# GLC TRANSFORMATION PROGRAMME:
## MID-TERM PROGRESS REVIEW

MARCH 2009

# CONTENTS

# FOREWORD

Government-Linked Companies ("GLCs") are an integral part of the Malaysian economic engine. They provide mission-critical services, catalyse developments in strategic sectors, and employ hundreds of thousands of workers.

However, GLCs historically underperformed the broader Malaysian market, both financially and operationally – a trend that risked derailing our efforts towards Vision 2020. In 2004, we thus launched the GLC Transformation ("GLCT") Programme with the dual aims of enhancing economic performance and accelerating the country's social and economic development.

The journey to date has been challenging. We had to address old mentalities and a fear of change. Yet, it is with great pleasure that I can say that we have not faltered.

We are already starting to see tangible results following the successful launch of all 10 key Initiatives. We have built stronger economic fundamentals, and improved GLC governance and transparency. We have increased our focus on human capital development - not just for GLCs, but also for the broader Malaysian society. We have also seen the successful execution of turnaround programmes in situations once thought impossible. To that end, I wish to convey my appreciation to the Putrajaya Committee on GLC High Performance ("PCG"), Government-Linked Investment Companies ("GLIC") leadership, GLC Boards, management and employees, the PCG secretariat and all stakeholders for their commitment to the Programme.

The next leg of our journey unfolds amidst an unprecedented global economic crisis. In the coming months, our economy will not be left untouched. Our dreams will not go unchallenged. Despite these odds, I am encouraged by my knowledge of the GLC community. If the past five years of the GLCT Programme have taught us anything, it is that real change is possible, even within a short span of time.

Vision 2020 is on the horizon. Similarly, the GLCT Programme has but another six years to achieve our aspiration of developing several regional and global champions. There is much more that we will need to do if we are to reach these targets within our desired timeframe. In this light, I urge all of you to stay the course; our journey is far from over.

Y.A.B Dato' Seri Abdullah bin Haji Ahmad Badawi
Prime Minister of Malaysia

# FOREWORD

As leaders of the corporate sector, GLCs are a key partner in the Government's efforts to drive towards Vision 2020. They are called on to develop new growth prospects; role-model good stewardship and governance; and move the corporate sector to a higher level of performance and merit. The success of the GLCT Programme is therefore inextricably linked with that of our nation.

Under the leadership of Y.A.B Dato' Seri Abdullah bin Haji Ahmad Badawi, we have made significant progress over the past five years. Our GLCs now have stronger economic fundamentals, improved governance and transparency, and increased investments in talent and human capital. We are also starting to see more benefits to all stakeholders, including employees, suppliers, customers and the broader Malaysian community.

The global economic crisis has irrevocably changed the environment we operate in. While we are in a stronger position going into the crisis than we were during the late 1990s, we cannot afford to underestimate the challenges ahead. The success of the Programme is even more critical today than ever before.

To weather the storm, GLCs will need to balance the short-term demands of crisis preparation, with a long-term mindset aimed at building for the future. At the same time, there is room to be opportunistic. I would encourage GLCs to remain open to the possibility of investing in new businesses, at home or abroad, and to continue investing domestically so as to catalyse new areas of growth and improve our national productivity.

I wish to convey my appreciation to Y.A.B Dato' Seri Abdullah bin Haji Ahmad Badawi for his instrumental role in launching this Programme and giving us a powerful platform for change. Going forward, I urge the GLC community to stay the course and remain united in our common purpose to advance Malaysia's development. I am personally committed to taking this forward and seek your support and cooperation in the days ahead.

Y.A.B Dato' Sri Mohd Najib bin Tun Haji Abdul Razak
Deputy Prime Minister of Malaysia
Minister of Finance

# INTRODUCTION

The transformation of Government-Linked Companies ("GLCs") into high-performing entities is critical for the future prosperity of Malaysia and meeting the national aspirations of Vision 2020. To facilitate this transformation, the Putrajaya Committee on GLC High Performance ("PCG") was established in January 2005 and comprises of 5 Government-Linked Investment Companies ("GLIC"s) – the Employees Provident Fund, Lembaga Tabung Haji, Lembaga Tabung Angkatan Tentera, Permodalan Nasional Berhad and Khazanah Nasional Berhad – as well as representatives from the Ministry of Finance Inc. and the Prime Minister's Office. The PCG is chaired by YB Minister of Finance II and its Secretariat is the Transformation Management Office at Khazanah Nasional Berhad. The PCG has met 19 times since its formation, including meeting sessions with GLC Chairmen and CEOs for broader consultation and involvement on issues relating to GLCT. The PCG is a key player in driving the development and implementation of the GLCT Programme, which was launched to provide an enabling environment for GLCs to perform, and to drive the implementation of specific Initiatives to enhance GLC performance. To that end, the GLCT Manual was launched in July 2005. It codifies Policy Guidelines and a series of 10 Initiatives was launched over the course of 2005-2006, which are now being implemented across GLICs and GLCs. Many GLCs are in the process of tailoring and executing their own unique individualised plans accordingly, to reach the objective of being regional/global champions by 2015.

The GLCT Programme was designed as a long-term programme, with full benefits and results expected over the course of a 10-year time horizon. The Programme is designed around three key underlying principles:

- National development foundation
- Performance focus
- Governance, shareholder value and stakeholder management

This Mid-Term Progress Review Report sets out to provide an overview of the achievements of the GLCT Programme since its launch in 2004, and also draws from findings and recommendations from the previous GLCT Manual, Annual GLCT Progress Review Reports, as well as various stock-take efforts since the launch of the Programme.

Each of the annual GLCT stock-take efforts consists of nearly 50 comprehensive interviews constituting more than 200 hours of engagement across the GLC community, stakeholder groups, the private and public sectors. In-depth interviews were conducted with GLIC CEOs, Chairmen and CEOs of the G-20*, Board members of GLCs, leading foreign and domestic institutional investors and brokers, selected private sector corporate leaders, heads of civil service and regulatory agencies, leading media commentators, as well as leaders of major stakeholder groups, including consumer, supplier, community and employee organisations. Most recently since late 2008, targeted GLC Roadshows have been launched and are being conducted across a number of GLCs to engage and gain feedback from GLC CEOs and their senior management teams. In parallel, these stock-take and progress review efforts include a full review of lessons learnt since the Programme's inception, identification of key success factors for the programme, as well as a detailed analysis of key issues, barriers and challenges for GLCT.

This document aims to:

- Reinforce the overall mandate, objectives and rationale for GLCT and the programme-management approach
- Assess and highlight key achievements and progress of GLCT efforts and its contributions to the stakeholders
- Clarify overall aspirations at the Programme and GLC level
- Highlight immediate and long-term challenges that need to be overcomed in meeting aspirations
- Provide recommendations on ongoing implementation approach for all principal change agents of the Programme

# EXECUTIVE SUMMARY

The GLCT Programme is a 10-year effort with the long-term aspiration in 2015 of raising the performance of GLCs to at least be on par with domestic peers and with several transforming into regional or global champions. We are nearly 5 years into the journey, in Phase 3 of the Programme, with initial tangible results emerging.

## GLCT is critical to our National Mission and Vision 2020

In May 2004, the YAB Prime Minister identified the transformation of GLCs as a national priority and integral to our journey for realising Vision 2020. Given the critical position and role that GLCs have in the nation's economy and the significant benefits of their enhanced performance, the PCG was established in January 2005 to ensure the delivery of a structured GLCT Programme. While the nation continues to build, develop and to grow with equity, significant new challenges and corresponding opportunities have emerged in the interceding years since 2005.

## GLCT has made significant progress since 2004

**Compared to historic levels, GLCs have continued to improve their performance**

At the start of the GLCT Programme, GLCs made tough decisions to pare down costs and restructure balance sheets at the expense of short term profits, which led to the formation of a "J-Curve" in aggregate earnings, where a first-year drop in earnings in 2005 was followed by several years of solid growth with FY2007 earnings ending at 91% higher than pre-GLCT levels. G-20* aggregate economic profit for FY2008 was RM1.3bn compared to aggregate economic loss of RM3.5bn in FY2005, and the majority of G-20* companies are now reporting positive economic profits.

G-20* have also made significant operational improvements with operating margins of non-banking G-20* firms improving from 11% in FY2005 to 13% in FY2008. Several GLCs have undertaken sizeable operational turnaround programmes (e.g. MAS, Bank Islam), bold transformational moves to enhance their strategic position (e.g. Sime Darby merger, TM and TMI demerger), major regional expansions (e.g. CIMB and Maybank) and strategic divestments (TIME dotCom).

**Notwithstanding the current global economic crisis and volatile market situation, the G-20* have consistently outperformed the market.** Despite declining performance of the G-20* in FY2008 due to changes in the macroeconomic environment, the TSR of the G-20* continues to outperform the KLCI index, exceeding it by 4.8% since the inception of the programme. Similarly, G-20* aggregate earnings in FY2008 are 53% higher than they were before the programme, which translates to a compounded annual growth of 11% versus KLCI's 4%.

**GLCs have also begun to deliver emerging tangible benefits to stakeholders.** As GLCs performance improves, GLCs are increasingly delivering benefits to all Malaysians through improved quality levels; better employment prospects; introduction of merit-based procurement processes; and supplier capability development as well as the continued development of a more competitive Bumiputera community. In addition, the evolution of GLCs towards becoming better corporate citizens with more structured and cohesive Corporate Responsiblity ("CR") strategies has generated significant investments and benefits in the fields of education, environmental protection and community welfare.

**The GLCT Programme has delivered according to plan, supporting the successes of GLCs to date.** The visible support and commitment from the Government to the GLCT Programme has enabled GLCs to accelerate change efforts. All 10 GLCT 2005/6 Initiatives and supporting Circles were effectively launched and have been well-received. In addition, PCG has maintained momentum and broadened engagement, by generating healthy performance pressure and transparency via Headline KPIs and GLCT annual reports, providing regular networking opportunities for GLC leaders and engaging beyond GLCs to the civil service and other stakeholder groups. There have been positive changes to senior management of GLCs, and the composition of GLC Boards has continued to evolve.

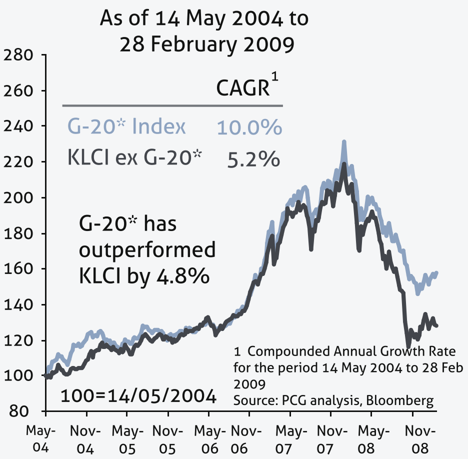
* *A selection of 20 GLCs controlled by GLIC constituents of the PCG. As of 28 February 2009 there are 19 GLCs following the Sime Darby merger and TM demerger. UEM Group has replaced UEM World following UEM's restructuring exercise.*

## EXHIBIT 1

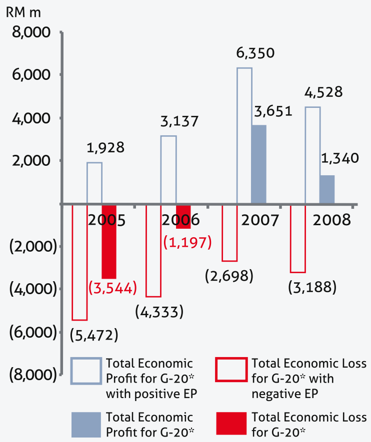
KEY HIGHLIGHTS OF EXECUTIVE SUMMARY

### Financial & Operating Performance

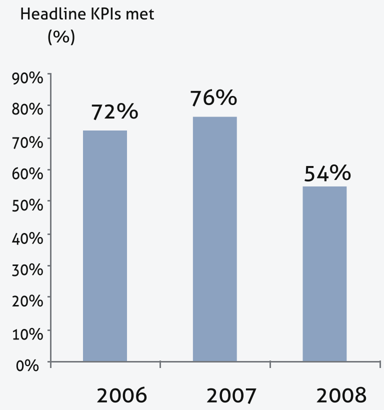
#### Total Shareholder Returns




#### Economic Profit




#### Key Performance Indicators




### Strategic Achievements

#### Transformational Transactions

- Sime Darby, Golden Hope and Guthrie merger
- TM and TMI demerger
- UEM restructuring

#### Regional Growth

- Maybank acquisitions in Asia
- BCHB expansions across Asia

#### Strategic Divestment

- TIME dotCom

### GLCT Programme Delivery

#### Initiative Delivery

- All 10 Initiatives and execution books successfully launched and progressively implemented

#### Performance Monitoring

- Headline KPIs launched and tracked annually since 2006
- Annual GLCT Progress Review published in 2006, 2007, 2008

#### Programme Activities

- 19 PCG Meetings convened
- 8,918 programme man-days worth of participation from CEOs to operational line managers
- 88% of participants rated programmes "Good" or "Excellent"

### Tangible Stakeholder Impact

#### Customers

- GLCs are winning customer service awards
- ...delivering better quality services e.g.
  - Shorter queue times
  - Fewer service interruptions
- ...and offering more services e.g.
  - Extended service hours
  - Wider access to facilities

#### Vendors & Suppliers

- ~4,155 Bumiputera and local vendors benefited from G-20* Vendor Development Programmes since 2004
- To date, RM3bn aggregate spending by G-20* for vendor development
- GLCs offering training opportunities for entrepreneurs

#### Labour force & Employees

- RM221m per year invested in human capital development between 2004-2008 by G-20*
- Scholarships worth RM335m awarded since 2004 by G-20*
- 2,368 participants benefited from G-20* graduate employment schemes since 2004
- G-20* employee engagement scores higher than Malaysian average in 2008

#### Community & Society

- GLCs have won corporate responsibility awards
- Some GLCs are signatories of UN Global Compact
- ~64,400 students reached through the PINTAR school adoption programme
- RM312m spent on providing aid and relief, alleviating poverty and contributing to community welfare since 2004

*Source: PCG analysis, Bloomberg, GLCs*

## Challenges must be overcome to maintain the long-term trajectory of the GLCT journey

**Ultimate Programme success requires structural issues to be overcome.** As we complete Phase 3 of this Programme, it becomes increasingly critical to resolve a number of issues, including:

1. The massive gap in talent, execution skills and capabilities at GLCs
2. The ongoing need to clarify and synchronise Programme-level, GLC-level and sector-level objectives
3. The need for continued and broader support from stakeholders beyond senior Government leadership
4. The need for continuing reforms in all levels of Government in parallel with GLCT reforms

**GLCT is a long-term-journey and needs to maintain momentum.** Despite performance improvements since the start of the Programme, GLCs still underperform relative to top regional sector peers and have a long way towards ultimate GLCT aspirations. The journey ahead is likely to present greater challenges such as the structural lack of capabilities, and the need to tackle reforms that require broader stakeholder support. There is a danger now of complacency and fatigue, with a risk of enthusiasm and commitment for the GLCT Programme wavering.

**The journey ahead is getting exponentially harder.** The structural and Programme-level challenges have been compounded by the current global economic crisis. Despite the improvements in performance, the global economic crisis is presenting its own challenges for GLCs. Much of the early gains achieved by GLCs since the inception of the Programme have been reversed with GLCs now increasingly operating in a much harsher economic environment.

## Going forward all key players of GLCT must stay the course and continue to push for breakthroughs

**Greater achievements are expected of GLCs going forward.** While short-term expectations will need to be moderated, GLCs should remain committed to the long-term ultimate aspirations of GLCT to be attained by 2015. GLCT now needs to stay the course and cement the progress that has already been achieved.

**GLCT is now in need of significant institutionalisation and rejuvenation.** To ensure the Programme remains on trajectory, there is a need to institutionalise GLCT Initiatives completed to date, and to rejuvenate fundamental levers that underpin the Programme like performance management and stakeholder engagement. For the full benefits of existing initiatives to be realised, they must be fully institutionalised within GLCs and become integral to the day-to-day practices and mindsets of management. For rejuvenation of the Programme, it will be critical to intensify performance pressure, to continue upgrading GLC Board composition, to broaden and deepen stakeholder engagement, and to ensure delivery of stakeholder impact while maintaining primary focus on value creation.

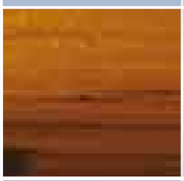
**A coordinated response to the crisis that balances the short and long-term will be required.** GLCs need to look beyond the immediate financial crisis and adopt balanced measures in order to emerge stronger after the crisis. The global economic downturn requires GLCs to balance the short-term demands of crisis-preparedness with catalysing new areas of growth and domestic investment, as well as the longer term need to continue building for the future. This critical role of GLCs is in line with the recent stimulus package announcement on 10 March 2009 by the Government, which emphasised the need for increasing employment opportunities in Malaysia, easing the burden of the people, assisting the private sector in facing the crisis and capacity building for the future. GLCs must respond to the crisis to defend performance gains, to seize inevitable new opportunities, to continue investing in the long term while progressing towards Programme aspirations by 2015.

**All five transformation agents of GLCT must stay the course.** There now needs to be a relentless focus on execution by the five principal change agents for the Programme – each of whom have their own distinct role to play in shaping and driving outcomes. GLC top management needs to strengthen execution momentum while building buy-in from all stakeholders. GLC Boards should continue to upgrade capabilities of the Board, CEO and management. Similarly, GLICs must continue to catalyse and accelerate change as active shareholders. In parallel, Government should continue providing visible support and commitment to the Programme. Finally, the mandate of PCG remains relevant, and its role needs to shift to focus on rejuvenating and institutionalising GLCT.

**Next wave of breakthroughs needed to uplift the Programme.** Despite the achievements to date, there needs to be a step-up in performance to ensure success. As with any long-term transformation programme, it is critical to continually reaffirm the transformation mandate, to ensure the necessary evolution in implementation focus, and to constantly revitalise the Programme with substantial and necessary breakthroughs to ensure the overall trajectory is sustained. In light of current challenges, it is the responsibility of all principal change agents to continue pushing for, and to collectively define and drive, the next wave of breakthroughs that will ensure ultimate GLCT objectives are achieved in 2015, and eventually realise our national aspirations of Vision 2020.


# CHAPTER 1

## Context and Aspirations for the GLCT Programme



## SUMMARY

1. Vision 2020 requires Malaysia to be a comprehensively developed country and to achieve this, greater urgency and impetus is needed going forward, in view of the tough financial and economic challenges posed by the current global economic crisis
2. GLCs form the backbone of the structure of the Malaysian economy and must deliver high performance to drive the country towards achieving a developed nation status, maintaining Malaysia's economic sovereignty and achieving Programme goals of becoming regional or global champions by 2015
3. GLCT Programme is a long-term programme, to be fully implemented in 10 years with full benefits for the nation to be realised by 2015. The Programme is designed around three key underlying principles and based on 5 policy thrusts

# CHAPTER I CONTEXT AND ASPIRATIONS FOR THE GLCT PROGRAMME

*"By ensuring the success of the transformation programme, we will be able to take GLCs to a new level of performance, moving them from average to excellent, to glory, and then to distinction; thereby creating more and more global champions and 'best in class' companies in Malaysia. By doing that, we should be able to better realise our dreams and aspirations, and join the league of developed nations in 2020, for the benefit of current and future generations of Malaysians."*

***YAB Dato' Seri Abdullah bin Haji Ahmad Badawi***
*Prime Minister of Malaysia*
*GLCT Programme Launch, July 2005*

*"GLCT Programme is one of the key reform pillars of the Government. It is a 10-year programme and we are only four plus years into its execution. It will continue. The end game remains...the creation of regional and global champions"*

***YAB Dato' Sri Mohd Najib bin Tun Abdul Razak***
*Deputy Prime Minister of Malaysia*
*PCG 18, 23 September 2008*

## 1.1 GLCs are critical to achieving Vision 2020 and advancing Malaysia's development

**Vision 2020 requires Malaysia to be a comprehensively developed country** that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally, with a confident Malaysian society infused by strong moral and ethical values, living in a society that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous. It is envisaged that Malaysia will be in full possession of an economy that is competitive and resilient.

While much has been done to achieve the objectives of Vision 2020, **greater urgency and impetus is needed going forward in view of the tough financial and economic challenges posed by the current global economic crisis.** These unprecedented difficult times add to the already challenging rising intensity in international competition, and less time remains to complete this journey. As part of Vision 2020, Malaysia aims to achieve a target GDP per capita of 4 times the prevailing level in 1990. Whilst the economy has on average grown at an impressive rate of 6.2% since 1991, in order to reach this aspiration, Malaysia will need to grow its real economy by 8% or more per year from 2008 onwards. This will be a significant challenge and GLCs can substantially contribute to this objective by being competitive and sustainable companies that create value in the economy.

**GLCs play key roles in growing and shaping the economy** - influencing the structure of industries in Malaysia and undertaking strategic investments that enhance the long-term competitiveness of the nation. GLCs form the backbone of the economic structure of the Malaysian economy, with 33 listed GLCs currently representing approximately 4% of total listed companies. Although relatively small in numbers, they have a collective market capitalisation of RM235.5bn[1], representing a high percentage (49%) of Kuala Lumpur Composite Index ("KLCI"), and employ a workforce of more than 300,000. In addition, GLCs have been entrusted with the task of providing mission-critical services in the areas of telecommunications, energy, transportation, financial services and oil & gas. The GLCs are also the key players of the Iskandar Malaysia, East Coast and Northern Economic Corridors. According to an empirical study[2], GLCs contribute approximately 16 – 18% of the nation's gross capital formation, and account for 9 – 10% of national GDP[2].

1 *Source: PCG Analysis, Bloomberg*
2 *Source: Khazanah Nasional Berhad and Universiti Putra Malaysia ("UPM") study*

**New levels of GLC performance are required as pre-conditions to spur the country towards achieving Vision 2020** given their significant impact as producers, service providers, employers and capital market constituents. This is especially relevant with the historic underperformance of GLCs in terms of operational and financial indicators prior to the launch of the GLCT efforts. Hence, it is important for all GLCs to strive to raise their performance and capability levels to at least be on par with competitors and peers, and even to achieve regional or world-class levels and performance.

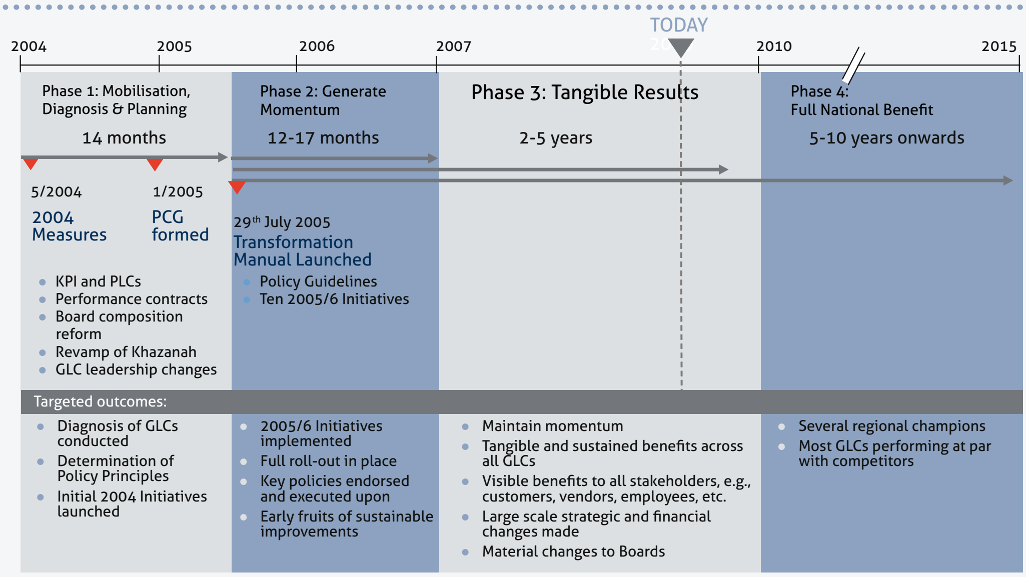
Although ambitious, **Malaysia must strive to create regional and world-class companies if it seeks to maintain its economic sovereignty.** Developing countries are increasingly driving global growth – Asia is projected to contribute 60% to global growth in the next two decades, with 5 of the 10 largest economies in close proximity to Malaysia – India, China, Indonesia, Japan and Vietnam. Middle-income countries like Malaysia face increasing challenges in building and sustaining country competitiveness, and creating economies of scale. We risk falling behind by eventually being neither innovators nor lowest cost producers. Today, while Malaysia occupies a very respectable position in the competitiveness indices published by the World Economic Forum and Institute of Management Development ("IMD") (ranked in the 20s out of 130 and 55 countries respectively) we are lagging behind more advanced and highly competitive global economies. Importantly, some of our key regional competitors are in that league – Singapore, South Korea and Hong Kong. In an increasingly globalised world, the internationalisation of local companies (both GLCs and private sector enterprises), and creation of regional or global champions, are critical for Malaysia to move to developed country status. With a small home market of 28 million people, Malaysia has no option but to continue to build and reinforce stronger linkages with regional economies. GLCs must rise to this challenge.

## 1.2 GLCT Programme is a long-term programme where full benefits are expected to be gained over the long run

The Programme is designed as a 10-year journey over for implementation Phases, with full benefits for the nation to be realised by 2015. In **Phase 1: Mobilisation, Diagnosis and Planning** (May 2004 to July 2005), the GLCT Manual, Policy Guidelines and Initiatives were launched, and the programme-management approach to GLCT led by the PCG was kicked off. During **Phase 2: Generating Momentum** (August 2005 to December 2006), focus was on the task of rolling out and implementing fully the enabling policy guidelines and Initiatives identified in Phase 1. We are now in **Phase 3: Tangible Results** (2007 to Dec 2009), where it is expected that tangible and sustained benefits across the GLCs will start to be visible to all stakeholders. In the last Phase, **Phase 4: Full National Benefit** (2010 to 2015) it is envisaged that GLCs will be performing at least at par with non-GLC peers and competitors in the Malaysian market while several GLCs would have cemented positions as regional or global champions.

### EXHIBIT 2

PROGRAMME IS IN PHASE 3, CLOSING INTO ITS FIFTH YEAR OF A 10 YEAR JOURNEY




*Source: GLC Transformation Manual launched in July 2005*

*The GLCT Programme and Five Policy Thrusts are structured around four key participants: Government, GLC Boards, GLICs and GLCs*

**EXHIBIT 3**

THREE KEY UNDERLYING PRINCIPLES AND FIVE POLICY THRUSTS OF THE GLCT PROGRAMME

UNDERLYING PRINCIPLES OF GLCT

| | |
|---|---|
| 1. National development foundation | Growing equity, total factor productivity, develop human capital and Bumiputera community |
| 2. Performance focus | Create economic and shareholder value through improved GLC performance |
| 3. Governance, shareholder value and stakeholder management | • Enhance governance within GLCs through implementation of GLCT Initiatives<br>• Engage and manage stakeholders, e.g. employees, customers, suppliers and Government |

**Policy Thrust 1:**
Clarify the GLC mandate in the context of National Development

Clarity of Governments, GLICs and GLCs roles and objectives

**Policy Thrust 2:**
Upgrade the effectiveness of Boards and reinforce the corporate governance of GLCs

Upgrade the impact and effectiveness of GLCs Boards as well as corporate governance of GLCs

**Policy Thrust 3:**
Enhance GLIC capabilities as professional shareholders

Affirm GLICs' strategies and mandate and upgrade internal organisations, capabilities and processes

**Policy Thrust 4:**
Adopt best practices within GLCs

Implement short-term economic measures to ensure health and sustainability of GLCs performance improvements

Supported by 10 overarching themes of Initiatives
(now commonly referred to as coloured books)

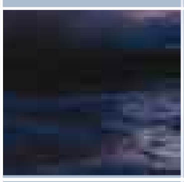
**Policy Thrust 5:**
Implementing the GLCT Programme

PCG mandate to implement GLCT Programme including setting clear responsibilities, timeline and regular monitoring

*Source: GLC Transformation Manual launched in July 2005*

# CHAPTER 2

## Progress of the GLCT Programme to date



## SUMMARY

- The GLCT Programme is on track so far; the first wave of KPIs were introduced in 2004 during Phase I of the Programme, along with measures that provided the initial platform for change. 10 Initiatives were launched, were well-received and have been implemented through workshops, Circles and best practices sharing
- GLCT Programme is currently in Phase 3. In this stage, the focus is on achieving tangible results and to shift from a broad programme for all GLCs to GLC-specific transformation programmes
- The financial results show improvements of the GLCs performance since the start of the Programme. However, there are increasing challenges arising due to the effects of current economic crisis. Nevertheless, the GLCT reform efforts have not gone to waste as GLC fundamentals as evidenced by indicators such as earnings, cashflow and dividends, have strengthened and put the GLCs in good stead to weather the storm
- GLCT Programme benefits and contributions are making an impact across all stakeholders (customers, suppliers, employees, society)

# CHAPTER 2 PROGRESS OF THE GLCT PROGRAMME TO DATE

## 2.1 GLCT is on track in terms of activities and milestones

### 2.1.1 First wave of GLCT introduced KPIs and measures that provided the initial platform for change

The GLCT journey commenced in May 2004, with a set of '2004 Measures' launched by the YAB Prime Minister which served as the foundation for GLCT. These measures included guidelines on KPIs and performance management, Board composition reform, revamp of Khazanah Nasional Berhad from passive to active shareholder, as well as changes in key management personnel at several major GLCs.

