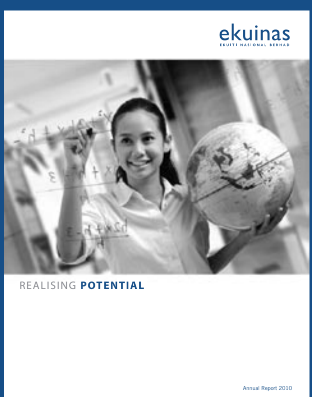
ekuinas
EKUITI NASIONAL BERHAD

REALISING **POTENTIAL**

Annual Report 2010

COVER **RATIONALE**



REALISING **POTENTIAL**

Ekuinas promotes equitable and sustainable Bumiputera economic participation via the creation of Malaysia's next generation of leading companies. We are commercially driven and operate based on the best practices of global private equity firms with the aim of creating value through investments in companies with high potential for growth. The cover depicts a teenager, symbolic of growth-stage companies with ambition, potential and talent. Ekuinas acts as a catalyst for these companies to realise their potential and grow to become future market leaders.

contents

company values

COMMERCIALLY DRIVEN
We maintain strict commercial discipline to create value

HIGH-PERFORMANCE
We strive to exceed expectations

MERIT-BASED
We recognise and reward purely based on performance

PASSION
We are passionate in our task to deliver beyond the ordinary

FOCUSED
We are focused in our quest to achieve our objectives

HUMILITY
We stay true to our roots and are cognisant that we serve a greater purpose

BOARD OF DIRECTORS

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda (*Chairman*)
Tan Sri Mohamed Jawhar
Dato' Noriyah Ahmad
Datuk Mohamed Azman Yahya
Dato' Abdul Rahman Ahmad (*Chief Executive Officer*)

BOARD COMMITTEES

Audit Committee

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda (*Chairman*)
Tan Sri Mohamed Jawhar
Dato' Noriyah Ahmad

Nomination & Remuneration Committee

Tan Sri Mohamed Jawhar (*Chairman*)
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda
Datuk Mohamed Azman Yahya

Investment Committee

Datuk Mohamed Azman Yahya (*Chairman*)
Dato' Abdul Rahman Ahmad
Syed Yasir Arafat Syed Abd Kadir
Mazhairul Jamaludin
Nik Johaan Nik Hashim
Amil Izham Hamzah

Company Secretary

Shamsiah A Rahman (MAICSA 7008380)
Norsham Abdul Ghani (LS 01203)

Auditor

PwC
Chartered Accountants

Principal Bankers

Malayan Banking Berhad
CIMB Bank Berhad
AmBank (M) Berhad

Registered Address

Prokhas Sdn Bhd
12th Floor, Bangunan Setia 1
15 Lorong Dungun
Bukit Damansara
50490 Kuala Lumpur

Office Address

Ekuiti Nasional Berhad (868265 U)
Level 13, Surian Tower
No. 1 Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor

MANAGEMENT COMMITTEE

Abdul Rahman Ahmad
Chief Executive Officer

Syed Yasir Arafat Syed Abd Kadir
Managing Partner,
Investment

Mazhairul Jamaludin
Chief Financial Officer/Senior Director,
Outsourcing/Investment

Nik Johaan Nik Hashim
Senior Director,
Investment/Stakeholder Management

Amil Izham Hamzah
Senior Director,
Investment

Suridah Jalaluddin
Senior Director,
Investment/Shared Services

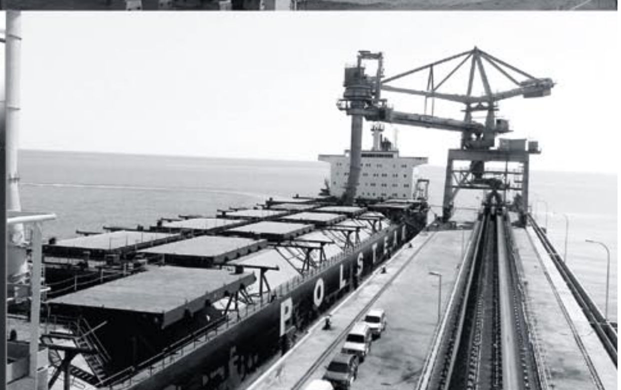
OTHER MANAGEMENT

Roselinda Hashim
Chief Legal Counsel

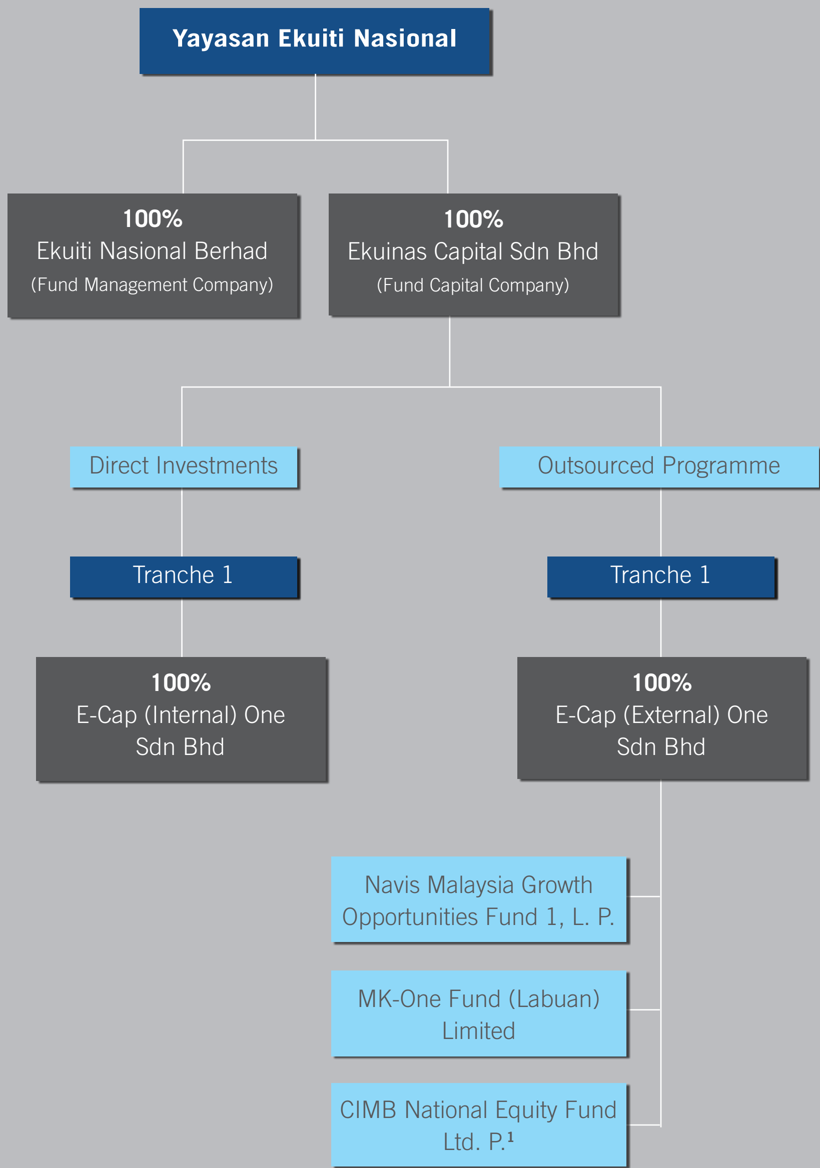
Mohamad Azlan Jaafar
Director,
Corporate Governance & Risk Management

New
What's your style?
New
Funky
COOL
I'm original, imaginative and extremely creative.
Fresh fruity scent exhilarates my senses.
And most of all I'm confident.
SILKYGIRL

Keanggunan Maksima
Terpelihara dengan pelembap untuk keanggunan mungil bibir
Baru
Moisture Max Lip Gloss
Bibir nyata anggun mungil
SILKYGIRL
Serlahkan keyakinan mu

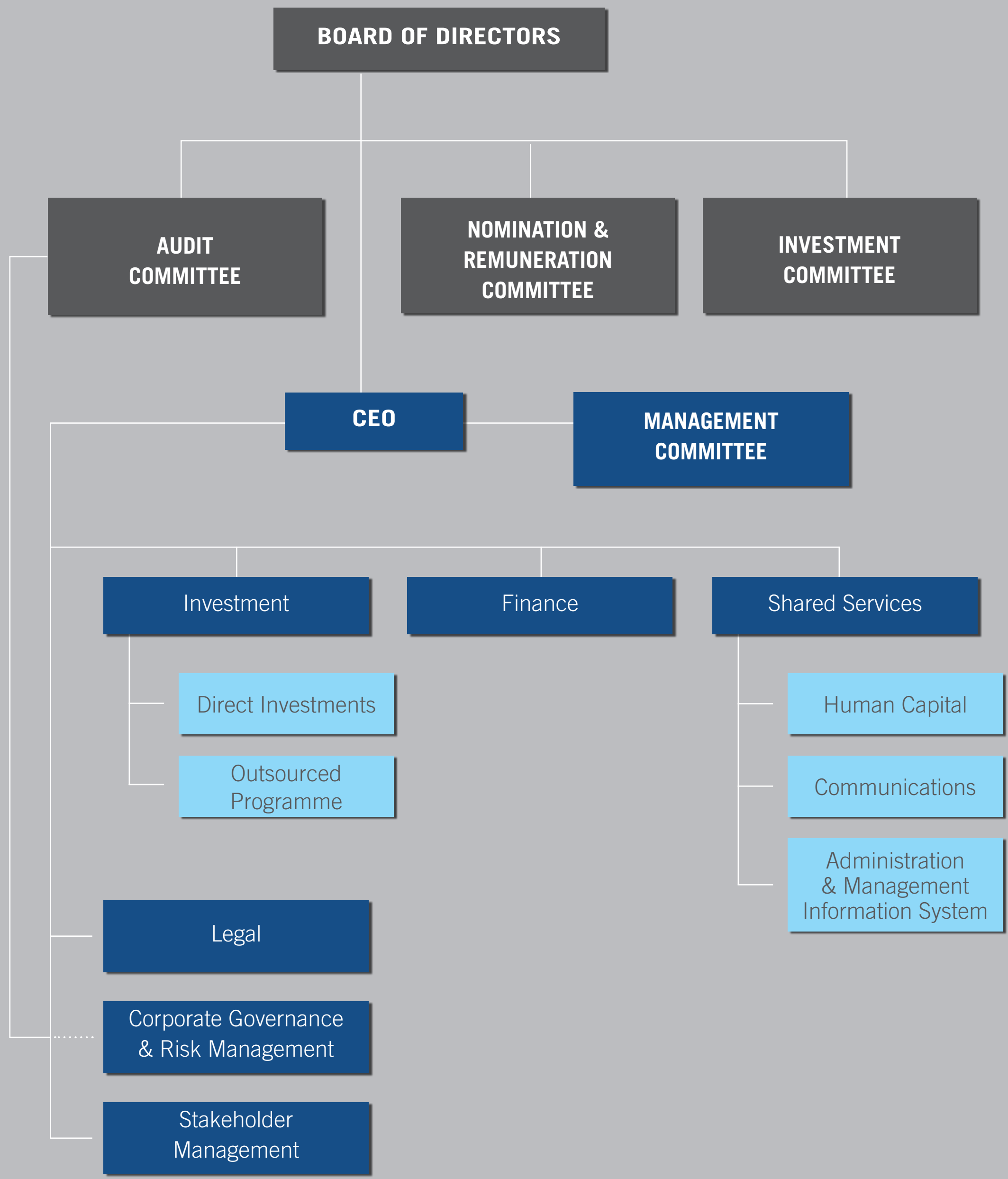


CORPORATE STRUCTURE



[1] The Limited Partnership *Musharakah* and Subscription agreements between CIMB General Partner Limited and E-Cap (External) One Sdn Bhd were completed and executed on 12 January 2011.

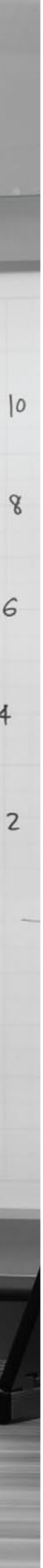
ORGANISATION STRUCTURE



BOARD OF DIRECTORS

Dato' Abdul Rahman Ahmad
Director and Chief Executive Officer

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda
Independent Non-Executive Chairman



Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda

Independent Non-Executive Chairman

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda is the Independent Non-Executive Chairman of Ekuiti Nasional Berhad (Ekuinas). He is also the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

A Fellow at the Institute of Chartered Accountants in England and Wales, Raja Tan Sri Arshad is also a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Certified Public Accountants where he served on its Council for 24 years, three of which were spent as President.

Currently, Raja Tan Sri Arshad also holds the following positions; Chairman of Maxis Berhad, Malaysia's leading integrated communications service provider, ACR Retakaful SEA Berhad and Asia Capital Reinsurance Malaysia Sdn Bhd; and a Director of Khazanah Nasional Berhad and Asia Capital Reinsurance Group Pte Ltd. He is also the Chairman of Yayasan Raja Muda Selangor, a member of the Board of Trustees for Yayasan DayaDiri and the Chancellor of University Industry Selangor.

Raja Tan Sri Arshad was formerly the Executive Chairman and Senior Partner of PricewaterhouseCoopers (PwC) Malaysia. He was also formerly the Chairman of the Malaysian Accounting Standards Board and Chairman of Danamodal Nasional Berhad. His international roles included memberships of the PwC Global IFRS Board and the Standards Advisory Council of the International Accounting Standards Board.

Dato' Abdul Rahman bin Ahmad

Director and Chief Executive Officer

Dato' Abdul Rahman bin Ahmad is a Director and the Chief Executive Officer of Ekuiti Nasional Berhad (Ekuinas). He leads the Management Committee and is a member of the Investment Committee.

Prior to joining Ekuinas, Dato' Abdul Rahman was the Group Managing Director/Chief Executive Officer of Media Prima Berhad (MPB), the leading integrated media investment group in Malaysia. He also held the post of Group Managing Director/Chief Executive Officer of Malaysian Resources Corporation Berhad (MRCB), a leading Malaysian conglomerate involved in property, construction and infrastructure.

At MPB, he played a key role in the expansion and transformation of MPB into one of Malaysia's largest media group with cross media interest in television, newspaper, radio, outdoor, content creation and new media.

Prior to that, Dato' Abdul Rahman was an Assistant Manager at Arthur Andersen, London, and later served as Special Assistant to the Executive Chairman of Trenergy (M) Berhad/Turnaround Managers Inc Sdn Bhd. He subsequently joined Pengurusan Danaharta Nasional Berhad, the country's national asset management company, as Unit Head and later went on to become Executive Director of SSR Associates Sdn Bhd.

Dato' Abdul Rahman holds an MA in Economics from Cambridge University, UK and is a member of the Institute of Chartered Accountants in England and Wales.

Dato' Noriyah Ahmad
Independent Non-Executive Director

Tan Sri Mohamed Jawhar
Independent Non-Executive Director

Datuk Mohamed Azman Yahya
Independent Non-Executive Director

Tan Sri Mohamed Jawhar

Independent Non-Executive Director

Tan Sri Mohamed Jawhar is an Independent Non-Executive Director of Ekuiti Nasional Berhad (Ekuinas). He is also the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.

Presently, he is the Non-Executive Chairman of New Straits Times Press Berhad and also an Independent Non-Executive Director of Media Prima Berhad. He also sits on the Board of Affin Islamic Bank Berhad.

Tan Sri Mohamed Jawhar is the Chairman of the Institute of Strategic and International Studies (ISIS) Malaysia. He served with the government of Malaysia before joining ISIS Malaysia as Deputy Director General in 1990. His positions in government included Director-General, Department of National Unity; Under-Secretary, Ministry of Home Affairs; Director (Analysis) Research Division, Prime Minister's Department; and Principal Assistant Secretary, National Security Council. He also served as Counselor in the Malaysian Embassies in Indonesia and Thailand.

Tan Sri Mohamed Jawhar holds a BA (Hons) degree from Universiti Malaya.

Dato' Noriyah binti Ahmad

Independent Non-Executive Director

Dato' Noriyah binti Ahmad is an Independent Non-Executive Director of Ekuiti Nasional Berhad (Ekuinas) and a member of the Audit Committee.

Dato' Noriyah is currently the Director-General of the Economic Planning Unit, Prime Minister's Department of Malaysia.

Having served for more than thirty years in the Malaysian Public Service, she has steadily risen through the ranks from her first position as Assistant Director, Social Services Section, Economic Planning Unit; to become appointed as the Head Coordinator, National Y2K project, Ministry of Energy, Communications and Multimedia; and later Secretary of the Energy Section in the same Ministry. Dato' Noriyah was subsequently appointed as Senior Director, Distribution Section, Economic Planning Unit and the Deputy Director General I before assuming her current position in June 2009.

Dato' Noriyah completed her Honours Degree in Applied Economics from Universiti Malaya and obtained her Masters in Development Economics from the University of Kent, UK.

Datuk Mohamed Azman bin Yahya

Independent Non-Executive Director

Datuk Mohamed Azman bin Yahya is an Independent Non-Executive Director of Ekuiti Nasional Berhad (Ekuinas). He is also the Chairman of the Investment Committee and a member of the Nomination and Remuneration Committee.

He is the founder and Group Chief Executive of Symphony House Berhad, a listed outsourcing group and the Executive Chairman of Bolton Berhad, a listed property group. He also sits on the board of several Government Linked Corporations, including Khazanah Nasional Berhad, Malaysian Airline Systems Berhad and PLUS Expressways Berhad.

Prior to venturing in business, Datuk Mohamed Azman was appointed by the Malaysian government to set up and head Pengurusan Danaharta Nasional Berhad, the national asset management company and became its Chairman until 2003. He was also Chairman of the Corporate Debt Restructuring Committee (CDRC) set up by Bank Negara Malaysia to mediate and assist in debt restructuring of viable companies.

His previous career includes auditing with KPMG in London, finance with the Island & Peninsular Group and investment banking with Bumiputra Merchant Bankers and Amanah Merchant Bank.

He holds a first class Honours Degree in Economics from the London School of Economics and Political Science, and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW), the Malaysian Institute of Accountants (MIA) and a fellow of the Malaysian Institute of Banks.

Standing:

Abdul Rahman Ahmad
Chief Executive Officer

Seated from left to right:

Suridah Jalaluddin
Senior Director,
Investment/Shared Services

Syed Yasir Arafat Syed Abd Kadir
Managing Partner, Investment

Mazhairul Jamaludin
Chief Financial Officer/Senior Director,
Outsourcing/Investment

MANAGEMENT TEAM

From left to right:

Amil Izham Hamzah
Senior Director, Investment

Nik Johaan Nik Hashim
Senior Director,
Investment/Stakeholder Management

Roselinda Hashim
Chief Legal Counsel

Mohamad Azlan Jaafar
Director,
Corporate Governance and
Risk Management

ABOUT EKUINAS

BACKGROUND

Ekuiti Nasional Berhad, or Ekuinas, is a private equity fund management company established by the Government of Malaysia on 1 September 2009 to promote equitable and sustainable Bumiputera economic participation via the creation of Malaysia's next generation of leading companies.

The Government had provided Ekuinas with an initial endowment of RM500 million under the 9th Malaysia Plan and committed an additional RM4.5 billion under the 10th Malaysia Plan, rising to RM10 billion over time. This is provided in the form of a grant to be held in trust by Yayasan Ekuiti Nasional (YEN), a specific trust whose mandate is to enhance and grow Bumiputera equity interest.

