board
malaysia	√	In-progress
Maybank	√	√
MBSB	√	Nov 06 (External consultant engaged)
MRCB	√	Nov 06

Source: GLC self reports via JWT as of Oct and Nov 2006

√ Completed

3. Actionable Improvement Programme (AIP) developed	4. AIP reviewed by Nominee director and Desk officer	5. AIP approved by Board
In process of developing AIP and setting out key milestone for AIP	Targeted to be completed by Feb 2007	Targeted to be completed by Feb 2007
√	√	√
By 31 Dec 2006 (if required)	Next step (if required)	Next step (if required)
Dec 06	N/A	N/A
By 31 Dec 2006	Next step	Next step
√	Next step	Next step
In progress	Next step	Next step
In progress	Next step	Next step
Dec 06	N/A	N/A
√	Next step	Next step
TBD	TBD	TBD
Dec 06	Next step	Next step

BOARD EFFECTIVENESS (GREEN BOOK) IMPLEMENTATION TRACKING (2/2)

Key steps to complete 2006 milestone	1. Adoption of Green Book endorsed by Board	2. Board Effectiveness Assessment (BEA) conducted
Shading assigned if step complete		
PSH	√	√
PROTON	Pending completion of strategic review	N/A
Sime Darby	√	√
TABUNG HAJI TH Plantation Berhad	To be tabled for approval at next board meeting	Once the Board has approved, the BOD will delegate the Nomination Committee Members to conduct BEA
TM	√	√
TENAGA NASIONAL BERHAD	The Board has approved the adoption of Green Book on 11 May 2006	In progress (Consultants are reviewing relevant documentation & info and conducting interviews with Board members)
UEM WORLD	√	Completed for 2005, in progress for 2006
UMW HOLDINGS BERHAD	√	In progress

Source: GLC self reports via JWT as of Oct and Nov 2006

√ Completed

3. Actionable Improvement Programme (AIP) developed	4. AIP reviewed by Nominee director and Desk officer	5. AIP approved by Board
Nov 06	Dec 06	Dec 06
N/A	N/A	N/A
In progress	Next step	Next step
TBD	TBD	TBD
√	√	√
Pending	Pending	Pending
Being finalised (Nov 06)	Being finalised (Nov 06)	Pending
In progress	Next step	Next step

PROCUREMENT (RED BOOK) IMPLEMENTATION TRACKING (1/2)

Key steps to complete 2006 milestone	1. Adoption of Red Book endorsed by Board	2. Red Book Champion appointed
Shading assigned if step complete		
AFFIN HOLDINGS	√	√
BIMB HOLDINGS BERHAD	√	√
CIMB GROUP	Not a priority	√
Boustead Holdings Berhad	√	√
ccm	√	√
Golden Hope	√	√
KUMPULAN GUTHRIE BERHAD	√	√
malaysia airlines	√	√
MALAYSIA AIRPORTS	Board was briefed and adopted the Red Book	√
Maybank	√	In progress

Source: GLC self reports via JWT as of Oct and Nov 2006

√ Completed

3. Maturity and Gap Analysis Conducted	4. Procurement Improvement Programme (PIP) Targets Developed	5. PIP and Targets approved by Board
The current procurement system is in compliance with Red book guidelines		
√	√	Nov 06
N/A	N/A	N/A
The current procurement system is in compliance with Red book guidelines		
√	In progress	Next step
In progress	In progress	Next step
In progress	In progress	Next step
Conducted. Reviewing the results	In progress	TBD
In progress	In progress General improvement of procurement policies and procedures are on going throughout the year	Next step
In progress	In progress	Next step

PROCUREMENT (RED BOOK) IMPLEMENTATION TRACKING (2/2)

Key steps to complete 2006 milestone	1. Adoption of Red Book endorsed by Board	2. Red Book Champion appointed
Shading assigned if step complete		
MBSB	√	√
MRCB	TBD	√
PSH	√	√
PROTON	Not presented to BoD yet	Being identified. Interim person currently driving it
Sime Darby	√	√
TH Plantation Berhad	The reviewed procedures will be tabled to BoD in April 2007	√
TM	√	Yes, Group CPO
TENAGA NASIONAL BERHAD	√	√
UEM WORLD	√	√
UMW HOLDINGS BERHAD	√	In progress