**EXHIBIT 4**

2004 MEASURES – TRANSFORMATION FOUNDATION OF GLCs

| 2004 measures | Description |
|---|---|
| 1 Guidelines on KPIs and PLC | • Referred to as the "Blue Book"<br>• Provided a framework to design and implement fact-based monitoring, assessment and rewarding of the performance of GLCs' executives<br>• Performance contracts for senior management |
| 2 Board composition reform | • Reduce number of Board members to 10<br>• Required a broader and more balanced representation of expertise<br>• Removal of regulators from Boards |
| 3 Revamp of Khazanah | • From a passive to an active stakeholder<br>• Mandate of driving the transformation of GLCs in its portfolio<br>• Building regional and international investments and linkages |
| 4 Senior management & Board changes | • In line with new phase at several major GLCs, e.g. Tenaga Nasional, Telekom Malaysia<br>• Signal of Government's commitment to GLCT |

*Source: Joint-Working Team ("JWT")*

### 2.1.2 Second wave of GLCT defined a Policy Framework and provided a toolkit of Initiatives

The PCG's mandate was to design and implement comprehensive national policies and guidelines to transform GLCs into high-performing companies, and to establish the institutional framework for programme-management and execution monitoring.

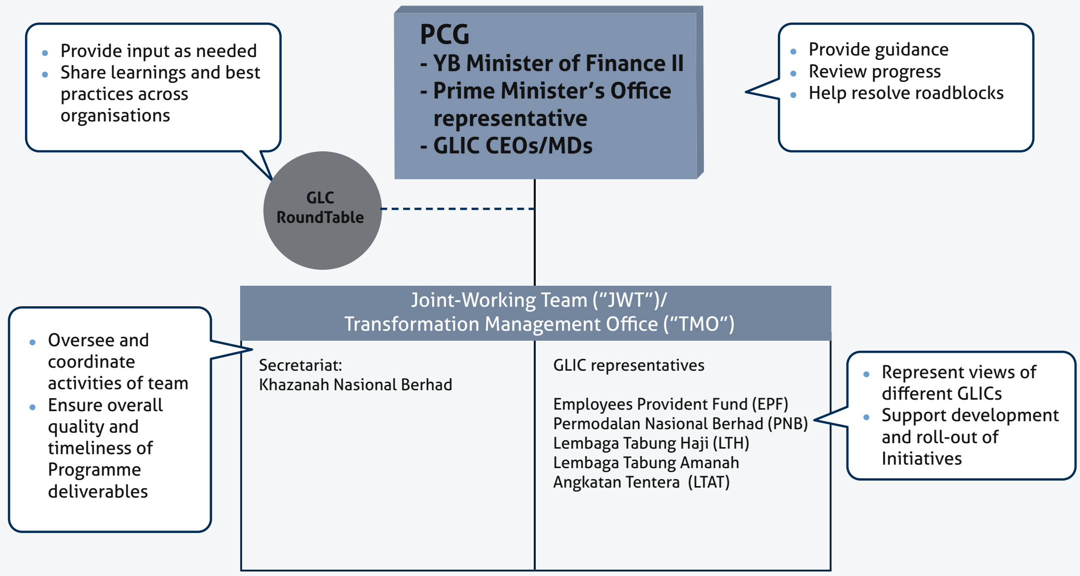
A key deliverable of the PCG was the launch of the **'GLCT Manual'**, which codified the principles, policy guidelines and practices of GLCT, together with the development of a series of **10 Initiatives** that laid out policy guidelines and implementation approaches. A Transformation Management Office ("TMO") was established as the PCG Secretariat Office to formulate, syndicate, launch, and facilitate implementation and monitoring of Initiatives at the GLCs.

The Initiatives are intended to serve three important roles:

- Establish clear standards or benchmarks in various corporate practices to which GLCs could aspire
- Remove some impediments, ambiguity or assumptions on sometimes sensitive issues
- Provide common knowledge and source of best practice guidelines and tailored case studies to GLCs

## EXHIBIT 5

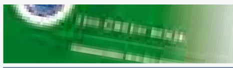
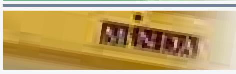
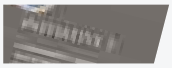
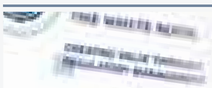
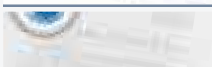
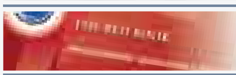
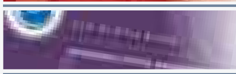
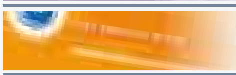
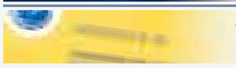
### STRUCTURE OF THE PUTRAJAYA COMMITTEE ON GLC HIGH PERFORMANCE (PCG) AND JWT/TMO




*Source: GLC Transformation Manual, July 2005*

## EXHIBIT 6

### 10 GLCT INITIATIVES LAUNCHED AND IN VARIOUS STAGES OF IMPLEMENTATION

| Initiatives | | Description | Date Launched |
|---|---|---|---|
|  | Green Book: Enhancing Board Effectiveness | To enhance Board effectiveness through revamping Board practices and processes | April 2006 |
|  | Malaysian Directors Academy (MINDA): Strengthening Directors Capabilities | To enhance Board performance by equipping GLC Boards with world class knowledge, skills and mind set to perform to a consistently high standard | December 2006 |
|  | Brochure on GLIC Monitoring and Management Framework | To reinforce the ability of GLICs to monitor and manage individual GLCs | December 2006 |
|  | White Initiative: Improving Regulatory Environment | To enhance regulatory capabilities at GLCs to improve the regulatory environment. White Book on creating value through regulatory management was subsequently launched in September 2008 | September 2006 |
|  | Silver Book: Achieving Value Through Social Responsibility | To guide GLCs to become responsible corporate citizens while creating value for their shareholders and stakeholders | September 2006 |
|  | Red Book: Reviewing and Revamping Procurement Best Practices | To enhance the effectiveness and efficiency of the procurement practices in GLCs | April 2006 |
|  | Purple Book: Optimising Capital Management Practices | To establish guidelines for GLCs to optimise their capital management practices | December 2006 |
|  | Orange Book: Strengthening Leadership Development | To improve GLCs capabilities in attracting, developing and retaining talent | December 2006 |
|  | Blue Book version 2: Intensifying Performance Management Practices | To encourage adoption of performance management best practices at GLCs | August 2005 |
|  | Yellow Book: Enhancing Operational Efficiency and Effectiveness | To enhance operational efficiency and effectiveness through the adoption of a Framework for Continuous Improvement | September 2006 |

## 2.1.3 Progress has been made on the implementation of the 10 Initiatives

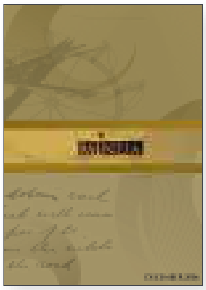
**All 10 Initiatives and 'execution books' have been launched and well-received.** While some GLCs have made significant progress with GLCT Initiatives, many are at different stages of implementation, and will need to continue to move from 'form to substance'.

There has been significant headway made in *Enhancing Board Effectiveness*, with changes to the composition of the Board and CEOs of GLCs taking place since 2004 to reflect the need for the right expertise and experience required to drive high performance at GLCs. A recent survey on corporate governance[3] for all public-listed companies on Bursa Malaysia showed the inherent strength of the GLCs as corporate leaders in embracing and implementing recommended corporate governance best practices within their organisations including board practices and processes

**MSWG CORPORATE GOVERNANCE SURVEY 2008**

*Out of the 960 companies surveyed, GLCs constituted 50% of the top 20 companies ranked overall. GLCs emerged as leaders in corporate governance in as follows:*

*CCM: Industrial Products*
*UEM Builders: Construction*
*TM: Trading/Services*




The *Malaysian Directors' Academy* ("MINDA") has continued to deliver on the initiative to strengthen Directors' capabilities, since its launch in December 2006. As a testimony to the value that they bring and the potential that they have, in April 2008, MINDA has been granted RM10.5m funding from the Capital Market Development Fund ("CMDF"). From 2007-2008, MINDA has delivered 327 Training Days to 214 Directors (including non-Directors it is 601.5 Training Days to 470 participants). A total number of 83 GLC Directors have been through MINDA Tier 1 and 2 Programmes. For the 2008 overall Programme Evaluation Ratings, 88% of the participants who attended Tier 1 and Tier 2 Programmes rated the programme "Good" and "Excellent".

**MINDA STATISTICS AT A GLANCE**

- *327 Training days*
- *214 Directors*
- *470 participants including non-Directors*

▲ Chairman's Forum 2007 (22 to 24 October 2007)


▲ Building High Performance Director Module III (20 to 23 October 2008)

3 *MSWG Corporate Governance Survey 2008*

Under the Initiative on *GLICs Monitoring and Management Framework*, GLICs have been enhancing their monitoring and support of GLCs within the boundaries of their mandate GLICs have also taken more active shareholding roles, contributing at varying levels to GLCs strategic transformation moves as described further in section 2.2.2.

A series of 5 workshops on regulatory management and basic regulatory economics for GLCs were conducted during Phase 1 of the roll-out of the initiative on *Improving Regulatory Environment*, while 2 workshops for regulators and policy-makers were conducted in Phase 2, all taking place in the period from 2006 to 2007. This culminated in the publication of the White Book on Creating Value through Regulatory Management, which was launched on 23 September 2008 to provide GLCs with guidance on best practice regulatory management to develop mutually beneficial, stable relations with all stakeholders. In addition, the University Malaya - Malaysian Centre of Regulatory Studies ("UMCORS") was launched on 21 April 2008 and aimed at forming a focal point for multi-disciplinary research and study in the intersections between law, business and economics.

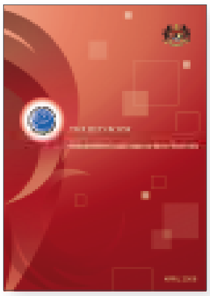
GLC efforts on *Achieving Value Through Social Responsibility* have been fruitful, 70% of the G-20* have developed their Contributions to Society Policy and Plan and 6 Roundtables have been conducted with GLCs to date. All GLCs have policies, processes and procedures in place to address their social contributions. GLCs now are beginning to integrate their CSR/CR into their business strategy, are more engaged in issues affecting society and environment and have also begun to measure the impact and outcome of their programmes. A key achievement under this initiative is the success of the PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibility) programme, which was launched on 17 December 2006. Under the programme, companies adopt schools to provide access to motivational and team building activities, educational support such as tuition and other forms of assistance such as teacher capacity building and education on reducing vulnerabilities and social issues. The PINTAR project is targeted to expand to bring the total number of adopted schools to 280. Schools in Sabah and Sarawak as well as schools with special needs will be included in the expansion plan.

Pintar

- *161 schools adopted*
- *24 members, mainly GLCs, more than 3,000 volunteer-hours*
- *approximately 64,400 students*
- *9.5% of PINTAR students scored straight As in 2008 as compared to national average of 9.2%*

▲ Students from a PINTAR school

▲ White Book workshop (December 2008)

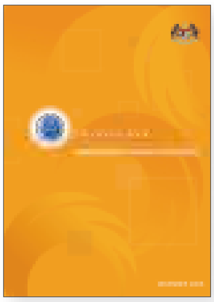


On *Reviewing and Revamping Procurement Practices*, the G-20* completed an Implementation Effectiveness Assessment in January 2008 and results show that in general, progress has been made in the implementation of the Red Book recommendations, but there is significant room for improvement. Notably, MAS, Sime Darby and TM are ahead of the rest in terms of adoption of best practices. 80% of the GLCs have developed Procurement Improvement Plans ("PIP") whereas 70% of the GLCs have established and obtained the relevant approvals for procurement and Red Book-related milestones and targets. As at September 2008, the G-20* accumulated a value creation of RM2.4bn through procurement best practices, which averages to RM1.2bn a year since 2006.

*Progress has been made in the implementation of the Red Book recommendations:*

- *80% of the GLCs have developed Procurement Improvement Plans ("PIP")*
- *70% of the GLCs established and obtained approvals for procurement related milestones and targets*

GLCs have continued to improve in their *Optimising Capital Management Practices*, with cash returns to shareholders improving significantly. Between FY2004 and FY2007, aggregate net dividends paid out by G-20* companies increased from RM4.9bn to RM9.5bn, a compounded annual growth rate of 25%. Importantly, several key GLCs, recognising the need to improve capital management practices, paid out special dividends in the past few years, including POS, TM and BCHB. G-20* have also gradually strengthened their operating cash flows from RM12.4bn in FY2005 to RM19.9bn in FY 2008, a 17% compounded annual growth rate.

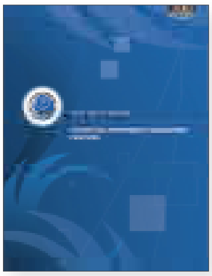


Initiatives recognising the importance of managing human capital for performance are also promising to demonstrate tangible positive outcomes. In *Strengthening Talent Management Practices*, the G-20* have conducted their Leadership Development Audit ("LDA") exercises and aggregate results as of June 2008, identified the Leadership Gap[4] across the G-20* as 3,105 (there being an aggregate demand for 7,504 leaders but only 4,399 leaders available). The first LDA Community Workshop was held in November 2008 and further workshops continue to further establish the LDA and enhance substance in the leadership development practices in GLCs. To date, three Leadership Development Circles have been participated in by the G-20* CEOs and HR Directors with positive feedback. Progress has also been made in establishing Centres of Expertise, with an initial directory of Leadership Development programmes offered by GLCs to be published as part of this initiative. In addition, the GLC Talent Exchange Programme is underway, having been launched in June 2008, with 15 participating talents from 10 GLCs/GLICs.

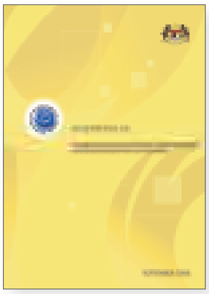
▲ Talent Development Day (May 2008)

▲ 'Strengthening Execution Capabilities' workshop (July 2008)

4 *Leadership Gap - As described in the Orange Book, refers to the difference between leadership supply and leadership demand, where demand is calculated by determining pivotal line positions and how many leaders will be needed to deliver new strategic initiatives and business growth. Supply is calculated by assessing the organisation's current talent pool and subtracting retirees, underperformers and attrition*



A recent Implementation Assessment exercise for *Intensifying Performance Management Practices* was conducted for G-20* to evaluate the effectiveness of the implementation of Blue Book recommendations and showed that GLCs to be strong in many key areas, such as alignment of Corporate KPIs to strategy, business performance monitoring and employee engagement. Nevertheless, while GLCs have most elements of the Performance Management process in place, some gaps remain. For example, most GLCs need to improve the robustness of the targets set of Senior Management and do not have a formal target review mechanism in place. There is a lack of open and meaningful performance feedback conversations and there is usually a weak correlation between performance ratings and increments or bonus, with insignificant reward differentiation between high performers and average performers. However, GLCs*[5] have engagement scores that are at least on par with the Malaysian Norm – the GLCs showed an overall level of engagement of 79%, topping the Malaysian National Norm of 74%.



GLCs have also made significant progress in *Improving Operational Efficiency and Effectiveness*. Overall improvements and customer satisfaction levels have improved across the G-20* companies following the various operational enhancement initiatives undertaken across the spectrum of the G-20* companies. Clear signs of operational improvement as measured by selected industry-specific indicators have emerged in terms of lower queuing times, lower service interruptions, improved on-time performance as well as turnaround time in handling customer complaints, amongst others. *See Appendix III for further elaboration.*

There continues to be room for improvement, as PCG believes that 36% of G-20* companies are still focused on the diagnostics stage to identify further opportunities for improvements. Over the period from 2005-2007, Net Profit per Employee has risen by 142% illustrating the increased focus on the bottom line by GLCs management. *See Exhibit 11.*

▲ Performance Management Circle #7, June 2008

5 *Overall engagement score for the surveyed employees across 17 of the G20*.*

### 2.1.4 Positive feedback on GLCT Programme

In addition to tracking the performance of the GLCs to measure the success of the GLCT Programme, feedback on progress of the Programme was also sought periodically from key stakeholder groups.

An extensive series of in-depth interviews conducted at 2 key stages of the Programme, indicated that the GLCT Programme has been well-received. Interviews were held with heads of GLCs and GLICs, key representatives from various Government Ministries, statutory authorities, regulatory agencies and regulatory authorities, representatives from the private sector, market commentators, analysts and fund managers as well as unions, associations and federations of key stakeholder groups. The first series of interviews took stock of the Programme after Phase 1 of the Programme, in 2006 and a second stock-take took place at the end of Phase 2 and moving into Phase 3, from 2007-2008.

**STOCK-TAKE INTERVIEWS – KEY STAKEHOLDER GROUPS**

- *GLIC and GLC Heads*
- *Government Ministries and departments, key civil servants, regulatory agencies, statutory authorities*
- *Private sector players*
- *Media commentators*
- *Market analysts, fund managers and research houses*
- *Unions, federations and associations representing various stakeholder interests*

Stock-take interviews generally acknowledged that the GLCT Programme had created the impetus for improvements and had been rolled out in a form that provided concrete assistance and generated visible changes. Notably, the support from the YAB Prime Minister and YB Minister of Finance II gave the Programme visibility and created legitimacy and a sense of urgency for GLCT to accelerate change. A key observation was that the PCG has sustained the Programme's momentum by providing a common forum for GLC leaders to share issues, and establishing Headline KPIs and monitoring them to generate performance pressure. Initiatives have been launched, well-received and have been used on occasion to develop or implement unique tailored transformation plans. Feedback from Circles and forums has been generally positive. There has been a gradual improvement in overall effectiveness of Boards, with a number of positive changes in Board and Chairman composition, as well as increased adoption of the Green Book and Board Effectiveness Assessment ("BEA"). While interviewees acknowledged good progress has been made they recognised that challenges remain and this is addressed further in Chapter 3.

**EXHIBIT 7**

FEEDBACK FROM GLCT STOCK-TAKE

| KEY OUTCOMES | Perspectives from stock-take interviews |
|---|---|
| Visible PM & MKII support have been a key success factor | • "The best part has been the PM's and MKII's recognition and agreement for need for change"<br>• "(key reforms)... could not have happened without GLCT Programme"<br>• "Commitment from PM and DPM is definitely there" |
| PCG has successfully sustained momentum & widened involvement | • "Thank God for the Programme... without it GLCs would have lost distance vs. private sector"<br>• "GLCT is fantastic. We created our own luck and lifted the stockmarket"<br>• "Changed the perception of GLCs"<br>• "Helped accelerate things" |
| Books and Initiatives have been helpful and well-received | • "Books provided focus and structured methodology... Education from books & forums is brilliant"<br>• "Books are cascading down through the organisation. People do use it"<br>• "...made a big impact,"<br>• "...really helped change thinking and behaviours" |
| GLICs are becoming increasingly active shareholders | • "GLCT has been an unambiguous success"<br>• "(GLICs)... have slowly and indirectly been affected by GLCT" |
| There have been improvements in Board effectiveness | • "Directors are now discussing the seriousness of directorship and feeling the pressure of peer group evaluation. They are no longer relaxed about compliance issues"<br>• "The Green book was the most helpful. It's prescriptive nature is great – helpful to be able to refer to a manual-like book whenever in doubt"<br>• "MINDA has been great for training new board members" |

*Source: GLIC and GLC stock-take interviews*

### 2.1.5 PCG Secretariat programme level activities have been well-received

PCG Secretariat has organised various workshops and Circles to continue building the capabilities of the GLICs and GLCs with the objective of institutionalising each Programme Initiative by Phase 3 of the GLCT Programme. Towards this end, the PCG Secretariat has organised 117 days worth of programme sessions, syndication, briefings, discussions, workshops and Circles in 2008. This translates to 1,638 man-days worth of participation from GLICs and GLCs. Since the launch of the Programme, an estimated total of 637 programme-days have taken place, amounting to total of 8,918 programme man-days' worth of participation from the various attendees, ranging from CEOs to operational line managers. The Secretariat collated feedback in 2008 on the overall quality and effectiveness of each of the workshops and Circles and results indicated at least 88% of the participants rated each programme "Good" or "Excellent".

## 2.2 GLCs are executing tailored transformation plans in line with the principles of the Programme

Ultimately, it is the responsibility of the GLCs, supported in the interim by the infrastructure provided by the GLCT Programme, to implement the Initiatives, manage their stakeholders and generate sustainable benefits to shareholders and other stakeholders. In Phase 3 of the Programme, the focus has shifted from a broad programme launched for all GLCs, to GLC-specific transformation programmes tailored by each GLC. The intention behind the 10 Initiatives launched by PCG was that each GLC would prioritise and adopt those that are applicable to its overarching business strategy, then translate these into GLC specific plans. Consequently, many GLCs have been adapting and developing their individual programmes based on their own unique challenges, objectives and business outcomes.

### 2.2.1 Executing Business Turnaround Plans

In some cases, GLCs have developed their individual business turnaround plans and incorporated some of the 10 Initiatives into their individual transformation programmes. Some, like MAS and Bank Islam, have executed their plans and started to see results.

***MAS Business Turnaround Plan*** launched in 2006 has resulted in highly commendable profits in 2007 of RM831.4m, an impressive turnaround from their position of having recorded losses of RM136m just a year before. MAS had formulated its first Business Turnaround Plan ("BTP1") as a 3-year plan, in line with the GLCT, which was structured into 3 phases – firstly financial survival (2006), then profit generation (2007) and lastly profitable growth (2008 and beyond). MAS has now pushed even further ahead with its 2nd Business Turnaround Plan ("BTP2"), which is also based on the 5 key thrusts of the MAS Way, its guiding principles in BTP1. The plan in BTP2 outlines the strategies for MAS to become a Five Star Value Career and a leading player in the global aviation industry, hinging on 5 steps of a "Virtuous Cycle of Profitable Growth".

malaysia AIRLINES

- *Cut losses from RM136m in 2006, achieved a Net Profit of RM831.4m in 2007 with a respectable profit of RM244.3m in 2008*

Another key turnaround took place at ***Bank Islam Malaysia Berhad***, which reported its highest profit ever in its history with a profit before zakat and tax ("PBZT") of RM308.3m for financial year ended 30 June 2008. Its performance in 2008 followed on the hills of a solid performance of an increase in PBZT from RM236.7m in FY2007 to RM308.3m in FY2008, an increase of 30.3%. This was a remarkable recovery for Bank Islam, which had declared its first loss in history in 2005.

BANK ISLAM

- *BIMB reported a loss before zakat and tax of RM1.29bn for FY2006. It then reported in its highest profit ever in its history with a PBZT of RM308.3m in FY2008*

In November 2005, Bank Islam reported a loss of RM480m, largely the result of high non-performing loans from its Labuan offshore unit. The turnaround can be attributed to the aggressive implementation of a five-component turnaround plan rolled out in 2006 which included the implementation of strategic changes to grow new businesses and an intensive loan recovery programme, together with the vigorous re-branding exercise to change the mindset and the working culture, and the Bank's approach to doing business in a market place that is increasingly more knowledgeable and sophisticated.

## 2.2.2 Delivering on Strategic Transformative Moves

A number of GLCs have developed and initiated strategic moves around consolidation for growth and restructurings.

### *Transformational Transactions*

Transformational initiatives in 2007 included the merger between Kumpulan Sime Darby Berhad, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad to create Malaysia's largest company, ***Sime Darby***. This was announced on 27 November 2006, heralding Malaysia's largest corporate merger ever and the creation of one of the largest listed companies on Bursa Malaysia. The motivation behind the merger was to drive productivity in Malaysia's palm oil industry, increase the country's competitiveness and help attract investors. Sime Darby has planned an implementation roadmap that runs until 2010 to integrate its main businesses. In the initial phase of 2007 and 2008, Sime Darby established a platform for building a strong business engine and internal capabilities. The second phase, from 2008 to 2009, will focus on capturing full synergies and operational improvements from the merger of its plantation and property businesses, while driving core businesses to full potential. By 2010, the third phase will commence. The property and plantation businesses will be fully integrated and positioned to embark on growth opportunities.

*Landmark merger formed Malaysia's largest company*

- *Merger synergies of RM210m for FY2007/2008*
- *Operations span across 20 countries*
- *Supported by a team of over 100,000 people worldwide*
- *Core businesses in plantation, property, motors, industrial, energy & utilities and with growing presence in China and healthcare*

Another successful transformational transaction was ***TM***'s demerger of its mobile and fixed business to unlock the value in each of its business lines. It was facing declining performance levels at its fixed line activities and its domestic mobile business was under pressure due to intensifying competition. TM launched a Performance Improvement Programme in 2006 (continuing with version 2.0 in 2008 post demerger) to improve execution capacity, enhance quality of customer experience, achieve operational excellence and increase capital productivity. The programme has delivered tangible results in a short timeframe. TM's top line growth was encouraging, its broadband business grew and a severe decline in fixed and voice data revenue was finally arrested. Continuing on this journey of transformation, TM announced its planned demerger on 28 September 2007. The demerger took place on 25 April 2008, with the aim of accelerating operational improvements and growth through clearer strategic and organisational focus, and unlocking shareholder value. The formation of two separate entities - a regional mobile champion and a domestic broadband champion - will pave the way for enhanced governance; better and more tailored capital management initiatives and investor relations strategies; and freedom to pursue distinct aspirations and strategies as well as contribute to fulfilling national objectives. TM International now houses TM's mobile business and overseas mobile business and was listed on 28 April 2008.

*Notable achievements in 2008:*

- *Sustaining momentum in broadband growth*
- *Reducing accounts receivable days to 113 from 143 at the beginning of the year which translates into RM244 m cash improvement to the Company*
- *Improving Business As Usual ("BAU") CAPEX/Revenue ratio to 16.7% from 21.2% in 2007, which translates into RM390 m savings signifying an improved CAPEX efficiency*

While the current economic environment has not been advantageous for the demerged entities, preventing the full anticipated benefits of the demerger from materialising, the primary objectives behind the transaction still continue to be met. Each entity continues to have the advantage of greater focus on their operations as fixed line and mobile line business respectively. ***TMI*** may have been adversely affected by virtue of its overseas subsidiaries but its Malaysian operations, through Celcom, have shown consecutive improvements in financial results, outperforming its competitors in the face of more intense competition. The operational independence and leaner structure of TMI post-demerger enable it to focus on doing the same for its subsidiaries in markets abroad moving forward.

**TMI**

*Notable achievements in 2008:*

- *Regional mobile subscribers grew 124% Y-o-Y to 89m (include Idea Cellular subscribers of 34.2m)*
- *Solid Group Revenue growth of 14% despite challenges in the global and operating markets, led by Celcom's 11 consecutive quarters' of growth and XL's commendable 45% revenue growth*
- *Strengthened management team*

One of Malaysia's largest conglomerates, ***UEM Group*** embarked on a landmark corporate exercise in February 2008, to reposition it for growth, through the creation of a platform to enhance growth opportunities and increase transparency of valuations through unlocking the value behind UEM World's group of companies. The restructuring exercise involves the delisting of UEM World in view of the listing of UEM Land which owns approximately 10,000 acres of land in Nusajaya. This will see UEM Land as a listed company focused on property development with the ability to directly tap the capital markets to fund future growth and enable shareholders to participate directly with the new listed entity. UEM Land's listing status helped realise some of the value of the Group's landbank and to its flagship development in Nusajaya (a flagship zone in Iskandar Malaysia).

### *Taking Steps for Regional Growth*

Several GLCs have also started pursuing organic and inorganic growth as part of their expansion strategies and to realise their regional champion aspirations. The most notable examples are the Maybank Group and the Bumiputra-Commerce Holdings Berhad Group.