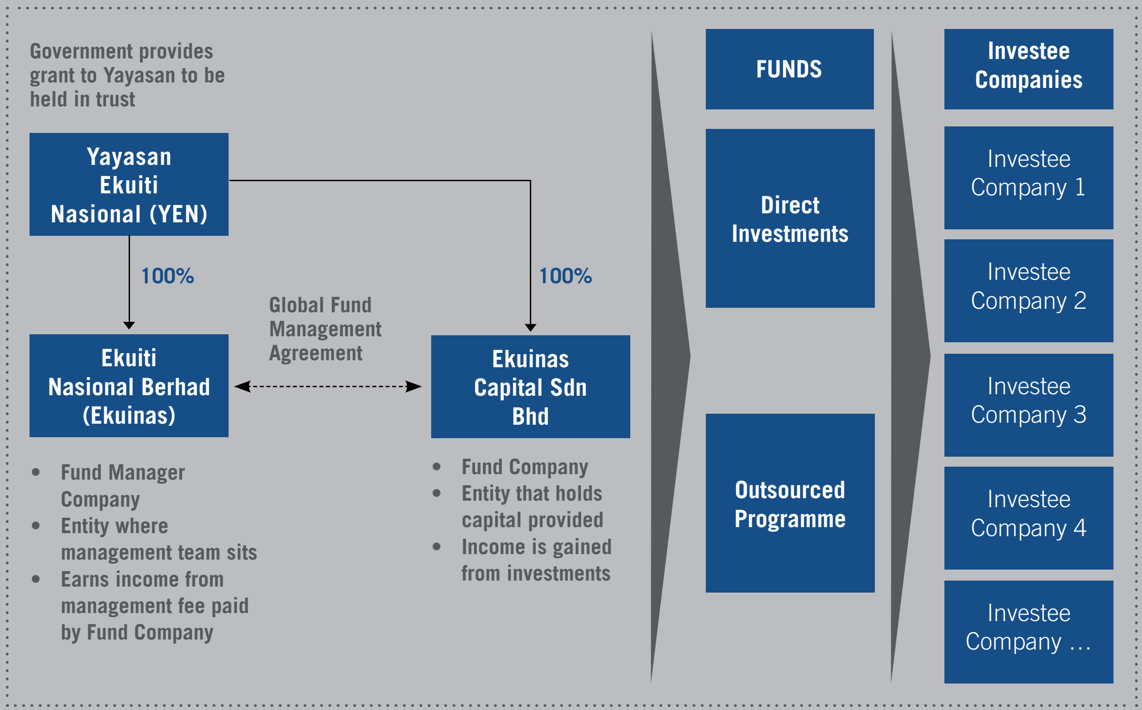
The funds held under YEN are directed into Ekuinas Capital Sdn Bhd, also known as Ekuinas Capital, which serves as the designated fund capital company. Ekuinas functions as the private equity company managing these funds and the operating entity where the management team resides (see diagram on next page).

Both Ekuinas and Ekuinas Capital are wholly owned subsidiaries of YEN and strive to fulfill the mission of promoting equitable, effective and enhanced Bumiputera economic participation by focusing on both financial and social objectives.

Ekuinas undertakes its investments via two distinct operations:

- Direct Investments – where it invests directly in high potential companies; and
- Outsourced Programme – where Ekuinas appoints third party private equity managers to manage allocated funds and undertake investments on its behalf.

OVERALL EKUINAS STRUCTURE



YAYASAN EKUITI NASIONAL: BOARD OF TRUSTEES

The members on the Board of Trustees for YEN are:-

- **YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak**
  Prime Minister and Minister of Finance
- **YAB Tan Sri Dato' Haji Muhyiddin bin Mohd Yassin**
  Deputy Prime Minister and Minister of Education
- **YB Tan Sri Nor Mohamed bin Yakcop**
  Minister in the Prime Minister's Department
- **YB Dato' Sri Mustapa bin Mohamed**
  Minister of International Trade and Industry
- **YB Dato' Seri Haji Ahmad Husni bin Mohamad Hanadzlah**
  Minister of Finance (II)
- **YBhg Tan Sri Dr Wan Abdul Aziz bin Wan Abdullah**
  Secretary General to the Treasury/Ministry of Finance
- **YBhg Dato' Noriyah binti Ahmad**
  Director General, Economic Planning Unit, Prime Minister's Department

OBJECTIVES

Ekuinas is a commercially driven organisation with the primary objective of delivering financial value on its investments. The Company has set a minimum target Internal Rate of Return (IRR) of 12% per annum, while aspiring to generate an overall IRR of 20% per annum on its total investment portfolio.

Ekuinas firmly believes only through financial discipline and value that the social objectives it pursues can be sustainably achieved.

As a government-linked private equity company, Ekuinas pursues the social goal of enhancing equitable Bumiputera participation in the Malaysian economy. To ensure its results are sustainable, the Company is committed to pursuing its goals in a market-friendly, merit-based and transparent manner.

Through its investments, Ekuinas aims to promote and strengthen equitable participation within the Malaysian economy across four key dimensions:-

- **Enhancing corporate equity ownership;**
- **Enhancing management participation and entrepreneurship;**
- **Increasing meaningful employment; and**
- **Enhancing value in the supply chain.**

CLEAR INVESTMENT OBJECTIVES

Balance between financial and social

Financial Objectives

Financial objective is commercially driven – Creating sustainable value

- Financial target set as “hard/minimum” investment criteria
- Minimum financial target of **12% IRR** with aspirational target of up to **20% IRR**
- Targets set in line with private equity benchmarks
- Recognise only through financial discipline that social objectives can be achieved sustainably

Social Objectives

Social objective is to foster equitable Bumiputera economic participation across four dimensions:

- Enhance effective corporate **equity ownership**
- Growing the pool of qualified and experienced **management**
- Creating **employment** opportunities via growth in target sectors and companies
- Creating value for **supply chain** partners

Focus is on quality not quantity

GOVERNANCE

At Ekuinas, we adhere to the highest standards of corporate governance and aim to adopt global best practices throughout our operations.

We also adhere to global private equity best practices in terms of fair and prompt disclosure of information with regard to all investments. Further details on the corporate governance and disclosure framework are provided in the relevant sections in this Annual Report.

KEY FINANCIAL HIGHLIGHTS

	2010
	RM million
Funds Received from Yayasan Ekuiti Nasional (YEN)	500.0
Funds Established	
Ekuinas Direct (Tranche 1) Fund	1,000.0
Ekuinas Outsourced (Tranche 1) Fund	400.0
	1,400.0
Fund Performance	
Ekuinas Direct (Tranche 1) Fund	
Investment Activity	
Investment Undertaken	482.7
Capital Invested	380.6
Financial performance	
i. Returns:	
Gross portfolio return	55.3
Gross Internal Rate of Return (IRR) (annualised)	53.1%
Net IRR (annualised)	24.3%
ii. Balance Sheet:	
Portfolio value	412.2
Net Assets Value (NAV)	427.0
Social objective performance	
i. Total Economic Capital Deployed in Malaysian Economy	602.4
ii. Bumiputera Equity created:	
Value	483.2
Multiple of Capital Invested	1.28x
Ekuinas Outsourced (Tranche 1) Fund	
Capital committed by Ekuinas	400.0
Amount raised by Outsourced Fund Managers (OFMs)	113.0
Total amount available for investment	513.0
No investments were made during the financial period ended 31 December 2010.	
Ekuiti Nasional Berhad (Fund Management Company)	
Total Funds under Management (FuM)	1,400.0
Total Operating Expenditure (OPEX)	17.9
Profit after Tax (PAT)	3.4
Ratio of OPEX to FuM	1.3%

REALISING DREAMS

ekuinas

CHAIRMAN'S STATEMENT

I am honoured to present to you the company's inaugural annual report for the financial year ended 31 December 2010.

EKUINAS – A CONCEPT REALISED

In recent years, the Government has been deliberating on innovative long-term strategies to help fast track Malaysia's economy to achieve developed nation status. Under the New Economic Model (NEM), Ekuinas was introduced as one of the new market-friendly instruments to ensure enhanced and equitable Bumiputera corporate equity ownership through private equity investments. Established based on the Government's articulated principles under the NEM to be market driven, merit based and transparent, Ekuinas serves as an important vehicle to create a wealth multiplier effect on the economy, enhance management participation and employment opportunities, and encourage positive effects across the whole supply chain.

With an initial allocation of RM500 million which will rise to RM10 billion over time, Ekuinas was established as a government-linked private equity firm under Yayasan Ekuiti Nasional in September 2009. Ekuinas expects to invest up to RM5 billion under the 9th and 10th Malaysia Plans until 2015 by taking up significant strategic equity stake in high growth potential Malaysian companies in key sectors such as oil and gas, education, fast moving consumer goods, retail and leisure, healthcare and services.

REALISING POTENTIAL OF GROWTH-STAGE COMPANIES

As a government-backed private equity (PE) fund, Ekuinas emphasises genuine public and private commercial partnerships and commits to delivering commercial market returns whilst at the same time contributing towards the creation of a more inclusive economy with equitable participation by all Malaysians.

We firmly believe that only through financial discipline and shareholders' value creation can we truly deliver sustainable and equitable social impact as envisaged under the NEM.

To achieve this, Ekuinas has been uniquely positioned to provide the necessary capital, resources and strategic counsel that growth-stage companies require to fulfill their potential and become leading players in their sectors. Ekuinas' role is to close the missing funding gap for growth stage companies and avoid overlap given that currently there are already ample government-backed investment vehicles for start-up companies, developmental stage entities and for listed or mature corporations.

PRIVATE EQUITY MODEL – THE DRIVER BEHIND EKUINAS

As mentioned earlier, the private equity model adopted by Ekuinas has been identified as one of the Malaysian government's new innovative strategies to fuel future economic growth in light of the current liberalised global market realities.

However, a government-led private equity approach itself is not new and applying private equity model for national objectives has been proven fruitful before. In post Second World War Britain, the British government then had identified a shortage of long-term investment capital for small to medium-sized businesses and had established the Industrial and Commercial Financial Corporation (ICFC) and the Finance Corporation for Industry (FCI).

While the ICFC provided long-term and permanent capital, the FCI focused on facilitating the rationalisation and restructuring of key sectors in the British industry. In the decades that followed, these two entities merged, rebranded and eventually became known as **3i plc**, now a leading global private equity firm.

Similarly the CDC Group, formerly the Commonwealth Development Corporation, was established by the UK Government in 1948 to invest in businesses to generate economic growth in developing countries. CDC's investment role continues to this date as a private equity fund of funds and today, CDC has investments in over 900 companies in 70 countries and managed by 71 fund managers.

Such vehicles have enabled the creation of so many lasting companies that have positively impacted societies in a sustainable manner. Ekuinas aspires to make the same positive impact in Malaysia in pursuit of the national agenda.

And Malaysia is not alone in adopting this private equity approach. Closer to home, the Chinese government recently encouraged private equity investments as a means to channel capital into small and medium-sized enterprises which may not have access to bank lendings or public markets, while Singapore, through its sovereign wealth funds, has long allocated funds for private equity investments regionally and globally. Whilst it is still early days, Ekuinas is confident that the private equity model can be an effective vehicle to support the achievement of the Government's NEM objectives in the coming decade.

PROGRESS TO DATE – A GOOD START BUT MORE NEEDS TO BE ACHIEVED

Ekuinas has been hard at work since our inception, striving to meet the high expectations entrusted. Ekuinas received its initial capital from government through Yayasan Ekuiti Nasional of RM100 million in December 2009 which later increased to RM500 million. With this as seed capital, Ekuinas has successfully established its maiden funds, Ekuinas Direct (Tranche 1) Fund and Ekuinas Outsourced (Tranche 1) Fund with a committed fund size of RM1 billion and RM400 million respectively.

We are pleased that with this in place, Ekuinas has been able to successfully undertake four direct investments in Alliance Cosmetics Group, Tanjung Offshore Berhad, Konsortium Logistik Berhad and the APIIT/UCTI Education Group amounting to RM482.6 million, after only 16 months in operation. Together with capital invested by our co-investors, these four investments have facilitated the capital deployment of RM602.4 million directly into the Malaysian economy during the financial year.

More crucially, we have made a strong start in terms of our fund performance. The total portfolio gain for our Direct (Tranche 1) Fund for the financial year ended 31 December 2010 was RM55.3 million, translating to a gross annualised Internal Rate of Return (IRR) of 53.1% and an annualised net IRR (after deduction of management fee) of 24.3%. This exceeds our long term minimum net IRR target of 12% and the aspirational target of 20%.

Whilst the first year's financial performance is heartening to note, I would like to caution that the returns are, to a certain extent, skewed by the short investment period and that two of the three investments are listed company investments, whose values fluctuate depending on market prices.

Accordingly, we expect that Ekuinas' Fund Performance will fluctuate year on year depending on asset market values, consistent with the experiences of most global private equity firms. In private equity, success can only be truly and properly measured upon divestment of all the investments. In this regard, the Management will have to focus on enhancing the underlying performance of the investee companies to deliver sustainable long term value creation.

At the same time, our Outsourced Programme, where we select external third party private equity managers to manage some of our funds and undertake growth capital investments, has also achieved considerable progress. We have successfully selected three strong and reputable private equity fund managers after a rigorous process that adhered to global best practices.

Leveraging on Ekuinas' capital commitment of RM400 million, these three PE Fund Managers have now raised an additional RM113 million capital from private investors, exceeding the 20% minimum external capital requirement, reflecting the principle of public private partnership that Ekuinas pursues. Accordingly, RM513 million is now ready and available under our Outsourced Programme to be invested in high growth potential Malaysian companies for the next three years.

In terms of meeting our social objectives, the investments that we have undertaken have borne immediate impact. Based on RM380.6 million of equity investments completed at year end, Ekuinas has managed to increase Bumiputera equity value by RM483.2 million, representing a multiple of 1.28 times. At the same time, our investee companies currently provide gainful employment to a total of 1,861 Malaysians at present.

This represents a clear measurable impact of Ekuinas' intervention and something that we hope can be enhanced further in the future.

In summary, my fellow Directors and I are pleased with Ekuinas' progress to date, the strong foundation established and milestones achieved in our first year of operations.

However, we acknowledge that more work needs to be done and 2011 presents another challenging year as we expand on our operations.

Subject to receipt of further funding from government, we hope to invest another RM400 million to RM600 million under our Direct Investments and Outsourced Programme and facilitate a total capital deployment of RM600 million to RM1 billion in the economy. Our dealflow pipeline continues to be strong and we hope to be able to sustain the investment momentum established and continue meeting our targeted returns.

Further, we hope to build on the progress of increasing Bumiputera equity value through our investments and, where appropriate, to enhance equitable Bumiputera participation across Management, employment and value adding supply chain in our investee companies based on needs and merit.

CORPORATE GOVERNANCE

When establishing Ekuinas, we committed from the outset to build an organisation that adheres to the highest standards of governance and best practices of the leading global private equity firms. At the same time, we also strive to be transparent to all stakeholders – government, investee companies, media and the Malaysian public – and have formulated a stringent disclosure policy based on a culture of openness and trust. We hope this is reflected in this inaugural Annual Report and further details of the corporate governance framework are provided in the relevant sections here.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our heartfelt appreciation to the Board of Trustees of Yayasan Ekuiti Nasional, for the mandate and trust given to Ekuinas to undertake this demanding but exciting challenge of transforming high potential companies into the market leading players of the future. We shall strive to honour your trust and meet the high expectations set by maintaining strict commercial discipline whilst nurturing capable entrepreneurs and professional managers to create sustainable value in all our investments.

I would also like to especially thank Ekuinas' stakeholders, investee companies and other business partners for their cooperation and constructive input to help enable Ekuinas to operate smoothly from the very first day. My utmost appreciation also goes to my fellow Directors who have brought different perspectives and expertise to the table during our many deliberations and discussions.

In closing, I must express my gratitude to the CEO and our Senior Management team, as well as all employees of Ekuinas, who have demonstrated their commitment and determination in ensuring Ekuinas delivers on its mandate.

I am excited to work together with our team in this journey upon which we have embarked. Whilst there will, no doubt, be obstacles and challenges, I am confident that with the team's dedication and commitment we will be able to navigate through them all and achieve our goals, Insya Allah, for the benefit of our nation.

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda

Chairman

MALAYSIAN PRIVATE EQUITY OUTLOOK

INTRODUCTION

About Private Equity

Private Equity (PE) is a type of investment fund where risk capital from high net worth parties is pooled to invest and acquire equity ownership in companies. A PE firm's objective is to raise funds and manage these monies to generate favourable returns for their investors over a specified period. Overall, the goal of PE is to boost the value of its investee companies and eventually sell them at a profit.

The PE industry in Malaysia is still at a relatively nascent stage and the Malaysian Government has earmarked it as a sector that would become more prominent and crucial as the country adapts to new realities in the market. Together with Venture Capital (VC), the Government aims for the PE industry to become the next engine of economic growth that will take Malaysia into the ranks of high income nations.

To further clarify and expand on the Malaysian PE Market, Ekuinas has sought the kind assistance of the Boston Consulting Group (BCG), a leading global consulting firm, to provide insights on the industry. We wish to record our sincere appreciation to the BCG team led by Mr Dinesh Khanna, partner in BCG's Singapore office, and Mr Vincent Chin, partner in BCG's Kuala Lumpur office, for the comprehensive commentary that follows.

MALAYSIAN PRIVATE EQUITY OUTLOOK

The Malaysian economy has held up well amidst three years of uncertainty in the global landscape. National output fell briefly during the crisis, and then rose by ~7.4% in 2010. From the vantage of the private equity industry, deal activity suffered only a slight drop through these crisis years (exhibit 1). Indeed, global firms today say the country is meriting a second look, benefiting from domestic economic reforms and a confluence of global forces that is increasingly prioritizing the Southeast Asian region as a destination for capital.

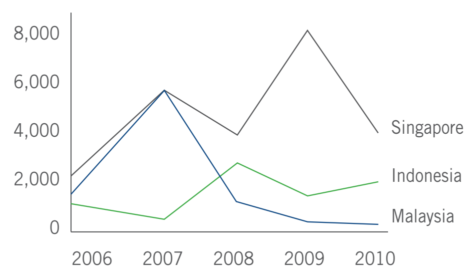
However, Malaysian private equity is still a relatively underdeveloped industry that, despite the increasing size and sophistication of deals in recent years, has not yet reached a critical mass. Some deals, such as the buy-outs of RHB Capital Bhd., a financial services firm, and Magnum Corp. Bhd., a gaming company, involved investments above US$1.5 billion, but nearly three quarters of the deals done in Malaysia over the past five years involved investments under US$75 million. There is, therefore, an opportunity for local players such as Ekuiti Nasional Berhad (Ekuinas) to gain a head start in building a leading position in the country.

Given the positive signs that are emerging, there is room for long-term optimism, not least because of the continued development of private consumer demand – which, in some 2010 quarters, grew at an annualized rate of ~22% – the liberalization of foreign investment rules and of rules governing domestic industry, as well as broader economic shifts favouring the region. While such changes are likely to be more measured than rushed, they nevertheless point to a bright future for the industry, especially for significant local players as they contribute towards building the Malaysian economy.

Exhibit 1: Malaysian Private Equity activity is starting to recover from the 2008 – 2009 global financial crisis

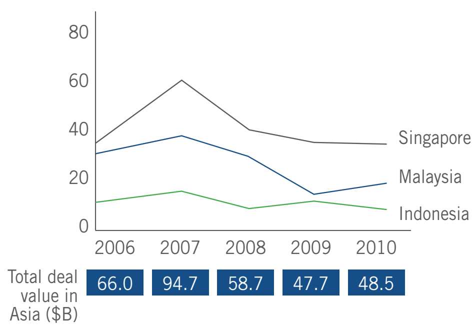
The fall in deal volumes has been steep...