Source: GLC self reports via JWT as of Oct and Nov 2006

√ Completed

3. Maturity and Gap Analysis Conducted	4. Procurement Improvement Programme (PIP) Targets Developed	5. PIP and Targets approved by Board
√	√	√
√	Oct 06	TBD
√	In progress. Even though procurement comprises 7% of turnover, Red Book initiatives are being pursued.	TBD
Gaps analysis and initiative development in progress	Completion by Dec 06 in-line with BTP	TBD
√	√	Next step
In progress to be completed end Dis 2006	This will take place after BOD approval	End 2007
√	√	Next step
√	PIP targets developed	Tentatively to be deliberated at Mgt Committee (JEK) Nov 06 and Board Dec 06.
UEMW, UEMB, PLUS - preliminary	Pilot run on Procurement Card (for low value item) – Dec 2006. PIP for UEM HQ & Rangkaian Segar – Dec 2006.	
In progress	In progress	Next step

Appendix 5: Acknowledgements

The PCG would like to thank the following for their support and input into the development of this Progress Review.

GLCs

Affin Holdings

BIMB Holdings

Boustead Holdings

Bumiputera-Commerce Holdings

Chemical Company of Malaysia

Golden Hope Plantations

Kumpulan Guthrie

Malayan Banking

Malaysian Airline System

Malaysia Airports Holdings

Malaysian Building Society

Malaysian Resources Corporation

Pos Malaysia & Services Holdings

Proton Holdings

Sime Darby

Telekom Malaysia

Tenaga Nasional

TH Plantations

UEM World

UMW Holdings

GLICs

Employees Provident Fund

Khazanah Nasional Bhd

Lembaga Tabung Angkatan Tentera

Lembaga Tabung Haji

Permodalan Nasional Bnd

Appendix 6: Acronyms and Abbreviations

Affin	Affin Holdings Berhad
AIP	Actionable Improvement Programme
BEA	Board Effectiveness Assessment
BIMB	BIMB Holdings Berhad
Boustead	Boustead Holdings Berhad
BCHB	Bumiputera-Commerce Holdings Berhad
CAGR	Compound Annual Growth Rate
CCM	Chemical Company of Malaysia
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIMB	Commerce International Merchant Bankers
COO	Chief Operating Officer
CSR	Corporate Social Responsibility
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPF	Employees Provident Fund
G-to-G	Government to Government
GDP	Gross Domestic Product
GLC	Government-linked Company
GLCT Programme	Government-linked Companies Transformation Programme
GLIC	Government-linked Investment Corporation
Golden Hope	Golden Hope Plantations Berhad
Guthrie	Kumpulan Guthrie Berhad
HCM	Human Capital Management
HR	Human Resources
IT	Information Technology
JV	Joint Venture
Khazanah	Khazanah Nasional Berhad
KLCI	Kuala Lumpur Composite Index
KPIs	Key Performance Indicators
LTAT	Lembaga Tabung Angkatan Tentara
LTH	Lembaga Tabung Haji
M&M	Monitoring and Management
MAHB	Malaysia Airports Holdings Berhad
Maybank	Malayan Banking Berhad
MAS	Malaysian Airline System Berhad
MINDA	Malaysian Directors Academy
MK II	Menteri Kewangan II or Minister of Finance II
MKD	Menteri Kewangan Diperbadankan or Minister of Finance, Inc
MRCB	Malaysian Resources Corporation Berhad
MSS	Mutual Separation Scheme

NAP	National Automative Policy
PCG	Putrajaya Committee on GLC High Performance
PLC	Performance-linked compensation
PMO	Prime Minister's Office
PNB	Permodalan Nasional Berhad
POS	Pos Malaysia & Services Holdings Berhad
Proton	Proton Holdings Berhad
Q & A	Question and Answer
ROCE	Return on Capital Employed
ROE	Return on Equity
Sime Darby	Sime Darby Berhad
SME	Small-Medium Enterprises
SVP	Senior Vice President
Tenaga	Tenaga Nasional Berhad
TH Plantations	TH Plantations Berhad
TOR	Terms of Reference
TM	Telekom Malaysia Berhad
TMO	Transformation Management Office
TSR	Total Shareholder Returns
UEM	UEM World Berhad
UMW	UMW Holdings Berhad
VSS	Voluntary Separation Scheme

Appendix 7: List of Exhibits

Putrajaya Committee on
GLC High Performance (PCG)

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