The ***Maybank*** Group has set its sights on regional expansion, with acquisitions in financial institutions throughout Asia. The group has, since 2008, set in motion a strategic thrust to bring transformation across its operations to realise its aspirations of being one of the top 5 financial institutions in the region by the year 2015. Maybank has, over the past few months, completed the acquisition of an additional 5% equity interest in MCB Bank of Pakistan, completed the acquisition of 15% of the total charter capital of An Binh Commercial Joint Stock Bank in Vietnam and completed the acquisition of 71.86% equity interest in Bank Internasional Indonesia ("BII"). It has also commenced the Tender Offer to acquire the remaining interest in BII. This regional expansion into Indonesia, Pakistan and Vietnam provides Maybank with an opportunity for earnings diversification, considering the highly saturated and competitive banking landscape in Malaysia and enables Maybank to capitalise on the growth potential in the rest of the region, given the relatively low penetration and economic expansion. The expansion is also in line with Maybank's long-term strategy to build and strengthen its regional presence.

**Maybank**

- *In Singapore: accorded the Qualifying Full Bank ("QFB") status, Maybank operates one of the largest networks of branches and ATMs amongst foreign banks*
- *In Philippines: Sizeable network of 45 branches*
- *Presence in key Asian growth countries such as Vietnam, Cambodia, China and Indonesia as well as the financial centres of Hong Kong, London and New York*
- *Other countries where Maybank has a presence are Brunei Darussalam, Bahrain, Papua New Guinea and Uzbekistan*

***Bumiputra-Commerce Holdings Berhad***'s ("BCHB") core philosophy is to be Southeast Asia's Most Valued Regional Bank. It has gone through an internal restructuring process, which has resulted in transforming the company to be poised to be a major presence throughout the region. Previously, its operating entities in various financial services sectors are largely on a stand-alone basis. However, from late 2004 onwards, it began to consolidate all its operations under CIMB Group, to form a universal bank anchored by CIMB, South East Asia's largest investment bank. BCHB's main markets are Malaysia, Indonesia and Singapore, in which it has full universal banking capabilities, but it has gained a foothold in 11 countries, including South East Asia and major global financial centres, as well as countries with which South East Asian customers have significant business and investment dealings. Most recently, CIMB has completed the merger of its Indonesian subsidiary Bank CIMB Niaga with Lippo Bank after acquiring 51 percent of the latter's stake from Santubang Investments BV. With the merger, CIMB Group now holds a controlling share ownership of 77.75 percent of Bank CIMB Niaga.

BUMIPUTRA COMMERCE

- *One of Southeast Asia's leading universal banking groups*
- *Key regional offices are located in Singapore, Indonesia and Thailand*
- *BCHB has a total staff strength of more than 25,000 located in its offices in 11 countries, serving close to 7 million customers*

### *Strategic divestments to create focus while creating opportunities*

Some GLCs have opted to make strategic divestments as part of their tailored transformation plans, so as to focus on their core businesses as well as to create opportunities and space for other players better suited to the market they have exited.

***TIME dotCom*** ("TdC") is a major telecommunications provider in Malaysia with an extensive fibre optics network, complemented by an extensive fixed line, broadband and Internet service network. In 2008, Khazanah entered into an agreement with Global Transit International Sdn. Bhd. ("GTI"), a major local telecommunications player in the wholesale Internet Protocol (IP) transit market in Malaysia and the region, to improve the operational performance of TdC. Khazanah transferred its shareholdings in TdC to a special purpose vehicle, Pulau Kapas Ventures Sdn. Bhd. ("PKVSB"), in which Khazanah has a majority interest of 61.2 %, with GTI holding the remainder equity interest. Upon meeting certain performance targets, GTI will be given an earn-out option to increase its stake to become the major shareholder in PKVSB. This strategic divestment was aimed at ensuring the long term operational and financial sustainability of TdC as well as injecting key senior management talent, including the CEO, to fill existing gaps in the company. A selection committee formed by Khazanah that included independent professionals from the telecommunications and corporate sectors reviewed and assessed proposals from several local companies. GTI was selected on the basis of their entrepreneurial skills and deep telecommunications experience, as well as sound management required to assist TdC in its operational and financial recovery. The successful completion of this exercise will serve as a developmental model to nurture sustainable local and Bumiputera entrepreneurs in the country. TdC has since embarked on a corporate renewal exercise spanning operations, culture and training. The turnaround plans of TdC concentrate on several areas aimed at positioning and upgrading current businesses that are relevant to TdC's revenue, and will address basic issues such as strengthening core competencies, nurturing talent and restoring its engineering pedigree, as well as focusing on more lucrative operations with greater growth potential such as data service offerings in the wholesale, enterprise and corporate market segments.

It is envisioned that further divestments will take place in the future by GLICs and GLCs, to allow GLCs to continue focusing on their core businesses, whilst creating opportunities for local entrepreneurs and businesses.

## 2.3 G-20* have continued to improve their performance compared to historic levels

Since the launch of the Programme, the G-20* have made significant progress on financial and operational improvements, as well as on balance sheet restructuring. However, GLCs are increasingly operating in a much more challenging environment since the start of the global economic crisis. Much of the market capitalisation gains arising from transformation efforts during the last 4 years have been reversed. Nevertheless, the G-20* FY2008 aggregate earnings are now 53% higher than pre-GLCT levels. This reflects the stronger underlying performance of GLCs since the launch of the Programme. Compared to the 1997 Asian Financial Crisis, the G-20* are now in a much better position to weather the crisis as a result of their more robust balance sheets and stronger operating fundamentals.

Similarly, despite the decline in market capitalisation, these improvements of the G-20* have been recognised by the capital markets. Since the launch of GLCT, the G-20* have also outperformed KLCI in terms of total shareholder returns by 4.8% per annum.

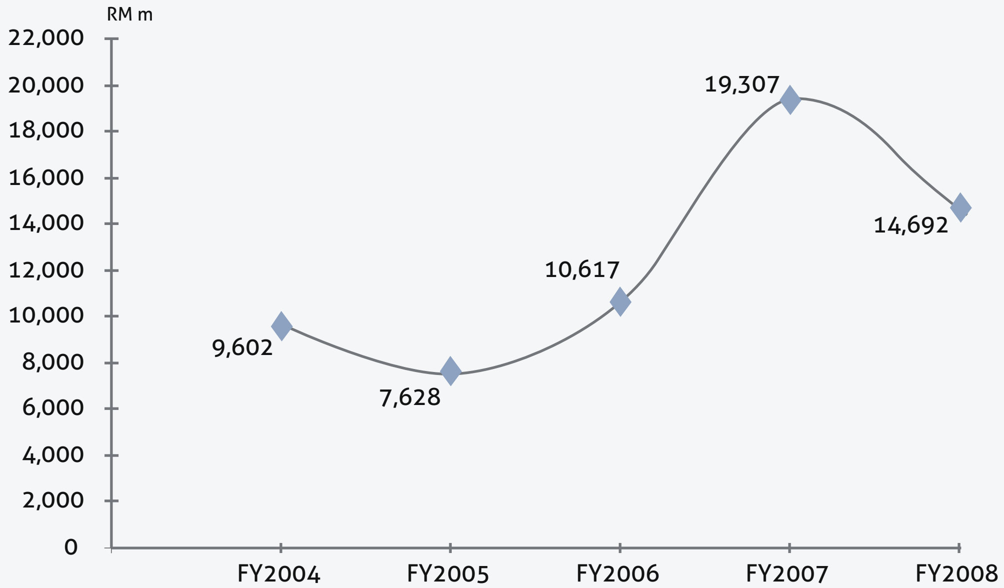
### 2.3.1 G-20* financial and operating performance have improved significantly since the inception of the GLCT Programme in 2004

**G-20* achieved good aggregate earnings growth of 24% compounded annual growth rate from 2004-2008.** Aggregate G-20* earnings rose from a low of RM7,628m in FY2005 to a peak of RM19,307m in FY2007. During this trough-to-peak period, G-20* aggregate earnings grew at a 59% compounded annual growth rate, compared to the compounded annual growth rate of -3% for KLCI over the same period.

Among the G-20* firms, the biggest gainers were TNB (RM2,781m swing in net profit over 3 years), MAS (RM1,995m), Sime Darby (RM1,736m on a pro-forma basis) and TM (RM2,781m on a pre-demerger basis). Overall, earnings growth has been driven by a mix of aggressive cost management, internal restructuring, productivity improvements and rising output prices. Despite aggregate earnings for the G-20* falling -24% year-on-year in FY2008 to RM14,692m due to the global economic slowdown, it remains 53% higher than pre-GLCT levels.

**EXHIBIT 8**

AGGREGATE EARNINGS OF G-20*



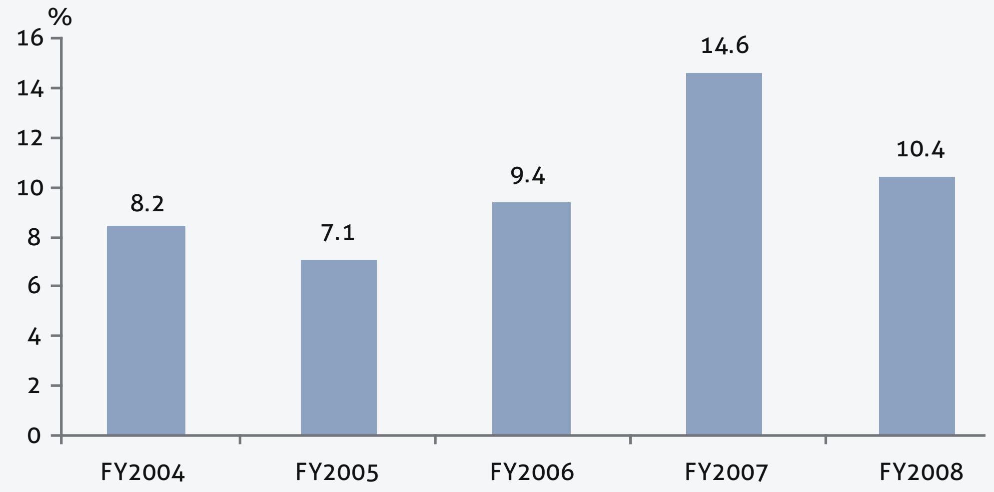

*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**G-20* have achieved an increase in Return on Equity (ROE) from a low of 7.1% in FY2005 to a peak of 14.6% in FY2007, and to 10.4% in FY2008.** G-20* ROE growth has far out-paced capital cost, with indicative risk-free Ringgit 1-year debt rates rising just 150bps from 2.2% in end-2004 to 3.7% in end-2008.

**G-20* firms have made a significant Economic Profit ("EP") turnaround from an economic loss of RM3,544m in FY2005 to an EP of RM3,651m in FY2007.** EP is an important measure for the GLCT programme, as it reflects a company's annual cash flow performance beyond its weighted cost of capital and hence its ability to create shareholder value. In FY2005, 9 out of 18 G-20* firms reported economic losses. However by FY2007, only 6 out of 19 G-20* companies had reported economic losses, and only 7 out of 19 G-20* companies in FY2008.

**EXHIBIT 9**

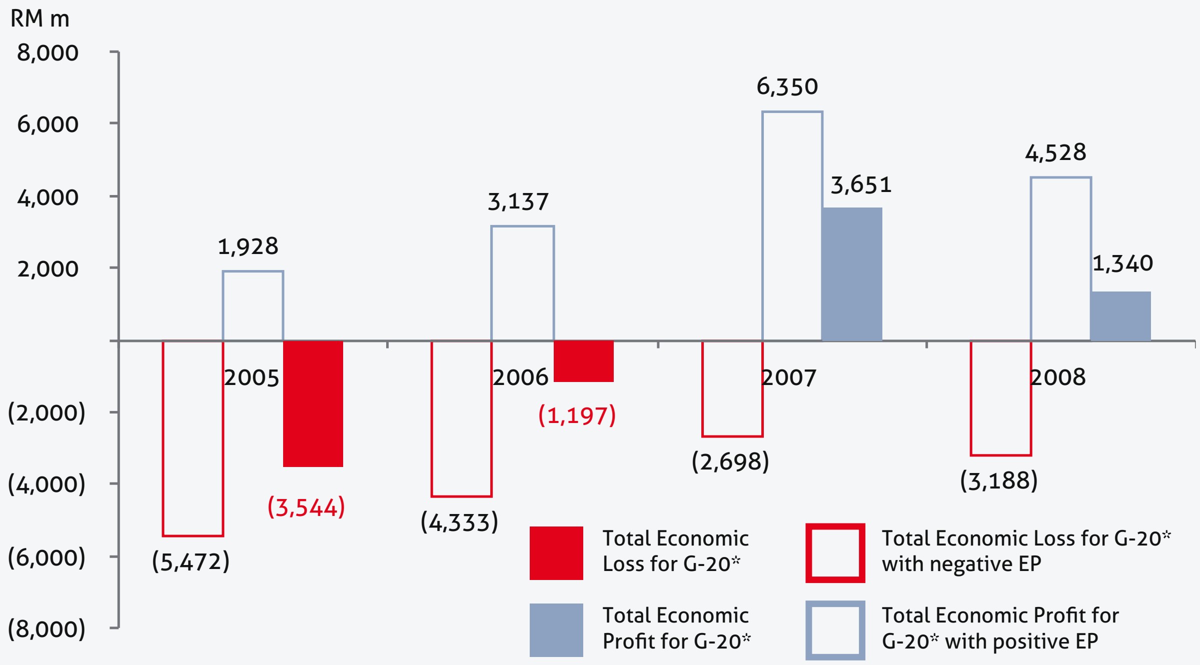
G-20* RETURN ON EQUITY




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**EXHIBIT 10**

G-20* ECONOMIC PROFIT



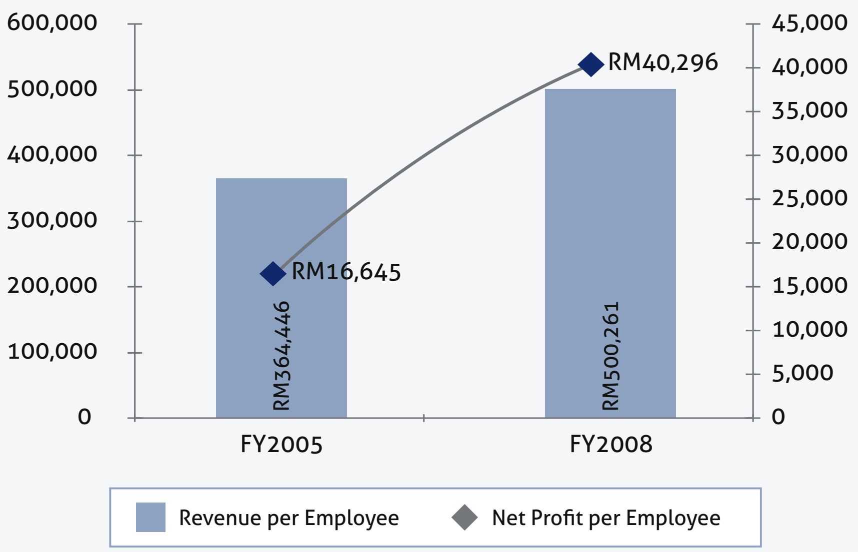

*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**G-20* have increased operational performance and efficiencies.** Between FY2005 to FY2008, improvements in operational efficiencies have allowed G-20* firms to increase 'Net Profits per Employee' by 142% on the back of a 37% increase in 'Revenue per Employee'.

In addition, GLCs have illustrated significant improvements across the board in terms of customer satisfaction levels, measured by selected industry specific indicators, as evidenced by lower queuing times, reduced service interruptions, on-time performance as well as turnaround time in handling customer complaints, amongst others (*see Appendix III*).

**EXHIBIT 11**

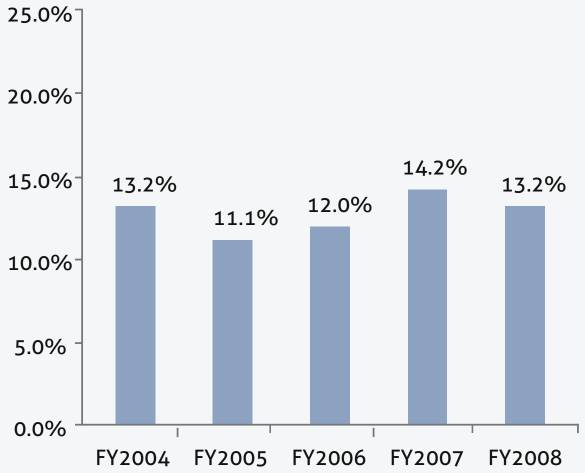
G-20* REVENUE & NET PROFIT PER EMPLOYEE (2005-2008)




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**EXHIBIT 12**

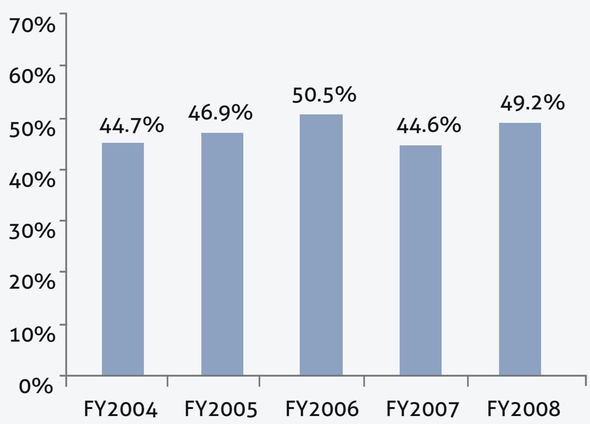
OPERATING MARGIN FOR G-20* NON-BANKING COMPANIES




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**EXHIBIT 13**

G-20* BANKING COMPANIES: COST-TO-INCOME RATIO (%)



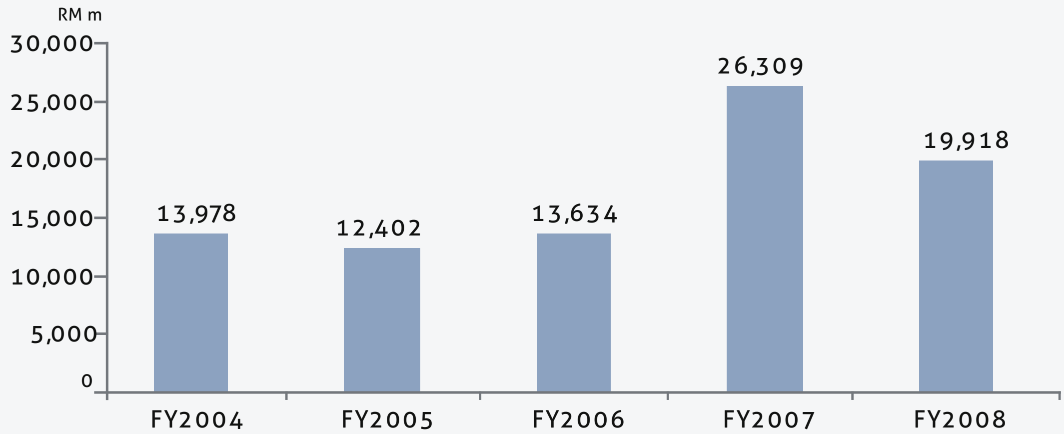

*Source: G-20* annual reports, Bloomberg, PCG Analysis*

Between FY2005 to FY2008, non-banking G-20* firms have improved overall operating margins by 19% (from 11.1% to 13.2%) while G-20* firms in the Banking sector have reduced Cost-to-Income ratios by 5%.

**G-20* have gradually strengthened their operating cash flows from RM12,402m in FY2005 to RM19,918m in FY2008,** a 17% compounded annual growth rate. Comparable free cashflow rose from RM976m in FY2005 to RM1,985m in FY2008, a 27% compounded annual growth rate.

**EXHIBIT 14**

NON-FINANCIAL G-20* OPERATING CASHFLOW




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

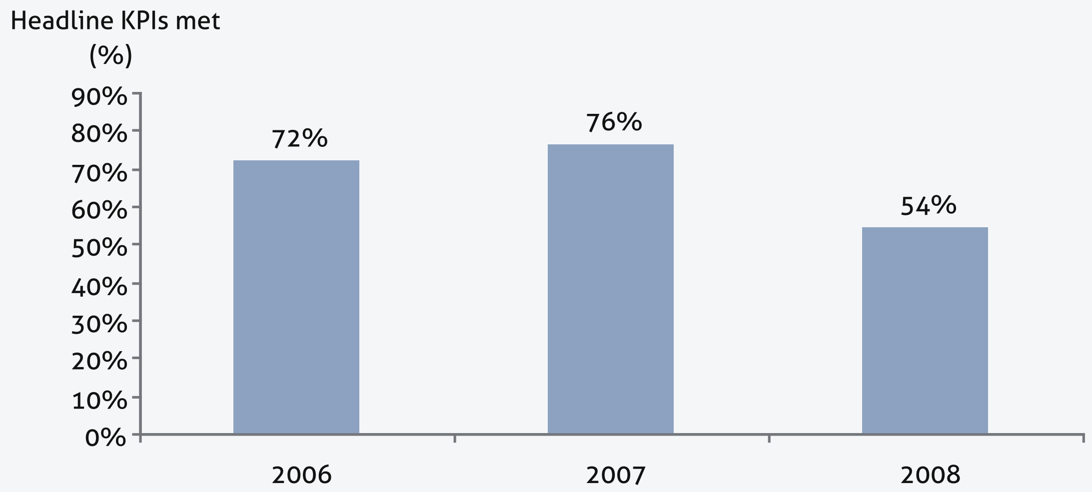
## 2.3.2 G-20* have focused relentlessly on performance management via setting and tracking Headline KPIs

**G-20* have met 54% of FY2008 Headline KPIs – a reflection of the current economic crisis**

Since the launch of the Programme, the G-20* in conjunction with the GLICs, have been setting, announcing and monitoring Headline KPIs annually. Whilst the majority of G-20* Headline KPIs have been met since the early days of the Programme, the latest results from 2008 reflect the increasingly challenging landscape that GLCs are operating in. This harsher and more volatile environment will be taken into account in setting Headline KPIs in the near term going forward. For FY2008, Bursa-listed G-20* firms collectively set a total of 48 Headline KPI targets, of which 38 were financial KPIs and the remaining 10 were operational KPIs.

**EXHIBIT 15**

G-20* FY2008 HEADLINE KPIs MET




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

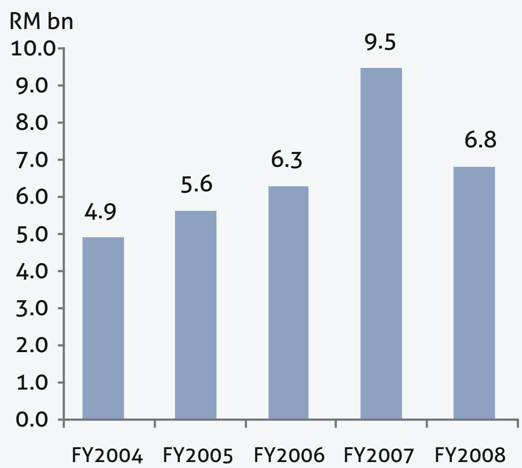
## 2.3.3 Progress of G-20* performance improvements has been recognised by the capital markets

**Bursa-listed G-20* have generated Total Shareholder Returns (TSR) exceeding the KLCI by 4.8% since the launch of the Programme.** G-20* capital gains plus reinvested dividends have generated a 5-year compound return of 10.0%, vs. 5.2% for the KLCI (ex-G-20*). G-20* TSR rose 57.9% between May 2004 and February 2009 (vs. 27.8% for the KLCI (ex-G-20*), and -7.9% for MSCI Asia ex-Japan indices).

**G-20* market capitalisation was RM172bn by the end of 2008 compared with RM159bn at programme inception, and is a reflection of the external economic crisis.** Nevertheless, current market prices do not necessarily reflect underlying earnings, or the stronger fundamentals of many GLCs. Between FY2004 and FY2007, aggregate net dividends paid out by G-20* companies increased from RM4.9bn to RM9.5bn, a compounded annual growth rate of 25%.

**EXHIBIT 16**

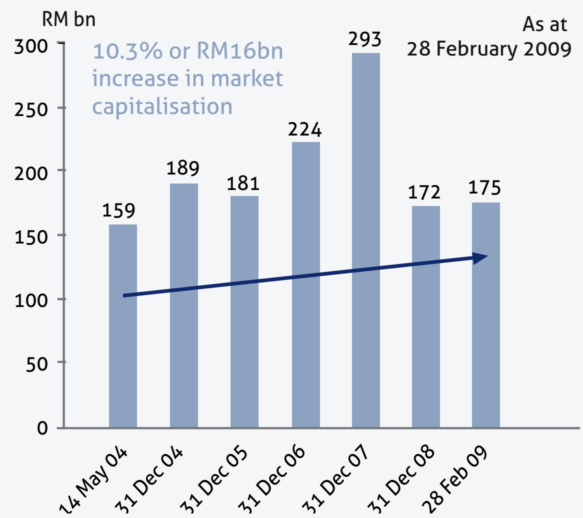
AGGREGATE NET DIVIDENDS PAID OUT BY THE G-20* COMPANIES




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**EXHIBIT 17**

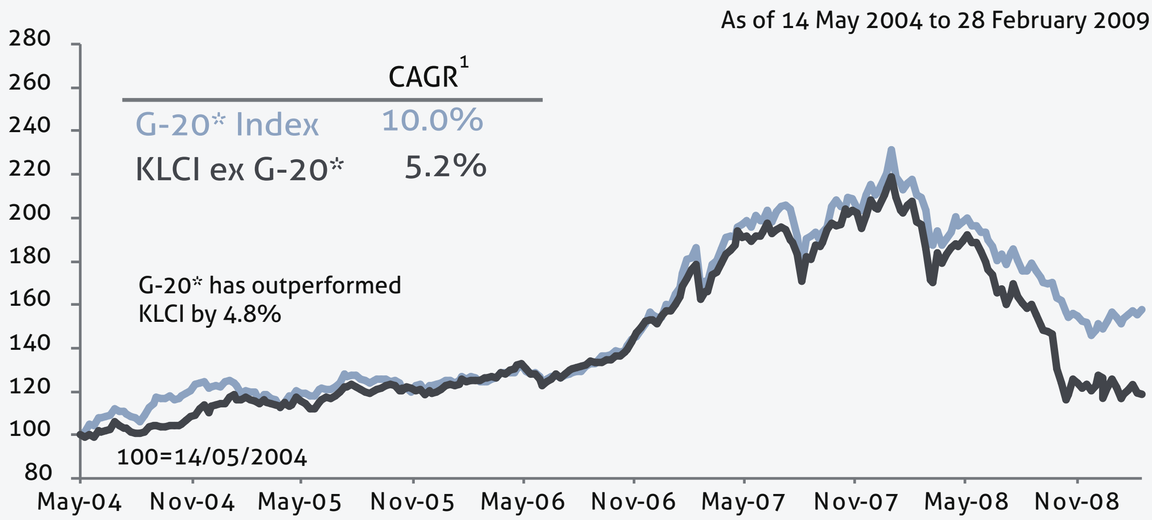
G-20* MARKET CAPITALISATION




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

**EXHIBIT 18**

G-20* TOTAL SHAREHOLDER RETURNS – ABSOLUTE AND RELATIVE PERFORMANCE




*1 Compounded Annual Growth Rate for the period 14 May 2004 to 28 Feb 2009*
*Source: PCG Analysis, Bloomberg*

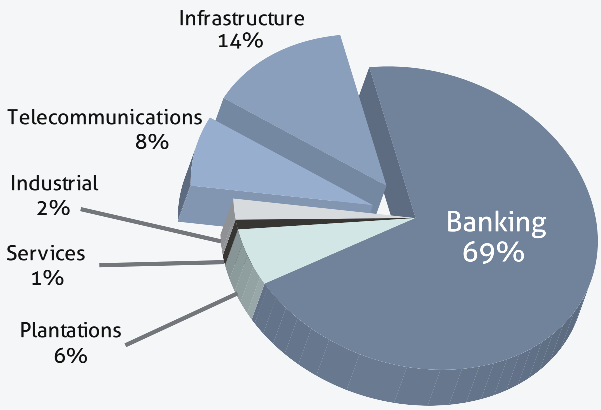
## 2.3.4 G-20* are stronger and more prepared to weather current crisis than during the 1997 Asian Financial Crisis

**G-20* key financial metrics in 2008 have worsened since 2007 as a direct result of the external environment**, for example earnings (by –24% Y-o-Y), economic profit (by –63% Y-o-Y), operating cashflow (by –24% Y-o-Y) and dividend payments (by –28% Y-o-Y). Broker consensus forecasts project an additional 8.9% decline in G-20* earnings for FY2009. This downturn has largely been driven by strong macro-economic headwinds (Malaysian real GDP growth has tailed-off from 6.3% Y-o-Y in FY2007 to 0.1% in Q1 FY2008 on annualised basis.)

**However, G-20* are entering the global economic crisis with healthier balance sheets cushioned by 3 recent years of record cashflow**. Operating cashflow growth (increase of 61% since FY2005) have enabled G-20* to build healthier balance sheets. In addition, the G-20* business portfolio is relatively defensive in nature, with 21% of the asset base invested in non-cyclical businesses (e.g. infrastructure, telecommunications).