Total value of private equity deals ($m)



...but deal activity has started to rebound

Number of private equity deals



Source: Asian venture capital journal data; BCG analysis

Private equity in Malaysia – by the numbers

Some numbers convey the presence of private equity in Malaysia. By 2009, there were around 55 private equity companies and 59 venture capital companies listed with the Malaysian Securities Commission. According to the Malaysian Venture Capital Development Council, the government contributed 52.9% of total committed funds in the industry, estimated at around RM2.8 billion. Private equity deal volume in Malaysia from 2006 – 2010 was equivalent to 3.5% of GDP, compared to 1.5% for Greater China and 3.3% for India. Finally, companies in the expansion and growth stage continued to receive the bulk of the funding, at 53% of the RM317 million allocated in 2009.

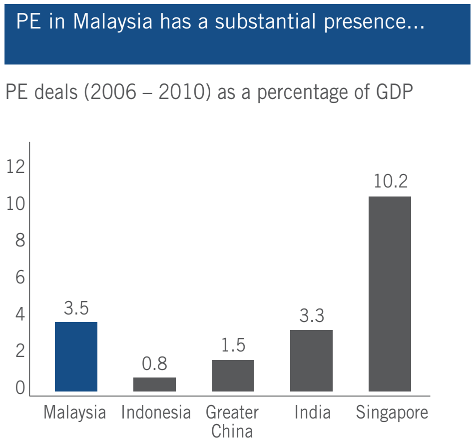
PRIVATE EQUITY IN MALAYSIA IS LARGE BUT CONCENTRATED IN LIMITED SEGMENTS

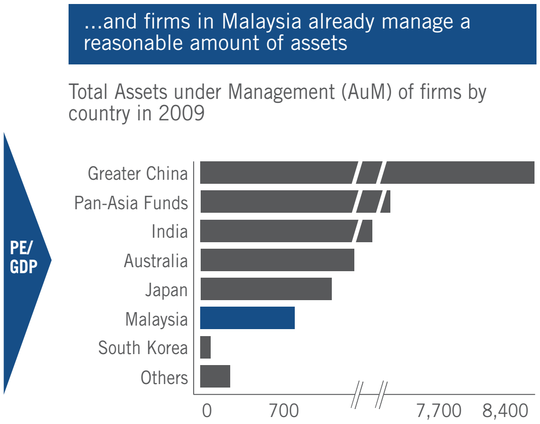
A brief overview of deal activity in Malaysia from 2006 – 2010 by economic presence, deal size and type, sector activity, active investors, and context, can give a sense of where Ekuiti Nasional can play a distinctive role in shaping the Malaysian private equity scene.

First, private equity in Malaysia has a substantial presence compared to some regional peers (exhibit 2). Total Malaysian private equity investments from 2006 – 2010 were 3.5% of GDP compared to 1.5% in Greater China and 3.3% in India. Yet in recent years, private activity in Malaysia and Southeast Asia has not grown as quickly as elsewhere in Asia. From 1996 – 2008, deal volumes in Southeast Asia grew at 40% a year, as against 45% in Greater China and 50% in India.

Second, by size of deals within Malaysia, private equity investments were concentrated in the small end of the scale. 30% of deals were under $15 million, while 25% were within $15 – $40 million. Under 15% of the number of deals were between $200 million and $2 billion.

Exhibit 2: Private equity in Malaysia is already of significant scale

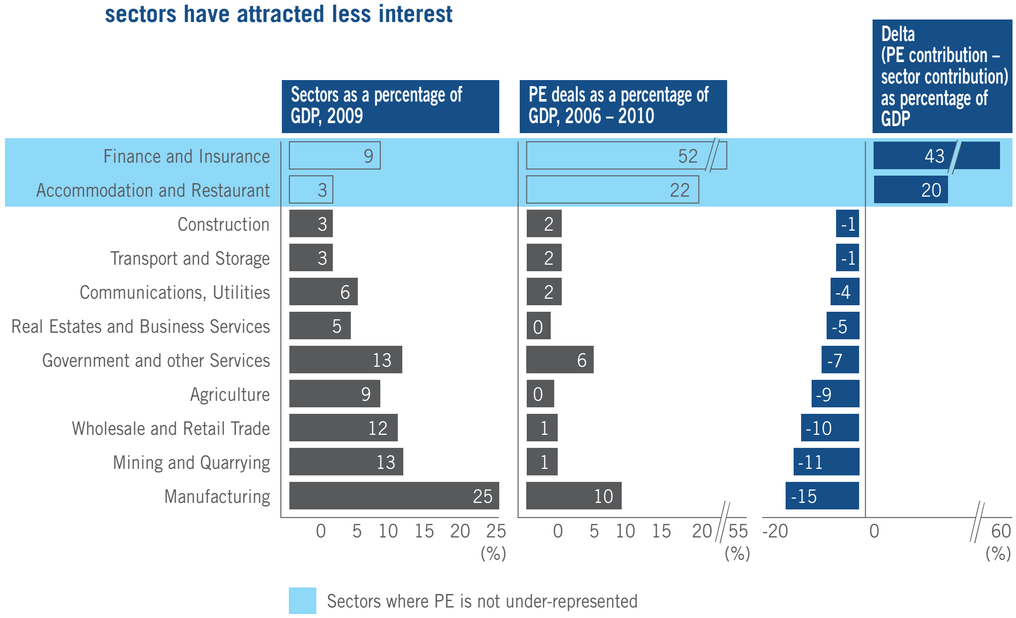




Source: Asian venture capital journal data; BCG analysis; Asian private equity review

Third, the feature that stands out is the concentration of activity in subsets of the economy, most notably financial services and entertainment (exhibit 3). This is also a potential outcome of the concentration of financial expertise and interest in some subsectors of the economy. This is reflected in the composition of the three largest deals in the country between 2006 and 2010 – two in financial services, one in gaming – which, combined, made up 57% of the value of deals in that period.

Exhibit 3: Private equity capital is currently concentrated in financial services and gaming, while other sectors have attracted less interest

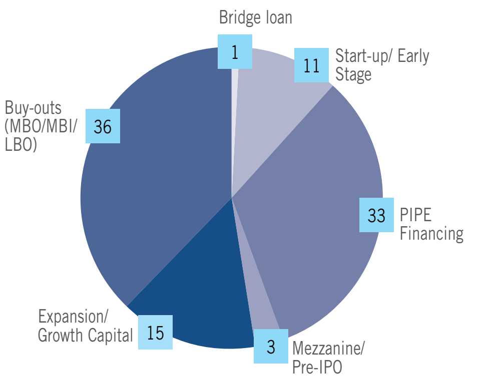


Source: Asian venture capital journal data; BCG analysis

Fourth, by far the most common type of PE deal in Malaysia in recent years are buyouts, such as the US$1.54 billion Magnum buyout by CVC Asia Pacific and Multi-Purpose Holdings Bhd in 2008 (exhibit 4). In number, buy-outs comprise 36% of the 129 deals made between 2006 and 2010, but in value, they overshadow the rest of the market, with 96% of the nearly US$8 billion worth of deals in the same period. PIPE deals (Private Investment in Public Equity) are also common, at a third of the number of deals between 2006 – 2010. PIPEs allow minority interests to take a stake while contributing expertise, as well as allowing majority shareholders to preserve a controlling stake in the company.

Exhibit 4: Malaysian private equity likely to continue to be unique, wide variety of deal types

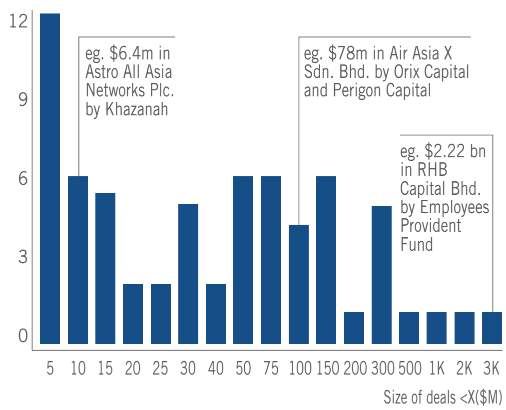
Number of private equity deals by deal type, 2006 – 2010 (%)



100% = 75 deals over 5 years

PE deal sizes in Malaysia by frequency 2006 – 2010

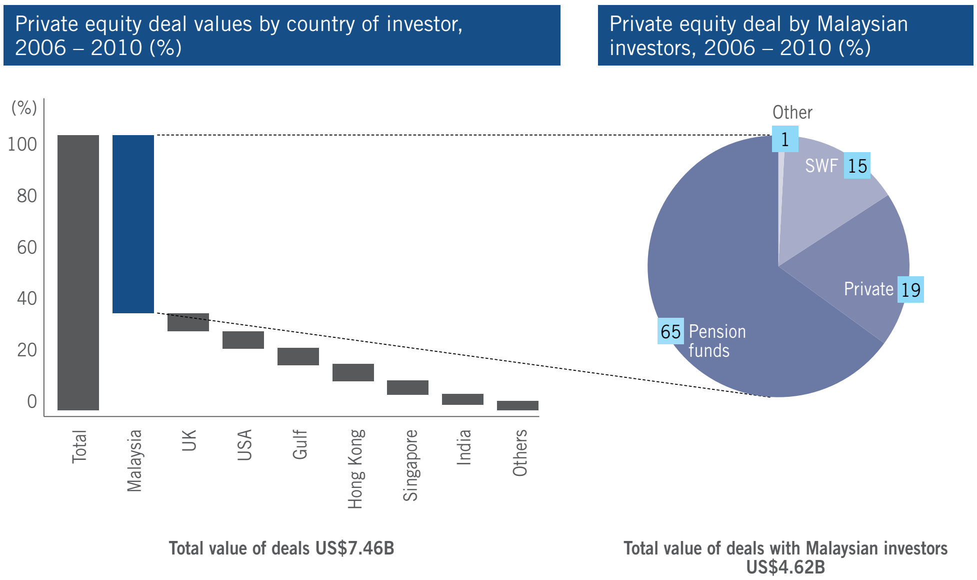
PE deal sizes in Malaysia by frequency (2006 – 2010)



Source: Asian venture capital journal data; BCG analysis

Fifth, most of the acquiring investors are Malaysian firms. From interviews with other players in the industry, this reflects both the lack of familiarity foreign investors have with Malaysian private equity as well as the inherent challenges in breaking into what tends to be a small, closely held market. Moreover, the public sector plays a significant role in the private equity industry (exhibit 5). The largest component of domestic private equity investors are pension funds at 65% of the whole, with another 16% occupied by sovereign wealth funds and other government-linked companies.

Exhibit 5: The public sector plays a significant role in Malaysian private equity



Source: Asian venture capital journal data; BCG analysis

UNDERLYING DRIVERS FOR PRIVATE EQUITY IN MALAYSIA ARE SOLID

Several bright spots support a cautious optimism in the development of the private equity industry in Malaysia (exhibit 6). These include a solidly growing economy that is bolstering an already significant middle class, the attractiveness of existing Malaysian companies, continued liberalization of industries, changes in investment regulations designed to attract investors, and an investment climate that is favouring countries in the region, including Malaysia.

Solid economic growth is continuing the growth of a middle class. After a 1.7% contraction in 2009, the country staged a solid rebound in 2010 by more than quadrupling growth to an estimated 7.4%. Household consumption rose at an annualised rate of almost 22% in Q2. In part, this was due to increases in disposable income among workers in commodity producing industries. As a result, consumer confidence and actual spending have increased, and private demand is now a main, rather than supporting, driver of growth.

Exhibit 6: Forces-at-work likely to drive continued growth in Malaysian private equity activity

1	**Economic growth**	**Solid economic growth is continuing the growth of a new middle class** • Malaysia has weathered the crisis well, contracting less than 2% in 2009 and then growing at 7.4% in 2010 • Commodities have been a major driver, but domestic demand has also risen
2	**Attractiveness of Malaysian Companies**	**Malaysian companies are attractive for PE investments** • The country has a mixture of leading companies in certain sectors and private sector companies looking to grow or modernise • Some companies 'undermanaged' with potential to benefit from PE governance, and ability to attract new skills
3	**Liberalization of industry**	**Continued liberalization of sectors also bodes well** • Laws that ease the process of starting a business and paying taxes have been implemented • Labour market reforms balancing market flexibility and job stability are planned
4	**Liberalization of foreign capital**	**Changes in foreign investment regulations in Malaysia are also spurring new opportunities** • Foreign ownership limits have been removed on 27 service subsectors in Malaysia • Guidelines on merger and acquisitions by foreign investors have also been eased
5	**Attractiveness to LPs**	**Increased foreign capital likely to accelerate these trends** • Global financial crisis has led to a secular shift in flows towards emerging economies • Investors are recognising the attractiveness of investing in Malaysian companies given planned policy reforms

Source: Asian venture capital journal data; BCG analysis

Malaysian companies are also attractive for private equity investment. Only a few industries have been exposed to private equity investment and the country has a mixture of leading companies in certain sectors as well as other firms looking to grow and modernize. Those leading companies also include several large exporters, and these make a significant base for future PE investment.

Moreover, continued liberalization of Malaysia's industry sectors are also likely to create investment opportunities. Laws that have increased predictability and decreased the cost of enforcement have been implemented, including those that ease the process of starting a business and paying taxes. In 2009, for example, the real property gains tax was abolished, and in 2010, a one-stop centre was created to streamline business registration. Labor law reforms are also planned.

The outlook for the PE industry in Malaysia is further brightened by several fairly recent changes in the regulatory environment, including, in 2009, removal of foreign ownership limits for 27 services subsectors. Foreign Investment Committee (FIC) guidelines on the acquisition of equity stakes, mergers and takeovers were also repealed, introducing a regime that would not impose equity conditions on transactions in non-strategic sectors.

Finally, Malaysia has an opportunity to take advantage of the increasing interest in Asia as an investment destination. Private equity firms already present in Malaysia are quite positive on prospects for the economy, bullish on the increased availability of acquisition debt, realistic valuations, and a shortage of capital from other sources. Malaysia is also becoming attractive to limited partners (LPs) on a relative basis. The global financial crisis has precipitated a secular shift in capital flows towards emerging economies and away from troubled developed countries. Positive benefits for Ekuinas and the broader sector of this secular shift could include increased access to capital for Malaysian companies, which while leading to potential 'competition' for supply capital, is also likely to raise sophistication levels further.

INCREASING PRIVATE EQUITY PARTICIPATION SHOULD YIELD SIGNIFICANT BENEFITS TO MALAYSIAN ECONOMY AND SOCIETY

As private equity in Malaysia is set to grow, there are several ways in which the industry is likely to contribute to the Malaysian economy and society overall.

Private equity capital can solve problems that other arrangements find harder to address. Companies listed on equity markets may have agency problems, where the owner and the manager's interests are not aligned. This is particularly true in situations of concentrated ownership. Typically when a private equity firm buys into a business, it often seeks to resolve this problem by assuming the role of both owner and active manager. This is frequently carried out by, for example, appointing critical staff with particular skills and an orientation to value creation. Similarly, family ownership of firms may encounter difficulties with professionalization of staffing, something that private equity firms can help with when they get involved.

Aside from solving these two specific problems, private equity capital can assist firms more generally that are in need of surgery, have been undermanaged, or are in industries that fund managers have found hard to access. By adding debt and restructuring operations, for instance, private equity-backed firms can concentrate managers' minds away from suboptimal investments and lock investors so long-term decisions can be made. Indeed, for precisely these reasons, BCG research has shown that private equity investments have outperformed other asset classes during the most recent global financial crisis.

MALAYSIAN PRIVATE EQUITY OUTLOOK (CONTINUED)

Investments by such firms often lead to the transplantation of operational best practices, by, among other things, professionalizing management and introducing transparency. Private-equity owned firms tend to bring strong operational management practices, including the use of modern lean manufacturing techniques, a culture of continuous improvements and a performance documentation process. BCG research has also argued that private equity-owned firms have strong people management practices, mostly by adopting merit-based hiring, firing, pay and promotions practices. This suggests private equity ownership can be reliably associated with broad-based improvements across a wide range of management practices.

Significantly, private equity deals often not only affect the bought-out firm but also increase competitive pressures in the industry overall by forcing competitors to improve their own operations. In this way, private equity capital has a liberalizing effect on the economy and investment climate.

The social benefits of private equity for Malaysian society are also being recognized, first by improving productivity and generating value for Malaysian consumers and industry, and second for widening participation in the economy.

Private equity-backed firms tend to increase value for Malaysian consumers and industry. Because PE companies improve operations of the firms they back, they raise consumer purchasing power (through the falling price or rising quality of goods produced by that firm). Often this is associated with increased employment opportunities.

Even as PE investments would be made with strict financial requirements, they would yield significant non-financial benefits. Private equity investments in under-represented sectors could spur wider participation in the economy. Beyond a certain threshold, wider economic participation benefits more than just the immediate shareholders, but also creates the conditions for a broader culture of ownership among Malaysians.

Finally, it is worth keeping in mind that not all private equity deals are alike. A November 2010 report by the Boston Consulting Group and the IESE business school titled "*New Markets New Rules: Will Emerging Markets Reshape Private Equity?*" found that in emerging markets like Malaysia, deals focused on domestic businesses outperformed investments in internationally focused businesses; second, a strong local presence must be ensured to achieve five times higher return than international funds without local office; third, that size matters; emerging markets returns correlated with size and there were no diseconomies of scale yet, and fourth, that buyouts show the highest returns, but PIPEs and expansion capital's returns were only one fifth lower while venture capital underperformed.

EKUINAS IS WELL POSITIONED TO PLAY A KEY ROLE IN MALAYSIAN PRIVATE EQUITY

The benefit of private equity to Malaysia depends on where capital is deployed and to what use it is put. Based on the analysis in the previous pages, there is an opening for a new player to grow the private industry while fulfilling both financial and social objectives. Ekuinas, with a strong local presence on the ground, is in a position to make major investments in Malaysian businesses, and has an opportunity to contribute to the creation of a new generation of leading Malaysian companies.

Furthermore, several major sectors are under-represented in PE activity and provide Ekuinas with the opportunity to participate and act as a catalytic agent for growth in those sectors. Ekuinas intends to focus on six sectors namely education, FMCG (fast moving consumer goods), oil & gas, retail & leisure, healthcare and professional services. These also have the potential for large multiplier effects on the broader economy, including important critical objectives, such as employment and creating as well as supporting business ownership.

Finally, Ekuinas as a government-linked private equity player has the opportunity to pursue double bottom line objectives i.e. act like a private institution with a principal focus on commercial objectives and also support a broader development and ownership agenda. Properly managed PE investments made against strict commercial criteria deliver improved productivity and competitiveness, raising the game of the end-industry in which they invest.

CONCLUSION

Solid economic growth combined with structural reforms as well as an inherently under-developed local market suggests that private equity in Malaysia has a significant period of growth ahead of it. Ekuinas is well-positioned to benefit from these trends as it makes investments in Malaysian industry. Those investments will be made according to its dual mandate: first, to participate in the growth of the Malaysian corporate sector as well as to broaden ownership patterns in society. Ekuinas will succeed by prioritizing growth capital in small and medium sized firms, largely unexposed to private equity capital and expertise, as well as prioritizing investments in major sectors underrepresented in PE activity. As Ekuinas makes its investments in Malaysia, it can play a significant part in the broader revitalization of the Malaysian corporate sector and economy.

BCG
THE BOSTON CONSULTING GROUP

AUTHORS

- *Vincent Chin is a partner in BCG's Kuala Lumpur office. You may contact him by e-mail at chin.vincent@bcg.com*
- *Dinesh Khanna is a partner in BCG's Singapore office. You may contact him by e-mail at khanna.dinesh@bcg.com*
- *Carl Harris is a consultant in BCG's Singapore office. You may contact him by e-mail at harris.carl@bcg.com*
- *Sahil Mahtani is a consultant in BCG's Jakarta office. You may contact him by e-mail at mahtani.sahil@bcg.com*

REALISING TALENT

ekuinas

CHIEF EXECUTIVE OFFICER'S REVIEW

EKUINAS – FROM CONCEPT TO BIRTH

The establishment of Ekuiti Nasional Berhad was announced by YAB Dato' Sri Mohd Najib Tun Abdul Razak, the Prime Minister of Malaysia in July 2009 as part of a wide range of new measures introduced by government to liberalise the economy as a way of enabling Malaysia to compete in the new highly competitive globalised market, whilst ensuring that the commitment and pursuit towards distributive economic growth is maintained at the same time.

Ekuinas was conceptualised as a new innovative initiative to enhance equitable Bumiputera participation in the Malaysian economy through a private equity investment approach based on the Government's principles articulated under the New Economic Model (NEM), which are to be market-driven, merit-based and transparent.

The basic underlying premise behind this approach is to identify potential high growth mid-sized companies for Ekuinas to invest in for a period of three to five years with a view to helping them transform into future market leaders.

Since conceptualisation, the speed of execution of this initiative has been exhilarating.

Within two months of announcement, the appointment of Ekuinas' Board of Directors was made, comprising individuals who bring with them a wealth of experience and expertise from different areas namely YM Raja Tan Sri Dato' Seri Arshad Raja Tun Uda as the Chairman; and YBhg Tan Sri Mohamed Jawhar, YBhg Dato' Noriyah Ahmad and YBhg Datuk Mohamed Azman Yahya as Non-Executive Directors.

KEY MILESTONES

July 2009
Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak announced the establishment of Ekuiti Nasional Berhad, a new investment institution.

September 2009
The Board of Directors and the Chief Executive Officer of Ekuinas were officially appointed.

Legal entities of Ekuiti Nasional Berhad and Ekuinas Capital Sdn Bhd were established.

December 2009
The first RM100 million of RM500 million allocated under the 9th Malaysia Plan was received.

Ekuinas held a Request for Interest briefing on the Outsourced Programme, attracting more than 50 Malaysian and local branches of international private equity firms.

February 2010
The remaining RM400 million of the RM500 million allocated under the 9th Malaysia Plan was received.

Ekuinas announced its first investment in leading Malaysian beauty and personal care company, Alliance Cosmetics Group.

Ekuinas declared its Disclosure Policy and Investment Framework.

At the same time, the legal framework overseeing the operations of Ekuinas with Yayasan Ekuiti Nasional as the Trust Agency, Ekuiti Nasional Berhad as the Fund Management Company and Ekuinas Capital Sdn Bhd as the Fund Capital Company, was swiftly formed.

The operating model was quickly established thereafter with key policies such as the Overall Investment Framework as well as the corporate governance, treasury and disclosure policies firmly put in place. This is in line with Ekuinas' pledge at the outset to adhere to the highest standards of governance and benchmark itself against the best practices of global PE firms.

And just within six months of set up, Ekuinas successfully announced its maiden direct investment as well as the commencement of its outsourcing programme to select third party private equity managers to partly manage its funds. Since then, Ekuinas has achieved considerable progress, delivering key milestones in investments, operations and governance. I am deeply privileged to lead a talented and committed team at Ekuinas in this formative stage and pleased to present our inaugural year's Operations Review for the benefit of all stakeholders.

OPERATING IN A GROWING BUT UNCERTAIN ECONOMIC ENVIRONMENT

Ekuinas was established and commenced its initial year of operation in an environment where both Malaysian and the Asian economies were recovering from global economic slowdown experienced in 2009.

In line with other ASEAN countries, the Malaysian economy grew strongly in 2010 with Gross Domestic Product (GDP) expected to cross 7%, largely driven by exports and increased domestic consumption, which grew 16.5% and 7.2% to RM302.5 billion and RM234.9 billion respectively.

This positive economic growth helped to spur a strong recovery in merger and acquisition (M&A) activities. M&A activities both in Malaysia and ASEAN region rebounded strongly in 2010 after a sharp decline in the preceding year as investors took advantage of relatively low asset prices and easier access to financing.

June 2010
Ekuinas announced the second investment in Bumiputera oil and gas company, Tanjung Offshore Berhad.

July 2010
Three private equity firms were selected as Ekuinas' Outsourced Fund Managers for Tranche I of the Outsourced Programme namely CIMB Private Equity, KFH Asset Management and Navis Capital Partners.

October 2010
Konsortium Logistik Berhad, a leading local integrated logistics service provider, became Ekuinas' third investee company.

November 2010
Ekuinas entered into a conditional agreement to acquire majority stake in Sapura Resources Berhad's education arm comprising the Asia Pacific Institute of Information Technology (APIIT)/Asia Pacific University College of Technology and Innovation (UCTI) and Sapura Smart School.

In Malaysia alone, an estimated total of RM73.6 billion worth of transactions was completed in 2010 compared to RM25 billion recorded in 2009, with transactions involving government-linked companies (GLCs) and privatisations of listed companies pushing activities to record levels. However, private equity investments in ASEAN and Malaysia still represent only a small share of the total M&A activity, reflecting its position as being a relatively nascent industry.

Going forward, however, there remains a considerable risk that economic growth in Malaysia and the region may be uncertain given that advanced economies are still being impacted by credit crisis and high unemployment. Global growth is forecasted to be around 4 – 4.5% in 2011 and volatility in asset prices may weaken private domestic demand.

Further, whilst the increased M&A activities provides for a vibrant deal market in Malaysia, there is a heightened risk of higher asset value expectations amongst business owners, which poses significant challenge to buy side value investors.

Nonetheless, Ekuinas remains optimistic with the prospects of the Malaysian economy, which is forecasted to grow at 5 – 6% in 2011, and remains a fertile market for investment opportunities. In this regard, Ekuinas intends to remain conservative in its valuation approach and focus on identifying the suitable high growth mid-sized companies and help create sustainable value by transforming them into future market leaders in their industry segment.

GOVERNMENT – PROVIDING THE SEED CAPITAL

Ekuinas was established with a long term commitment by the Malaysian government to provide RM10 billion of capital for investment. This was later refined with a committed RM5 billion rolling allocation by the Government under the 9th and 10th Malaysia Plans over a five year period till 2015.

Based on this amount, Ekuinas has formulated a five year plan to undertake its two core investment activities:-

- RM3.5 billion allocated for direct investments, where Ekuinas takes significant direct stakes in identified companies; and

- RM 1.0 billion allocated for its Outsourced Programme, where Ekuinas provides funds to third party private equity managers to manage and invest together with other private capital funds.

The initial capital of RM500 million was received from the Government by Yayasan Ekuiti Nasional by February 2010. This has been utilised as seed capital for Ekuinas to set up its maiden funds, namely Ekuinas Direct (Tranche 1) Fund under Direct Investment activities and Ekuinas Outsourced (Tranche 1) Fund under its Outsourced Investment Programme, with a total committed capital of RM1 billion and RM400 million respectively.

DIRECT INVESTMENTS – A SOLID FIRST YEAR PERFORMANCE

Ekuinas Direct (Tranche 1) Fund commenced operations effective 1 January 2010. By the date of this Annual Report, Ekuinas has successfully undertaken four investments in high potential Malaysian companies amounting to **RM482.7 million**. Together with private co-investments, these four investments have facilitated the capital deployment of **RM602.4 million** directly into the Malaysian economy during the year, positively impacting the country.

The four investments undertaken are as follows:-

- **Alliance Cosmetics Group**
  Together with Navis Capital Partners, a leading regional private equity firm, Ekuinas invested RM39.9 million for an effective 20% stake in one of Malaysia's leading beauty and personal care companies.

- **Tanjung Offshore Berhad**
  Ekuinas invested RM99.8 million for a 24% stake in a homegrown Bumiputera company that provides offshore supply and engineering services within the oil & gas sector.

- **Konsortium Logistik Berhad**
  Ekuinas invested RM241.0 million to take a 65.9% controlling stake in a high potential integrated logistics service provider.

- **APIIT/UCTI Education Group**
  Ekuinas invested RM102.0 million to take a 51% stake in a long established education group with a strong reputation of providing quality education to local and foreign students.

Save for the transaction in APIIT/UCTI Education Group which was completed in February 2011, all the investments were successfully completed by year end.

The investments undertaken are a good mix of growth capital deals, where minority stakes are taken to back entrepreneurs, and buy-out transactions, where Ekuinas acquired controlling positions.

The four investments represent a commendable start for Ekuinas given the short time frame since inception and the intensive nature of private equity investments where most global PE firms undertake a limited number of two or three investments, at most, per year.

More importantly, the Ekuinas Direct (Tranche 1) Fund delivered a gross portfolio return of RM55.3 million for its maiden year of operations, which translates to a gross Internal Rate of Return (IRR) of **53.1%** and net IRR **24.3%**. This exceeds our long term targeted minimum return of 12% IRR and aspirational target of 20% IRR, reflecting a solid start for the Fund.

However, it should be cautioned that these returns are skewed by the short investment period and that two of the three investments are listed company investments, whose fair values are determined by market prices at year end, which can fluctuate significantly.

Accordingly, we expect that the Fund Performance will fluctuate year on year depending on asset market values, consistent with the experiences of most global private equity firms. We further wish to highlight that in private equity, the true financial performance of a fund can only be properly measured upon full divestment of all its investments and the key critical success factor to deliver financial return is to focus on the underlying operational performance of the investee companies.

In this context, we are pleased to report that the underlying operational performance of the investee companies under Ekuinas has shown considerable progress. Although the collective revenue of the three companies under the first year of ownership by Ekuinas declined by 4% to RM964.2 million due to the slowdown in activities experienced within the oil and gas sector in 2010, their collective **EBITDA** grew by 32.5% to **RM181.7 million**.

Under Ekuinas' investment model, a Value Creation Plan is formulated upfront for each investment to identify the key strategies to be executed to enhance shareholder's value. We are pleased with the progress achieved at each of our investee companies under the plan and intend to remain focused in their execution going forward.

At the same time, we have made reasonable progress in meeting our social objective of increasing equitable Bumiputera participation through our investments.

For the financial year under review, our investments have facilitated an increase in Bumiputera equity value by **RM483.2 million**, representing a multiple of **1.28 times of capital** invested. This reflects a significant, real and measurable impact to increasing Bumiputera equity in line with our long term aspiration to deliver increased equity value of 2 times of the expected invested capital.

In terms of employment and management, currently our investee companies collectively provide gainful employment to a total of 1,861 Malaysians, of which 83.9% are Bumiputeras. The companies also currently employ a pool of 42 managers, of which 45.2% are Bumiputeras.

We hope to increase this number over time in line with our objective to provide increased employment opportunities for all Malaysians, as well as develop the senior management talent and provide opportunity for them to share in the value created in their companies through performance-based share equity scheme.

We are cognisant that more work needs to be done to deliver on our social objectives. However, we are mindful that any effort to increase equitable Bumiputera participation within our investee companies has to be carefully undertaken in a fair, merit-based manner to ensure inclusiveness and mutual benefit for all. Only through this way can such efforts bear long term sustainable results.

Further details on Ekuinas' direct investments are provided in the Investment Performance Review on pages 48 to 65.

OUTSOURCED PROGRAMME

Under its investment model, Ekuinas also operates an outsourcing programme where Ekuinas' funds are allocated to external third party private equity fund managers to manage and invest on its behalf. This Outsourced Programme complements the Direct Investment activity by focusing on smaller deal sizes, averaging between RM15 million to RM50 million taking minority growth capital stake in businesses, to help existing entrepreneurs to aggressively grow and bring their businesses to the next level.

The selected outsourced fund managers (OFMs) under this Programme are required to raise additional capital from private sources of at least 20 percent to the amount that Ekuinas has committed, which would expand the funds available for investment.

This would enable Ekuinas to leverage from private capital in line with the government's desire to increase public-private partnership. Further, the terms of appointment of the OFMs also include a commitment to deliver social objectives structured through market-based performance incentives.

For the year under review, Ekuinas successfully launched its Outsourced Programme under the Ekuinas Outsourced (Tranche 1) Fund with a capital commitment of RM400 million. To select the OFMs, Ekuinas embarked upon a rigorous selection process which adhered to global best practices involving the participation of approximately 51 local and international firms operating in Malaysia.

This evaluation process which was based on five key dimensions – strong investment track record, longstanding investment team experience, robust investment processes, strength in fund raising ability, and the firm's alignment to Ekuinas' investment requirements and guidelines – culminated with the selection of the three OFMs with the necessary experience and track record, namely CIMB Private Equity (CIMB PE), KFH Asset Management (KFHAM) and Navis Capital Partners (Navis) in July 2010.

The selected OFMs then embarked upon their fund raising exercise to raise the required additional capital and we are pleased to report that by year end, all three OFMs have successfully raised a total of RM113 million from external sources which exceeds the minimum RM100 million required under the Outsourced Programme, with a significant portion sourced internationally.

Accordingly, the total minimum amount available for investment under the Programme is now RM513 million, ready to be immediately invested over the next three years in high potential Malaysian companies.

We expect our selected OFMs to commence their investment activities in 2011 and look forward to their playing a significant role in helping Ekuinas to deliver its financial and social objectives in the coming years.

BUILDING A LEADING PRIVATE EQUITY ORGANISATION

From the outset, we have committed to build Ekuinas as a fund management company whose operating model can be benchmarked against the best practices of the leading global private equity firms.

At the same time, Ekuinas recognises that it is important to manage the cost of operations efficiently in order to ensure that public funds are utilised prudently. Similar to other PE firms, Ekuinas earns a management fee from Ekuinas Capital to cover its operating expenses.

For the financial year ended 31 December 2010, Ekuinas recorded a profit after tax of RM3.4 million, reflecting a small surplus from its operating cost. More importantly, we are pleased to note that the ratio of operating expenditure (OPEX) to Funds under Management (FuM) is only 1.3%, reflecting Ekuinas' effort to manage its operating cost effectively.

RAISING AWARENESS

As a new entity in the corporate scene, Ekuinas adopts an active stakeholder engagement policy to introduce our Company and explain how we play a complementary role in helping the country achieve some of its socio-economic goals.

To ensure a clear understanding of what Ekuinas is tasked to do in supporting the creation of a more inclusive economy, we constantly engage with the numerous stakeholder groups including mainstream media and new media, government stakeholders including the Economic Planning Unit, Prime Minister's Office, the Ministry of Finance and the Ministry of International Trade and Industry as well as fellow investment agencies and Government Linked Investment Companies (GLICs).

Further, we invested considerable time to communicate and discuss with numerous business Non-governmental Organisations (NGOs) to explain Ekuinas' role as well as to receive feedback on how we can further improve to meet their expectations.

In line with our commitment to undertake our operations in a transparent manner, Ekuinas has established a comprehensive Disclosure Policy designed on the best practices of global private equity firms and sovereign wealth funds.

In adherence to this policy, operational and investment updates during 2010 were announced through a series of one-to-one interviews, press conferences and press releases, in addition to being made available on our official website **www.ekuinas.com.my**.

At the same time, Ekuinas is aware that the entrepreneur and business community may still find private equity an unfamiliar area. To address this, we arranged for a series of articles in a local publication with the aim of educating the general public on the concept of private equity investments and how private equity could positively impact a company's growth.

The series outlined historical real life examples where private equity investments have helped realise the potential of some of Malaysia's successful companies, which we hope is useful to help convince entrepreneurs and business managers to consider private equity as one of the options when needing capital to grow their companies.

We are grateful for the strong support received from mainstream media, electronic as well as online publications throughout the year and produce some of the printed articles on pages 98 and 99 of this report. Further, we hope the detailed information provided in this Annual Report adequately reflects our commitment in this important matter.

HUMAN CAPITAL AND COMMUNITY WELFARE

Commitment to quality human capital

Our team began with just a team of three. By 31 December 2010, our staff strength had grown to a relatively small number of 40, half of which are investment professionals. We are blessed to have been able to assemble a talented team from varied backgrounds including investment banking, private equity, finance, consulting and industry, who are passionately committed to Ekuinas' core values and what we aspire to deliver.

To ensure that Ekuinas continues to be able to retain, develop and attract the necessary talents crucial in undertaking our activities, we have formulated a comprehensive Human Capital Strategy, covering inter alia, a competitive and performance-based compensation framework and a long term incentive and retention plan.

We hope to further enhance our human capital strategy going forward by focusing on training and development programmes for all our employees. At the same time, we are actively seeking to develop and enhance the depth and quality of the management team in our investee companies to ensure the companies are able to successfully execute their value creation plans.

Commitment to corporate social responsibility

As a government-funded entity, Ekuinas remains focused on the mandate to create future generations of industry leaders. In the first year of operations, we maintained a small allocation with which we extended support to a limited number of NGOs that contribute towards entrepreneur growth and development, as well as those which care for the less fortunate in society including single mothers, orphans and those afflicted with terminal diseases.

Discussions and deliberations are currently ongoing to finalise a framework for Ekuinas' own corporate social responsibility programme and we hope to be able to launch this in the coming financial year.

Given our experience in having to develop social objective targets, Ekuinas also commissioned the Boston Consulting Group to undertake a research study to identify suitable metrics that can be potentially adopted by government to properly measure economic participation of ethnic groups in Malaysia, a discussion which has far too long been dominated by a single measurement of equity.

A brief description of this project is presented on pages 100 to 105 of this report, which we hope will act as a catalyst towards further discussions in this area.

IN SUMMARY – A HECTIC BUT SATISFYING START

The first year of Ekuinas' operations was indeed hectic as we set out to build the initial foundation of this firm and strive to deliver the key operational targets. We are aware of the heavy burden of responsibility entrusted and the high expectations of all our stakeholders.

Throughout this challenging period, the team and I remain highly indebted to our Chairman, YM Raja Tan Sri Arshad, and all members of the Ekuinas' Board of Directors, who have provided great insights and guidance in helping us to manage the many challenges encountered during our initial year of operations.

At the same time, we are extremely grateful to our YAB Dato' Sri Mohd Najib Tun Abdul Razak, the Prime Minister of Malaysia, and all the eminent trustees of Yayasan Ekuiti Nasional for the trust in allowing us to execute the vision set.

To all our other valued stakeholders, investee companies and business partners, we thank you for all your kind support, patience and consideration as we strive to learn how best to deliver and create sustainable value in our operations.

And I must end by thanking the whole team at Ekuinas whose enormous hard work, commitment and dedication are the real strength behind Ekuinas. I am truly honoured and privileged to have the opportunity to work with all of you and look forward as we continue our journey in establishing a private equity organisation that can be benchmarked against the leading players within the industry.

We must be mindful, however, that we are only at a very early stage of a long road. With western economies still grappling with economic stagnation, the economic outlook for 2011 remains challenging. However, we remain optimistic with the Malaysian economy and have set ambitious targets for our coming year.

Subject to availability of funds, we hope to facilitate a total economic capital deployment of RM600 million to RM1 billion for 2011, of which Ekuinas' capital investments is projected to contribute approximately RM400 million – RM600 million. At the same time, we hope to create further value at our investee companies, deliver on our minimum targeted financial returns and achieve additional progress in meeting our social objectives.