**EXHIBIT 19**

G-20* BUSINESS PORTFOLIO ALLOCATION




*Source: G-20* annual reports, Bloomberg, PCG Analysis*

## 2.4 Benefits from GLCT Programme are gradually broadening to all Malaysians

GLCs are increasingly delivering benefits to all Malaysians through improved quality levels; better employment prospects; introduction of merit-based procurement processes; supplier capability development as well as the continued development of a more competitive Bumiputera community. As the Programme matures, much of the tangible impact will arise from the foundations being laid now for stakeholders to eventually capture full promised benefits.

### 2.4.1 GLCs improved performance has led to benefits for all stakeholders:

Benefits to key stakeholder groups of the Programme have manifested in tangible ways. ***Customer satisfaction*** levels, as measured by selected indicators dependent upon each GLC's industry and chosen KPIs, have generally risen, with lower customer queuing times, lower service interruptions, higher quality of service and the introduction of a greater variety of services being made available.

GLCs also fully support the National Development agenda through improving the capabilities of local ***suppliers and vendors***. An average of 49% of total procurement spend was for Bumiputera suppliers. 7 of the G-20* are running Vendor Development Programmes, which have benefited an estimated total of 4,155 local vendors for both goods and services. To date, an estimated RM3bn has been spent in the last 4 years on Vendor Development Programmes.

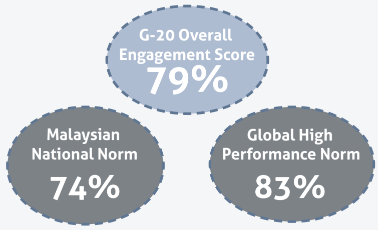
GLCs are helping to improve the competitiveness and capabilities of the workforce by investing in the development of the ***labour force and human capital*** of the nation, with average of RM221m being spent a year from 2004-2008 in development and capability building among the G-20*, with an estimated RM275m spent in 2008 alone. To address unemployment amongst Malaysian graduates, the G-20* have assisted 2,368 graduates through employment schemes since 2004. Moving forward, Graduate Employability Management Scheme ("GEMS"), launched in March 2009, targets to help 12,000 unemployed graduates in the next two years through enhancing their employability. This is in addition to GLC efforts to create a conducive work environment and corporate culture, reflected in the results of a recent assessment conducted by a 3rd party, in which employees of GLCs* showed an overall level of engagement of 79%, topping the Malaysian National Norm of 74%.

INVESTMENTS IN DEVELOPING HUMAN CAPITAL BY G-20*:

- *GEMS target to help 12,000 unemployed graduates in the next two years*
- *RM335m awarded by G-20* for scholarships from 2004-2008*

In addition, the evolution of GLCs towards becoming better corporate citizens with more structured and cohesive Corporate Responsibility ("CR") strategies has generated benefits to ***society and vulnerable communities***. GLCs undertake a variety of initiatives to ease the burden on members of society who are in a vulnerable position, including providing aid & relief, alleviating poverty and contributing to community welfare. An aggregate financial contribution by G-20* of an estimated RM312m was made in the period spanning 2004 to 2008, with estimated 19,775 staff contributing their time as volunteers. A poverty alleviation programme, Sejahtera, is a GLC initiative to support sustainable livelihood and the provision of homes for 5,000 families. A pilot programme involving 100 families is underway in Besut, Terengganu and Maran, Pahang.

G-20* employee engagement scores are higher than the Malaysia benchmark norm




*Source: Performance Management Implementation Effectiveness ("PME") 2008 Survey.*

PROVIDING AID & RELIEF, ALLEVIATING POVERTY AND CONTRIBUTING TO COMMUNITY WELFARE:

- *Aggregate financial contributions by G-20* of an estimated RM312m from was made in the period spanning 2004 to 2008*
- *Estimated 19,775 staff contributing their time as volunteers*

In the field of education, in addition to efforts under the PINTAR programme, GLCs continue to support the development of higher learning, skills development and academics, with G-20* investing RM335m on scholarships from the years 2004-2008. The scholarships range from pre-university level to post-graduate level. This is also in addition to the research and development efforts by GLCs, some in collaboration with institutions of higher learning.

*Please refer to Appendix III for further details on benefits to stakeholders.*

In addition, the high performance of GLCs in their business conduct and achievements has been recognised within the industries that they operate, with several awards being attained across the G-20*. The awards were numerous and included a broad range of areas of operations of the G-20* and key highlights are set out Appendix IV.

### 2.4.2 GLICs and GLCs are supporting the development of economic corridors

In supporting the country to become developed nation by 2020, GLCs and also GLICs worked in developing special economic development regions. In line with the 9th Malaysia Plan, for the period of 2006-2010, these special economic corridors focus on moving Malaysia up the value chain and addressing socio-economic inequalities.

**EXHIBIT 20**

ECONOMIC IMPACT OF SPECIAL ECONOMIC CORRIDORS

| Economic Region | Growth targets* | Projected Investments* | Job creation* |
|---|---|---|---|
| East Coast Economic Region: Kelantan, Terengganu, Pahang and the district of Mersing in Johor | GDP Growth Rate to increase from 5.7% (2005) to 7.2% (2020) | RM112bn over 12 years from 2008 | 560,000 jobs created by 2020 |
| Northern Corridor Economic Region: Perlis, Kedah, Penang and Perak | GDP to grow from RM52.7bn to RM214bn by 2025 | RM117bn until 2025 | 470,000 jobs created by 2012 |
| Iskandar Malaysia Region: South Johor | Johor's GDP growth rate to be 7-8% by 2025 (otherwise, projected at 5.5%) | RM336bn over 20-25 years | 817,500 jobs created by 2025 |

* Figure are based on estimates and projections made at the time of formulation of the various masterplans for the economic regions

Petroliam Nasional Berhad drew up a 12-year master plan for the development of the ***East Coast Economic Region*** ("ECER"). In 2008, the ECER Development Council was established as a statutory body, to lead the development of the region. The main objective of the ECER Master Plan is to accelerate the growth of the ECER in a viable, equitable and sustainable manner via programmes and projects to raise incomes and reduce poverty by expanding employment prospects and entrepreneurship opportunities through the introduction of high impact projects to spur development in the region. Key projects in the tourism, oil, gas & petrochemical, manufacturing, agriculture and education/human capital will be implemented in phases over the 9th, 10th and 11th Malaysia Plans.

Sime Darby Berhad is the master planner for the development of the ***Northern Corridor Economic Region*** ("NCER"). Since the idea for the region was conceived in 2006, a development plan has been approved and launched by the Government. The Northern Corridor Implementation Authority has been established as a statutory authority which has taken over responsibility for the implementation of programmes in the NCER since 2008. Sime Darby is also creating opportunities for moving up the value chain through programmes such as the training of 600 farmers in farm management, post-harvest management, marketing and entrepreneurship training to develop them as agricultural entrepreneurs.

Khazanah Nasional Berhad has been instrumental in the development and growth of ***Iskandar Malaysia*** region in southern Johor which is overseen by the Iskandar Regional Development Authority ("IRDA"), which was established in 2007 as a statutory authority. Iskandar Investment Berhad ("IIB"), formerly known as South Johor Investment Corporation, was also formed in 2006 as a company jointly held by Khazanah Nasional, EPF and Kumpulan Prasarana Rakyat Johor Berhad (a wholly-owned company of the Johor State Government) to drive the development of catalytic projects in Iskandar. IIB was established with RM3.4bn assets and its roles include the implementation of the 9th Malaysia Plan projects in the southern corridor. These plans were kick-started in 2008, with one of the 18 road works upgrading projects planned in the area, amounting to a total of RM4.9bn. Recent key milestones include the signing of agreements with international educational institutions, Newcastle University Medicine Malaysia ("NUMed Malaysia") and Cempaka International School for the provision of educational facilities and a RM750m joint venture with Merlin Entertainments for the construction of a Legoland Park. Within the period of 2006-2008, Iskandar Malaysia has received commitments of 92% of its RM47bn capital investments targeted for the period of 2006-2010. In the recent stimulus package announced by the Government on 10 March 2009, an investment of RM1.7bn would be made in 2009 in Iskandar Malaysia.

### 2.4.3 GLICs are delivering stakeholder benefits in line with their nation-building mandates

Improved value creation from higher performing GLCs has enabled GLICs to better deliver on their respective mandates in enhancing benefits to the nation and all Malaysians.

**Employees Provident Fund** has been continuously upgrading its services in meeting its mission of providing retirement benefits to its members and managing their savings, offering flexibility for members to optimise their savings through the creation of an "Account II", to store 30% of members' contributions, that can be spent on housing, education or medical expenses. Its prudent investments have managed to deliver consistently higher dividends, with 4.75% in 2004, followed by 5.00% in 2005, 5.15% in 2006 and 5.80% in 2007.

TABUNG HAJI

In line with its social mission of ensuring excellence in Hajj management, **Lembaga Tabung Haji** has been continually enhancing its support and delivery of services to better serve Muslims on their Hajj pilgrimage, and continues to be recognised as a world-class model by countries that aspire to emulate its success. 2008 was LTH's best Hajj season to date, with a total of 26,000 pilgrims successfully completing their Hajj smoothly. LTH's commitment to its mission have seen it maintaining affordable prices in 2008 for pilgrimage despite rising costs, by, among other things, apportioning more than RM100m of its profits to subsidise pilgrims. LTH has also expanded its services to also provide Hajj facilities from the Sultan Mahmud airport in Kuala Terengganu.

**Lembaga Tabung Angkatan Tentera** continues to provide retirement and other benefits to members of the Armed Forces and to enable officers and Mobilised Members of the Volunteer Forces to participate in saving schemes, as well as to offer retraining for the retiring and retired personnel. LTAT has been able to provide high dividends (average 15.7% for the last 5 years) and bonuses to its contributors as well as socio-economic benefits such as death and disability benefits, scholarships to the children of the Armed Forces Personnel and affordable houses at strategic locations. In addition, it is investing significantly in various training and retraining programmes in technical, vocational and professional fields for retiring and retired servicemen. LTAT aims to continue to identify and participate in new and profitable investment activities while at the same time maximising its existing investments, with its Investment Master Plan covering 7 years from 2007 to 2013 as its guideline in the formulation of the strategy and direction of its investment activities.

PNB
Permodalan Nasional Berhad

**Permodalan Nasional Berhad** continues to deliver on their commitment of enhancing the economic wealth of the Bumiputera community and prosperity to all Malaysians, through the products of Amanah Saham Nasional Berhad ("ASNB"). Over the last five years, PNB has given out close to RM24bn worth of income distribution to more than 9.2m accountholders nation-wide, making it a total of more than RM66bn paid out since 1981. Its funds' total units in circulation have grown by 68% from about 50bn units at the end of 2004 to almost 84bn units in 2008.

ASNB presently offers eight unit trust funds for individual Malaysians from different age groups and all walks of life to invest in. Notwithstanding the challenges of the global economic turmoil, in 2008, ASNB has managed to maintain competitive income distribution rates for its products. Among its most popular products, Skim Amanah Saham Bumiputera announced an income distribution of 7.00 sen per unit and a bonus of 1.75 sen per unit, while Amanah Saham Malaysia and Amanah Saham Wawasan 2020 declared an income distribution of 7.80 sen and 7.00 sen per unit respectively. Due to increasing public demand, last year alone ASNB has increased the sizes of three of its fixed-priced funds. As a result, 1.5bn new units were snapped up within a few days of being launched. Additionally, in May 2008, PNB has also added a new dimension to its product offerings through the launch of PNB Structured Investment Fund ("PNB SIF"). PNB SIF is a RM2.4bn closed-end fund with a maturity period of five years. It is currently the only fund in Malaysia that invests in a combination of real-estate investment trust and structured products.

KHAZANAH NASIONAL

With its mission to create sustainable value for a globally competitive Malaysia, in addition to performing its role as Secretariat to the PCG, **Khazanah Nasional Berhad** manages the commercial assets held by the Government and is undertaking strategic investments in new industries and geographies, with high economic multipliers and strategic service oriented sectors including telecommunications, leisure and tourism, technology (including ICT, creative industries and sustainable development or "green" technologies), life sciences, health care and agriculture. The investments in these sectors in 2009 and 2010 by Khazanah and its major GLCs will total more than RM10bn, with the potential to create an estimated 70,000 jobs by 2011. As part of its mandate on developing human capital and talent for the nation, Khazanah has developed a Graduate Employability Enhancement Programme ("GREEN"), which commenced in 2006 and has involved a total number of 1194 graduates, of which 98.3% have succeeded in attaining employment. This is in addition to the scholarship programmes it has launched, which include the Global Scholarship Programme, Merdeka Scholarships (for postgraduate studies in Oxford University), the Asia Scholarships and the Watan Scholarships (for Asian and Malaysian students in Malaysian universities). Khazanah also works with civil society organisations in building capabilities which covers the spectrum of international and domestic humanitarian relief, championing the rights of marginalised children, supporting the development of university students and working with young people in environmental conservation programmes.

# CHAPTER 3

## Challenges of the GLCT Programme

## SUMMARY

- GLCs have made significant progress on financial and operational improvements, as well as on balance sheet restructuring since the launch of the GLCT Programme in 2004
- Despite improvements, there is still a significant gap between GLCs' performance and GLCT long-term aspirations. However, the value creation opportunities from raising GLC performance remain
- GLCT Programme are facing four key structural challenges :
  - Need to address the massive gap in talent management, execution skills and capabilities at GLCs
  - Need to clarify and align all key stakeholders on Programme-level, GLC-level and sector-level objectives
  - Need for continued and broader support beyond senior Government leadership to key stakeholders and all levels of Government
  - Need to enhance public sector transformation in parallel with GLCT
- The Programme is in need of significant renewal and revitalisation to accelerate progress
- The global financial crisis poses a serious threat to GLCs achieving their 2015 aspirations

# CHAPTER 3 CHALLENGES OF THE GLCT PROGRAMME

At the start of the GLCT Programme, significant value creation opportunities were identified arising from enhancing the performance of all GLCs and achieving overall Programme aspirations. While GLCT has captured some of these opportunities, achieved progress and delivered benefits, there are still significant gaps between long-term GLCT aspirations and current GLC performance levels. GLCT has also encountered structural and Programme-level challenges as well as an increasingly challenging economic landscape during the implementation journey.

While the current global financial crisis has made the transformation journey ahead significantly tougher, it has also reinforced the need to cement progress that has already been achieved and to renew and revitalise the Programme to accelerate progress. There is a need to inject urgency into the Programme and move implementation from 'form to substance'.

## 3.1 The global financial and economic crisis poses a serious threat to GLCs achieving their 2015 aspirations

In today's increasingly inter-connected world, Malaysia has not been spared from the knock-on effects of this global financial crisis, which started with the sub-prime mortgage crisis in the United States and has spread rapidly to the rest of the global economy. Many early gains in improved financial performance achieved by the GLCs have been negated by the financial crisis.

However, in stark contrast to the financial currency meltdown that impacted the Malaysian economy during the Asian financial crisis in the late 1990s, GLCs are fundamentally stronger to ride out the storm compared to at the start of the GLCT Programme in 2004. It is now critically imperative that GLCs prepare for immediate challenges ahead and focus on 3 key thrusts:

- Ensuring their businesses have clear strategies and plans to weather the crisis
- Catalysing economic growth
- Continuing to build foundations for the future

## 3.2 The value creation opportunities associated with raising GLC performance are significant

At the launch of the GLCT Programme in 2004, it was estimated that in the subsequent 5 to 7 years, high performing GLCs could contribute a potential upside of RM250 to 300bn in market capitalisation for Bursa Malaysia, more than doubling prevailing levels.

While the GLCs have improved their financials (balance sheet, earnings, cash flow and dividends) and operations, any GLC market capitalisation gains from these improvements have been eroded by the current global financial crisis. The combined market capitalisation of the G20* has been reduced to RM175bn[6] as of 28 February 2009 from RM293bn[7] at end 2007, which is only approximately 11% higher than their combined market value of RM158bn[8] on 14 May 2004. Nevertheless, the value creation opportunities from raising GLC high performance still remain.

6,7,8 *Source: PCG Analysis, Bloomberg*

### 3.2.1 There is still a gap between long-term GLCT aspirations and current levels of all GLCs

Notwithstanding the encouraging and substantial achievements to date, much more still needs to be done to reach Phase 4 aspirations, which call for all GLCs to raise performance levels to that of top and leading non-GLC peers and competitors in Malaysia, with several regional or global champions emerging by 2015. To date, there is still a performance and capability gap between many of the G-20* and top domestic competitors. For the G-20* companies which are starting to restructure and tailor specific transformation plans, it is necessary to continue with prioritised execution and institutionalising of transformation Initiatives.

In addition, even for the top-performing GLCs in various sectors, there is still a performance gap with respect to leading sector peers in the region. Our best GLCs still have to capitalise on subsidiary and substantial value capture opportunities if they are to successfully close this gap.

## 3.3 However, GLCT now faces key challenges around closing the gap with ultimate aspirations

### 3.3.1 Four structural issues have emerged and are constraining GLCs going forward on this transformation journey

Since the launch of the Programme in 2004, a number of pan-GLC challenges have consistently been identified as having constrained many GLCs. These challenges will need to be addressed within a revitalisation of the Programme and will become more critical as the Programme moves into Phase 4.

*Challenge 1: Need to address the massive gap in talent management, execution skills and capabilities at GLCs*

Attracting and retaining talent has been identified as key issues across all leadership tiers of the organisation from Chairman to CEO to frontline, as well as specific functions including procurement, operations, sales and marketing, line-credible HR and business development for new products and geographies. Whilst progress has been made on talent development within GLCs with the implementation of the Orange Book initiative, GLCs need to continue to make significant investments internally on an ongoing basis in developing talent. Other perceived talent issues that have emerged revolve around the attractiveness of Malaysia and GLCs especially for top talent, low cap on compensation, assumed restrictions on hiring, high staff turnover and a severe shortage in the pipeline for professional managerial leadership talent.

*Challenge 2: Need to clarify and align all key stakeholders on Programme-level, GLC-level and sector-level objectives*

From the outset there have been a mixed and wide range of expectations for this Programme. As financial and operational performance of GLCs start to improve, GLCs will increasingly come under pressure from various stakeholder requirements. Therefore it is important to reinforce public expectations by reiterating the objectives, namely the creation of regional and global champions and raising all GLCs to be on par with domestic peers, as well as achieving these objectives within the Programme time frame. In addition, regulatory, policy and GLCT objectives are not always aligned across all sectors. These mismatches increase the difficulty of aligning stakeholders as they can be focused on different and conflicting objectives, which could ultimately compromise GLCT outcomes.

*Challenge 3: Need for continued and broader support beyond senior Government leadership to key stakeholders and all levels of Government*

Support from all key stakeholders is essential to the success of the Programme. While there has been visible support from senior levels of Government leadership, more needs to be done to communicate fully Programme objectives and potential benefits to stakeholders, in particular to relevant ministries, civil servants and regulators. Likewise, most GLCs have yet to win the "hearts and minds" of their employees. For example, some GLCs still face difficulties changing long ingrained cultures and have yet to move from awareness to conviction around Programme objectives. PCG has significantly broadened engagement, but full dissemination takes time and energy.

*Challenge 4: Need to enhance public sector transformation in parallel with GLCT reforms*

GLCs are now increasingly moving on to tackling more complex issues, apart from delivering financial restructuring and operational improvements, but are not yet fully empowered with the freedom for optimal execution. Significant progress has been made across various reform initiatives – going forward, ongoing public sector transformation efforts need to be accelerated in parallel with GLCT reforms to ensure conducive environments exist for continuous GLC transformation. The transformation of mindsets, processes and culture within relevant public sector agencies, as well as GLCs, need to continue in tandem to improve delivery of services in support of companies and GLCs.

### 3.3.2 The Programme is in need of significant renewal and revitalisation to accelerate progress

The journey ahead is getting exponentially harder, and will require a renewed commitment to the Programme and revitalisation of the priority areas. Given the challenges highlighted above, there is a need to inject some urgency into the Programme and provide fresh impetus to accelerate progress and move implementation from "form to substance".

*There is a danger of complacency, with a risk of waning enthusiasm and weakening momentum*

While GLCT has achieved significant progress, there is still a long journey ahead to realise the long-term aspirations of the Programme by 2015. It is important to be mindful of complacency and fatigue. GLCs and all key transformation agents must remain vigilant against the re-emergence of legacy issues or inefficiencies such as weak governance or a lack of transparency. The objectives, guiding principles and intended outcomes of GLC Transformation will need to be continually reinforced to allow GLCs and the overall Programme to "stay the course".

*The rapid pace of growth and globalisation in emerging markets is making it increasingly difficult for our top GLCs to 'catch up' with regional champions*

The world is moving faster and our top GLCs will need to accelerate their growth and performance accordingly. GLCs need to realise the magnitude of change required to become true regional contenders within short time frames. GLCs need to move beyond the first wave of operational improvements, financial, strategic or operational restructuring. The journey ahead is likely to present greater challenges and will require significant step-changes, including overcoming structural shortage of capabilities and major transformational transactions.

# CHAPTER 4

## Staying the Course

## SUMMARY

- In addressing immediate financial and economic challenges, GLCs main thrusts are:
  - Ensuring they have clear strategies and plans to weather the crisis
  - Catalysing economic growth
  - Continuing to build foundations for the future
- There is no 'one-size-fits-all' approach for all GLCs; the Programme needs to adopt a portfolio approach to determine individual GLC aspirations which are aligned with Vision 2020
- GLCT achievements so far need to be cemented by institutionalising the delivery of 2005/2006 Initiatives
- The Programme needs revitalisation and renewal to accelerate progress, as the journey ahead is getting tougher
- All five change agents in the Programme have pivotal roles to play to ensure achievement of Programme aspirations:
  - Board and top management: strengthen execution momentum while building buy-in from all stakeholders
  - GLICs: catalyse and accelerate change as active shareholders
  - Government: continue providing visible support and commitment to Programme
  - PCG: mandate and roles re-affirmed to ensure momentum and continuity

# CHAPTER 4 STAYING THE COURSE

If one thing has become clear throughout the extreme uncertainty created by the global economic crisis, it is that the sharp decline in global consumer spending, real estate prices and corporate profitability, and their effects could be around for a longer time than initially expected. Vast amounts of wealth have disappeared globally in the housing and financial markets, and the effects are rippling through the real economy. As a result, companies worldwide are already facing a strategic landscape that has been dramatically redrawn. Risks abound in this landscape. Furthermore, broader forces at work in the global economy are causing the underlying economics of business to shift with unprecedented scale and speed.

In these challenging times, it is imperative that GLCs are well-prepared to tackle different market scenarios, are equipped with the capabilities to manage the downturn, and are able to continue to drive sustainable long-term growth in the domestic economy. At the same time, GLCs must remain focused on their transformation efforts and continue to deliver value creation, while implementing all necessary actions for value preservation. Even though expectations will need to be moderated in the short term, GLCs must remain committed to the ultimate long-term aspirations of GLCT in 2015. GLCs and the GLCT programme now, more than ever, need to stay the course and cement the progress that has already been achieved.

## 4.1 GLCs must balance short-term and long-term priorities in addressing immediate challenges from the economic downturn

### 4.1.1 Whilst the global economic crisis presents new challenges, GLCs are now better able to weather the downturn than before

The ongoing market volatility is creating considerable challenges for the GLCT Programme. GLCs have lost much of their early gains in market capitalisation arising from transformation efforts due to the turmoil in global financial markets. Demand for the world's products and services from the United States, the world's largest consumer, has contracted sharply leading to depressed outlooks in the Europe, China and India markets. This global slowdown will make the operating environment significantly more challenging than during the earlier years of the Programme and GLCs will inevitably find it harder than before to undertake transformation.

However, current asset prices do not necessarily reflect the underlying earnings, or the stronger fundamentals of many GLCs. Since the launch of the Programme, GLCs have made significant progress and are in a much stronger position today than when they faced the onset of the Asian financial crisis more than 10 years ago. GLC earnings and cash flows have almost doubled, balance sheets have been strengthened, better risk management systems are in place and corporate governance overall has been enhanced.

### 4.1.2 Despite new challenges, the finishing line for the GLCT Programme is 2015 and aspirations must remain the same

The Programme was designed to be implemented over 10 years when it was first conceived. We are now close to the mid-way point of the Programme, more than four years since its launch. It is not unreasonable, and even inevitable, for any long-term transformation programme of 10 years to encounter a financial crisis and to have to weather an economic downturn over its duration. As such, the GLCT Programme will not change, and its aspirations remain the same. Therefore, it is important for GLCs and all key change agents of GLCT to stay the course, and to remain committed to the ultimate aspirations of the Programme to have the majority of GLCs performing on par with domestic peers, with several transforming into regional or global champions by 2015.

### 4.1.3 GLCs must adopt a balanced and coordinated response to the global economic crisis

It is critical to be constantly aware, however, that despite the strengthened position of the GLCs and the need to continue to push for the goals of the Programme, the maintenance and reinforcement of GLCs' financial health take first priority. The resilience of GLCs and their ability to survive the crisis is of paramount importance. It is only if they are in good shape that they will be able to capitalise on opportunities and move towards the longer-term goal of global/regional championship. Survival in itself is no easy task at this point in time, given the unprecedented scale of the current global economic crisis. Over and above the constant challenges that are a fact of doing business, GLCs are now faced with a contracting global economy, weakening ringgit, rising cost of long-term credit and other effects of the hostile external economic environment.

Early successes of the Programme have helped to prepare the GLCs for what is to come, but GLCs need to rise to the occasion and take steps to prepare for shocks that have threatened to undo any gains made in the early stages of the Programme. Moving forward, GLCs should:

- adopt a **crisis management** mode with plans that include being vigilant and prudent in their day-to-day operations with core objectives of prioritising cash conservation and minimising expenses wherever possible. Immediate focus should be placed on strengthening capital structures and carrying out robust stress-testing for companies and subsidiaries. As part of enhancing their crisis-preparedness, GLCs should develop enhanced contingency plans derived from detailed scenario analysis based on a thorough re-examination of earlier assumptions on earnings, growth, business drivers and on how deep the downturn could be. GLICs must continue to actively engage their GLCs and ensure close collaboration and provide necessary guidance or support during these difficult times. The crisis of the global economy is a challenge for the GLCs not only because it creates a hostile operating environment for the GLCs themselves, but also because it threatens other key factors for growth and development of Malaysia as a nation.
- as an integral part of the corporate sector in Malaysia, a key priority for GLCs in 2009 and the medium term will be on domestic investments, particularly in sectors with a significant multiplier effect, in order to **catalyse growth** in the local economy. Costs are rising, making it a necessity for survival for GLCs to raise their game in creating efficiencies and optimising resources. GLCs, being integral players in the economy, can and should play a part in tackling the growing savings-investments gap. For example, many GLCs are proceeding with plans to invest in sectors such as plantations, property, power, telecommunications, leisure & tourism, infrastructure, aviation, agriculture, life sciences, healthcare, technology and creative sectors. These ongoing and planned investments are in line with national priorities in developing engines of growth.
- GLCs must also **continue to build for the future**, and ensure capacity-building investments continue across all fronts. In particular, human capital, knowledge capital, and firm-building should not, and must not, be neglected despite the economic downturn and market volatility. In addition, GLCs should continue to provide leadership and role-modelling to the private sector by remaining committed to corporate responsibility efforts. Key GLCT corporate responsibility initiatives will continue, such as school adoption under the PINTAR programme, enhancing employability of unemployed graduates via the GEMS programme, and improving livelihoods for the underprivileged via the Sejahtera programme. As in every downturn, there will undoubtedly be significant opportunities as well. Often the wisest course for companies during periods of distress, as well as periods of growth, is to resist short-term reactionary impulses and instead focus on fundamentals, making strategic choices that create value and continuing to invest for the long-term. Similarly, this crisis can be a chance for GLCs to break ingrained structures and behaviours that had previously constrained their productivity and effectiveness. The future could well belong to GLCs that remain focused, carefully assess their options, and nurture the flexibility, awareness and resilience needed to deal with extreme uncertainties.

The GLCs' role in investing domestically and building for the future is critical not only to the aims of the GLCT Programme, but is also a key lever in stimulating Malaysia's economy at this time of crisis, to evade greater and lasting damage to our development and progress as a nation. In recognising the severity of the current global economic crisis, the recent stimulus package announcement on 10 March 2009 by the Government emphasised the need for improving the employment situation in Malaysia, easing the burden of the people, assisting the private sector and capacity building for the future. GLCs have led, and should continue to lead, in improving the economic environment for the nation, ultimately creating a better operating environment for themselves. As part of the stimulus package, GLCs are making domestic investments in strategic sectors that are projected to create a significant number of jobs and are assisting Malaysians move up the value chain by providing opportunities for training and skills enhancement for 2,000 graduates in the service sector. GLCs will also continue to invest in the future by increasing educational opportunities through private universities that they run and by establishing 10 not-for-profit private schools. Funded by the Government, GLCs will also contribute to improving access to transportation, communication and other infrastructure and facilities in rural areas. The GLCT Programme has also recognised the need to focus on improving procurement practices and, in line with the Government move to enhance competition through improved procurement processes, will continue to move toward best-practice procurement, to optimise their resources and create a more competitive local vendor and supplier community.