These are the exacting targets that we hope to deliver in the coming year in our quest to create a lasting positive impact in the Malaysian economy.

ABDUL RAHMAN AHMAD
Chief Executive Officer

Since inception, Ekuinas has received RM500 million from the Government as the initial seed capital to commence operations. Leveraging on this, two funds were established:

1. Ekuinas Direct (Tranche 1) Fund with a capital fund size of RM1 billion under E-Cap (Internal) One Sdn Bhd; and

2. Ekuinas Outsourced (Tranche 1) Fund with a capital commitment of RM400 million under E-Cap (External) One Sdn Bhd.

1 EKUINAS DIRECT (TRANCHE 1) FUND

Fund Overview

During the year under review, Ekuinas Direct (Tranche 1) Fund was established with a capital commitment size of RM1 billion to undertake Direct Investments. The Fund has an investment period of three to five years to invest in high growth stage Malaysian companies. The Fund is domiciled in Malaysia with its closing date on 1 January 2010 and has a tenure of five years, with an additional extension of two years.

FUND NAME	EKUINAS DIRECT (TRANCHE 1) FUND
Vintage Year	2010
Capital Committed	RM1 billion
Term	5 Years (+ 2 Years)
Investment Period	3 – 5 years
Legal Form & Structure	One fund manager and one investor. Ekuinas Direct (Tranche 1) Fund Fund Manager: Ekuiti Nasional Berhad
Investment Focus	Malaysian Focused
Investment Focus by Stage	Growth Capital Fund
Investment Focus by Industry	– Education – Oil & Gas – Fast Moving Consumer Goods (FMCG) – Retail & Leisure – Healthcare – Services

Investments undertaken

During the year under review up to the date of this Annual Report, the Fund undertook four (4) investments amounting to RM482.7 million. Together with co-investment from private investors, these investments enabled a total capital of RM602.4 million to be deployed in the Malaysian economy. This reflects the strong public-private partnership within Ekuinas' investment model, consistent with Government's aspiration.

Out of the four (4) investments undertaken, three (3) investments were completed by year end, with APIIT acquisition completed in February 2011.

Exhibit 1

	Name	Sector	Type	Stake	Capital Invested by Ekuinas RM million	Capital Invested by Others RM million	Total RM million
1	Alliance Cosmetics Group	FMCG	**II** (Buy-out of Malaysian company)	20%	39.9	119.7	**159.6**
2	Tanjung Offshore Berhad	Oil & Gas	**I** (Investment in Bumi company)	24%	99.8	–	**99.8**
3	Konsortium Logistik Berhad	Services	**II** (Buy-out of Malaysian company with Bumi Management)	66%	241.0	–	**241.0**
4	APIIT/UCTI Education Group	Education	**Hybrid I + III** (Acquisition of a non-core asset of Bumi PLC)	51%	102.0	–	**102.0**
				TOTAL	**482.7**	**119.7**	**602.4**

The investments undertaken had the following characteristics:

- All the investments are in four out of six sectors identified as Ekuinas' core target sectors, namely fast moving consumer goods (FMCG), oil and gas, services and education.
- The investments fall into all three (3) types of investments that Ekuinas targeted from the outset, being investments in strong Bumiputera companies to help accelerate growth, investments in established Malaysian companies entering the next level of growth and buy-outs of non-core assets of government-linked companies, public listed companies or multinational companies.
- Ekuinas achieved a good mix of growth capital deals, where it holds a minority stake to help back entrepreneurs, and buy-out transactions, where Ekuinas acquired controlling stakes.
- The investments were all made in Malaysian companies with a good mix of shareholders with two (2) investments in listed companies and the remaining two (2) in private companies.

Fund Net Assets Value (NAV) as at 31 December 2010

		2010 RM million
Capital Invested		403.53
Plus increases to Net Assets Value:		
Dividend Income	23.82	
Unrealised gain on Fair Value of investments	31.51	
Total Gross Portfolio Return		55.33[1]
Less reductions to Net Assets Value:		
Total Operating Expenditure		(31.87)[1]
Net Increase in Net Assets Value		23.46
Net Assets Value		426.99
Net Assets Value made up of:		
Investments – at cost		380.64
Unrealised gain on Fair Value of investments		31.51
Investments carried at Fair Value		412.15
Plus: Working capital		14.84
Equals Net Assets Value		426.99[2]
Gross IRR		53.09%
Net IRR		24.28%

[1] *these amounts take into account the RM3.86 million incurred at subsidiary level*

[2] *this comprises:-*

Shareholder's Fund	*356.13*
Debt	*70.86*
Total Net Assets Value	*426.99*

Fund Performance

Based on the three (3) investments completed as at 31 December 2010 amounting to RM380.6 million, Ekuinas Direct (Tranche 1) Fund successfully achieved gross portfolio gain of RM55.3 million, which translates to a gross annualised Internal Rate of Return (IRR) of 53.1%. After netting off management fees payable to Ekuinas as the fund management company, the Fund delivered an annualised net IRR of 24.3%. This represents a strong start of the Fund performance for the first year of operations and exceeds the long term minimum target return of 12% and the aspirational target return of 20%.

However, the Fund is still at its early stage and the first year returns are skewed by the short time period and the fact that two (2) of the investments are in listed companies, for which the fair value of the investments is determined by the year-end closing share prices as per the accounting standards' requirements.

Exhibit 2: Portfolio Performance as at 31 December 2010

Company	Date of Initial Investment	Stake %	Cost of Investment RM million	Co-Investment RM million	Fair Value as at 31 Dec'10 RM million	Total Gain in Portfolio RM million	Gross IRR %
ACG	04 Jan 10	20.00	39.88	119.64			
TOFF	26 Jul 10	24.00	99.80	–	412.15	55.33	53.09
KLB	18 Oct 10	65.91	240.96	–			
Total			380.64	119.64	Net IRR		24.28

Note: Total gain in portfolio comprises unrealised gain in fair value of investments and dividend income.
Gross IRR is derived after charging interest expense incurred on the investments.

Investee Company Performance

All investee companies generally recorded commendable underlying performance during the first year period under Ekuinas' ownership. Despite the collective revenue decreasing by 4% to RM964.2 million due to the lower activities experienced in the oil and gas sector, the collective EBITDA of the investee companies increased by 32.5% to RM181.7 million.

Exhibit 3

	Total Revenue RM million			EBITDA RM million		
	2009	2010	% growth	2009	2010	% growth
Total of Investee Companies	1,004.8	964.2	(4.0%)	137.1	181.7	32.5%

ALLIANCE COSMETICS GROUP

Investment Type	: Buy-out of Malaysian Company
Status	: Private company
Sector	: Fast moving consumer goods
Acquisition Date	: January 2010
Capital Invested	: RM39.9 million
Ownership	: Effective 20.0%
Co-Investor	: Navis Capital Partners
Co-Investment Amount	: RM119.6 million

Company Description

- Leading mass market, colour cosmetics and fragrance player in Malaysia, Singapore and Brunei.
- The company markets, distributes and sells multiple brands of cosmetics and beauty products including Silkygirl, Silky White, SG Men, Revlon, Pierre Fabre and Elancyl. In-house Silkygirl brand has the largest market share in Malaysia for mass-market retail colour cosmetics.

Investment Rationale

- High-growth company with operations in Malaysia, Singapore and Brunei.
- Well-organised and proven management team.
- Well established homegrown brand.
- Strong opportunity to expand regionally especially Indonesia.

Basis of valuation

Application of EV/EBITDA multiple from average market-based multiples reflected in the market valuations of selected quoted companies to ACG's trailing 12 months EBITDA, in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Financial Highlights

	2009 (audited) Index	2010 (unaudited) Index	Growth %
Revenue	100.0	110.3	10.3
EBITDA	100.0	114.5	14.5
PAT	100.0	115.7	15.7

* *due to commercial sensitivity and confidentiality requirements by co-investors, ACG results are reported in indexed form*

- Revenue grew strongly by 10.3% due to higher sales especially in Singapore and boosted by firm underlying sell-out growth with key retailers.
- EBITDA significantly increased by 14.5% attributed to revenue growth leverage and higher operating margins due to stringent cost control.
- ACG's expansion into Indonesia is on track – key products have been registered with the local authorities and some early, albeit small, sales have been secured.

TANJUNG OFFSHORE BERHAD

Investment Type	: Investment in Bumiputera Company
Status	: Listed company
Sector	: Oil and Gas (O&G)
Acquisition Date	: July 2010
Capital Invested	: RM99.8 million
Ownership	: 24.0%

Company Description

- One of the leading local offshore O&G service providers.
- Owns and operates 16 offshore supply vessels, provides manpower, engineering and maintenance services, and trades and manufactures equipment for the offshore O&G industry.

Investment Rationale

- Attractive fast growing O&G sector.
- Homegrown Bumiputera company with extensive experience in the O&G sector.
- Unique capabilities in well-testing and marginal field solutions.

Basis of valuation

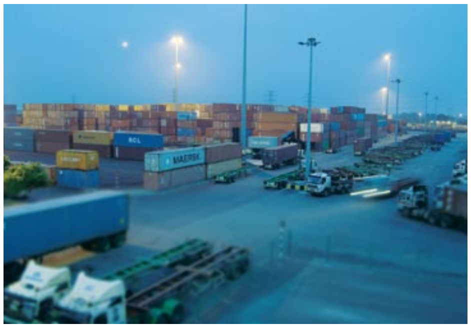
Quoted investment – valuation is based on the closing market share price.

Financial Highlights

	2009 (audited) RM million	2010 (unaudited) RM million	Growth %
Revenue	649.7	541.8	– 16.6
EBITDA	48.9	76.7	56.9
PAT (after MI)	3.1	7.0	> 100

- Revenue recorded lower by 16.6% against last year due to lower revenue from the Engineering business segment due to slow down in activities within the O&G sector in 2009/2010.
- Significant improvement in EBITDA recorded against last year as in the preceding year, results were affected by losses incurred in a foreign subsidiary that the Company acquired. These losses have been significantly reduced during the year under review through successful execution of the turnaround plan.
- Going forward, the Company will focus on improving the performance of its engineering business and tap into the opportunities provided by the expected increased activity in the O&G sector in line with the national oil company's strategy to focus on and enhance domestic production.

INVESTMENT PERFORMANCE REVIEW (CONTINUED)



KONSORTIUM LOGISTIK BERHAD

Investment Type	: Buy-out of Malaysian Company to back Management
Status	: Listed company
Sector	: Services
Acquisition Date	: October 2010
Capital Invested	: RM241.0 million
Ownership	: 65.9%

Company Description

- Integrated logistics provider with services spanning container haulage, dry bulk transportation, warehousing and distribution, freight forwarding, and customs clearance.
- The company specialises in providing logistics solutions for the automotive and coal transportation sectors.

Investment Rationale

- Leading integrated logistics provider with a strong market position especially in automotive, coal shipping and haulage.
- Opportunity to unlock value from under-utilised Balance Sheet.
- Strong cashflow generating ability.

Basis of valuation

Quoted investment – valuation is based on the closing market share price.

Financial Highlights

	2009 (audited) RM million	2010 (unaudited) RM million	Growth %
Revenue	239.1	294.4	23.1%
EBITDA (excluding exceptional items)	54.1	65.9	21.8%
PAT (after MI and excluding exceptional items)	25.0	33.8	35.2%
PAT (after MI)	25.0	– 24.2	– 96.8%

- Recorded strong revenue growth of 23.1% driven by higher utilisation in Haulage business and new contracts secured under Automotive and Projects Divisions.
- Significant EBITDA growth of 21.8% attributed to the higher revenue secured and improved operational margins attributed to higher efficiency and stringent cost control.
- However, lower profit after tax was recorded due to non recurring, non cash provisions and write offs made amounting to RM58 million as part of a planned balance sheet rationalisation exercise.
- Significant cashflow generated with the total dividends declared to shareholders for 2010 amounting to RM50.4 million.

APIIT/UCTI EDUCATION GROUP

Investment Type	: Acquisition of a non-core asset through partnership with a Bumiputera PLC
Status	: Private company
Sector	: Education
Acquisition Date	: February 2011
Capital Invested	: RM102.0 million
Ownership	: 51.0%

Company Description

- Leading education provider with presence in primary, secondary and tertiary levels.
- Award-winning APIIT/UCTI University College specialises in providing high quality tertiary-level education for Technology, Engineering and Business courses to both local and foreign students.

Investment Rationale

- Strong Management team with an established track record of delivering growth.
- Strong platform to tap into the fast growing education industry.
- Strong potential to expand operations and grow student numbers.

Basis of valuation

Application of EV/EBITDA multiple from average market-based multiples reflected in the market valuations of selected quoted companies to APIIT/UCTI's trailing 12 months EBITDA, in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Financial Highlights

The investment in APIIT was announced on 4 November 2010 and was completed only in February 2011.

Accordingly, the financial highlights for the Company will only be provided in 2011 and does not form part of Ekuinas' financial results for 2010.

SOCIAL OBJECTIVE PERFORMANCE

Ekuinas also made solid progress in terms of delivery of its social objectives of increasing equitable Bumiputera economic participation in four key dimensions namely equity ownership, management pool, employment opportunities and supply chain.

During the period under review up to the date of this Annual Report, Ekuinas has, through its investments, successfully enabled a signficant increase in Bumiputera equity value by RM483.2 million from RM313.1 million recorded at its date of entry to RM726.0 million as at year end[1]. This represents a multiple of 1.28 times of Ekuinas' total invested capital of RM380.6 million.

At the same time, Ekuinas' investments facilitated a total increase in equity value for all shareholders of RM483.2 million, representing a multiple of 1.28 times of total invested capital, reflecting the positive impact of Ekuinas' entry.

Further, the three investee companies collectively and currently provide gainful employment to a total of 1,861, of which 83.9% are Bumiputeras. The companies also currently employ a pool of 42 managers, of which 45.2% are Bumiputeras.

Going forward, Ekuinas hopes to expand the pool of managers and provide additional employment opportunities to all Malaysians through the growth of its investee companies.

Exhibit 4: Equity Ownership as at 31 December 2010

	Bumiputera				Total Company			
Total for Investee Companies	Ex Ante	As at 31 Dec 2010	Increase in Bumiputera Value[1]	Multiple of Ekuinas' Invested Capital	Ex Ante	As at 31 Dec 2010	Economic Value Created[2]	Multiple of Ekuinas' Invested Capital
Equity Ownership (RM million)	313.1	726.0	483.2	1.28x	865.7	1,066.7	582.1	1.53x

1 This includes Bumiputera portion acquired by Ekuinas which amounted to RM70.3 million

2 Economic Value Created = (Invested Capital + Increase in equity value created)

Exhibit 5: Management and Total Employees as at 31 December 2010

Total for Investee Companies	Bumiputera Headcount	Total Headcount	% Bumiputera to Total
Management	19	42	45.2%
Total Employees	1,562	1,861	83.9%

2 EKUINAS OUTSOURCED (TRANCHE I) FUND

Fund Overview

For the year under review, Ekuinas successfully launched its outsourced programme under Ekuinas Outsourced (Tranche 1) Fund with a capital commitment of RM400 million to be provided to selected external third party private equity fund managers (OFMs) to manage and invest.

The Fund is established as a growth capital fund where 70% of the capital must be allocated for minority stake investments in high growth potential Malaysian companies. Further, the selected OFMs must raise a minimum capital of 20% of the Total Fund size from private sources to expand the capital available for investment, in line with the government's call for increasing public-private partnership.

The Fund has a tenure of six (6) years, with the option to extend for an additional year.

FUND NAME	EKUINAS OUTSOURCED (TRANCHE 1) FUND
Vintage Year	2011
Capital Committed	RM400 million
Term	6 Years (+ 1 Year)
Investment Period	3.5 Years
Legal Form & Structure	One fund manager and multiple investors. Outsourced to the following fund/fund managers: 1) Fund: CIMB National Equity Fund Ltd.P. Fund Manager: CIMB General Partner Ltd 2) Fund: MK-One Fund (Labuan) Limited Fund Manager: Kuwait Finance House (Labuan) Berhad 3) Fund: Navis Malaysia Growth Opportunities Fund 1, L.P. Fund Manager: Navis MGO 1 GP Ltd
Investment Focus	Malaysian Focused
Investment Focus by Stage	Growth Capital Fund
Investment Focus by Industry	General except for Ekuinas' negative investment list

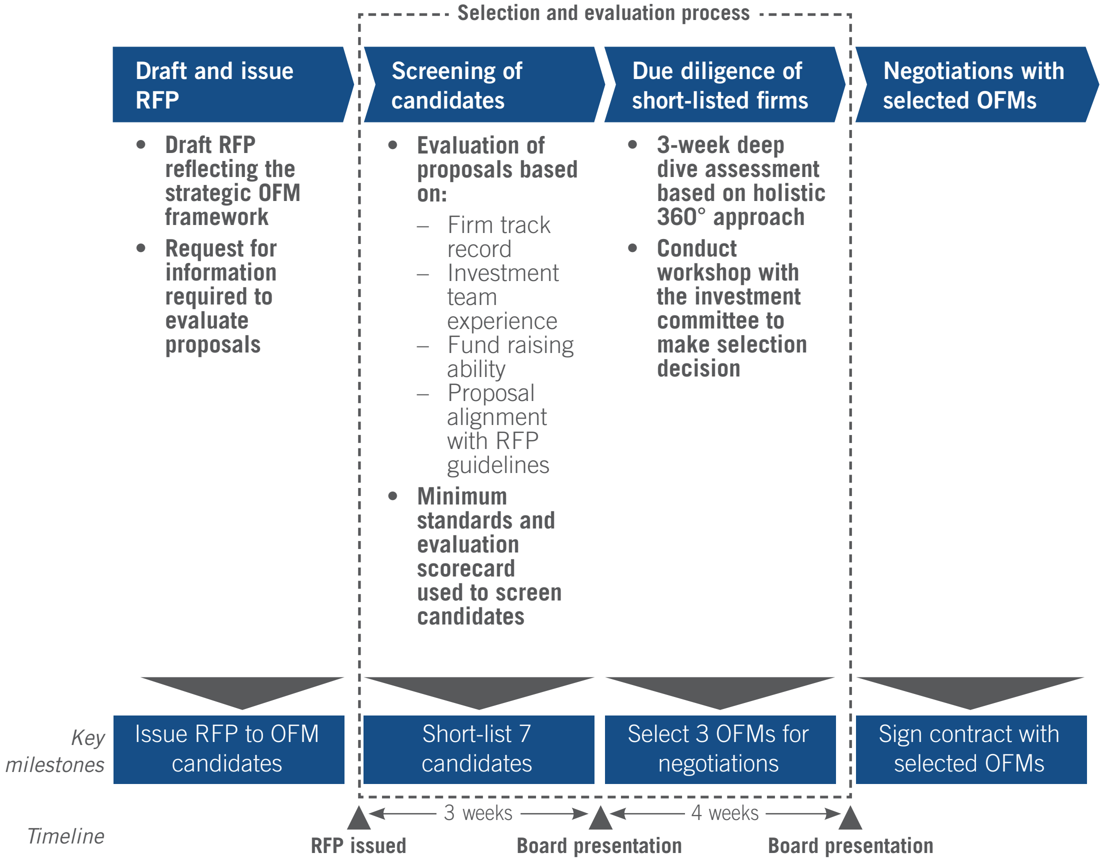
* For the negative investment list, please refer to page 73.

Selection Process

The selection of the outsourced private equity managers was undertaken after a rigorous and exhaustive evaluation process in accordance with global best practices and assisted by the Boston Consulting Group, a leading global consulting firm.