## 4.2 In order to achieve ultimate GLCT aspirations of creating champions, a portfolio approach should be adopted

It has always been envisaged that by the end of Phase 4 of the GLCT Programme in 2015, some GLCs will emerge as regional champions, or even as global champions. Various GLCs are at different starting points and encounter differing challenges and economic potential in the markets they compete in. There is no 'one-size-fits-all' roadmap and therefore, GLCs need a customised approach. The Programme recognises the need for a differentiated approach for GLCs transformation going forward.

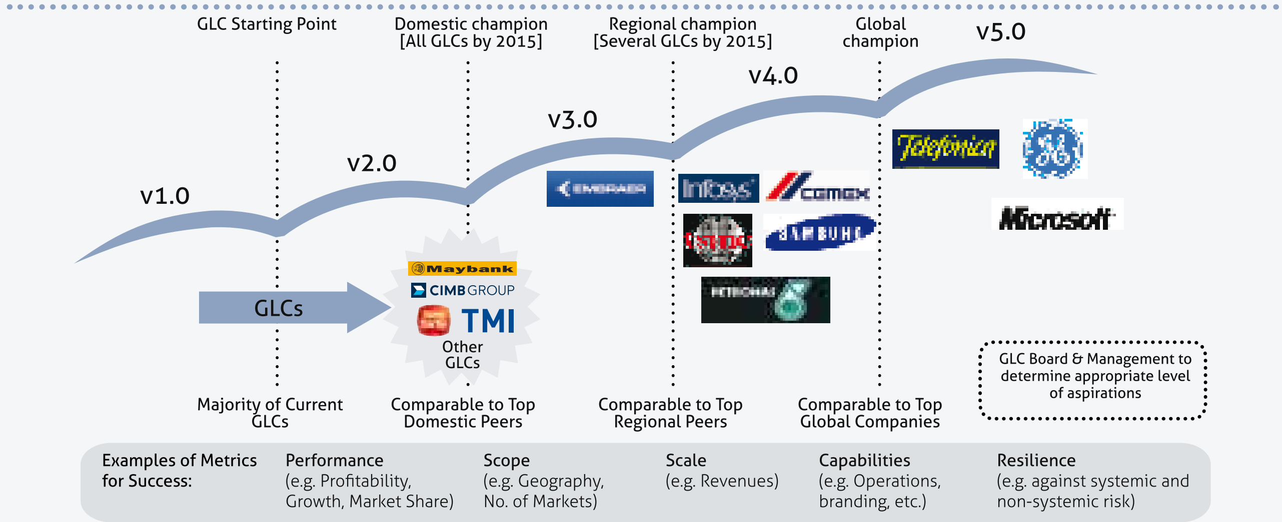
### 4.2.1 GLC aspirations must be aligned with Vision 2020

Given the critical role GLCs play in the Malaysian economy as producers, service providers, employers and capital market constituents, new levels of GLC performance will be required to spur the country towards achieving Vision 2020 – advancing Malaysia into a developed country status by 2020.

Although GLCs are at different starting points in their transformation journey, the Programme encourages GLCs to raise their performance and capability levels to be at least on par with domestic competitors and peers, or even to achieve regional or world-class levels and performance and to strive for regional or global championship status.

**EXHIBIT 21**

THE GLCT PROGRAMME ASPIRES TO CREATE REGIONAL OR EVEN GLOBAL CHAMPIONS BY 2015




*Source: PCG analysis*

### 4.2.2 Differentiated approaches should be developed for different GLCs

It is expected that by the end of Phase 4 in 2015, there will be a wider spectrum of GLCs spread across all performance levels, with the majority of GLCs as strong domestic champions, but with several GLCs competing as regional champions or even global champions. This necessitates a differentiated approach for GLCs, based on an assessment of the current performance of each GLC as well as the unique marketplace characteristics of the sector. From a portfolio perspective, the programme considers different categories of GLCs, with different levels of aspirations and corresponding priorities. The best-performing companies in the world today are measured by performance, capabilities, scale, scope and resilience, benchmarked against relevant peer groups. The GLC journey to this level of performance will be extremely difficult. For some GLCs, this may require sustained double-digit growth rates over the remaining time horizon of the programme. This rapid growth can be in the form of organic growth options, as well as inorganic growth involving mergers, acquisitions, alliances and strategic partnerships. This could be in the form of transformational or serial transactions that start in the home market and quickly move across borders to gain scale and create value.

## 4.3 GLCT 2005/2006 Initiatives must be institutionalised to cement Programme achievements and progress to date

10 Initiatives on corporate best practices were identified, developed and launched across GLCs during 2005 and 2006. Many GLCs are in various stages of implementing and integrating these Initiatives into their own tailored transformation programmes based on their unique contexts and requirements. These original GLCT Initiatives were well-received and provided useful guidance to GLCs in implementing best practices.

However, for the complete benefits of these Initiatives to be fully realised beyond that seen to date, they must be fully institutionalised within GLCs and become integral to the day-to-day practices of GLCs and mindsets of management. Many GLCs are still in the process of building the capabilities to fully adopt and institutionalise these Initiatives. GLC Boards, as well as GLICs that are represented on these Boards, should assist.

In particular, it will be important to gradually transition the most critical Initiatives to natural Initiative owners, outside of the TMO, that can independently manage and drive them throughout the course of the programme. Likewise, MINDA should continue to train Board members on these most critical Initiatives, as well as to drive awareness, conviction, and understanding of these Initiatives to existing and future Board members to ensure GLC management fully adopts and internalises them within GLCs.

## 4.4 The GLCT Programme now needs renewal and revitalisation

As with any long-term transformation programme, it is important to inject energy throughout the journey via specific actions that symbolise progress and intensify the momentum. As the GLCT journey ahead is getting exponentially harder, rejuvenating its fundamental levers, namely performance management and stakeholder engagement, will be critical to revitalising the entire programme. In addition, in parallel to the national development objective of GLCs, there is a need to re-emphasise and reinforce the shareholder value creation objective.

**Intensify performance pressure:** PCG will continue to provide overall oversight and monitoring of GLCT to ensure the positive progress and trajectory so far is sustained. The programme monitoring and reporting function remains a critical part of GLCT. Similarly, the role of GLICs to ensure performance pressure will intensify, together with their shift to become active shareholders in line with their unique mandates. The ongoing responsibility for detailed monitoring of GLC-specific-initiatives and results for each GLC will shift to each individual GLIC and integrated with value creation plans that are part-and-parcel of GLIC management & monitoring ("M&M") and Board review functions. In addition, performance pressure should come from beyond GLCs and GLICs via reinforcing market mechanisms. Greater scrutiny and performance pressure on GLCs will be critical from the public, investor community, analysts and media to sustain the transformation momentum.

**Broaden and deepen stakeholder engagement:** Building strong, committed coalitions of supporters and partners for the Programme remains as crucial as ever in order to shift from mere awareness of the Programme to understanding and being convinced to strive towards achieving GLCT objectives. Conducting and broadcasting accurate and compelling annual GLCT reports will be essential to cementing the successes of the programme. In addition, systematic direct engagement needs to continue beyond senior Government leadership to include key Cabinet Ministers, regulators, senior civil servants and representatives of key stakeholder groups. The overarching objectives of the Programme, the value-at-stake, quantified successes for each stakeholder, and the repercussions of failure need to be clearly disseminated to win both "hearts and minds" and gather deeper and broader support for the Programme.

**Deliver stakeholder impact while maintaining primary focus on value creation:** As GLCs start to realise financial benefits from the Programme, there will be an ongoing need to strike the right balance between performance and national development objectives, as well as the importance of generating stakeholder support to maintain the trajectory and momentum of GLCT. Consequently, there will be a need to enhance the delivery and communication of CR efforts, consistent with the Silver Book Guidelines. Each GLC (and GLIC) should decide and focus their own specific CR efforts, integrated to business strategy. Similarly, GLCs are encouraged to regularly publish and demonstrate their integrated CR strategy, with a focus on quantification of targets, investment and impact. In addition, continued clarification and reinforcement of a framework to govern how GLCs and GLICs address social and national development demands, beyond legacy social obligations and chosen CR activities, is critical. Consequently, as highlighted in the GLC Transformation Manual, the guideline to identify, quantify, communicate and if possible, funding for social obligations, should be more widely adopted.

## 4.5 All five transformation agents in the Programme have pivotal roles to play to ensure achievement of Programme aspirations

Going forward, the Programme will focus on intensifying efforts on two fronts – to institutionalise best practices across all GLCs, as well as to accelerate the transformation of high performing GLCs to meet Programme aspirations.

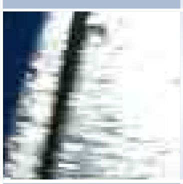
To this end, the roles of all five principal change agents for the Programme will need to evolve and intensify. The recommendations for each agent's role are set out in the following exhibit.

**EXHIBIT 22**

GLC TRANSFORMATION AGENTS TO PLAY PIVOTAL ROLES TO ENSURE ACHIEVEMENT OF PROGRAMME ASPIRATIONS

| Roles of GLC Transformation Agents | |
|---|---|
| GLC Board and Top Management to strengthen execution momentum while building buy in from all stakeholders | • Develop and update Business Transformation Plans<br>• Build execution capabilties while delivering results<br>• Instill conviction for change amongst employees<br>• Actively engage stakeholders to build buy-in |
| GLC Board to upgrade capabilities of the Board, CEO and top management | • Accelerate critical improvements to Board<br>• Facilitate capability building of CEO and Top Management |
| GLICs to catalyse and accelerate change as active shareholders | • Institutionalise capabilities to intensify active monitoring of GLCs<br>• Continue to undertake calculated moves as active shareholders<br>• Role-model GLCT implementation |
| Government to continue providing visible support and commitment to Programme | • Continue visible support and commitment from Government<br>• Capitalise on the opportunity to build broader understanding and support across Government agencies<br>• Capitalise on opportunity to continue adoption of best practices and guidelines on transformation efforts in the public sector |
| PCG mandate affirmed with evolving roles and responsibilities | • Four main priorities<br>  • Priority 1: Support institutionalising of 2005/2006 initiatives<br>  • Priority 2: Orchestrate and selectively expand PCG forums<br>  • Priority 3: Intensify Programme-level monitoring on progress and impact of GLCT Programme<br>  • Priority 4: Intensify programme communications and stakeholder engagement |

# Conclusion



# CONCLUSION

GLCT is a long-term Programme. Its desired outcomes will not materialise immediately and must be fought for, in planned stages, with its players staying on track in the face of unanticipated challenges. GLCs play a key role in our economy and the success of the Programme is integral to the nation's journey towards realising Vision 2020.

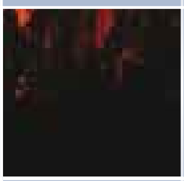
The Programme has delivered according to plan so far. Financial performance of the G-20* such as earnings, economic profit and TSR has improved since the launch of the Programme, despite the current global economic crisis. Several GLCs have initiated successful transformational transactions such as turnaround programmes, restructuring exercises and regional expansion initiatives, among others. GLCs are also increasingly delivering benefits to all Malaysians such as through improved service; better employment prospects; merit-based procurement processes and supplier capability development opportunities. In addition, GLCs are becoming better corporate citizens, generating benefits to society in the fields of education, alleviation of poverty and provision of aid and relief, as well as community welfare.

Nevertheless, there is still much to be accomplished in order for the Programme's aspirations to be met. GLCs still underperform relative to top regional sector peers and, given the long-term nature of the Programme, there is a danger of complacency and of wavering commitment. In addition, specific key challenges for the Programme have been identified as:

1. the massive gap in talent, execution skills and capabilities at GLCs
2. the ongoing need to clarify and synchronise Programme-level, GLC-level and sector-level objectives
3. the need for continued and broader support from stakeholders beyond senior government leadership
4. the need for continuing reforms in all levels of government in parallel with GLCT reforms

At the present moment however, the global economic crisis poses the most immediate challenge to the Programme. However, all key players of GLCT must stay the course and continue to push to achieve the longer-term Programme aspirations. To tackle the immediate challenge, GLCs must respond to the crisis in the short-term by being prepared for worst-case scenarios while remaining on track for long-term success by catalysing growth and focusing on domestic investment, as well as continuing developmental initiatives to build for the future.

There is also a need to institutionalise GLCT Initiatives completed to date, and to rejuvenate the Programme by intensifying performance pressure, continuing to improve Boards, to broaden and deepen stakeholder engagement, and to create benefits for stakeholders while maintaining primary focus on value creation. The five transformation agents of GLCT must also stay the course by each playing their roles as set out in the Programme, as well as by pushing for defining and driving the next wave of breakthroughs that will ensure ultimate GLCT objectives are achieved by 2015, and eventually realise our national aspirations of Vision 2020.



# Appendices

## Appendix I G-20* Companies and their GLICs

| Kumpulan Wang SImpanan Pekerja (KWSP) | Khazanah Nasional Berhad (KNB) | Lembaga Tabung Angkatan Tentera (LTAT) | Lembaga Tabung Haji (LTH) | Permodalan Nasional Berhad (PNB) |
|---|---|---|---|---|
| Malaysian Building Society Berhad | Bumiputra-Commerce Holdings Berhad | Affin Holdings Berhad | BIMB Holdings Berhad | Chemical Company of Malaysia Berhad |
| Malaysian Resources Corporation Berhad | Malaysia Airports Holdings Berhad | Boustead Holdings Berhad | TH Plantations Berhad | Malayan Banking Berhad |
| | Malaysian Airline System Berhad | | | Sime Darby Berhad |
| | Pos Malaysia Berhad | | | UMW Holdings Berhad |
| | Proton Holdings Berhad | | | |
| | Telekom Malaysia Berhad | | | |
| | Tenaga Nasional Berhad | | | |
| | TM International Berhad | | | |
| | UEM Group Berhad | | | |

* *A selection of 20 GLCs controlled by GLIC constituents of the PCG. As of 28 February 2009 there are 19 GLCs following the Sime Darby merger and TM demerger. UEM Group has replaced UEM World following UEM's restructuring exercise.*

# Appendix II Acronyms and abbreviations

| | |
|---|---|
| **AIP** | Actionable Improvement Plan |
| **AFFIN** | AFFIN Holdings Berhad |
| **ASNB** | Amanah Saham Nasional Berhad |
| **ARPU** | Average Revenue Per User |
| **BEA** | Board Effectiveness Assessment |
| **BCHB** | Bumiputra-Commerce Holdings Berhad |
| **BIMB** | Bank Islam Malaysia Berhad |
| **Boustead** | Boustead Holdings Berhad |
| **CAGR** | Compound Annual Growth Rate |
| **CAPEX** | Capital Expenditure |
| **CCM** | Chemical Company of Malaysia Berhad |
| **CEO** | Chief Executive Officer |
| **CSP** | Contributions to Society Policy and Plan |
| **CR** | Corporate Responsibility |
| **CPO** | Crude Palm Oil |
| **EBITDA** | Earnings Before Interest, Taxes, Depreciation and Amortisation |
| **ECER** | Eastern Corridor Economic Region |
| **EP** | Economic Profit |
| **EPF** | Employees Provident Fund |
| **EPS** | Earnings Per Share |
| **FY** | Financial Year |
| **GDP** | Gross Domestic Product |
| **GEMS** | Graduate Employbility Management Scheme |
| **GLC** | Government-Linked Company |
| **GLCT** | GLC Transformation Programme |
| **GLIC** | Government-Linked Investment Company |
| **G-20*** | A selection of 20 GLCs controlled by GLIC constituents of the PCG. As of 28 February 2009 there are 19 GLCs following the Sime Darby merger and TM demerger. UEM Group has replaced UEM World following UEM's restructuring exercise. |
| **GREEN** | Graduate Employability Enhancement Programme |
| **HR** | Human Resource |
| **IIB** | Iskandar Investment Berhad |
| **IMD** | Institute of Management Development |
| **IRDA** | Iskandar Regional Development Authority |
| **JWT** | Joint Working Team |
| **KNB** | Khazanah Nasional Berhad |
| **KLCI** | Kuala Lumpur Composite Index |
| **KPI** | Key Performance Indicators |
| **KRIS** | Khazanah Research & Investment Strategy |
| **LCC** | Low Cost Carrier |
| **LDA** | Leadership Development Audit |
| **LTAT** | Lembaga Tabung Angkatan Tentera |
| **LTH** | Lembaga Tabung Haji |
| **M&M** | Management and Monitoring |

| | |
|---|---|
| **MAHB** | Malaysia Airports Holdings Berhad |
| **MAS** | Malaysian Airline System Berhad |
| **Maybank** | Malayan Banking Berhad |
| **MBSB** | Malaysia Building Society Berhad |
| **MCMC** | Malaysian Communications and Multimedia Commission |
| **MINDA** | Malaysian Directors Academy |
| **MKD** | Menteri Kewangan Diperbadankan |
| **MKII** | Minister of Finance II |
| **MOF** | Ministry of Finance |
| **MOU** | Minutes of Usage |
| **MRCB** | Malaysian Resources Corporation Berhad |
| **MSWG** | Minority Shareholders' Watchdog Group |
| **NCER** | Northern Corridor Economic Region |
| **NPL** | Non Performing Loan |
| **OPEX** | Operational Expenditure |
| **PBZT** | Profit Before Zakat and Tax |
| **PCG** | Putrajaya Committee on GLC High Performance |
| **PINTAR** | Promoting Intelligence, Nurturing Talent and Advocating Responsibility |
| **PIP** | Performance Improvement Programme |
| **PNB** | Permodalan Nasional Berhad |
| **POS** | Pos Malaysia Berhad |
| **PROTON** | Proton Holdings Berhad |
| **Q** | Quarter |
| **QFB** | Qualifying Full Bank |
| **ROE** | Return on Equity |
| **Sime** | Sime Darby Berhad |
| **SAIDI** | System Average Interruption Duration Index |
| **TH** | TH Plantations Berhad |
| **TM** | Telekom Malaysia Berhad |
| **TMI** | TM International Berhad |
| **TMO** | Transformation Management Office |
| **TNB** | Tenaga Nasional Berhad |
| **TSR** | Total Shareholders' Return |
| **UEM** | UEM Group Berhad |
| **UMW** | UMW Holdings Berhad |
| **YAB** | Yang Amat Berhormat |
| **Y-o-Y** | Year-on-Year |

# Appendix III Highlights of Benefits to Stakeholders by GLCs

| STAKEHOLDER | BENEFITS |
|---|---|
| **Customers**<br><br>Improved service levels and higher quality of products and services | **Affin:** Increased customer satisfaction, with an average 50% reduction in repetitive complaints; launch of affinOnline.com in November 2008; introduction of voucher-less banking in the 3rd quarter of 2007; reduced customer waiting time from an average of 9 mins in 2005 to 3 mins in 2008.<br><br>**BIMB:** Reduced the Turnaround Time in handling customer complaints from 12 working days to between 4 and 8 working days. Improved customer service with the implementation of a centralised Call Center, longer customer service hours (7am – 11pm for Bank Islam Card and Internet Banking assistance) and 24-hour service (for Electronic Banking assistance), shorter call waiting time of less than 20 seconds.<br><br>**BCHB:** Average customer queue time has effectively been reduced from 11 to 4.95 minutes. Embarked on branch service quality revamp, the 5 STAR programme, to ensure service consistency at all branches since 2006, which has improved level of service, ambience in branches and increased the speed and capability of staff to resolve customer queries quickly and politely. In January 2008, the programme has been revamped to a 5 Star Plus branch services rating standard, where a total 169 branches have been rated at 5 Star Plus.<br><br>**Maybank:** Roll-out of 140 new TouchPoint by June 2009 comprising of 14 new branches, 6 Forex booths, 120 off-bank ATMs.<br><br>**MAS:** On-time performance has improved from 81% in 2007 to 87% in 2008 and mishandled baggage has improved with a 15% reduction from 3.3/1000 pax in 2007 to 2.8/1000 pax in 2008.<br><br>**POS:** improved mail delivery standards from 65% in 2004 to 94% in 2008 and provision of Queue Management Systems for 341 post offices in 2008 (compared to 153 post offices in 2007).<br><br>**Proton:** Considerable improvements in service quality in line with increasing customer expectations for service standards; achieved a J.D. Power Asia Pacific 2008 Malaysia Customer Satisfaction Index (CSI) score of 720 on a 1,000-point scale.<br><br>**TM:** Recorded a 93% improvement in customer satisfaction ratings between FY2006 and FY2008.<br><br>**TNB:** Reduced the Distribution System Average Interruption Duration Index (SAIDI) from 148 minutes for 2004-2005 to 78 minutes for 2007-2008. Unplanned outage range for generation has been below the industry benchmark for 3 consecutive years, since 2006.<br><br>**UMW Toyota:** Authorised Service Centres ranked highest in customer satisfaction according to a nationwide study conducted by J.D. Power Asia Pacific for 3 consecutive years since 2006 [CSI Score of 767 on a 1,000-point scale]. |

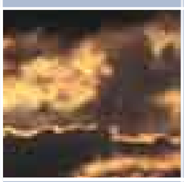
| STAKEHOLDER | BENEFITS |
|---|---|
| **Labour force**<br><br>Better development opportunities and talent management | **Sime Darby:** Educating farmers to enhance farm management skills, as well as to develop higher earning capabilities and to increase their standard of living. The local farmers are given the means and tools to farm sweet corn. All harvested produce are purchased by Sime Darby to be distributed to Tesco outlets. Sime also runs an Agropreneur Development Programme.<br><br>**TM:** 1,439 (cohorts 1-8) unemployed graduates have been equipped with the Certificate in Business English and Communication Skills (CiBEC) since April 2006. Besides improving in their English and Business Communications skills, the certification has been instrumental to support the graduates to gain employment. As at February 2009, about 69.7% (excluding cohort 8) of CiBEC graduates have obtained employment.<br><br>**TNB:** RM70m invested in training in 2008 and a Leadership Development Centre is being built for the organisation. In 2008, 114 developmental and 1,110 mandatory training programmes were conducted for staff.<br><br>**UEM:** Provided employment opportunities and training to a total of 1,416 graduates under its Young Executives Programme (YES) for the period 2006 – 2008 alone. |
| **Suppliers**<br><br>Introduction of merit-based procurement processes and supplier capability development | More than 20,000 local and Bumiputera suppliers are dealing with GLCs.<br><br>"Bumiputera supplier" and "local supplier" definition being reviewed by GLCs to ensure genuineness and significant value add.<br><br>**MRCB:** Organising social business workshops for the fishermen communities in Kuala Pahang, in collaboration with the Ministry of Rural and Regional Development to assist fisherman in finding alternative sources of income during monsoon season.<br><br>**POS:** 31 one-man post offices were created as of end-December 2008 under POS programme to convert Postmasters to entrepreneurs and 348 Pos Mini outlets currently exist nationwide, providing the opportunity for entrepreneur development.<br><br>**Sime Darby:** In the process of developing a Bumiputera Vendor Development Programme (BVDP). Current work includes a point-based award system and a mentoring programme for contractors to enhance competency and performance.<br><br>**TM:** Runs a range of activities for vendor development, including providing technical training, business & financial management and soft skill development for contractors on installation and maintenance of fiber optics for High Speed Broadband ("HSBB") implementation, placement of consulting teams of MIT-Sloan MBA students from the MIT Global Entrepreneurship Centre at vendor companies and, opening up of opportunities for Bumiputera entrepreneurs to become TM resellers.<br><br>**UEM:** was instrumental in the set up of the Malaysian Virtual Trading Corporation ('MAVTRAC") in collaboration with the Government. MAVTRAC, among other things, is aimed at assisting contractors in resolving problematic issues, such as inefficient logistics, suspect quality of the materials supplied, price fluctuations, low credit terms and cash flow problems, and hence, addresses problems such as shoddy work, delayed completion of projects and cost over-runs by helping contractors to tackle the supply and cost of construction materials. |

| STAKEHOLDER | BENEFITS |
|---|---|
| **Society**<br><br>Commitment towards education, alleviating poverty, assisting vulnerable communities and improving and conserving the environment | **Boustead:** Implemented best practices to protect the environment, including a zero-burning policy, automated and mechanised composting process designed to use empty fresh fruit bunches to produce organic fertiliser (this 'zero-waste zero-discharge' plant is known as the Boustead Biotherm Palmass Process) and is a founding member of the Roundtable of Sustainable Palm Oil (RSPO).<br><br>**CCM:** At the forefront of environmental sustainability efforts, participating in the formation of the Chemical Industries Council of Malaysia, putting in place safety, health and environment best practices.<br><br>**Maybank:** Conducts a home adoption programme with the Ministry of Women, Family and Community Development. Employees engage through activities planned to assist in social care, education, skills building and improving the quality of life for residents of the homes. There are three (3) types of adopted Homes under this programme: Children's Homes, Homes with children who are physically and mentally challenged and Rehabilitation Centres for children who have been involved in crime.<br><br>**MAS:** Collaboration with Ministry of Higher Education (through Politeknik Shah Alam) to develop Aircraft Maintenance Engineer Programme and with other institutions of higher learning such as the University of Kuala Lumpur, TAFE College and MARA for other industrial training programmes.<br><br>**MAHB:** Won the distinguished Green Globe 21 award for compliance with international standards including environmentally sustainable practices. Conducting energy savings programme to reduce electricity consumption and carbon emissions as part of MAHB's "Carbon Neutral Initiative".<br><br>**MRCB:** Deployed a Comprehensive Energy Management programme in managing Stesen Sentral Kuala Lumpur over a period of 5 years (2003 to 2007) with the objective of targeting at least a 5% reduction of total energy consumption. Energy audits conducted since 2004 indicate that this target has been achieved consistently. 2007 proved extremely successful with energy savings of 11% recorded.<br><br>**Sime Darby:** Conservation efforts include its programme to plant trees at high conservation areas for Plantation Division, green trails in townships of Property Division and other high conservation value areas, as well as its forest rehabilitation effort to benefit the local animals of the Ulu Segama Forest Reserve.<br><br>**THP:** Managed Lembaga Tabung Haji's Plantations to jointly develop native lands totaling 1,500 ha in Beladin, Sarawak with Land Custody and Development Authority (LCDA is a custodian of the natives), benefitting an estimated 700 natives. Also adopts good practices and standards in plantations management and operations that reduce impact to the environment, such as Zero Burning technique in new land development and replanting and recycling of palm oil mill by-products such as empty fruit bunch and palm oil mill effluent. |