The selection process for the Outsourced Programme commenced with a Request for Interest (RFI) briefing in December 2009 which was attended by more than 50 local and international PE firms. Subsequently, a total of 21 firms responded to our request for proposal and from this group, seven firms were shortlisted.

Exhibit 6: Ekuinas' OFM Selection Process



INVESTMENT PERFORMANCE REVIEW (CONTINUED)

The five key evaluation dimensions used during the process are shown below.

Exhibit 7: Key dimensions used in OFM selection process

1 Firm track record

- Reputation within the Malaysian private equity industry
- Solid financial performance
- Successful value creation in portfolio companies

2 Investment team experience

- Strong senior management team with ability to generate healthy deal flow
- Relevant buy-side experience and track record (e.g execution and portfolio management)
- Expertise in relevant deal type, sectors and geography

3 Robust investment process

- Documented investment management process and compliance track-record
- Robust decision-making process, governance and risk management framework
- Strong support team

4 Fund raising ability

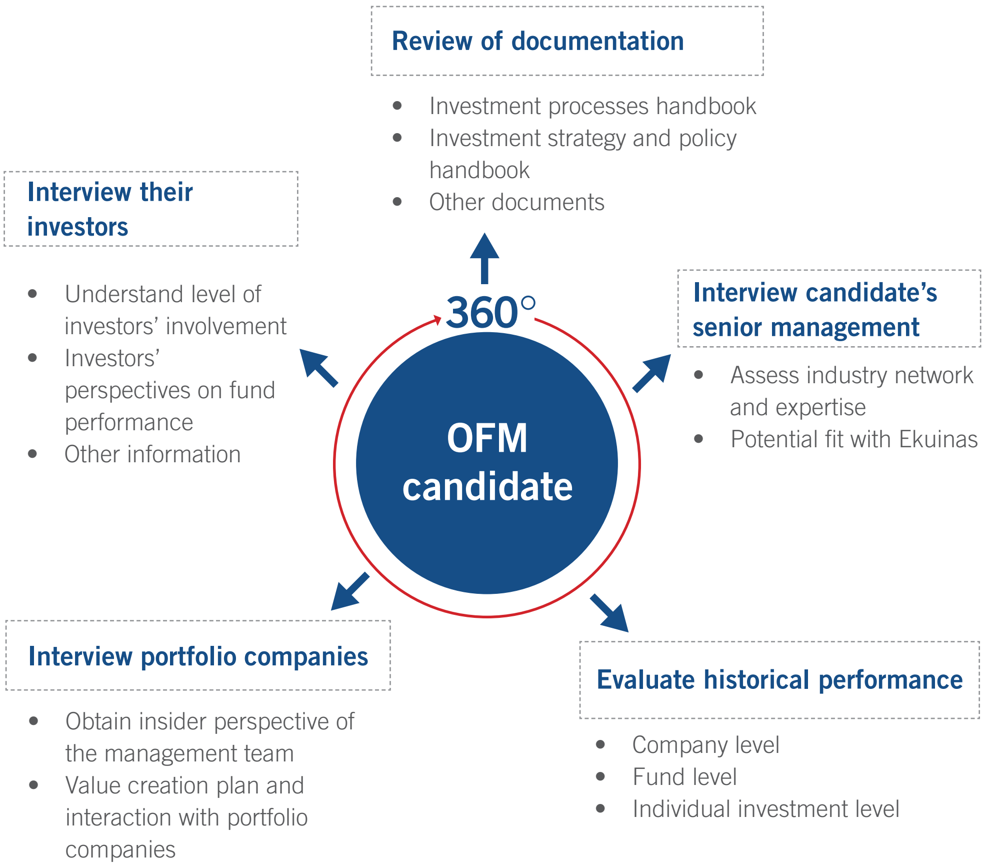
- Fund raising track record
- Potential to raise at least 20% required third-party capital
- Establish plan for external third party fund raising

5 Fit with RFP requirements and guidelines

- Alignment with investment strategy, fund structure and governance

Out of those that submitted their proposals, seven firms were shortlisted and underwent a detailed due diligence exercise in which a holistic 360º approach was adopted, as shown in the diagram below.

Exhibit 8: The 360° Approach Used in Evaluating OFMs



Appointment of OFMs

In July 2010, Ekuinas announced the selection of the three PE firms which satisfied all the selection criteria based on the key dimensions identified. All three firms showed strong investment track records, longstanding investment team experience, robust investment processes, strength in fund raising ability, and strict alignment to Ekuinas' investment requirements and guidelines.

The three appointed as Ekuinas' Outsourced Fund Managers (OFMs) for the 1st Tranche are CIMB Private Equity (CIMB PE), KFH Asset Management (KFHAM) and Navis Capital Partners (Navis). Together with these leading private equity firms in Malaysia, Ekuinas aims to accelerate the growth of dynamic Malaysian and Bumiputera companies into future market leaders.

First closing of the Outsourced Funds

Pursuant to their selection, all three OFMs then proceeded to undertake a fund raising exercise to raise the required minimum additional private capital.

By the end of 2010, the three OFMs successfully raised a collective total of RM113 million of private capital, which exceeded the minimum requirement of RM100 million stipulated under their agreement, a significant portion of which was raised internationally.

Accordingly, RM513 million is now ready and available to be invested in smaller to mid-sized companies for the next two to three years under this Programme.

	First Closing Date	Fund Size	Ekuinas' Commitment	Private Capital
OFMs:				
Navis Capital Partners	1 Dec-10	RM513 million	RM400 million	*RM113 million
KFH Asset Management	1 Dec-10			
CIMB Private Equity	12 Jan-11			

Out of RM113 million, RM88 million is foreign capital.

Profile of appointed OFMs

Brief profiles of the appointed OFMs for Ekuinas Outsourced (Tranche 1) Fund are presented below.

CIMB Private Equity

The private equity and venture capital arm of CIMB Group currently manages third party funds worth approximately RM1 billion, investing in companies across a wide range of industries including manufacturing, retail, education, services, agriculture and technology. Focusing on medium to long term investment opportunities in Malaysia and other parts of South East Asia, it currently has over 40 active companies in its investment portfolio.

KFH Asset Management

KFH Asset Management Sdn Bhd is a wholly-owned subsidiary of Kuwait Finance House (Malaysia) Berhad and provides asset and fund management services encompassing private equity, alternative investments and unit trusts. The firm operates as an independent entity and has a highly experienced team of local fund managers with a strong track record in the regional Private Equity (PE) industry. In 2008, its maiden Asia Pacific focused private equity fund, Al-Faiz Fund I Ltd, was successfully launched, attracting a total of US$97 million in capital commitments.

Navis Capital Partners

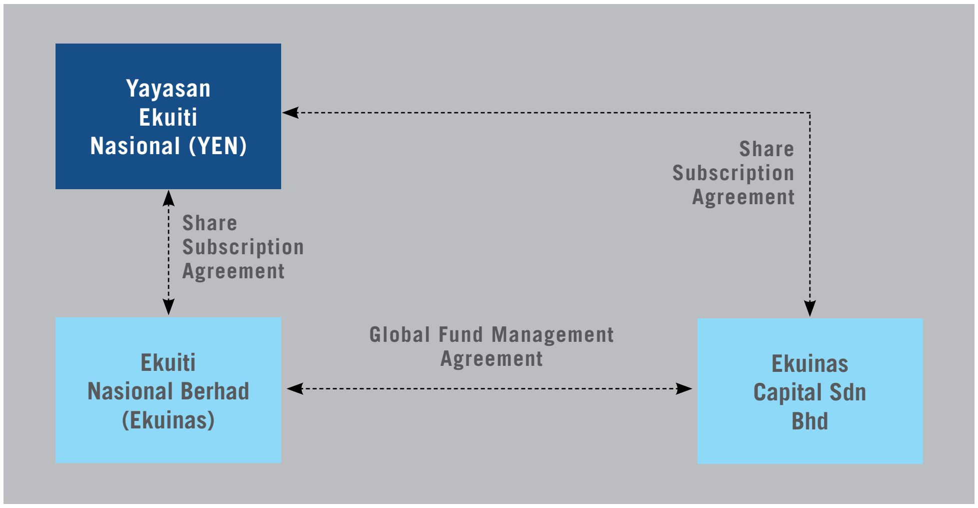
Founded in 1998 and headquartered in Kuala Lumpur, Navis Capital is among the most experienced PE firms with a strong track record of successful investments in growth-oriented buyouts in Malaysia, elsewhere in South East Asia, India, China and Australia. The firm manages approximately USD$3 billion in capital commitments.

EKUITI NASIONAL BERHAD – FUND MANAGEMENT COMPANY

Ekuinas has been set up as a fund management company that manages the funds allocated by Yayasan Ekuiti Nasional (YEN) to Ekuinas Capital Sdn Bhd as the fund capital company.

This fund management arrangement is governed by a Global Fund Management Agreement entered into by Ekuinas, YEN and E-Cap. Under the GFMA, Ekuinas earns a management fee as a share of the investment gain upon realisation. The management fee earned is used by Ekuinas to generally cover its operating expenditure (OPEX). As such, Ekuinas itself is not expected to earn significant level of profits in its operations.

Exhibit 9



For the financial year ended 31 December 2010, Ekuinas earned a management fee of RM20.0 million for managing Ekuinas Capital funds. This resulted in a profit after tax (PAT) of RM3.4 million after OPEX amounting to RM17.9 million.

The OPEX incurred relates mainly to salary and occupancy costs, transaction and capacity building costs as Ekuinas aims to build a private equity organisation that can be benchmarked against leading global PE firms. This translates to OPEX to Funds under Management (FuM) ratio of 1.3%, which is highly cost effective and comparable to current global practice.

Exhibit 10

Ekuiti Nasional Berhad (Fund Management Company)	2009 RM	2010 RM
Total Funds under Management (FuM)	N/A	1.4 billion
Total Operating Expenditure (OPEX)	3.1 million	17.9 million
(Loss)/Profit after Tax (PAT)	(3.1 million)	3.4 million
Ratio of OPEX to FuM	N/A	1.3%

REALISING SYNERGY

ekuinas

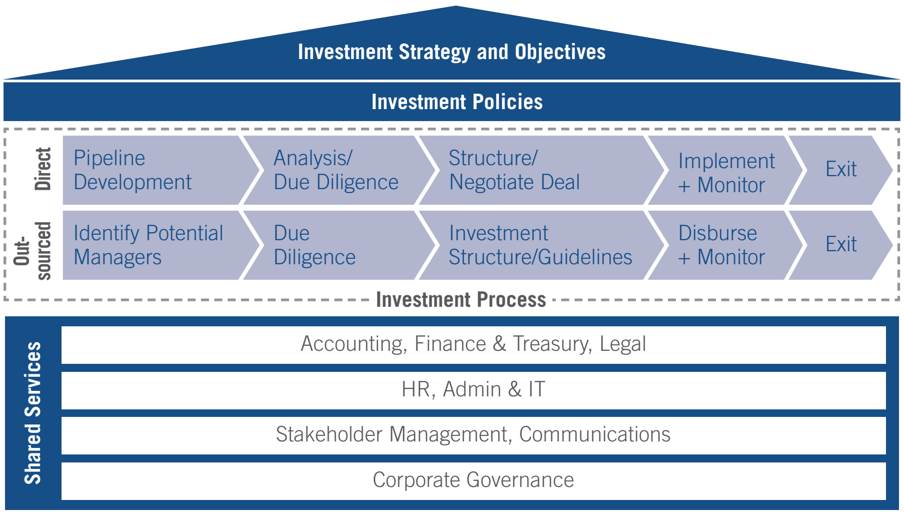
OPERATING MODEL

The Company's operating model consists of all the important functions which form the foundation of the business. Key policies have been developed to ensure a private equity practice that is on par with global standards and best practices namely direct investments and outsourced investments, framework and guidelines, governance framework, disclosure framework and treasury policy (See Exhibit 1).

The RM500 million allocated under the 9th Malaysian Plan and the RM4.5 billion under the 10th Malaysian Plan will be invested in three funds over five years for both the Direct Investments and Outsourced Investments. The first fund for 2010 consists of RM1 billion for Direct Investments and RM400 million for Outsourced Investments.

Exhibit 1: The Ekuinas Operating Model

Since its inception in 2009, Ekuinas successfully established its operating model:



Successfully developed key policies:

- Direct Investment Framework & Guidelines
- Outsourcing Framework
- Disclosure Framework
- Treasury Policy
- Governance Framework

RM5 billion allocated to be invested via 3 Direct Investments Funds & 3 Outsourced Funds over 5 years – 1st Fund for each has been established:

	Direct Investments	Outsourced Funds
Name of Fund:	Ekuinas Direct (Tranche 1) Fund	Ekuinas Outsourced (Tranche 1) Fund
Ekuinas' Capital Commitment:	RM1 billion	RM400 million
Term:	5 + 2 years	6 + 1 years
Investment Period:	3 to 5 years	3.5 years
Investment focus:	Malaysia	Malaysia
Sector priorities:	Oil & Gas, Education, FMCG, Retail & Leisure, Healthcare and Services	

INVESTMENT FOCUS

The Government of Malaysia has established numerous investment agencies, institutions and programmes which aim to support the development and growth of new businesses and ventures in the country (Exhibit 2).

Thus, to avoid overlap, Ekuinas does not intend to focus on start-ups or early stage companies which are more suited for venture capital investments and will instead focus on more established growth companies.

TARGET SECTORS

Ekuinas may consider investments from all sectors but six target sectors have been identified namely Oil & Gas, Education, Fast Moving Consumer Goods (FMCG) including Food & Beverage (F&B), Retail & Leisure, Healthcare and Services.

The Company will not, however, invest in gaming, liquor, or other illegal/unethical activities; hedge funds, derivatives or commodities; property and construction; and companies with no Malaysian focus at all.

TYPES OF INVESTMENTS

Ekuinas' investment selection considers medium to large sized Malaysian companies in the following categories:

TYPE I – investment in Bumiputera companies to accelerate growth;

TYPE II – investment in strong Malaysian companies which demonstrate the potential to become market leaders; and

TYPE III – buy-outs of non-core assets of any government-linked companies (GLCs), public-listed companies (PLC) or multi-national companies (MNCs).

Exhibit 2: Investment Focus

Ekuinas is mandated to support medium to large-sized Malaysian companies which are in the GROWTH stage – typically such companies would have some operational track record and are able to identify opportunities to expand to the next stage.

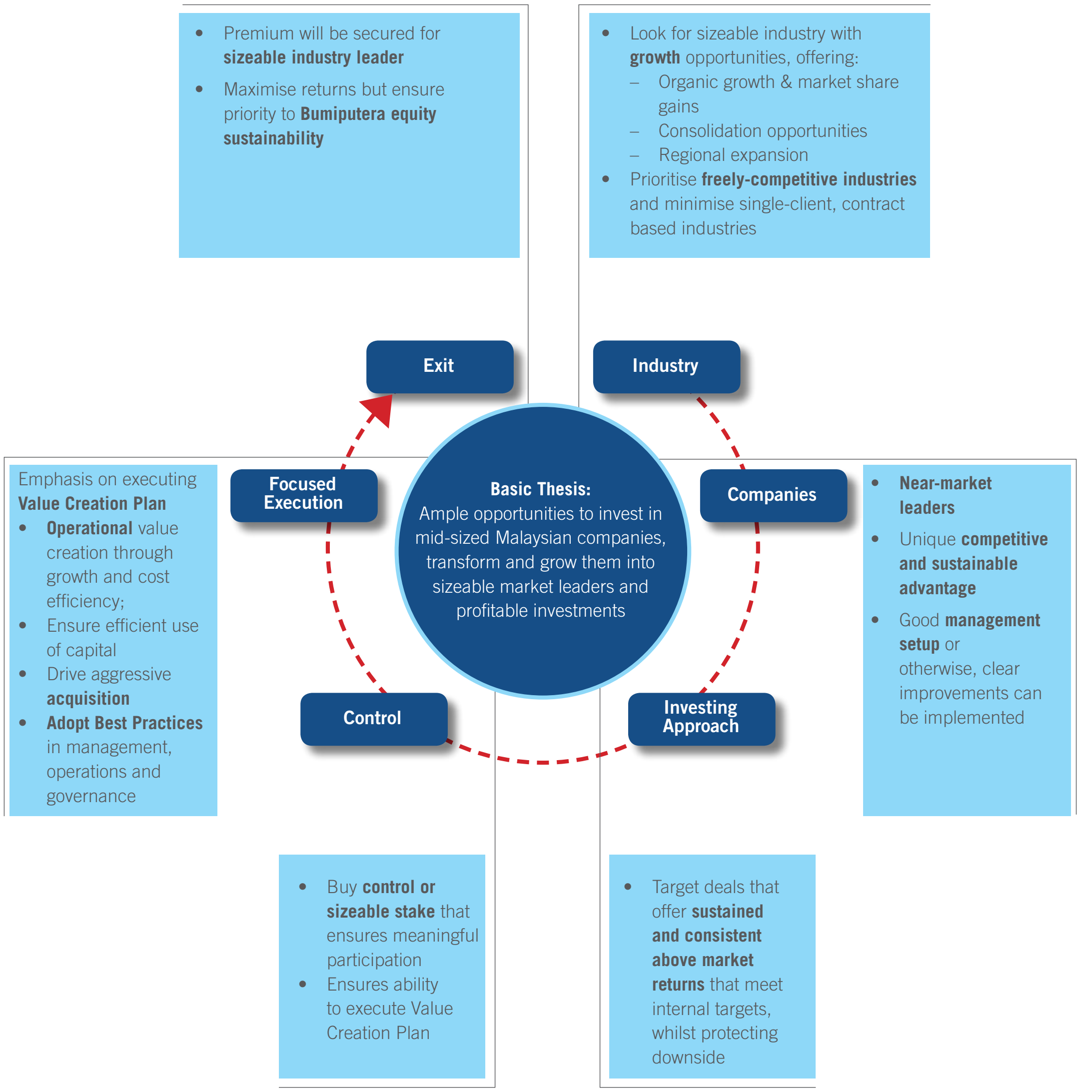
Business Lifecycle	Start-ups & Micro-Enterprises	Development Stage	Growth	Mature
Target Companies' Attributes	• Start-ups • Ideas on paper	• Small scale commercial operations • Low / negative profits • Investment size < RM30 million, average RM10 million	• Strong operational / profit track record • Looking to go to the next stage of growth • Investment size ~ RM50 million • 3 – 5 years' investment horizon	• Large companies with established market positions, often with multiple subsidiaries / core businesses • Investment size ~ RM500 million
Existing Institutions / Programmes	Examples of existing institutions and programmes include: **Grants:** • Cradle Investment Programme • SME Corp • CRDF • BiotechCorp **Equity & Loan:** • PUNB • MARA	**Equity e.g.:** • MAVCAP • MTDC • PNS • PUNB (5 – 10 years' investment horizon) **DEBT e.g.:** • MDV • SME Bank • PNS **Grants e.g.:** • TechnoFund	ekuinas EKUITI NASIONAL BERHAD	Examples of institutions include: • Khazanah • 1MDB • PNB • LTAT • EPF • Other Unit Trusts (Long term holding)

Source: Companies' websites, internal analysis

INVESTMENT STRATEGY

Our investment strategy is predicated on the basic thesis that Ekuinas will look for all opportunities to invest in mid-sized Malaysian companies to transform and grow them into sizeable market leaders and profitable investments, after which Ekuinas will exit. Depicted in Exhibit 3 below are the key elements of our investment process.

Exhibit 3: Investment Strategy – Ekuinas Investment Thesis Articulated



INVESTMENT FRAMEWORK

Ekuinas undertakes its investments via two simultaneous operations:

1. **Direct Investments** – where investments are mainly concentrated on buy-outs and deal sizes of more than RM50 million; acquiring meaningful controlling stakes of at least 20% so as to effect larger scale changes and being highly active shareholders who create value.
2. **Outsourced Programme** – Ekuinas undertakes investments through third party private equity firms appointed as our fund managers and who are responsible for raising at least 20% of their own external capital to complete Ekuinas' allocation of not more than 80%.

To avoid overlap, each investment operation has a different focus as outlined in Exhibit 4 below.

Exhibit 4: Ekuinas' Two Investment Operations Have Different Focus

EKUITI NASIONAL BERHAD

Direct Investments	Outsourced Programme
Explore **co-investment** to bring in private/external capital	**Must raise external capital** (ratio of least 20%)
Focused on buy-outs and controlling stake, so as to effect larger scale changes	Focused on provision of **growth capital where significant minority stake is acquired**
Highly active shareholder – somewhat similar to conglomerate holding companies	**Active shareholder** that intervenes selectively
Larger deal size (> RM30 million)	**Smaller deal size** (> RM15 million)
Focused on **professional managers**	Focused on **backing entrepreneurs/ owner managers**
Can take a longer term view on exit	**3 – 5 years' time horizon**

DIRECT INVESTMENTS

Ekuinas' Direct Investment activities undergo several key processes from the initial stage of identifying potential investments, to the final stage of recommendation to the Investment Committee and the Board of Directors, up until after the acquisition is completed. In addition, Ekuinas will work together with the company to create a Value Creation Plan (VCP) which is then implemented post acquisition. The objective of the VCP is, inter alia, to help the company grow and improve in various aspects of its business in the hope of taking the company to the next level.

The key processes are outlined in Exhibit 5 below.

Exhibit 5: Seven Key Investment Processes for Direct Investments

	Evaluation		Execution	Post-acquisition		
1 Deal sourcing and screening	2 Outside-in Strategic Due Diligence	3 Full Due Diligence	4 Negotiation and structuring	5 100-day plan	6 Managing & Monitoring	7 Exit
Lead generation and identification of deal opportunities **Initial screening using Form 1 and Form 2**	**Outside-in analysis on:** • Market attractiveness • Company attractiveness • Financial & non-financial attractiveness **Initial risk assessment** **In principal approval from BoD**	**Full due diligence leveraging external advisors on:** • Strategic • Financial • Legal	**Structuring and drafting of shareholder agreement and SPA** **Negotiation and finalisation of term sheet** **Final approval to authorise fund**	**Development of 100-day value creation plan for target company**	**Execution of 100-day plan** **On-going performance review** **Strategic direction and support on key initiatives**	**Exit opportunity/ channel identification** **Divestment execution**

OUTSOURCED PROGRAMME

To complement Direct Investment activities, Ekuinas also operates the Outsourced Programme with the objective to successfully develop and manage an outsourced fund programme to capable third party Outsourced Fund Managers (OFMs) which drives and supports the achievement of Ekuinas' financial and qualitative targets. The framework and guidelines of the programme are as presented in Exhibit 6 below:

Exhibit 6: Ekuinas' Outsourced Programme – Framework and Guidelines

Financial Targets	Same as Direct Investment • 12% IRR p.a. as a minimum target • 20% IRR p.a. aspirational target	**Sector Focus**	Open to all sectors or theme outside the ***negative investment list***:- • Gaming, liquor, property, construction • Companies with no Malaysian participation
Secondary Targets	Given limited control, focus on increasing: • Equity ownership • Senior Management • Employment *Delivery incentivised by way of offering higher profit share if targets achieved*	**Equity Stake**	• Focus on providing growth capital ie minority stake to support existing entrepreneurs/companies • Prefer stake < 50% and focus on new capital • But minimum of at least 20% stake to enable active participation

Other Key Outsourced Investment Guidelines

Fund Size	Investment Size	External Capital	Investment Period	Company Growth Stage	Compensation	Exits
• Range between **RM120 million to RM250 million** to facilitate sufficient deal sizes	• Prefer between **RM15 million to RM50 million** • Must not be less than RM15 million • Must not exceed 20% of Fund Size	• OFM must raise at least **20%** of Fund from external third party investors	• 3 to 5 years to facilitate value creation • No investment less than 1 year or exceed 7 years	• Focus on growth companies • No startups or developmental stage	• Ekuinas commits to paying industry level management fee and profit share to ensure performance	• Open to all avenues including listing and trade sale

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Ekuinas recognises that good corporate governance is the foundation of a successful organisation. It ensures key stakeholders' interests are preserved while enhancing corporate performance and accountability.

As a government-linked private equity fund management company, the Board and Management of Ekuinas are committed to the highest standards of corporate governance and to this end, have put in place key policies and procedures, while advocating good governance practices to all investee companies.

A pragmatic governance framework has been developed and approved by the Board, reinforcing long term value creation and striking a balance between risks and returns.

It aims to encourage innovation and entrepreneurship within the Company through efficient oversight and risk management framework.

<table>
<tr><th colspan="12">Ekuinas Corporate Governance Framework</th></tr>
<tr><th colspan="6">Statement of Good Governance</th><th colspan="6">Statement on Internal Control</th></tr>
<tr><td colspan="3">Board and Board Committees</td><td colspan="3">Directors' Roles and Responsibilities</td><td colspan="3">Internal System & Control</td><td colspan="3">Internal Audit Framework</td></tr>
<tr><td colspan="3">Stakeholder Management</td><td colspan="3">Accountability and Audit</td><td colspan="3">Risk Management Framework</td><td colspan="3">External Audit Framework</td></tr>
<tr><th colspan="12">Code of Ethics</th></tr>
<tr><th colspan="4">Director's Code of Ethics</th><th colspan="4">Employees' Code of Ethics</th><th colspan="4">Service Provider Code of Conduct</th></tr>
<tr><td colspan="12">Fraud & Whistle Blowing Policy</td></tr>
<tr><td colspan="12">Disclosure & Dealing in Securities</td></tr>
</table>

This statement provides a description on how Ekuinas has applied the key principles set out in the Malaysian Code on Corporate Governance (Revised 2007) (the Code) and the extent of its compliance with the best practices as set out in the Code throughout the financial year ended 31 December 2010.

BOARD OF DIRECTORS

The Board has approved a governance charter that delineates the key governance principles to be adopted by the Board. As set out in the charter, the members of the Board are expected to perform their duties with integrity, honesty and in a professional manner in accordance with the law in serving the interest of its stakeholders. The charter addresses, among others, the following matters:-

- Duties and Responsibilities of the Board;
- Code of Conduct;
- Composition of the Board;
- Board Meetings and Support;
- Board Committees;
- Separation of Power;
- Delegation of Authority;
- Stakeholder Engagement and Communication; and
- Internal Control and Audit Process.

Board Composition and Balance

The Board currently consists of five (5) members, comprising an Independent Non-Executive Chairman, one (1) Executive Director designated as the Chief Executive Officer and three (3) Independent Non-Executive Directors. Given that the majority of the Board is comprised of independent non-executive directors, objectivity on issues deliberated is maintained. The Independent Non-Executive Directors not only bring quality on impartiality and inquisitive minds on decisions made by the Board but also provide sound and valuable input in reaching such decisions.

The size and composition of the Board are reviewed from time to time by the Nomination and Remuneration Committee, which seeks to ensure that the size of the Board is conducive to effective discussion and decision-making, and that the Board has the appropriate number of independent directors. The Committee also seeks to maintain an effective balance of expertise, skills and attributes among the Directors including potential conflicts of interests.

Maintaining an Independent, Strong and Effective Board

The Board's composition reflects a proportion which is higher than the one-third minimum of independent directors as prescribed by the Code and the Bursa Securities Main Market Listing Requirements (Bursa Listing Requirements). The current structure of the Board and integrity of the individual Directors ensure that no single individual or group dominates the decision-making process.

The Board is led by active and experienced Board members with diversified professional backgrounds including industry and commercial, accounting and finance, business and management, regulatory and public service. This mix of skills and experience adds value in leading the strategic direction and performance of Ekuinas as it forges ahead to become a leading private equity organisation.

The independent non-executive directors, all of whom are well qualified and outstanding individuals, bring to the Board in-depth knowledge in their respective fields. They do not participate in the day-to-day operations and do not engage in any business dealings or other relationships with Ekuinas to ensure that they are capable of exercising judgement objectively and act in Ekuinas' best interest.

Profiles of the Board members are highlighted on pages 7 and 9 of this Annual Report.

Board's Conduct

The Board oversees the business affairs of Ekuinas and therefore, assumes responsibility for the following:-

- provide strategic guidance for Ekuinas by influencing how the objectives of Ekuinas are determined and achieved;
- enhance long term value for Ekuinas' stakeholders and preserve and protect the underlying value of Ekuinas for their benefit;
- provide effective oversight of the management of Ekuinas including its control and accountability systems;
- appoint and remove the Chief Executive Officer (CEO);
- ratify the appointment and, where appropriate, approve the removal of the Senior Management (based on the recommendation of the CEO);
- ascertain the development and succession planning for both the Board and Senior Management;
- provide input into and approve the Company's corporate strategy and annual budget;
- approve and monitor the progress of major capital expenditure, capital management and investment acquisitions/divestment;
- monitor compliance with all legal, tax and regulatory obligations;
- review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- monitor Management's performance and implementation of strategies and policies, while ensuring resources are available;
- approve and monitor financial and other reporting to the market, employees and other stakeholders; and
- approve the appointment, reappointment or replacement of the external auditor.

Ekuinas has also established Limits of Authority – authorisation and approval limits for key decisions, operating and capital expenditures, the procurement of goods and services, and the acquisitions and disposal of investments. Apart from matters which specifically require the Board's approval, the Board mainly approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Management so as to optimise operational efficiency.

Board Meetings

Board meetings are held at least once every quarter to review and approve the financial results and discuss reports by Management on the Company's performance, plans and proposals. A Board meeting is also held at the end of each financial year to consider and approve the Company's budget for the following year.

Further board meetings may also be held to specifically deliberate and approve investment considerations and other issues arising. Typically, at least once a year, the Board also meets senior management of investee companies for discussions on strategic matters, performance or any issues relating to specific business areas.

Attendance at Board and Board Committee Meetings

A record of the Directors' attendance at Board and Board Committee Meetings during the financial year is set out below:

Name of Director	Board	NRC	AC
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda	7/7	3/3	3/3
Tan Sri Mohamed Jawhar	7/7	3/3	3/3
Dato' Noriyah Ahmad	6/7	–	2/3
Datuk Mohamed Azman Yahya	7/7	3/3	–
Dato' Abdul Rahman Ahmad	7/7	–	–

Notes:
1. *NRC – Nomination and Remuneration Committee*
2. *AC – Audit Committee*

The Audit Committee shall meet at least four (4) times in a year in accordance with its terms of reference. Only three (3) meetings were held in 2010 given that it was the Company's first year of operations.

Division of Roles and Responsibilities between the Chairman and the Chief Executive Officer

To ensure an appropriate balance of power, the positions of Chairman of the Board and CEO are not held by a single person. A clear separation of roles promotes constructive debate and discussion at the Board level. Combining the two positions may render bias and impair the ability and willingness of Independent Directors to exercise their independent judgement. The Chairman and CEO are not related to each other.

The Chairman, who is non-executive, leads and facilitates the work of the Board at its meetings and is responsible for the leadership of the Board, its efficient organisation and function, and ensures principles and processes of the Board are maintained.

The CEO is accountable to the Board for the development and implementation of strategy, policies and conduct of Ekuinas.

Supply of Information

To assist the Board in discharging its duties, the Management furnishes comprehensive investment and financial reports on a regular basis. As a practice, the meeting agenda together with a set of Board papers containing information relevant to the matters deliberated at the Board meeting is forwarded to the Board members at least five (5) days before the Board meeting. This is to provide sufficient time for the Board members to review, consider and better understand the matters prior to the meeting where discussions may be focused on questions that they have on these matters.

Board papers are prepared in a well structured, consistent and concise format providing both quantitative and qualitative information thereby enabling informed decisions to be made. The Board papers include, among others, minutes of meetings of the Board as well as matters arising from such meetings, reports of meetings of all Board Committees including matters requiring the Board's deliberation and approval, quarterly financial and investment performance of the Company and other key developments for discussion and approval. The CEO, Managing Partner of Investment and Chief Financial Officer (CFO) are present at these presentations to address any queries which the Board may have.

Access to Resources and Independent Advice

The Board has ready and independent access to the CEO, Senior Management, Company Secretary as well as internal and external auditors at all times. The Board exercises its discretion to seek independent professional advice, if deemed necessary, to ensure that full information and advice is available before important decisions are made.

The Company Secretary assists the Board with the preparation of meeting agenda and administers, attends and prepares minutes of board proceedings, ensuring an effective information flow within the Board and its committees. The Management also assists the Board in implementing good governance practices and processes within the Company.

Appointments to the Board and Re-election of Directors

Ekuinas' Nomination and Remuneration Committee establishes and reviews the profiles required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors, with endorsement from Yayasan Ekuiti Nasional.

When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the Nomination and Remuneration Committee will review the range of expertise, skills and attributes on the Board and the composition of the Board. The Committee will then identify Ekuinas' needs and prepare a shortlist of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the Committee may seek advice from external search consultants.

Directors' Training

A dedicated budget for Directors' training is provided annually to encourage Directors to attend relevant and useful training which contribute to the effective discharge of their duties.

Directors are regularly updated on the Company's businesses which include presentations by Senior Management and external consultants/experts on strategic issues relating to specific areas or industry. The Directors also attend training to keep abreast with current developments as well as the new statutory and regulatory requirements.

BOARD COMMITTEES

To assist the Board in the efficient discharge of its responsibilities in providing independent oversight of the Company's management, a number of board committees (Board Committees) have been established, as set out below:-

- Nomination and Remuneration Committee;
- Audit Committee; and
- Investment Committee.

Functions and written Terms of Reference of all Board Committees are clearly defined and where applicable, comply with the recommendations of the Code. The authority and terms of reference will be reviewed periodically to ensure that they are relevant and updated.

Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the Board Committees. The recommendations and decisions made by each Board Committee are recorded and minuted. A summary of these Committees' reports and deliberations are incorporated into the minutes of the Board meetings.

A brief description of each Board Committee is provided below:-

(a) Nomination and Remuneration Committee (NRC)

The **Nomination and Remuneration Committee** comprises three Independent Non-Executive Directors, all of whom are independent of Management and free from any business or other relationship which could interfere with the exercise of their independent judgement. They are as below:-

Chairman: Tan Sri Mohamed Jawhar
Members: Raja Tan Sri Dato' Seri Arshad Raja Tun Uda
Datuk Mohamed Azman Yahya

There were three (3) meetings held during the financial year and the attendance record of each member is set out in the table on page 77.

Terms of Reference

The primary responsibility of the NRC in accordance with its terms of reference is to assist the Board with the following functions:-

a. *Main Functions*

In relation to nomination, its responsibilities shall include the following:

- to nominate and recommend to the Board, candidates to be appointed as Director of the Company;
- to consider in making its recommendations, candidates for directorships proposed by the CEO or by any senior executive or any director or shareholder;
- to recommend to the Board, directors to fill the seats on board committees;
- to assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board; and
- to assist the Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, the committees of the Board and the individual director on an annual basis.

In relation to remuneration, its responsibilities shall include the following:

- to determine and recommend to the Board the framework or broad policy for the remuneration package of the Company's Chief Executive Officer (CEO), and such other members of the Management as it is designated to consider;
- to establish a formal and transparent procedure for developing policy on the total individual remuneration package of the CEO and other designated Management including, where appropriate, bonuses, incentives and shadow options;
- to design the remuneration package for CEO and other designated Management with the aim of attracting and retaining high-calibre Management who will deliver success for shareholders and high standards of services for stakeholders, while taking into consideration the business environment in which the Company operates. Once formulated, to recommend to the Board for approval;
- to review and recommend to the Board any improvement on designated Management remuneration policy and package and other issues relating to benefits for the Management on an annual basis;
- to review any major changes in employee benefit structures throughout the Company, and if deemed fit, to recommend to the Board for adoption; and
- to review and recommend to the Board for adoption the framework for the Company's annual incentive scheme. The framework for the annual incentive scheme may include :-
  - Merit increment;
  - Merit bonus; and
  - Retention and reward incentives.

b. *Authority*

In exercising its responsibilities in relation to the issue of remuneration:-

- the NRC is authorised by the Board to seek any information it requires from any employees of the Company in order to perform its duties; and
- the NRC is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice including the advice of independent remuneration consultants, to secure the attendance of the external advisers at its meeting if it considers necessary, and to obtain reliable, up-to-date information about the remuneration in other companies.

The NRC shall have the full authority to commission any report or survey which it deems necessary to help it fulfil its obligations.

c. *Composition of Members*

The NRC shall consist of at least three (3) non-executive directors, all of whom are independent of Management and free from any business or other relationship which could interfere with the exercise of their independent judgement. One of the independent directors shall be the Chairman of the NRC.

d. *Secretary*

The Secretary of the Company and/or Secretaries shall be appointed as the Secretary of the NRC.

e. *Meetings*

- Meetings are to be held at least once a year or as and when necessary.
- At least seven (7) days' notice of the NRC meeting shall be given to the members of the NRC present in Malaysia.
- Any two members present shall constitute a quorum.
- The Chairman of the meeting shall have a casting vote in case of equality of votes.
- The Secretary is responsible for co-ordination of administrative details including calling for the meetings, voting and keeping of minutes.
- A resolution signed by all members of the NRC shall be effective as a resolution passed at the NRC meeting duly convened and held, and may consist of several documents in the like form, each signed by one or more members of the NRC.

(b) Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors namely:-

Chairman: Raja Tan Sri Dato' Seri Arshad Raja Tun Uda
Members: Tan Sri Mohamed Jawhar
Dato' Noriyah Ahmad

Further details on the Terms of Reference and summary of activities of the Audit Committee during the financial year are set out in the Audit Committee Report on pages 90-95 of this Annual Report.

(c) Investment Committee

The Investment Committee is made up of members of the Senior Management of the Company and one independent non-executive director, Datuk Mohamed Azman Yahya, who chairs the Investment Committee. The structure is a common practice in most private equity organisations to ensure investment decisions can be made on a timely basis with adequate oversight, strong commitment and accountability from the investment professionals. The Investment Committee is generally responsible for reviewing all proposed investment transactions and, where viable, to recommend for final approval by the Board. All investment decisions are made by the Board.

DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Company successfully. In the case of the Executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The NRC recommends to the Board the framework of the remuneration package for the Executive Director. It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director.

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2010, with categorisation into appropriate components are as follows:-

Remuneration (RM)	Executive Director	Non-Executive Directors
Fees	–	283,500
Salary and other remuneration		
• Fixed (including EPF and allowances)	887,040	–
• Variable	605,168	–

The remuneration paid to Directors during the year, analysed into bands of RM50,000, which complies with the disclosure requirements under Bursa Malaysia Listing Requirements is as follows:-

Range of remuneration (RM)	Executive Director	Non-Executive Directors
RM50,000 – RM100,000	–	4
RM1,450,001 – RM1,500,000	1	–

RELATIONSHIP WITH STAKEHOLDERS

In fulfilling its role and objectives as a government-linked private equity fund management company, Ekuinas deals with a range of stakeholders. The Company recognises the importance of maintaining transparency and accountability while managing a successful and productive relationship with the Company's stakeholders. The full commitment to maintain transparency and accountability is part of Ekuinas' good corporate governance practices apart from ensuring regulatory requirements are adequately met.