## Key Awards Won by GLCs

| G-20* GLC | AWARDS |
|---|---|
| AFFIN HOLDINGS | • Its investment bank was awarded the Best Islamic REIT of the year 2007 by Islamic Finance News Awards |
| BIMB HOLDINGS BERHAD | • Subsidiary was awarded the 3-year Best Performance for Balanced Funds Category by the Edge-Lipper Malaysia Fund Awards in 2007<br>• Voted Best Provider of Islamic Finance in Malaysia by Islamic Finance News' Best Islamic Banks Poll 2005 |
| Boustead Holdings Berhad | • Listed in Malaysia's Top Ten Property Developers by The Edge for 4 years running since 2004<br>• Received the Most Promising Mall award by Malaysia Tourism for The Curve in 2007 |
| BUMIPUTRA COMMERCE | Won numerous awards, including, for 2008 alone:<br>• "Best Domestic Equity House", "Best Domestic Debt House" by Asiamoney<br>• Euromoney's "Best Investment Bank (Malaysia)" and "Best Islamic Bank in Asia" and Finance Asia's "Best Investment Bank", "Best Bond House" and "Best Equity House" |
| ccm | • Won the 2007 Inaugral StarBiz - Institute of Corporate Responsibility Malaysia Award in the Environment category |
| Maybank | Won numerous awards, including, for 2008 alone,<br>• "Best Cash Management Bank" and "Best Trade Finance Bank" by Finance Asia Country Awards for Achievement<br>• "Best Bank in Malaysia", "Best Trade Finance Bank in Malaysia" by Global Finance<br>• "Best Brand" by the Asia Pacific Brands Foundation, The Brand Laureate Awards under the category for Banking Online (Maybank2u.com) |
| MALAYSIA AIRPORTS | • KLIA was awarded World's Best Airport (15-25m passengers per annum) by ACI-ASQ for 3 years in a row, 2006-2008, and Best Airport in Asia Pacific for 2007 and 2008 |
| malaysia AIRLINES | • First airline to win the "World's Best Cabin Crew" by Skytrax, UK consecutively from 2001 till 2004, and again in 2007. One of only 6 airlines worldwide to be accredited a "5-Star Airline" by Skytrax for 3 consecutive years, 2005-2008<br>• "Excellence in Leadership" award by Frost & Sullivan |
| MBSB | • MBSB Home Safety Campaign was awarded for its contribution towards National Crime Prevention Month 2008 by YAB Prime Minister |
| MRCB | • 2008 recipient of a Platinum Award from NACRA for Best CSR Reporting and attained a A+ level for their reporting under the Global Reporting Initiative based on the G3 guideline |
| POS MALAYSIA | • Reader's Digest Trust Brand Gold Award for Courier/ Air Freight in 2008 |
| PROTON | • Awarded a Gold Award by Reader's Digest Trust Brand 2008 for the Car category for 4 years running, since 2005<br>• Proton Savvy awarded "Best City Car in Indonesia" by Mobil Motor Magazine<br>• Proton Saga awarded Best People's Car in 2008 by Asia Auto - VCA Auto Industry Award<br>• PERSONA awarded 2008 Asean Automotive Award - Best Model for the Year by Frost & Sullivans |

| G-20* GLC | AWARDS |
|---|---|
| Sime Darby | • Won the Most Caring Employer Award 2007 (Golden Hope Plantation Berhad)<br>• Notable Achievement in Environmental Performance, Prime Minister's Hibiscus Award in 2007 for the Mostyn Estate in Sabah (Sime Darby Plantation)<br>• Reader's Digest 2008 Trust Brands Award 2008 for its Property Division |
| TABUNG HAJI | • KPMG Shareholder Value Award 2007 for Agricultural and Fisheries sector |
| TM | • "2006 Service Provider of the Year" and "2006 Data Communications Service Provider of the Year" by Frost & Sullivan Malaysia<br>• Telekom Sales & Services Sdn Bhd awarded the Corporate Award for the Telecommunications Retail Services category at the Technology Business Review ASEAN Awards 2008<br>• Best Contact Centre Professional Award for Below 50 seat category : 2nd place [ACG Team, TMIS] |
| TENAGA NASIONAL BERHAD | • Ranked 100 from 250 power companies worldwide - Platts Top 250 Company 2008<br>• 2008 Best Investor Relations in the Singapore market for a Malaysia company |
| TMI | Won numerous awards through its subsidiaries; including for 2008:<br>• Celcom won the Malaysia's Most Valuable Brands 2008 - Most Valuable Telco Brand; Frost & Sullivans "Mobile Data Service Provide" and "Mobile Service Provider for 2008" awards<br>• Dialog Telekom (Sri Lanka) ranked no. 1 in Business Today's Top 10 and Sri Lanka's Most Valuable Brand by Brand Finance. Awarded the Asia Pacific GCCRM Customer Management Award and SAP Awards for Customer Excellence 2008 Award<br>• XL (Indonesia) won the Indonesia Golden Ring Award 2008 - Best Operator, Best Operator Product, Best Customer Service; Indonesia Cellular Award 2008 - CSR, Marketing and Promotion, Customer Growth, Value Added Service and GSM Operator; and Call Center Award 2008 |
| UMW | • UMW Toyota: Ranked no. 1 in Customer Satisfaction Index ("CSI") survey by J.D power for 3 consecutive years from 2006 to 2008 |
| UEM | Won numerous awards through its subsidiaries:<br>• Pharmaniaga: Prime Minister's Quality Excellence Award by MITI and 2008 Healthcare Awards for Malaysia Physicians Choice Awards - Domestic Pharmaceutical by Frost & Sullivans<br>• Faber Group: Starbiz - ICRM Corporate Responsibility Award 2008 for company work (category: Market capitalisation below RM1bn)<br>• Time Engineering: Malaysia 1000 2007/2008 Award for Industry Excellence Award Computer and Telecommunication in Equipment Sector |



# Appendix V:

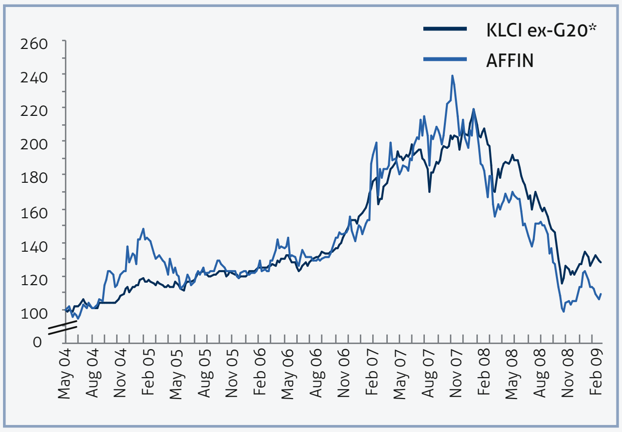
## G-20* Scorecards

### Explanatory Notes

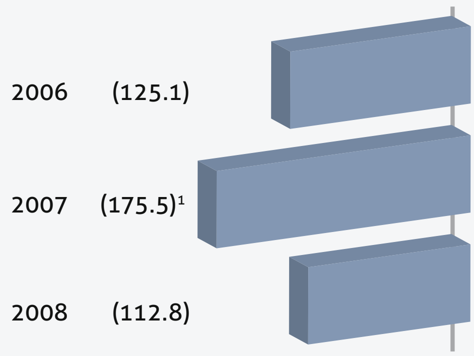
1. FY2008 numbers for companies with December year-end are calculated based on unaudited results.
2. Market capitalisation is quoted as at calendar year-end.
3. ROE is defined as profit after tax and minority interest/year end shareholders' fund.
4. Asset turnover is defined as revenue/assets multiplied by 100.
5. Net profit is defined as profit after tax and minority interest.
6. TSR charts were generated from Bloomberg feed.
7. Asset/equity is defined as assets/year end shareholders' fund.
8. Loan/deposit ratio is defined as year end loans/year end deposits.
9. LLP/loans is defined as year end loan loss provisions/year end loans.

# AFFIN HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 226.9 | 251.8 | 292.8 |
| **Market Cap** (RM m) | 2,396 | 3,851 | 2,271 |
| **ROE** (%) | 6.8 | 6.8 | 6.8 |
| **Asset/Equity** (x) | 10.2 | 8.7 | 8.4 |
| **Loan/deposit ratio** (%) | 68.8 | 63.6 | 67.4 |
| **LLP/loans** (%) | 0.8 | 0.7 | 0.7 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **After-tax return on equity** (%) | 7.0 | 6.8 | 7.5 |
| **After-tax return on assets** (%) | 0.8 | 0.8 | 0.9 |
| **Net NPL[2] ratio** (%) | 5.6 | 3.2 | 2.3 |
| **Earnings per share** (sen) | 21.4 | 19.6 | 22.7 |

## Achievements

### Financial performance meeting targets and on the rise

- Recorded a Net Profit of RM292.8m FY2008, an increase of 16.3% as compared to FY2007
- Reduced net NPL ratio of the Group from 7.9% in 2007 to 3.2% in 2008
- Achieved two out of four headline KPIs for FY2008, except KPIs on ROE and EPS, which are slightly under achieved
- The gearing ratio of AFFIN Holdings (group level) reduced from 0.21 last year to 0.16

### Strengthened foothold in the region

- The present strategic partnership with Bank of East Asia will enable AFFIN to enhance its competitive positioning by leveraging Bank of East Asia's international platform and capitalising on Bank of East Asia's branch network in China to promote Islamic Banking

### Increased focus on customers and society

- The Group pledged an annual contribution over RM2m to Yayasan Warisan Perajurit
- Completed the disposal of AFFIN Insurance Brokers to Commerce International Group Berhad in Sep 2008
- AFFIN Bank successfully launched retail internet banking portal - affinOnline.com
- AFFIN Bank named Top 30 Malaysia's Most Valuable Brand for 2nd consecutive year
- AFFIN Islamic Bank entered into a JV with a subsidiary of Goodyear, namely AFFIN-I Goodyear Sdn Bhd to develop land into a housing scheme in Bukit Gambir, Penang
- AFFIN Islamic Bank successfully launched Islamic debit card Mastercard, 1st in the Asia Pacific Region
- AFFIN Investment Bank successfully implemented Basel II risk management framework . The Group is now Basel II compliant
- AFFIN Investment Bank had successfully revamped and re-introduced its all new online stock trading system in Oct 2008
- AFFIN Investment Bank was awarded the Best Islamic REIT of the year 2007 by Islamic Finance News Awards
- AFFIN Fund Management Berhad successfully launched AFFIN Money Market Fund and AFFIN Islamic Money Market Fund in Nov 2008

## Challenges

### Staying at par with the industry

- Reducing net NPL ratio of 3.2% (as of Dec 2008) to industry average of 2.2%
- Thriving in an increasingly competitive environment given relatively smaller size
- To be able to sustain and negate the impact of the present slowdown of global economy and corporate capital market activities.
- AFFIN bank to become one of the Top 5 domestic banking group through organic growth and/or acquisitions domestically/regionally.
- AFFIN bank to grow net loans organically to RM30-35bn without compromising on asset quality
- The Group to achieve a minimum pretax ROE of 20% while remaining adequately capitalised

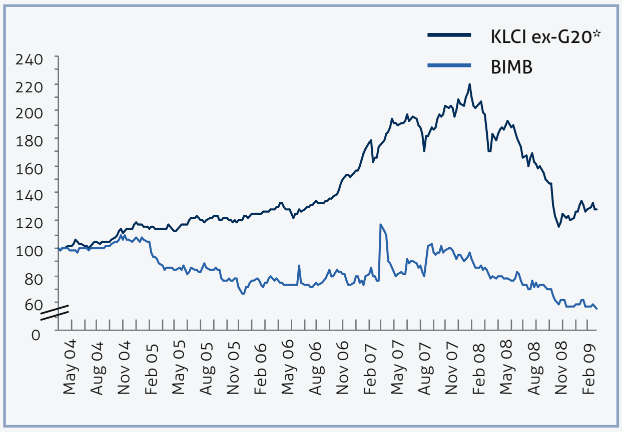
### Improving further delivery platform

- Continuously enhancing service quality as via introduction of Service Level Agreements and branch reorganisation exercise
- Develop human capital and strengthen ability to attract and retain best talents and inculcate a performance based work culture
- Identify, anticipate and satisfy customer needs and sustain customer satisfaction level
- Maximise strategic alliances and collaboration with business partners, shareholders, correspondent banks and Government Agencies

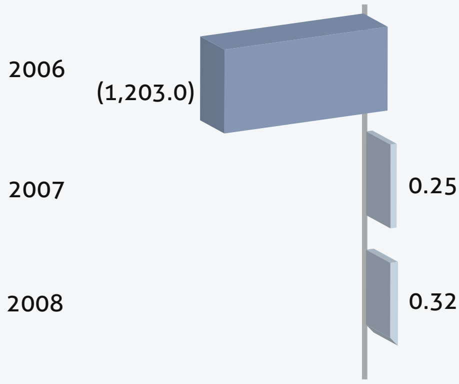
*1 Restated for 2007*
*2 Non-Performing Loans ("NPL")*

# BIMB HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY June 30 | 2006 | 2007[1] | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | (1,230.0) | 787.8 | 236.2 |
| **Market Cap** (RM m) | 676 | 1,293 | 1,007 |
| **ROE[2]** (%) | N/A | 30.1 | 39.4 |
| **Asset/Equity[3]** (x) | N/A | 24.5 | 27.4 |
| **Loan/deposit ratio[4]** (%) | 60.8 | 48.3 | 44.1 |
| **LLP/loans[5]** (%) | 16.0 | 14.1 | 13.4 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Revenue Growth** (%) | 20.0 | 16.3 | 20.0 |
| **Capital Expense Growth** (%) | 5.0 | 19.0 | 5.0 |
| **ROE** (%) | 5.0 | 39.4 | 5.0 |

## Achievements

### Financial performance is strong and gaining momentum

- Bank Islam Malaysia Berhad (subsidiary of BIMB Holdings Berhad) registered RM308.3m in Profit Before Zakat & Taxation ("PBZT") for FY2008, the highest since its inception. This was achieved on the back of total assets amounting to RM23.6bn, the second largest amongst the Islamic banking players. The Turnaround Plan is a key contributing factor of this achievements
- Bank Islam is ranked first among Islamic banks in Malaysia in terms of customer deposits which grew by 17.7% to RM20.7bn
- For FY2008, the Takaful Malaysia Group posted a PBZT of RM33.8m as compared to RM21.6m in the previous year, despite recognising a RM20.3m provision for impairment of asset held for sale made in respect of a subsidiary

### Achieved success in product innovation and branding

- Bank Islam's Consumer Banking division launched the "Payment Holiday" and "No Payment During Construction" schemes under its home financing range of products, a first in Malaysia
- Bank Islam saw the integration of the ATM and Cash Deposit Machine services with LTH as well as a regional ATM link between Bank Islam, MEPS and Arta Jasa of Indonesia to provide wider ATM coverage in Indonesia
- Takaful Malaysia introduced its first Investment-Linked Product, Takaful myAl-Afdhal which accounted for RM90.2m in contribution income for FY2008

### Continued active community involvement

- Distributed RM4.9m of zakat funds through various states' Majlis Agama and Pusat Zakat
- Adopted 13 schools nationwide under the PINTAR Programme

## Challenges

### Macroeconomic factors

- Global economic downturn would have negative implications for financing demands and corporate deals, whereby the slowing domestic economy will result in weak consumer spending and private investment
- Reduction in OPR will further erode margins in an increasingly competitive environment

### Increased competition from new entrants and foreign players

- Conversion of Islamic windows of domestic and foreign conventional banking groups into stand-alone Islamic banking subsidiaries
- Entry of foreign Islamic financial services industry players
- Emerging new Takaful operators in the country; including foreign players

### Improving operational metrics and platform

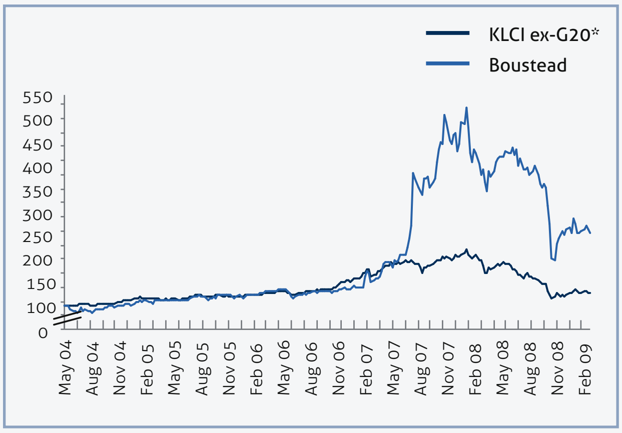
- Minimising risks of non-performing financing ("NPFs") and maintaining the downward trend in NPF ratio while building high quality assets
- Expanding the bancatakaful channel by leveraging on partnerships with stakeholders
- Improving existing as well as developing new product offerings that are attractive and innovative while minimising product development cycle time
- Attracting and retaining top talent in the industry

*1 Restated to reflect the retrospective adjustments made by certain subsidiaries and reclassifications by the Group to comply with current accounting standards*
*2 The ROE for FY2007 excludes the non-distributable exceptional gain of RM631.5m derived from the dilution of BHB's shareholding in Bank Islam*
*3 Total assets over total equity attributable to shareholders*
*4 Financing, advances and others over Deposits from customers*
*5 Allowance for bad and doubtful financing for the period over Gross financing*

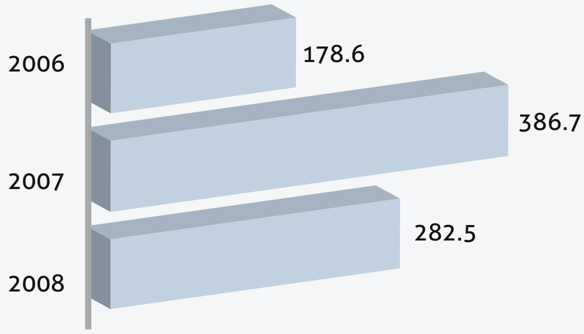
# BOUSTEAD HOLDINGS BERHAD

Boustead Holdings Berhad

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 210.2 | 477.7 | 578.8 |
| **Market Cap** (RM m) | 1,155 | 4,057 | 2,227 |
| **ROE** (%) | 11.5 | 22.3 | 22.0 |
| **Asset/Equity** (x) | 2.1 | 2.6 | 2.6 |
| **Operating Margin** (%) | 10.4 | 13.7 | 9.8 |
| **Asset Turnover** (%) | 71.4 | 68.1 | 81.0 |
| **Interest Cover** (x) | 4.3 | 7.6 | 5.4 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **ROE** (%) | 14.0 | 22.0 | 10.0 |
| **Pre-tax return on assets** (%) | 11.0 | 9.7 | 7.0 |
| **Gross dividend per share** (%) | 40 | 60 | 40 |

## Achievements

### Improved financial performance for FY2008

- Posted a Net Profit of RM578.8m, an increase of RM101.1m from the previous year Net Profit of RM477.7m
- The Group has completed the disposal of one non-performing estate in Indonesia in Q3 2008
- Completed the privatisation of Boustead Properties Berhad in Q3 2008.

### Continued focus on enhancing shareholder value

- Al-Hadharah Boustead REIT acquired two estates which has increased its current plantation land of 12,680ha to 16,420ha and boost its investment properties portfolio value to RM805m. With a low gearing of 11%, Boustead REIT aims to buy more assets to further expand its size
- Boustead Holdings Berhad has entered an agreement to acquire the remaining 50% of Damansara Entertainment Centre Sdn Bhd, which owns and operates the Cineleisure Damansara, a retail and entertainment complex in Mutiara Damansara

### Achieved breakthroughs in innovation and R&D

- In Jan 2008, the Group, through Applied Agricultural Resources Sdn Bhd, has officially opened its largest oil palm tissue culture laboratory

### Achieved industry recognition

- Boustead Holdings Berhad was awarded:
  - "Malaysia Top 50 Valuable Brand" by Brand Finance
  - "Top 100 Malaysian Listed Companies" by KPMG /The Edge
  - "CIMA Entrepreneurship Award for Best Return to Shareholder"
  - "Outstanding Entrepreneurship Award" by Enterprise Asia at APEA 2008
- Boustead Properties Berhad was awarded:
  - "Top Ten Developers by The Edge 2008"
  - " Malaysia 1000 Merdeka Award" by Malaysia 1000
- Boustead Plantation Berhad was awarded:
  - "Malaysia 1000 Merdeka Award" by Malaysia 1000
- Idaman Pharma was awarded:
  - "Pharmaniaga's Vendor Excellence Award" by Pharmaniaga

## Challenges

### Managing impact of external factors

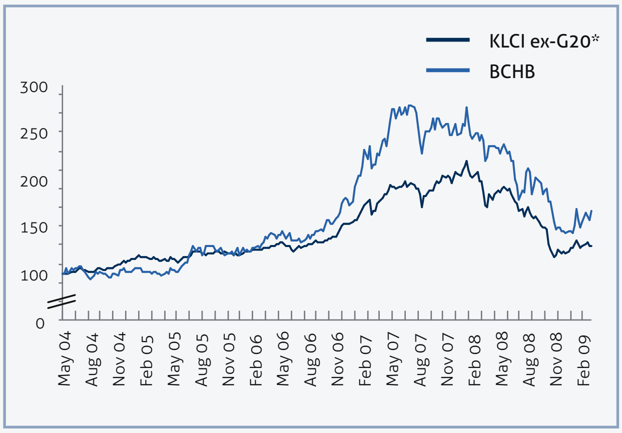
- Fluctuations in CPO prices affect the plantation business, which is a major contributor to profitability
- Ensuring operational efficiencies and sustainable organic growth within the Group in the current economic situation
- For property division, the challenge is to gain buyer's confidence given the economic uncertainties; where consumption will be more focus on essential goods rather than property

### Strengthening market position

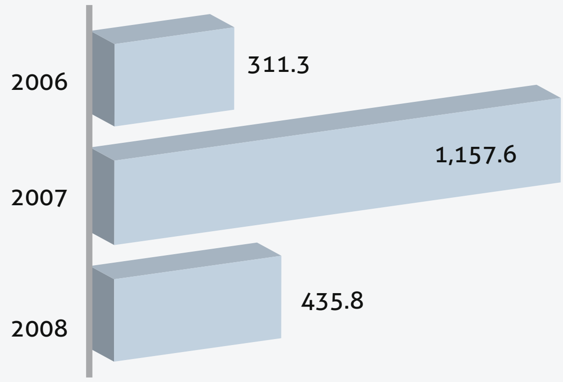
- To invest about RM30m in 15 to 30 new stations to expand BHPetrol's retail petroleum network

# BUMIPUTRA-COMMERCE HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 1,608 | 2,793 | 1,952 |
| **Market Cap** (RM m) | 23,564 | 36,441 | 20,752 |
| **ROE** (%) | 13.4 | 20.0 | 12.3 |
| **Asset/Equity** (x) | 12.6 | 11.6 | 12.1 |
| **Loan/deposit ratio** (%) | 81.0 | 75.3 | 78.9 |
| **LLP/loans** (%) | 1.1 | 1.4 | 1.3 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **ROE** (%) | 18.0 | 12.3 | 12.5 |
| **Total Loan Growth** (%) | - | - | 8 |
| **TSR** | Outperform KLCI TSR and FBM100 | -44% | Outperform KLCI TSR and FBM100 |

## Achievements

### Expansion of regional footprint

- CIMB Niaga merger completed in Nov 2008
- Acquisition of 42% of Bank Thai in Nov 2008 (increasing to 92.4% pursuant to the Tender Offer in Jan 2009)
- Acquisition of 20% in Bank of Yingkou in Mar 2008
- With completion of the acquisitions, BCHB emerges with the largest branch network in South-East Asia with a total of 1,150 branches
- Despite expansion, capital position improved

### Investment Banking Business gaining prominence in the region

- Singapore: No.1 advisor for announced deals with 8.9% of market share
- Indonesia: No. 2 ranked for stock broking with 5.78% market share
- Hong Kong: No. 2 advisor for announced deal 2.9% market share
- Malaysia: Investment Banking leadership maintained

### Operational highlights

- Substantial improvement in net NPL at 2.3% and loan-loss coverage at 88.1%
- Malaysian consumer turnaround offset large drop in capital markets contribution (Consumer Business contribution of 25% to PBT compared to -1% in 2007)
- Active capital management in 2008 including share buybacks, issuances and an investment by TPG Capital
- Gross dividend of 25 sen per share for 2008

## Challenges

### Slowing down of market coupled with intensifying competition

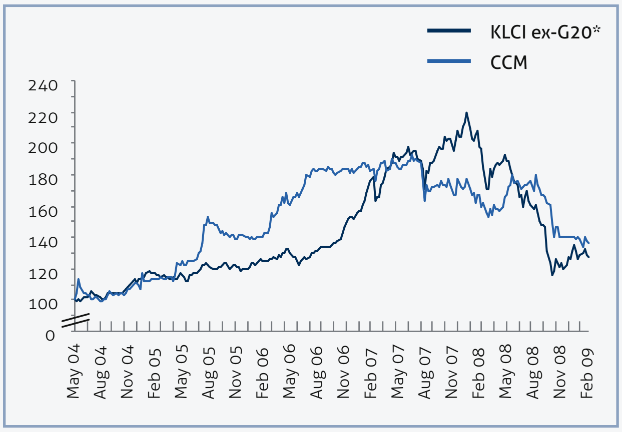
- Focus on asset quality as crisis moves from financial market to loan market
- Expectations of interest rates to remain low
- RM bond market slow to recover

### Ensuring integration efforts are effective and smooth transitions across the Group

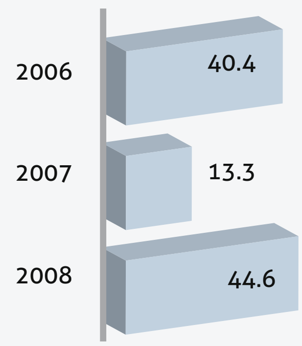
- Focusing key efforts on Lippo-Niaga operational merger
- Potential asset quality impact on capital position

# CHEMICAL COMPANY OF MALAYSIA BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 104.3 | 62.7 | 65.0 |
| **Market Cap** (RM m) | 1,289.0 | 1,157.0 | 886.3 |
| **ROE** (%) | 15.0 | 10.0 | 10.1 |
| **Asset/Equity** (x) | 1.8 | 1.8 | 2.5 |
| **Operating Margin** (%) | 12.8 | 8.0 | 6.5 |
| **Asset Turnover** (%) | 75.1 | 94.0 | 102.0 |
| **Interest Cover** (x) | 9.1 | 7.1 | 5.5 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Turnover** (RM m) | 1,650 | 2,165 | 1,800 |
| **Profit before tax (PBT)** (RM m) | 115.0 | 120.3 | 120.0 |

**ROE target for 2010 is 12.0% to 15.0%**

## Achievements

Strong performance in 2008 across all business lines

- Achieved RM2.2bn in revenues in FY2008, a 55% increase from FY2007 and surpassing Headline Target of RM1.7bn
- Registered higher sales volumes from all three core businesses, namely Fertilisers, Chemicals and Pharmaceuticals
- Expanded exports and regional businesses especially in ASEAN, with most recent addition of business office in the Philippines

Emerging as a leader in the local pharmaceuticals market

- Increased capacity through new oral solid dosage plant in Bangi and cephalosporin plant in Glenmarie
- Relocation of R&D company, Innovax Sdn Bhd to state-of-the-art centre at Glenmarie site

Enhancing leadership in local and Indonesian fertilisers market

- Expansion of Fertilisers Division to increase capacity; Bintulu plant commissioned in Oct 2008, Medan plant by Mar 2009 and Lahad Datu plant by Jan 2010

Strengthening chemicals business through inorganic growth

- Acquisition of Enersave Water Sdn Bhd strengthens Chemicals Division's position in the water treatment business
- Acquisition of Innovative Group enhances market position as manufacturer and supplier of rubber glove processing chemicals

Recognised for creating a safer environment for employees and the community

- CCM Group awarded the 2007 Inaugural StarBiz-Institute of Corporate Responsibility Awards for the Environment Category
- Chemicals Division won the Gold Award from MSOSH (Malaysian Society For Occupational Safety And Health

## Challenges

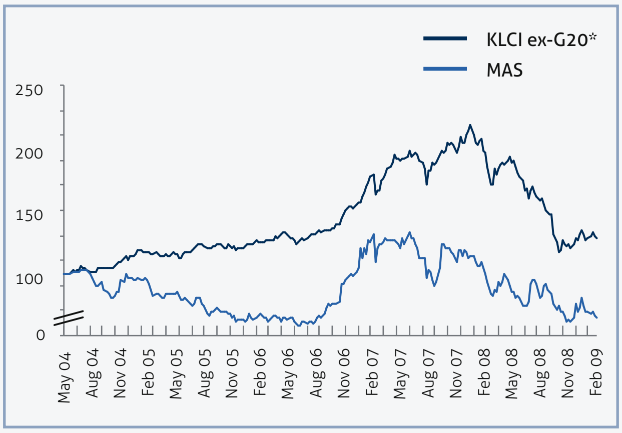
Susceptible to changes in external environment

- Slowdown of global economy to affect demand
- Fluctuating currency exchange rates will negatively impact purchasing of raw materials and traded products
- Volatile capital markets will affect the availability and cost of borrowings

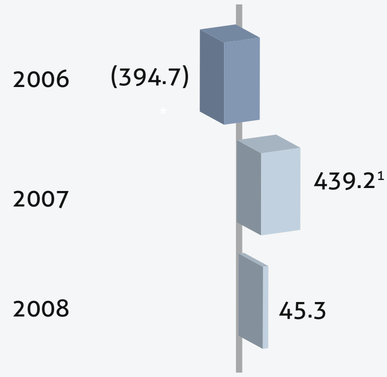
** *Pending finalisation of 2008 results*

# MALAYSIAN AIRLINE SYSTEM BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | (136.4) | 851.4 | 244.3 |
| **Market Cap** (RM m) | 5,865 | 8,215 | 5,156 |
| **ROE** (%) | (7.0) | 29.2 | 6.0 |
| **Asset/Equity** (x) | 3.7 | 2.5 | 2.4 |
| **Operating Margin** (%) | (2.5) | 3.8 | 2.0 |
| **Asset Turnover** (%) | 1.9 | 1.5 | 1.5 |
| **Interest Cover** (x) | n.m. | 18.7 | 5.0 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Net loss/income** (RM m) | 400-550 | 244 | (499)-50[2] |
| **Unit Cost (Excluding Fuel)** (Actual vs Budget %) | 0 - 2 | 3 | - |
| **On-time performance** (of flight schedules) (%) | 84.2 | 86.95 | - |

## Achievements

- Achieved Net Profit of RM244m in 2008 despite tough operating environment
- In 2008, MAS achieved approximately RM936m savings on its various initiatives throughout 2008
- Received 21 awards in 2008. Below are among the awards and recognition received during the year
  - 5 Star Airline Award (Skytrax, UK)
  - Top 10 World's Best Airlines (Skytrax, UK)
  - 7th in Top Worldwide Airlines (Wanderlust Travel Awards 2008)
- Successfully launched Everyday Low Fare, MH Value Fares and All-Inclusive Fares with competitive fares and customers value for money to boost revenue and stimulate tourism
- Improved online sales by 173% from 2007
- On operations, On Time Performance improved from 81% (2007) to 87%(2008). Mishandled baggage per 1000 pax improved by 15% from 3.3 cases per 1000 pax to 2.8 cases per 1000 pax
- Successful delivery of six new aircrafts for MAS subsidiaries. (Five new aircrafts for Firefly and one for MasWings)
- Achieved higher maintenance, repair and overhaul ("MRO") 3rd party revenue of 27% in 2008

## Challenges

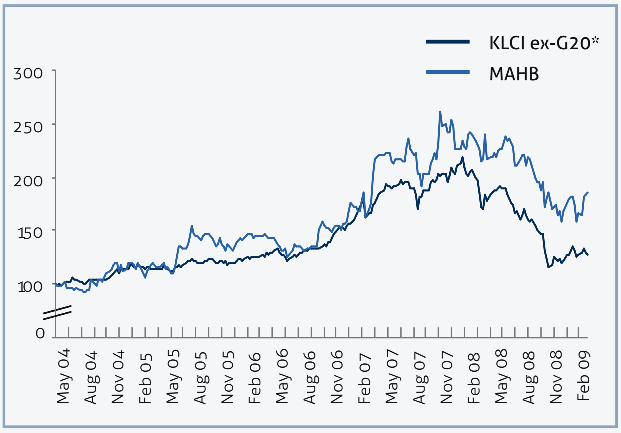
- Deepening global financial turmoil and prolonged global economic downturn will affect world air travel and lead to demand contraction
- Fuel price volatility increase potential of hedging loss, particularly for those hedges entered before collapse in oil prices
- Aging product/ aircraft will require new investment for aircraft replacement. The challenge is on achieving operational excellence and high productivity. The funding will also be a challenge if global financial crisis prolongs
- Intense competition arising from excess capacity within Asia, ASEAN liberalisation and proliferation of Low Cost Carriers ("LCC")

*1 The FY2007 economic profit figures are as disclosed in the Q4 2008 MAS Group Bursa announcements. The figures have been restated following the restatements of certain disclosures in the financial statements to conform to current period's presentation and inclusion of two operational items i.e. income tax and deferred maintenance costs as part of economic profit computation*

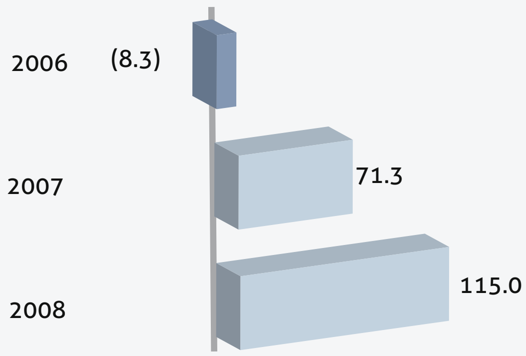
*2 Refers to "on target"; RM51-500m (exceed), RM501m-RM1bn (outstanding)*

# MALAYSIA AIRPORTS HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 170.9 | 289.3 | 305.8 |
| **Market Cap** (RM m) | 2,376 | 3,322 | 2,431 |
| **ROE** (%) | 6.3 | 9.9 | 9.9 |
| **Asset/Equity** (x) | 1.8 | 1.5 | 1.6 |
| **Operating Margin** (%) | 23.5 | 29.6 | 28.6 |
| **Asset Turnover** (%) | 26.5 | 31.0 | 30.3 |
| **Interest Cover** (x) | 41.5 | >100 | >100 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 | |
|---|---|---|---|---|
| | | | Assume at -5% pax growth | Assume at 0% pax growth |
| **EBITDA** (RM m) | 577 | 587 | 540 | 610 |
| **ROE** (%) | 9.8 | 9.9 | 8.8 | 10.3 |
| **Airport Service Quality Award** | Top 5 | TBA[1] | Top 5 | Top 5 |

## Achievements

**Performance Highlights 2008**

- MAHB's financial restructuring approved in Dec 2008
- Successfully conducted a Business Continuity Management ("BCM") simulation exercise for KLIA. The first and largest of its kind for an airport in this region
- MAHB received the 7th placing in the overall Excellence Awards of the corporate governance survey administered by the Minority Shareholder Watchdog Group (MSWG)
- KLIA was awarded The Brand Laureate, the Grammy Awards for branding for Best Brands Transportation Airports 2007-2008
- Pan Pacific Kuala Lumpur International Airport was voted World's Leading Airport Hotel in the 2008 World Travel Awards
- Malaysia Airports 2007 Annual Report received the Certificate of Merit in the National Annual Corporate Report Awards 2008
- Became the first Asian host for the Airport SAP User Group ("SUG"), a worldwide conference for airports and airport authorities
- International ventures:
  - Management and operation of the Astana International Airport in Kazakhstan
  - Won the bid to operate Sabiha Gokcen International Airport in Istanbul. To provide expertise in the area of operations and management

**Financial Highlights**

- Recorded highest profits of RM305.8m since MAHB establishment
- EBITDA and ROE surpassed Headline KPIs
- Record dividend payout with final dividend declaration of 10.9 sen, and total for the year of 13.9 sen, as per dividend policy of at least 50% payout

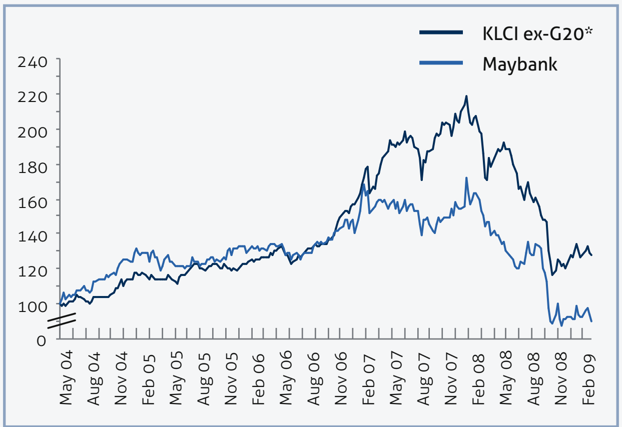
## Challenges

- Marginal passenger growth in 2009 as a result of the global economic slowdown
- Rapid expansion and demands for Low Cost Carrier ("LCC") terminals
- To align business approach and processes with the financial restructuring
- To increase non-aero revenue per passenger
- Inculcation of performance driven mindset and culture among staff to align with the transformation programme objectives

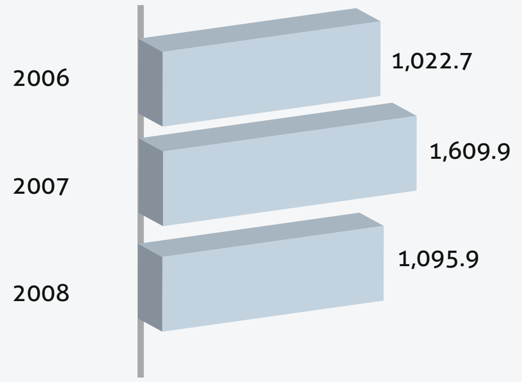
1 *Pending finalisation of 2008 results*

# MALAYAN BANKING BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY June 30 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 2,772.4 | 3,178.4 | 2,928 |
| **Market Cap** (RM m) | 40,628 | 46,668 | 34,411 |
| **ROE** (%) | 16.6 | 17.6 | 15.2 |
| **Asset/Equity** (x) | 12.8 | 12.9 | 13.9 |
| **Loan/deposit ratio** (%) | 83.6 | 76.3 | 80.9 |
| **LLP/loans** (%) | 4.7 | 4.5 | 3.7 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09[2] |
|---|---|---|---|
| **ROE[1]** (%) | 18.0 | 15.2 | - |
| **Revenue Growth** (%) | 10.0 | 8.8 | - |

## Achievements

- Overall non-interest income for the Group grew by RM375.8m or 13.1% despite higher unrealised loss on revaluation of securities and derivatives of RM200.4m compared to a loss of RM74.4m in 2007
- Net NPL ratio decreased from 3.03% in FY2007 to 1.92% in FY2008
- Number 1 Malaysian Wide Distribution network with 369 branches and > 2000 ATMs
- Acquisitions of An Binh Bank in Vietnam, MCB in Pakistan, Bank Internasional Indonesia

Awards Received :

- Association of Accredited Advertising Agents Malaysia / Interbrand Malaysia's Most Valuable Brands 2008 (Top Placing) valued at RM9.3bn
- Asiamoney Awards
  - Best Domestic Provider for Structured Currency Products, Malaysia
  - Best Local Currency Cash Management Services, Malaysian Ringgit
  - Best Local Cash Management Bank, Malaysia as voted by Small and Medium Corporates
- Alpha Southeast Asia
  - Best Trade Finance in Malaysia
  - Best Cash Management in Malaysia
  - Best Financial Supply Chain Bank in Malaysia
- International Takaful Award for Best Takaful Marketing (Etiqa)

Focus on community development

- Disbursed over RM1.8m in scholarships to 311 students
- Contributed RM4.4m in total to National Disaster Relief Fund, Kementerian Pembangunan Wanita, Keluarga dan Masyarakat, MIDA and University Malaysia Kelantan

## Challenges

Macroeconomic pressure

- The International Monetary Fund ("IMF") expects global growth to slow significantly from the second half of 2008
- Global economy forecasted to grow at its lowest level in 60 years; 0.5% in 2009
- Maybank Investment Bank's revised baseline forecast for Malaysia's GDP growth is at -1.3% for the year 2009

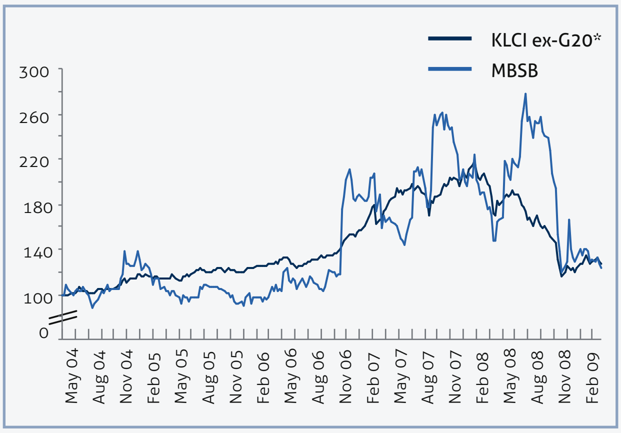
Announced Strategic Transformation Plan currently being executed in three parts:

- LEAP30 Performance Improvement Program to Strengthen Core Business and Franchise to:
  - Achieve globally-benchmarked operating metrics
  - Achieve leadership across all key segments of business
  - Capture value from new investments
  - Improve synergies across Maybank group
- Proposed Rights Issue to raise RM6bn to further strengthen capital base and widen competitive positioning
- Putting in place an organisational and corporate structure that provides greater strategic, financial and operational flexibility across the Group including adopting a financial holding company structure, subject to regulatory and tax consideration and final implementation plan

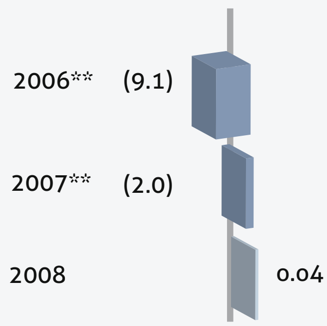
1 *After deferred tax adjustments*
2 *The Board has not set Headline KPIs for FY2009 given the focus on completion of the three major acquisitions totaling RM11.5bn and its subsequent fund raising*

# MALAYSIA BUILDING SOCIETY BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008[1] |
|---|---|---|---|
| **Net Profit** (RM m) | 40.2 | 53.3 | 32.6 |
| **Market Cap** (RM m) | 402 | 462 | 567 |
| **ROE** (%) | 8.2 | 10.6 | 10.3 |
| **Asset/Equity** (x) | 14.6 | 14.0 | 14.3 |
| **Loan/deposit ratio** (%) | 102.8 | 112.1 | 107.6 |
| **LLP/loans** (%) | 0.6 | 0.6 | 0.4 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **ROE** (%) | 7.5 | 10.3 | 8.0 |
| **Revenue Growth** (%) | 15.0 | 17.0 | 15.0 |
| **Retail loan growth** (%) | 25.0 | 18.3[2] | 25.0 |

## Achievements

Increased product offering

- Soft launched new products i.e. Mudharabah Fixed Deposit Plus, Mudharabah Savings Plus and MBSB Partner Home *i*-based on Musharakah Mutanaqisah

Focus on enhancing customer value proposition and improving service levels

- Opened 6 additional branches in 2008 to augment current nationwide network. Total number of branches is 30 as of 31 Dec
- Instilled a more customer-oriented service culture enabling service staff to engage customers proactively
- Generated total value creation against procurement spending of 41.62% in 2008
- Increased RM914m in deposit taking activities
- Awarded by Prime Minister for the recognition of "Home Safety Campaign" as MBSB's core CSR in conjunction of National Crime Prevention Month in Aug 2008

## Challenges

Facing unfavourable competitive and regulatory environment

- Fast-changing and increasingly competitive environment
- Unable to offer lucrative products/services as other Financial Institutions

Managing shifts or slowdown in demand

- Shifting of developers to high end products in urban areas (i.e. interest-sensitive segment of borrowers)
- Increasing saturation of target market for Personal Financing (i.e. Government employees) and new players in the market
- Increasing risk of decline in deposits due to US sub-prime crisis

Enhancing operating platform

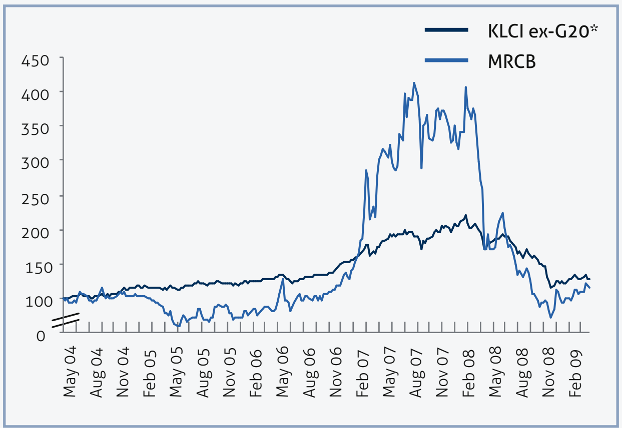
- Significant legacy NPLs
- Limited distribution channels and brand recognition
- Difficult to attract and retain capable staff

*1 Financial numbers for FY2008 are unaudited and subject to change*
*2 Based on net retail loan balance at 31 December 2008 compared to balance at 31 December 2007*
*** 2006 and 2007 members for EP have been restated due to the exclusion of deferred tax assets*

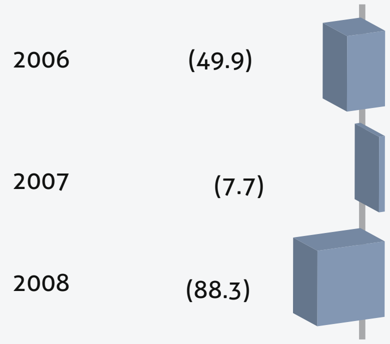
# MALAYSIA RESOURCES CORPORATION BERHAD

MRCB

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 33.8 | 40.7 | (56.6) |
| **Market Cap** (RM m) | 753 | 2,314 | 640 |
| **ROE** (%) | 7.7 | 5.8 | (8.9) |
| **Asset/Equity** (x) | 3.9 | 2.7 | 4.7 |
| **Operating Margin** (%) | 10.3 | 19.7 | 1.7 |
| **Asset Turnover** (%) | N/A | N/A | N/A |
| **Interest Cover** (x) | 0.9 | 2.0 | 0.2 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Group revenue** (RM m) | 1,200 | 788 | 1000 |
| **New property development** (RM m) | 1,300 | 275 | 268 |
| **New order book growth for engineering, infra-structure, and others** (RM bn) | 2.3 | 0.25 | 1.5 |
| **Group profit before tax** (RM m) | 90.0 | (42.0) | 23.0 |

## Achievements

Major Infrastructure project delivery, commencement of works and strong capital management practices

- Duta-Ulu Klang Expressway ("DUKE") highway completion by Apr 2009, completing KL inner-loop road system
- Commenced construction of Eastern Dispersal Link ("EDL") highway from CIQ complex to PLUS highway & Permai Hospital in Johor Bahru
- Commencement of over 4m sq ft/RM3bn GDV at KL Sentral over the next 4 years
- Early redemption of KL Sentral Sukuk Apr 2008 and completed fund raising to cater for upcoming major infrastructure projects

Continuous support to Malaysia's economic development and growth in Islamic financing

- Teamed up with Pelaburan Hartanah Bumiputera Bhd ("PHBB") to develop an integrated transportation hub in Penang that will stimulate economic growth in Northern Peninsula Malaysia
- Commenced construction for the EDL highway to improve traffic flow between Singapore into Malaysia & vice versa
- Major property development at KL Sentral will assist local economy and contractors
- Promote Islamic financing - Award winning innovative Islamic financing structure for EDL and financing for other projects totalling over RM2.6bn of Islamic Debt

Focused on employee welfare

- Continued support of the High Achiever Award to reward employees' children that achieve excellent results in their PMR, SPM and STPM

Continuous support for environmental development and maintaining Lifestyle Standards

- River and beach rehabilitation works in Tioman Island, Sg Pahang, Sg Kuantan and Sg Perai

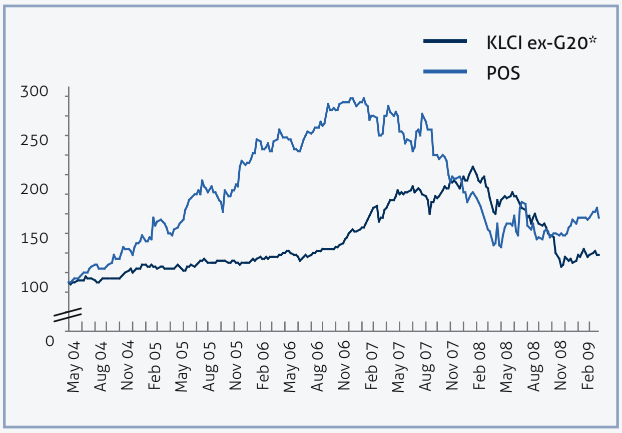
## Challenges

Susceptibility to external factors

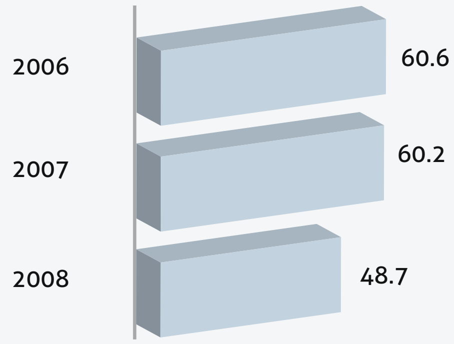
- Weakness of demand for overall property in particular high-end residential due to economic condition/excess supply
- Slow down in Government project awards
- Increase in cost of raw materials and imported goods expected to negatively impact profit margins (particularly when contract prices fixed regardless of the increase in the world commodities market)
- Availability of funding at reasonable cost may adversely impact project financials
- Slow payments from clients especially among GLCs affecting work progress and cashflow
- Hold back on private capital expenditure spending leading to slower demand in property sales, office relocations/purchase and private infrastructure builds

# POS MALAYSIA BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 108.2 | (33.7) | (35.9) |
| **Market Cap** (RM m) | 2590 | 1310 | 1112 |
| **ROE** (%) | 11.5 | (3.9) | (4.7) |
| **Asset/Equity (x)** | 1.4[1] | 1.5 | 2.0 |
| **Operating Margin** (%) | 14.6 | 14.1 | 12.8 |
| **Asset Turnover** (%) | 0.4 | 0.7 | 0.6 |
| **Interest Cover** (x) | n.m. | n.m. | n.m. |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Revenue** (RM m) | 898 | 922 | 940 |
| **EBITDA** (RM m) | 135 | 127 | 130 |
| **Dividend policy** | 35% of PAT | TBD[2] | - |
| **Return of Assets** (%) | 6.0 | 6.2 | 4.5 |

## Achievements

**Good growth and capital management practices**

- Optimisation of capital structure through improved WACC from 8.62% (2007) to 6.64% (2008)
- Optimisation of cash through placement in overnight money market
- Disposal of quoted shares led to a gain of RM5m
- Monetisation and divestment of non-core assets. Four parcels of land have been identified and a tender has been called for their disposal

**Improved customer service levels and service offerings**

- Improved mail and courier service standards to 98% (target: 96%) and 98.4% (target: 97%) respectively
- Total cost saving of RM725k per annum from streamlined operation process in four mail processing centres
- PosLaju was awarded the Gold Trusted Brand 2008 Award by Reader's Digest
- Streamlined bulk mail operations which expedited acceptance process to 87.5%, resulting in cost saving of RM45k per annum
- Established norms for registered mail operation at delivery branch which successfully reduced manpower requirement by 32%.
- Six PosLaju centres opened in H1 2008
- Completed the new Look and Feel for 28 Post Offices

**Focused on employee and community development**

- Training on Sales, Operations and Service for counter staff to upgrade skills
- Established merit/demerit system for main delivery branches and mail centres

## Challenges

**Increasing cost and declining revenue growth**

- Operations cost rose at 10.2% Y-o-Y, faster than revenue growth of 7.3%, mainly driven by rising staff and transportation costs
- Revenue growth is affected by low postal tariff structure which has not been changed since 1992. According to the Universal Postal Union ("UPU"), Malaysia's basic postage rate is among the lowest in the world. Malaysia may be a dumping site for international mails and POSM will have to bear the extra cost to deliver dumped mails

**Increasing competition for counter services and declining service standard**

- Declining volume for most traditional mail due to substitution
- Intense competition from new payment channels such as Autopay, ATM, Phone Banking, SMS, internet, kiosks
- Emerging new players in bill payment collection (Banks & others)
- PosNiaga retail service standards was 66%, below target set at 73% due to training and higher volume from cash rebate exercise

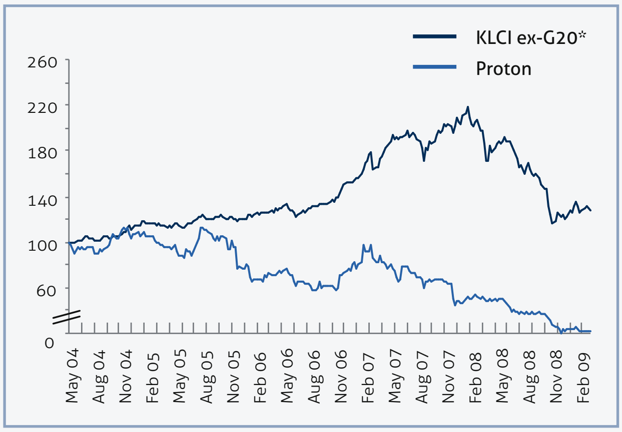
**Developing human capital**

- Low morale as a result of low salary and disproportionate compensation
- Retaining key staff who are leading transformation projects
- Achieving overall people readiness to embrace a more dynamic work culture

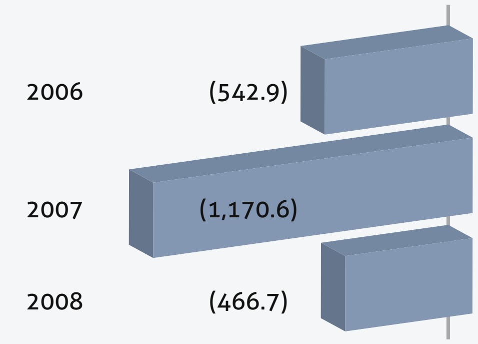
*1 Restated for 2006*
*2 Pending finalisation of the audited financial results*

# PROTON HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY March 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 46.4 | (589.5) | 185 |
| **Market Cap** (RM m) | 3,131 | 3,652 | 2,219 |
| **Adjusted ROE** (%) | 0.8 | (11.3) | 3.4 |
| **Asset/Equity** (x) | 1.4 | 1.3 | 1.3 |
| **Operating Margin** (%) | 0.4 | (12.0) | 2.5 |
| **Asset Turnover** (%) | 94 | 71 | 77 |
| **Interest Cover** (x) | 0.8 | (16.5) | 7.9 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Domestic Market Share - Passenger Cars Segment** (%) | - | 34 | 38 |
| **Contribution of export sales to revenue** (%) | - | 7.8 | 15.7 |
| **Revenue Growth** (%) | - | 14.5 | 60.2 |
| **Customer Satisfaction Index** (x/1000 points) | - | 713 | 750 |

## Achievements

Domestic Sales and Market Share

- Sales jumped 20.2% from 118,132 units in 2007 units to 141,958 units in 2008
- Market share (total industry volume) has increased from 24.2% in 2007 to 25.9% in 2008

New models

- Launched Proton Saga in January 2008 which emerged as PROTON's best selling model in 2008 with 66,533 units sold

Awards

- Jul 2008 -: Asian Auto - VCA Auto Industry Awards 2008 - Best People's Car Award for PROTON Saga
- Jul 2008 : Asian Auto - VCA Auto Industry Award 2008 - Best Comeback Brand Award for PROTON
- Jun 2008 : Frost & Sullivan's 2008 Asean Automotive Award - 2008 Best Model of the Year Award for the Persona
- Feb 2008 : Proton Satria Neo - "Top Ten Slowest Depreciating Cars for 2007 in the UK" by Parker's Guide, United Kingdom April 2008 - Reader's Digest Trusted Brand 2008 Gold Award for Car Category

Product collaboration

- Collaboration to develop a new car model with Mitsubishi Motors Corporation ("MMC"). Agreement signed in Dec 2008

Network consolidation

- Reduction of sales network from 408 (as at 2006) to 286 (as at Dec 2008) to improve network efficiency

## Challenges

Domestic sales

- Negative sentiment due to weak economic outlook which dampens sales
- Credit tightening and stringent financing process curtail vehicle sales

Export sales

- Weaken demand due to the implications of global financial crisis

Material cost

- Higher raw materials due to volatile Forex (Yen,USD) lead to higher import and manufacturing costs

Reduced margins

- Preference towards lower priced cars affecting margins

Inventory Build-Up

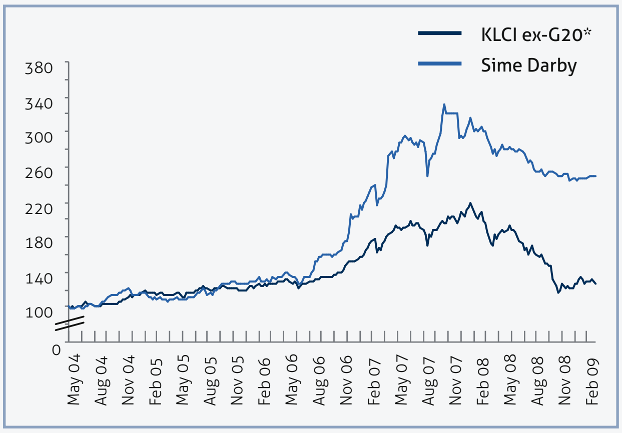
- Slow demand raises inventory level which may require additional marketing costs to clear the slow moving stock

Vendor difficulties

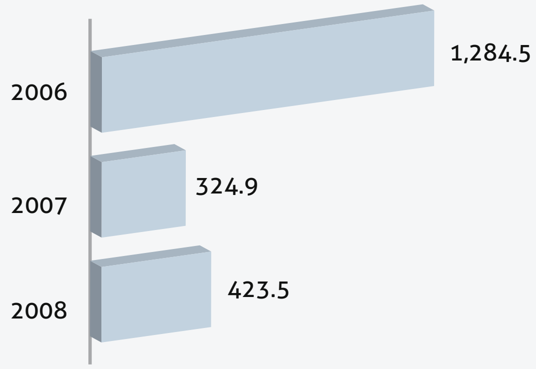
- Lower production volume affecting vendor's revenues and supply capability
- As a result of the financial crisis, capital expansion hampered by credit squeeze and a cap on loan facilities by bank. This may have a negative impact towards PROTON supply chain

# SIME DARBY BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY June 30 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 1,121.4 | 1,505.7 | 3,512.1 |
| **Market Cap** (RM m) | 17,912.4 | 28,265.5 | 55,587.5 |
| **ROE** (%) | 13.3 | 15.9 | 18.0 |
| **Asset/Equity** (x) | 1.8 | 1.8 | 1.6 |
| **Operating Margin** (%) | 7.9 | 9.6 | 15.1 |
| **Asset Turnover** (%) | 115.0 | 106.1 | 94.6 |
| **Interest Cover** (x) | 14.4 | 16.1 | 20.5 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Returns on Average Shareholders' Funds** (%) | 16.5 | 18.0 | 16.7 |
| **Net Profit** (RM m) | 3,150 | 3,512 | 3,700 |

## Achievements

Exceeded FY07/08 KPI

- Net Profit of RM3.5bn exceeded KPI of RM3.15bn
- Return on average shareholders funds ("ROSF") of 18.0% exceeded KPI of 16.5%

Merger between Golden Hope, Guthrie and Sime Darby

- Golden Hope, Kumpulan Guthrie and Sime Darby merged in November 2007, creating the largest listed company by Market Cap in Malaysia
- The enlarged Sime Darby now has five core businesses, namely plantation, property, industrial, motors, and energy & utilities
- Recorded full year merger synergies worth RM210m as a result of the merger

Focused on corporate social responsibility

- Issued Roundatable on Sustainable Palm Oil ("RSPO") certification for 4 Strategic Operating Units ("SOU") in Sabah
  – Targeting 65 SOUs by 2011
- Current CSR initiatives valued at RM418m:
  – Environment – e.g. conservation projects, biodiversity studies
  – Marketplace and Community – e.g. Vendor Development Programme, Poverty Eradication Programme
  – Education – e.g. upgrading of schools within and around plantations and scholarships for 225 candidates in 2008

## Challenges

Managing global economic slowdown

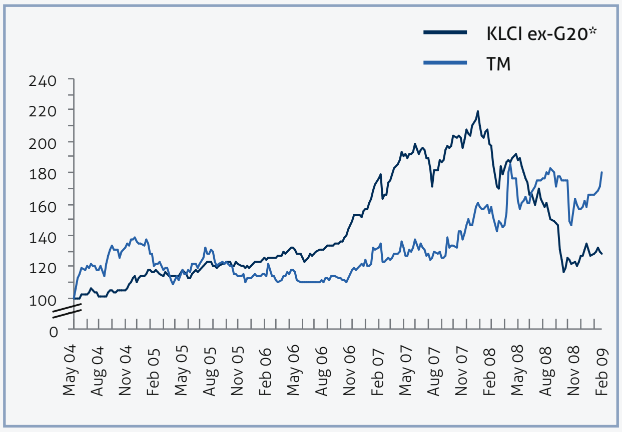
- Economic slowdown will have a negative impact on our core businesses as a significant percentage of the Group's earnings are derived from overseas operations. The Group is currently positioning for the eventual recovery
- Downward revision of KPI (FY2008/2009) – from RM3.7bn to RM1.9bn. Adjustments in CPO price assumptions, forex rates, etc.
- Improving operational efficiency – setting up of Cost Control committee to develop cost saving initiatives

Strategy going forward

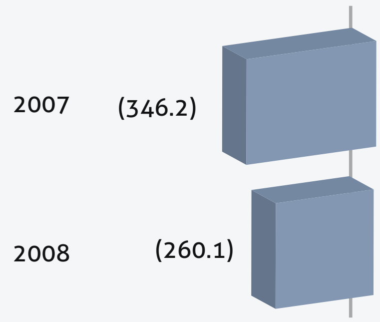
- Focus on investing in businesses that generate more stable cash flows: e.g. Weifang Port (China) is under expansion, to be completed by end-2009
- Plantation: Review existing core businesses, e.g. to expand landbank to 1m Ha and consolidation & upgrading of mills
- Industrial: Leading positions in all our industries, e.g. establish greater brand presence through footprint expansion – focus on China
- Property: Sustainability, e.g. focus on energy-efficient designs - promote harmony with nature
- Energy & Utilities: Capitalise on growth opportunities, e.g. to explore opportunities in ports and water business in China
- Motors: Expand value chain/ revenue streams, e.g. used car sales & financing

# TELEKOM MALAYSIA BERHAD[1]

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2007 | 2008 |
|---|---|---|
| **Net Profit** (RM m) | 856.7 | 229.3 |
| **Market Cap** (RM m) | 10,780 | 10,645 |
| **ROE** (%) | 8.5 | 2.2 |
| **Asset/Equity** (x) | 2.4 | 2.2 |
| **Operating Margin** (%) | 7.4 | 7.4 |
| **Asset Turnover** (%) | 34.8 | 38.5 |
| **Interest Cover** (x) | 1.6 | 1.5 |

## Headline KPIs

| | Actual 08 | Target 09 | Target 2011 |
|---|---|---|---|
| **Revenue Growth** (%) | 4.6[2] | 1.0-2.5 | 2.0-3.0 |
| **EBITDA margin** (%) | 33.3 | Low to mid 30s | Low to mid 30s |
| **Customer Centricity Perspective** | - | >3% of revenue p.a to improve quality of customer experience | |

## Achievements

**"2008 was a landmark year for TM as a single focused entity"**

Intense year with several key milestones delivered

- Demerger completion in Apr 2008
- Phase 2 launch of Performance Improvement Programme (PIP 2.0) in Aug 2008
- Signing of High Speed Broadband ("HSBB") PPP agreement with the Government of Malaysia in Sep 2008

Encouraging business and operational performance improvements

- Posted revenue of RM8,675m, increase of 4.6% from 2007, largely driven by strong growth of non-voice services. Normalised revenue growth (without customers special projects) is 1.7%
- The normalised Net Profit would have been RM708m for the current financial year as compared to normalised Net Profit of RM432m in 2007 if not for exceptional items such as unrealised translation loss on foreign currency borrowings and realisation of foreign exchange reserve on disposal of Societe Des Telecommunications De Guinea S.A. (Sotelgui)
- Cashflow remains strong due to:
  - "Business-as-Usual" Capex over Revenue improvement to 16.7% from 21.2% in 2007 (a reduction of RM390m) marked by prudent spending trend
  - Improved Working Capital Efficiency: reduced AR days to 113 days (Dec 2008) from 143 days (Jan 2008) - translates to improved collection by RM244m

High Speed Broad Band (HSBB) contribution to Malaysia's digital footprint

- Two fibre access pilot projects have been carried out in TTDI and Subang Jaya
- IP Core deployment currently in progress

Continuing Commitment to Shareholders

- TM met its dividend commitment of RM700m

## Challenges

**"Full impact of the financial crisis will be more apparent in 2009, with likelihood of customer spend contraction"**

Decline of major revenue contributor - voice service

- Continuing decline in voice revenue largely due to lower usage from both business and residential customers
- Mitigation through growth from broadband and data

Entrance of new wireless broadband players will increase competition in the broadband market

- Competition from mobile and Wimax service providers
- Still headroom for market growth. 2008 household penetration at 21% and growing

Ensuring efficient Capex and Opex spend, balancing between "Business-as-Usual" requirements and HSBB commitments

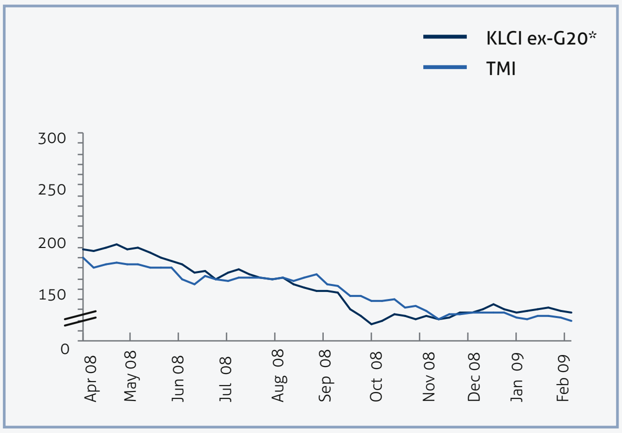
Industry structure requires strong regulatory support e.g. to ensure equitable and balanced industry structure and fair returns on HSBB network investments

*1 All figures and financial ratios were represented to show continuing operations only post-demerger with TMI*
*2 Normalised Revenue growth without MERS 999 project is 1.7%*

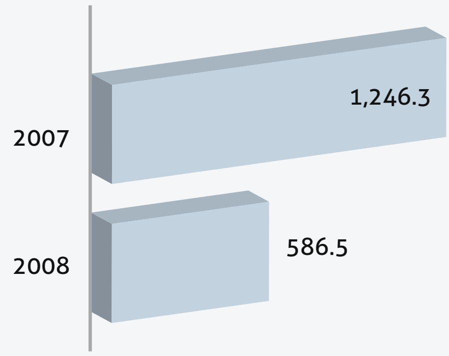
# TM INTERNATIONAL BERHAD

TMI

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2007 | 2008 |
|---|---|---|
| **Net Profit** (RM m) | 1,847.6 | 471.1 |
| **Market Cap** (RM m) | N/A | 13,587 |
| **Adjusted ROE** (%) | 16.5 | 10.6 |
| **Asset/Equity** (x) | 2.5 | 3.3 |
| **Operating Margin** (%) | 25.7 | 17.5 |
| **Asset Turnover** (%) | 40.8 | 30.4 |
| **Interest Cover** (x) | 5.4 | 2.3 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Revenue Growth** (%) | 16 | 14 | N/A |
| **Revenue** (RM m) | - | - | 14.3 |
| **PATAMI** (RM m) | - | - | 1.6 |
| **EBITDA margin** (%) | 42 | 38 | 40 |
| **ROE** (%) | 14 | 5[1] | N/A |
| **ROIC** (%) | - | - | 8 |

## Achievements

**New TMI overall strategic direction**

- Identified overall aspirations with initial broad value creation targets determined in line with 2015 Long-Term Plan
- TMI new brand name and logo soon to be launched

**Improved performance management reporting**

- Introduced improved monthly reporting format and process. Automation of reporting in progress with target launch Apr 2009
- Conducted a discipline monthly performance review with key subsidiaries to raise key issues for immediate remedial actions

**Enhanced group synergy initiatives & best practices' sharing**

- Identified 5 key Centre of Excellence (COE) in the Group being Pricing, SAP, Customer Lifecycle Mgt., Dealer Mgt. and Payment System, with Pricing and SAP COEs at advanced stage
- Embarked Group-level cost management project to benchmark cost drivers against industry standards
- M-Remittance business plan study completed. Launched DUDR between Celcom & M1. More IDD launches soon
- Secured RM132m 2009 saving vouchers from key infrastructure network vendors

**Reinforced governance processes & risk management**

- More engaged Corporate Centre Engagement Model with key subsidiaries
- Developed revised TMI Group Policies and Limits of Authority in line with overall aspirations and new engagement model

**Strengthen human capital & organisation**

- Completed all top management hires at Corporate Centre comprising diversified local and foreign talents
- Group Talent Management Framework developed, currently finalising group talent pool
- Group Leadership Programme identified, soft launch at Celcom recently

**Value creative M&A**

- Restructured our Spice India investment via acquiring ~20% stake (post deal completion) in Idea Cellular

## Challenges

**Uncertainty of the global economic crisis impact**

- Full impact of the global economic crisis is unclear as we are still in the initial stages of the crisis
- Early impacts include devaluation of currencies, liquidity constraints, volatility of interest rates and reduced spending power in TMI operating markets

**Macro economic forces continues to affect TMI operating markets**

- Escalated OPEX due to inflation primarily Direct Cost continues to have a negative impact onto the respective subsidiaries operating performance
- Forex impact due to strengthening of the USD against the local currencies of the operating markets primarily Indonesia continues to affect subsidiaries performance. Further forex impact upon translation of subsidiaries profitability exacerbate the situation

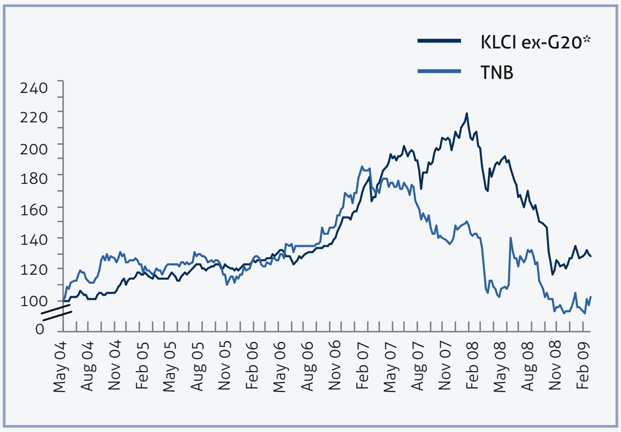
**Increased competition In TMI operating markets**

- With more new entrants entering into an already saturating markets, we can expect competition to intensify. Prices will fall, driving Average Revenue Per User ("ARPU") and Minutes of Usage ("MOU") further down and eventually affecting revenue growth

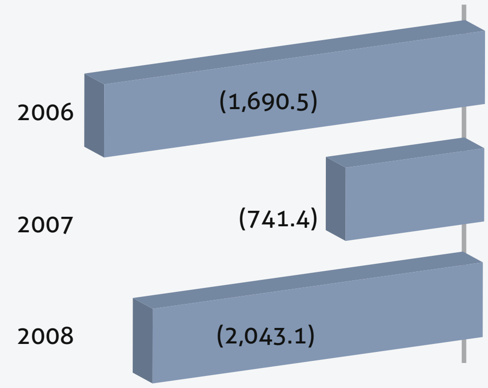
*1 Based on Normalised PATAMI of RM1,138m, adjusted ROE would be 10.6%*

# TENAGA NASIONAL BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY August 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 2,127 | 4,061 | 2,594 |
| **Market Cap** (RM m) | 37,837 | 43,100 | 34,243 |
| **ROE** (%) | 10.9 | 16.9 | 10.1 |
| **Asset/Equity** (x) | 3.4 | 2.8 | 2.7 |
| **Operating Margin** (%) | 35.5 | 37.6 | 29.5 |
| **Asset Turnover** (%) | 31 | 34 | 37 |
| **Interest Cover** (x) | 4.7 | 6.7 | 6.9 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **Return on Assets** (%) | 5.5 | 4.6 | 2.8[1] |
| **Gearing** (%) | 50 | 46.9 | 48-50 |
| **Unplanned Outage Rate** (%) | <4 | 3.3 | 3.5 |
| **Transmission & Distribution Losses** (%) | <10 | 9.5 | 9.5 |
| **Transmission System Minutes** (mins) | <7 | 6.7 | 6.5 |
| **System Average Interruption Duration Index ("SAIDI")** (mins) | 78 | 71.3 | 75 |

## Achievements

- Ongoing cost savings measures have realised around RM175.5m in 2008 alone, resulting in a total cost savings of RM2.6bn since 2005. Debt reduced to RM22.7bn in FY2008 (from RM32.4bn in 2004). Outstanding debt of TNB's major deliquent customers reduced to RM240.5m (from RM884.3m in 2004)
- TNB won the Anugerah Kualiti Perdana Menteri ("AKIPM") two years ahead of the target date
- Ranked 100th from a list of top 250 power companies worldwide and 18th from a list of top 59 power companies in Asia/Australia. Shortlisted for the Platts 2008 Global Energy Award in the Power Company of the Year Category
- TNB achieved a net profit of RM2.6bn in FY2008, despite the challenges in terms of increasing operating costs (fuel and IPP payments)
- TNB scored 7.1 / 10 in the Customer Survey Index ("CSI"). Reduced SAIDI from 83 minutes to 71.3 minutes and Transmission System Minutes reduced to 6.7 minutes from 9.3 minutes
- An independent session conducted by PCG in 2007 rated TNB as one of the top practitioners amongst GLCs in implementation of the Blue Book guidelines on Intensifying Performance Management
- Leadership Development Audit ("LDA") carried out by an external consultant in 2008 produced commendable overall results. Out of the 7 elements audited, 5 were found to be of good practice while the other 2 were adequate
- TNB invested RM70m in training programmes and organised 1,323 mandatory training programs. Under the talent pool initiative, 333 executives have been assessed and 286 identified for leadership positions
- TNB won the Anugerah Tokoh Majikan Berdaya Saing during the 2008 Labour Day Celebration organised by Ministry of Human Resources
- Number of Bumiputera vendors participating in BVDP has increased to 256 in 2008

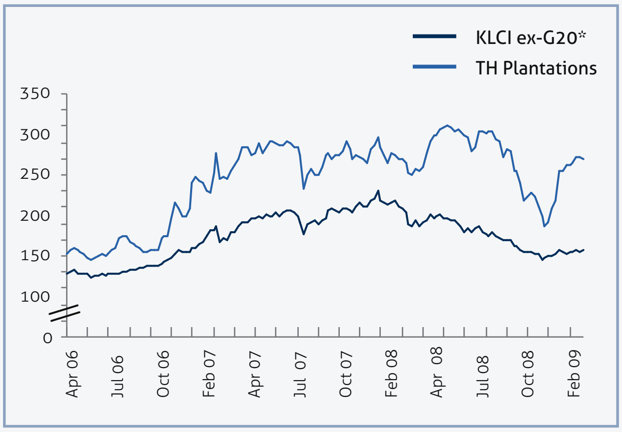
## Challenges

- Tenaga will face profit pressure in the face of volatility of fuel prices (namely coal), additional IPP capacity payments from new plants coming on stream and fluctuation in foreign exchange
- Growth in electricity demand is also slowing down in view of the global financial crisis
- TNB needs to continue lobbying for fuel cost pass-through mechanism in its tariff structure to manage the fuel cost in the future
- Due to heavy reliance on gas and coal for its power generation and potential rising in the cost of these fuels, TNB will also need to actively pursue the use of alternative energy sources (like hydro, nuclear and LNG) to meet future power demand. At the moment, gas and coal represent 64% and 28% respectively in TNB's generation fuel mix
- Future planting up based on competitive bidding will remain a challenge to push through. The past practice of awarding new IPPs by way of direct negotiation has not given TNB the optimal deal. TNB needs to ensure future planting up is made through competitive bidding to ensure optimal policy and low tariff regime

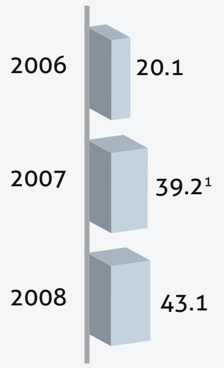
*1 Preliminary given the current economic uncertainties*

# TH PLANTATIONS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 35.7 | 61.2 | 83.4 |
| **Market Cap** (RM m) | 512 | 663 | 558 |
| **ROE** (%) | 22.6 | 30.0 | 28.0 |
| **Asset/Equity** (x) | 1.3 | 1.6 | 2.3 |
| **Operating Margin** (%) | 41.8 | 50.1 | 45.7 |
| **Asset Turnover** (x) | 0.6 | 0.5 | 0.3 |
| **Interest Cover** (x) | n.m. | 48.9 | 94.1 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 09 |
|---|---|---|---|
| **ROE** (%) | 30.0 | 28.0 | 7.5 |
| **FBB yield per mature hectare** (mt) | 21.4 | 22.1 | 22.5 |
| **Distribute approximately 50% of group's PATAMI**[2] | 50% of Group's PATAMI | • Final 7.5 sen less 25% tax[2] | 50% of Group's PATAMI |
| **Landbank increase** | One fold | Exceeded One fold | N/A[3] |

## Achievements

**Steady financial performance**

- Reported accumulated 2008 Net Profit of RM83.4m
- Issued Bai Murabahah Medium Term Notes of RM200m to LTH as the sole subscriber

**Achieved growth through acquisitions and expansion**

- Pursued acquisition which has increased THP's plantation land bank from 28,730 ha to 39,059 ha
- Acquired 51% and 100% equity interests in Syarikat Sabacco Sdn Bhd and Ladang Bukit Belian Sdn Bhd from Lembaga Tabung Haji for a total consideration of RM199.4m
- Managed Lembaga Tabung Haji's plantation; to jointly develop native lands totalling 1,500 ha in Beladin, Sarawak with Land Custody and Development Authority (LCDA is the custodian of the natives) with shareholding of 55% (LTH), 10% (LCDA) & 35% (Natives). An estimated 700 natives benefiting from this JV

**Continued support for regional economic growth plans**

- Contributed to Terengganu and Sarawak economic growth, creating employment opportunities for the local Bumiputera community

**Achieved industry recognition**

- Winner of the 2007 KPMG Shareholder Value Award under the industry category of Agriculture & Fisheries

## Challenges

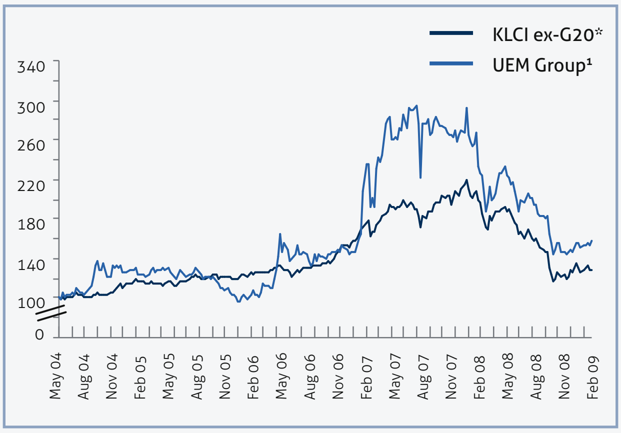
**Susceptibility to macroeconomic factors**

- Continuous unwinding of speculative positions by hedge funds and commodity funds could dampen commodity prices, which in turn could push CPO below its fundamental value
- Widening price discounts between CPO and soyabean oil
- Demand destruction from further weakening of global economies

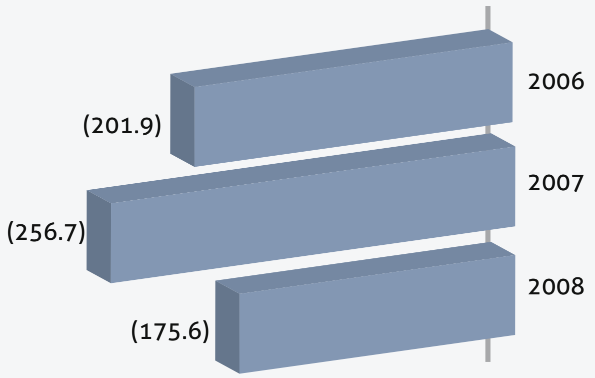
*1 Restated for 2007 as per TH Group's Q4 announcement for FY2008 approved by the Board*
*2 THP Group achieved its dividend policy of distributing approx. 50% of the Group's PATAMI for FY2006, FY2007 & FY2008. The final dividend of 7.5 sen less 25% tax for FY2008 is subject to shareholders' approval*
*3 Target for 2007 - 2009 is one fold i.e. to 32,000 ha. As at FY2008, THP Group has surpassed this KPI, one year ahead of time by achieving a land bank size of 39,059 ha in 2008*

# UEM GROUP BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008 |
|---|---|---|---|
| **Net Profit** (RM m) | 563 | 826 | 547 |
| **Shareholders Fund + MI** (RM m) | 11,334 | 12,776 | 11,744 |
| **Adjusted ROE** (%) | 7.8 | 7.8 | 7.3 |
| **Asset/Equity** (x) | 2.4 | 2.2 | 2.5 |
| **Operating Margin** (%) | 30.29 | 21.99 | 25.31 |
| **Asset Turnover** (x) | 0.27 | 0.29 | 0.30 |
| **Interest Cover** (x) | 3.61 | 2.95 | 3.48 |

## Headline KPIs

| | Target 09 |
|---|---|
| **Revenue Growth** (%) | Min 8 |
| **ROE** (%) | Approx. 7 – 8 |

## Achievements

- PLUS has surpassed its KPI target by achieving 25.7% growth in lane-km, surpassing its targeted growth of 20% by end-2008
- PLUS's enhanced operational efficiency through the Time Travel Advisory, becoming the first expressway company in Malaysia to provide advice to the public during peak traffic
- Kualiti Alam (subsidiary of UEM Environment) was presented the prestigious international 2008 Royal Society for the Prevention of Accident (RoSPA) Gold Award for its Occupational Health and Safety Performance
- Pharmaniaga Berhad, received the Domestic Pharmaceutical Company of the Year award at the 2008 Frost & Sullivan Excellence in Healthcare Banquet

## Challenges

**Human capital**

- Ability for UEM Group to attract, retain and groom the best talent

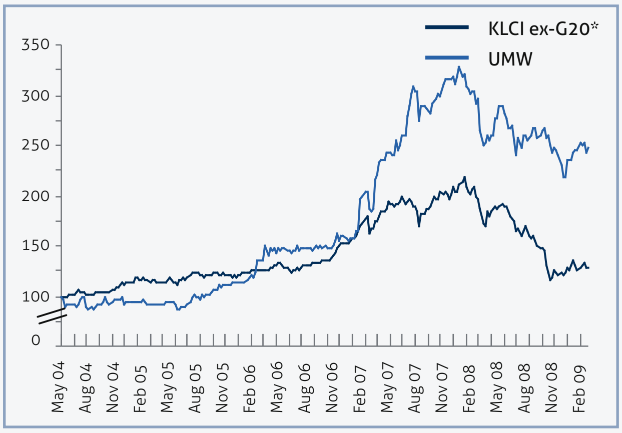
**Global/Regional economic environment**

- Softening property market:
  – Softening property demand will affect UEM Land's planned development activities, hence some projects may have to be deferred over a longer period
- Scarcity of construction-related projects:
  – Due to the economic slowdown, there's limited construction opportunities available. This has resulted in aggressive competition between construction players and a squeeze in profit margins
- Public perception/sensitivities:
  – Due to the economic environment, any increase in regulated industries may face renewed pressure from the public. An example of this is the announcement of PLUS' toll increase which was scheduled to take place on 27 Feb 2009 and was subsequently reversed the following day. This was followed by a proposition from the opposition on the nationalisation of PLUS
- Liquidity in financial markets
  – Liquidity in financial markets are dying-up, resulting in rising credit spreads and greater challenges for corporates seeking refinancing

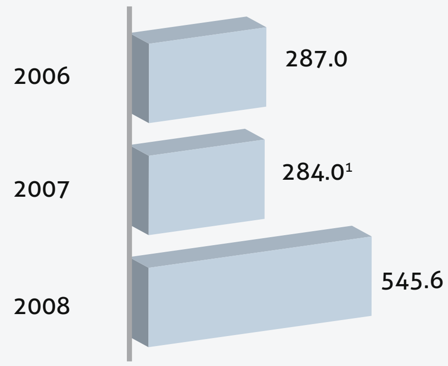
*1 UEM Group's TSR and market capitalisation are computed by using their listed subsidiaries' value as a proxy*

# UMW HOLDINGS BERHAD

## TSR Index




## Economic Profit (RM m)




## Historical Performance

| FY December 31 | 2006 | 2007 | 2008[2] |
|---|---|---|---|
| **Net Profit** (RM m) | 305.9 | 469.1 | 562.3 |
| **Market Cap** (RM m) | 3,928 | 8,388 | 5,625 |
| **ROE** (%) | 17.3 | 16.9 | 20.6 |
| **Asset/Equity** (x) | 1.5 | 1.6 | 1.7 |
| **Operating Margin** (%) | 7.9 | 8.9 | 10.2 |
| **Asset Turnover** (x) | 2.0 | 1.5 | 1.6 |
| **Interest Cover** (x) | 23.4 | 25.2 | 33.7 |

## Headline KPIs

| | Target 08 | Actual 08 | Target 08 |
|---|---|---|---|
| **Return on shareholders fund ("ROSF")** (%) | 14.0 | 16.9 | 10.0 |
| **Dividend Payout ratio** (%) | 50.0 | 57.9 | 50.0 |

## Achievements

- Improved performance backed by active portfolio and capital management
  - 2008 PBT increased by 48.5% compared to 2007 as a result of record sales of Toyota and Perodua vehicles and improved equipment sales
  - Consequently, 2008 Net Profit attributable to equity holders improved by 19.8% compared to 2007
- UMW surpassed both its headline KPIs' targets of ROSF and Dividend Payout in 2008
- Toyota and Perodua command 49.0% market share in 2008
- First Malaysian company to use the G3 guidelines in CSR reporting align to Global Reporting Initiative ("GRI") requirement
- Completed re-branding exercise and launched the new UMW logo
- Launched UMW Executive Diploma in General Management in collaboration with SEG International Bhd & University of Sunderland, UK for employees without tertiary education

## Challenges

- The challenging business environment resulting from the global economic crisis and the volatility of the foreign exchange is expected to affect UMW performance in 2009
- With the reduction in Total Industry Volume ("TIV") as forecasted by the Malaysian Automotive Association ("MAA"), sales of Perodua and Toyota vehicles will be proportionately lower. However, UMW expect to retain our market share of 38% and 18% of TIV for Perodua and Toyota respectively
- Lower TIV will also result in lower demand for automotive components in general
- Slower growth in construction, logging and mining sector as a result of overall decline in export demand, expected to lower down our sales of Industrial and heavy equipment. The situation will be worsening with the unfavorable foreign exchange

*1 Restated for 2007 as per audited accounts*
*2 Based on unaudited results*

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