Stakeholder Engagement and Communication

The Company has adopted comprehensive stakeholder management and communication policies and reviews the policies on a regular basis. The aforesaid policies regulate the way the Company interacts with the different stakeholder groups including the general public, media, government bodies and authorities in compliance with its continuous and timely disclosure requirements.

Ekuinas places great importance on communicating with and reaching out to our stakeholders. The Company engages proactively and regularly with key stakeholders on issues of importance to understand any concerns and expectations and is therefore able to respond coherently and appropriately.

Annual Report

In addition to making media announcements, the Company also aims to provide its stakeholders with information on business, financials and other key activities in the Annual Report of the Company. The Board aims to present clear and comprehensive disclosures in the Annual Report, in accordance with its Disclosure Policy and the principles set out in the Bursa Listing Requirements and the Malaysian Code on Corporate Governance.

Employees' Code of Ethics

The Company's Code of Ethics ensures that all employees observe and maintain high ethical business standards of honesty and integrity in all aspects of the Company's operations. The Code of Ethics highlights key issues to help employees perform their duties in line with the Company's standards such as ensuring a safe work environment, effectively managing the Company's assets and property, safeguarding confidential and proprietary information as well as dealing with external parties such as customers, clients, investee companies, vendors, contractors, media, competitors and government agencies.

Press Announcements

The Company also issues press releases and organises press conferences to provide updates on the Company's progress, significant corporate developments and business initiatives.

Disclosure of Dealings in Securities

In line with the Company's commitment to reinforce high ethical business standards, an Insider Trading and Disclosure Policy has been put in place. Ekuinas' employees are required to sign the Professional Conduct Undertaking which provides guidelines on non-disclosure of confidential information, conflict of interests and prohibition of insider trading during their employment with the Company. A list is circulated on a regular basis to all employees highlighting the listed securities that employees are restricted from investing.

Service Provider Code of Conduct

The Company believes that relationships with service providers should be based on the principles of integrity, honesty and accountability, and strongly opposes any form of bribery or corruption. With this objective, the Service Provider Code of Conduct requires all major service providers including consultants, professional advisors and key suppliers to adhere to this Service Provider Code when conducting business with Ekuinas. Ekuinas may take the necessary action for breaches of this Service Provider Code which includes but are not limited to termination and preclusion from proposing any work for Ekuinas for a pre-determined period.

Fraud Prevention Manual

With the objective of preventing fraud and to ensure an impartial and transparent platform is provided for employees to report fraud or any fraudulent activity, the Company has adopted a Fraud Prevention Manual. The Manual has two sections, namely the Anti-Fraud Policy and the Whistle-Blowing Policy, which outline when, how and to whom a particular concern may be properly raised and allow the whistleblower to raise a concern beyond their reporting line.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance in all disclosures made to the stakeholders. The Board, assisted by the Audit Committee, oversees the financial reporting process and quality of financial reporting, besides reviewing and monitoring the integrity of the Company's financial statements. It also reviews the appropriateness of the Company's accounting policies and the changes to these policies, and ensures these financial statements comply with the accounting and regulatory requirements as well as good corporate governance practices.

Internal Control

The Board has the responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations in compliance with the applicable laws and regulations, as well as internal procedures and guidelines.

The Statement on Internal Control, which provides an overview of the state of internal controls within the Company, is set out on pages 88 – 89 of this Annual Report.

Relationship with External Auditors

The Board, through the Audit Committee, has established a formal and transparent relationship with the Company's auditors, both external and internal. The Audit Committee meets regularly with the external and internal auditors to discuss and review the audit plan, quarterly financial performance, annual financial statements and any audit findings, and makes recommendations for the Board's approval. During the year, the Board has met with the external auditors without the presence of the management, in line with the best practice requirements.

A report by the Audit Committee is provided on pages 90 – 95 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 10 March 2011.

OVERALL RISK MANAGEMENT POLICY AND FRAMEWORK

The Board has approved the Risk Management Policy and Framework for the Company during the year under review. Ekuinas' Risk Management Policy and Framework provide clear accountability and responsibility for the risk management process, including identification and management of risks which could materially impact the Company's strategic objectives or execution.

Risk management is embedded into the Company's critical business activities, functions and processes. Risk mitigation and controls are designed and implemented to reasonably assure the achievement of the Company's strategic objectives.

The Board is ultimately responsible for risk management, which includes the Company's governance or oversight structure and maintaining an appropriate internal control framework. The Management's responsibility is to manage risk on behalf of the Board. They are also expected to exercise a more rigorous review of risks for any specific strategic proposal or transaction and ensure that risk issues are identified, analysed, prioritised and managed in a consistent manner.

MITIGATION STRATEGIES

The Company has identified the following types of risks – strategic, financial, operational and investment. These four risks are not exhaustive and the investment risks are considered the most critical business risks within the Company.

The Company has established a Risk Management Committee, which is chaired by the CEO, to monitor changes in risk environment, review risk reports from Management and report to the Board and Audit Committee on a quarterly and yearly basis.

The Company's risk management framework is a pragmatic guide on the identification and management of risk that is central in delivering the strategic objectives. The effectiveness of the risk mitigation framework is systematically reviewed and improved.

To manage financial risks, the Company's treasury policies and financial authority limits are documented, reviewed periodically and reported to the Board. Any significant financial risks such as liquidity, gearing, net debt and credit exposure are regularly identified, assessed, addressed and reported to the Board. The approved policies set out the parameters for management of the Company's liquidity, counterparty risk and financing.

Operational risk, which is inherent in all business activities, is the risk of potential financial loss arising from failures in internal controls, processes or systems that support them. It is recognised that operational risk can never be entirely eliminated and that the cost of minimising it may outweigh the potential benefits. Accordingly, the Company manages operational risks by putting in place policies and standard operating procedures, documented limits of authority and a regular reporting framework which encompass operational and financial reporting.

To mitigate investment risks, the Company's investment decision-making process is guided by investment parameters instituted via the Company's Investment Framework. This Framework has been documented and approved by the Board to ensure deals undertaken are within key investment criteria where the priority sectors are identified based on a transparent screening approach. The framework has been adopted in all investment processes and potential investment transactions.

Ekuinas' investment framework incorporates risk management with rigorous review of risks for all strategic and specific proposal or transactions to ensure risks are identified, analysed, prioritised and managed in a consistent manner.

All investments are subject to rigorous scrutiny to ensure that they are in line with the Company's strategic focus, meeting the relevant rates of return and covers all other relevant risk factors such as industry and execution risks. In addition, the Board requires that all investment proposals submitted to the Board are accompanied by a comprehensive risk assessment and corresponding proposed mitigation strategies by Management.

INVESTMENT CONTROLS

In most investment cases, Ekuinas' senior representatives are appointed on the executive management committee and board of the investment companies to actively participate in the strategic direction, key decision-making process and major operational areas.

While preserving good rapport with the management of investee companies, Ekuinas also engages in key operational processes for value creation initiatives and advocates good governance and best practices.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board acknowledges its overall responsibility to maintain a sound internal control system that ensures adequacy and integrity through a process of review, monitoring and assurance. It should, however, be noted that the system can only provide reasonable but not absolute assurance against material losses, fraud, misstatements or breaches of laws or regulations. The Chief Executive Officer (CEO) and Management play an integral role in assisting the design and implementation of the Board's policies on risks and controls.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The Management assists the Board in the implementation of the Board's policies and procedures on risks and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY INTERNAL CONTROL PROCESSES

The Board is fully committed to maintaining a strong control structure and environment for the proper conduct of the Company's operations. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls, among others, are as follows:-

- **Audit Committee**

  The Audit Committee is wholly comprised of Non-Executive independent members of the Board and has full access to both internal and external auditors. It meets with the external auditors without any Management present, at least once a year. The Corporate Governance & Risk Management (CGRM) department, which is the internal audit function for the Company, reports directly to the Audit Committee.

- **Policies and Standard Operating Procedures (SOP) Framework**

  Written procedures on key processes within the Company are documented, implemented and communicated by Management to staff in accordance with the approved Policy and SOP Framework by the Board. Approved policies by the Board are supported with documented procedures to manage operational risks.

- **Documented Limits of Authority**

  Approved Limits of Authority are imposed on the Management in respect of the day-to-day operations, investment decisions, acquisitions and disposal of assets as a control to minimise any risk of abuse of authority.

- **Human Resources Policies and Procedures**

  There are proper guidelines within the Company for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other related procedures to ensure that staff are competent and adequately trained in carrying out their duties and responsibilities.

- **Code of Ethics**

  The Senior Management and Board set the tone at the top for corporate behaviour and corporate governance. The Code of Ethics identifies areas and situations where public trust and confidence might be compromised or a law might be violated and reiterates the high standards of conduct that are associated with ethical business practices. It is a requirement for all staff to understand the Code of Ethics and to acknowledge and sign off on the declaration form.

- **Budgeting Process**

  All departments within the Company are required to prepare budgets annually towards an overall budget and plan to be approved by the Board. A reporting system on actual performance against budgets is in place and any significant variance detected would be reported to the Board.

- **Fraud Prevention Manual and Whistle Blowing Policy**

  The manual and policy is built into the Company's culture and further entrenches the Company's zero tolerance to fraud. It also promotes a transparent and open environment for fraud reporting within the Company.

- **Service Provider Code of Conduct**

  The Service Provider Code applies to major suppliers, contractors, consultants and advisors doing business with Ekuinas and provides guidance on what Ekuinas believes to be sustainable business relationships based on principles of integrity, honesty, accountability and compliance with laws and regulations.

- **Performance Management**

  The Company is committed to attract and retain competent, dedicated and talented employees. Various initiatives have been undertaken to ensure the employees are equipped with the qualities and skills through ongoing emphasis on performance management and human capital development. To create a high performance work culture, performance review and compensation are linked to sets of key performance indicators that are aligned with the Company's vision and mission.

- **Risk Assessment and Management**

  The Company has developed and formalised the Risk Management Policy and Framework during the year. Rigorous reviews of risks are undertaken for any strategic or major proposal or transaction where risk issues are identified, analysed, prioritised and managed in a consistent manner.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report for the year ended 31 December 2010 and have reported to the Board that nothing has come to their attention that would cause them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

AUDIT COMMITTEE REPORT

The Board of Directors of Ekuinas is pleased to present the report on the Audit Committee for the financial year ended 31 December 2010.

ESTABLISHMENT AND COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee was established during the year in line with the Malaysian Code of Corporate Governance and Bursa Malaysia Listing Requirements. The Audit Committee members were appointed from amongst the Company's Board members and fulfill the following requirements:-

- comprise not fewer than three (3) members;
- majority are independent directors;
- all members are non-executive;
- at least one should be a member of an accounting association; and
- no alternate director can be appointed as a member of audit committee.

The composition of the Audit Committee is as listed below:-

Name of Director	Status of directorship	No. of Meetings Attended
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda (Chairman of the Committee)	Independent Non-Executive Director	3/3
Tan Sri Mohamed Jawhar	Independent Non-Executive Director	3/3
Dato' Noriyah Ahmad	Independent Non-Executive Director	2/3

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. Given that the Audit Committee was established during the financial year pursuant to the Company's first year of operation, there were three (3) meetings held during the financial year, and the attendance record of each member is as above. Moving forward, however, the Audit Committee will meet at least four (4) times a year.

The CEO, Managing Partner of Investment, Chief Financial Officer, Director of CGRM and external auditor's representatives attend the meetings as and when appropriate. The Audit Committee has also conducted a meeting with the external auditor without the presence of management.

Minutes of each meeting are kept and distributed to each member of the Audit Committee as well as the other members of the Board. The Chairman of the Audit Committee makes a report on each meeting to the Board.

OBJECTIVES

The main responsibilities of the Audit Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance and risk management.

Terms of Reference

In performing its duties and discharging its responsibilities, the Audit Committee is guided by the Terms of Reference as follows:-

Composition of Members

The Committee must be appointed from amongst its Directors and fulfill the following requirements:-

- the Audit Committee must be composed of not less than three (3) members;
- a majority of the members must be independent directors and all members must be non-executive; and
- at least one member of the Audit Committee,
    - ¤ must be a member of the Malaysian Institute of Accountants (MIA); or
    - ¤ if s/he is not a member of the MIA, s/he must have at least three (3) years' working experience and:
        - – S/he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
        - – S/he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- the Chairman shall be an Independent, Non-Executive Director. No alternate director is appointed as a member of the Audit Committee;
- in the event that any vacancy in the Audit Committee results in the non-compliance of the above requirements, the Company must fill the vacancy within three (3) months; and
- the Company Secretary shall act as Secretary to the Audit Committee.

Scope

- The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries, and all employees shall be directed to co-operate as requested by members of the Committee;
- the Audit Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities;
- the Audit Committee shall provide assistance to the Board in fulfilling its fiduciary responsibilities particularly relating to business ethics, policies and financial management control;
- the Audit Committee shall maintain a direct line of communication between the Board, External Auditors, Internal Auditors and Management through regularly scheduled meetings;

- the Audit Committee shall provide greater emphasis on the audit functions by increasing the objectivity and independence of External and Internal Auditors and providing a forum for discussion that is independent of the Management;
- the Audit Committee may invite any person to the meeting to assist the Audit Committee in decision-making process and that the Audit Committee may meet exclusively as and when necessary; and
- serious allegations that have financial implications against any employee of the company shall be referred to the Audit Committee for investigation to be conducted.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- the authority to investigate any matter within its terms of reference;
- the resources which are required to perform its duties;
- full, free and unrestricted access to any information, records, properties and personnel of the Company and any other subsidiaries (if any) or sister companies;
- direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- able to obtain independent professional or other advice; and
- able to convene meetings with the external auditors and internal auditors together with other independent non-executive members of the Board, excluding the attendance of any executive directors, at least once a year or whenever deemed necessary.

Meetings

- The Audit Committee shall meet at least four (4) times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the Audit Committee shall be two (2);
- at least once a year, the whole Board shall meet with the external auditors without the presence of any executive Board member/Chief Executive Officer or Senior Management;
- the Secretary is responsible for the co-ordination of administrative details including calling for meetings, voting and keeping of minutes;
- in addition to the Audit Committee members, the Chief Financial Officer and the Director of CGRM are invited for attendance at each meeting. The Head of companies/departments and their management team will attend when audit reports on their companies/departments are tabled for discussion. The presence of External Auditors will be requested when required;
- the Chairman shall, upon the request of the External Auditor, convene a meeting of the Audit Committee to consider any matter the External Auditor believes should be brought to the attention of the directors or shareholders; and
- the auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee with the following groups will be as follows:

(a) Board

- To obtain satisfactory response from Management on reports issued by internal and external auditors and report to the Board:
  - ¤ Significant findings identified and the impact of the audit findings on the operations;
  - ¤ Deliberations and decisions made at the Audit Committee's level with focus given to significant issues and resolutions resolved by the Audit Committee, on a regular basis; and
  - ¤ A summary of material concerns and weaknesses in the control environment noted during the year and the corresponding measures taken to address the issues.
- to oversee the function of the CGRM department and report to the Board significant changes in the business and the external environment, which affect key risks;
- where the review of audit reports of subsidiaries and any related corporations also falls under the jurisdiction of the Audit Committee, all the above mentioned functions shall also be performed by the Audit Committee in co-ordination with the Board of Directors of the subsidiaries and related corporation;
- to review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Company's operations; and
- to consider other areas as defined by the Board.

(b) External Auditors

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To discuss with the external auditors, their audit report and evaluation of the system of the internal controls; and
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - ¤ any changes in accounting policies and practices;
  - ¤ significant adjustments arising from the audit;
  - ¤ the going concern assumption; and
  - ¤ compliance with accounting standards and other legal requirements.

(c) Internal Auditors

- To discuss problems and reservations arising from the external audits, and any matter the auditor may wish to discuss;
- To oversee the internal audit function by:
  - ¤ Reviewing the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - ¤ Reviewing the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;
  - ¤ Reviewing any appraisal or assessment of the performance of members of the internal audit function;
  - ¤ Determining and recommending to the Board the remit of the internal audit function, including the remuneration of the Director of CGRM;
  - ¤ Approving any appointment or termination of senior staff members of the internal audit function;
  - ¤ Informing itself of resignations of internal audit staff members and providing the resigning staff member with an opportunity to submit his reasons for resigning;
  - ¤ Ensuring on an on-going basis that Internal Audit has adequate and competent resources;
  - ¤ Monitoring closely any significant disagreement between Internal Audit and Management irrespective of whether they have been resolved; and
  - ¤ To consider the major findings of internal investigations and Management's response.

(d) Related Party Transaction

- To consider any related party transactions that may arise within the Company including any transaction, procedure or course of conduct that raises questions of Management's integrity.

ACTIVITIES

In line with the terms of reference for the Audit Committee, the following activities were carried out during the financial year:-

- Review and approval of the audit plan of the CGRM department and external auditor, including their scope of work for the financial year prepared by the CGRM department and external auditor respectively;
- Review of the reports for the Company prepared by CGRM and external auditor and consideration of issues and action plans;
- Review and approval of the Company's Internal Audit Charter;
- Review of the quarterly and annual reports of the Company, prior to submission to the Board for consideration and approval;
- Review of the proposed key policies and procedures for adoption by the Company, prior to submission to the Board for consideration and approval;
- Review of the risk management policy and framework for adoption by the Company, prior to submission to the Board for consideration and approval;
- Meeting with the external auditor without management presence;
- Review of the fees of the external auditor; and
- Review of the reports on the Audit Committee, Statement on Internal Control, Statement on Corporate Governance and Statement on Risk Management, prior to their inclusion in the Company's Annual Report.

INTERNAL AUDIT FUNCTION

The Company has an internal audit function which is carried out by the CGRM department. The Director of CGRM reports to the Audit Committee and administratively to the CEO. The function has an approved Charter that provides for its independence in evaluating and reporting on the adequacy, integrity and effectiveness of the overall internal control system, risk management and corporate governance in the Company using a systematic and disciplined approach.

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company.

The reviews and control improvement initiatives conducted by CGRM were defined in an annual audit plan that was reviewed and approved by the Audit Committee during the financial year. Given its first year of establishment, most deliverables during the year were related to formulating and expanding the governance framework within the Company. Examples of these initiatives include the issuance of governance charter, overall policies and procedures framework, policies and procedures in key processes for adoption, documented limits of authority, code of ethics, risk management policy and framework, service provider code of conduct, whistle blowing and fraud prevention manual and insider trading policy.

CGRM also engages with the Management of investee companies to advocate implementation of good governance and best practices.

This report is made in accordance with a resolution of the Board of Directors dated 10 March 2011.

DISCLOSURE POLICY

As a private equity firm mandated to manage and invest public funds, Ekuinas is a public interest entity operating in a highly regulated environment. We thus strive to be transparent to all stakeholders including the government, our investee companies, the media and ultimately the Malaysian public. To this end, the Company has established a disclosure framework which is market-friendly, transparent and benchmarked against best practices.

Ekuinas' disclosure guidelines were formulated based on several industry guidelines including those outlined in the Walker Guidelines Monitoring Group 2007, a private equity monitoring group on transparency and disclosure, and the European Private Equity & Venture Capital Association (EVCA) Reporting Guidelines 2006, among others. The framework was also established following a comprehensive study of disclosures provided by leading private equity companies, sovereign wealth funds and hedge funds around the world.

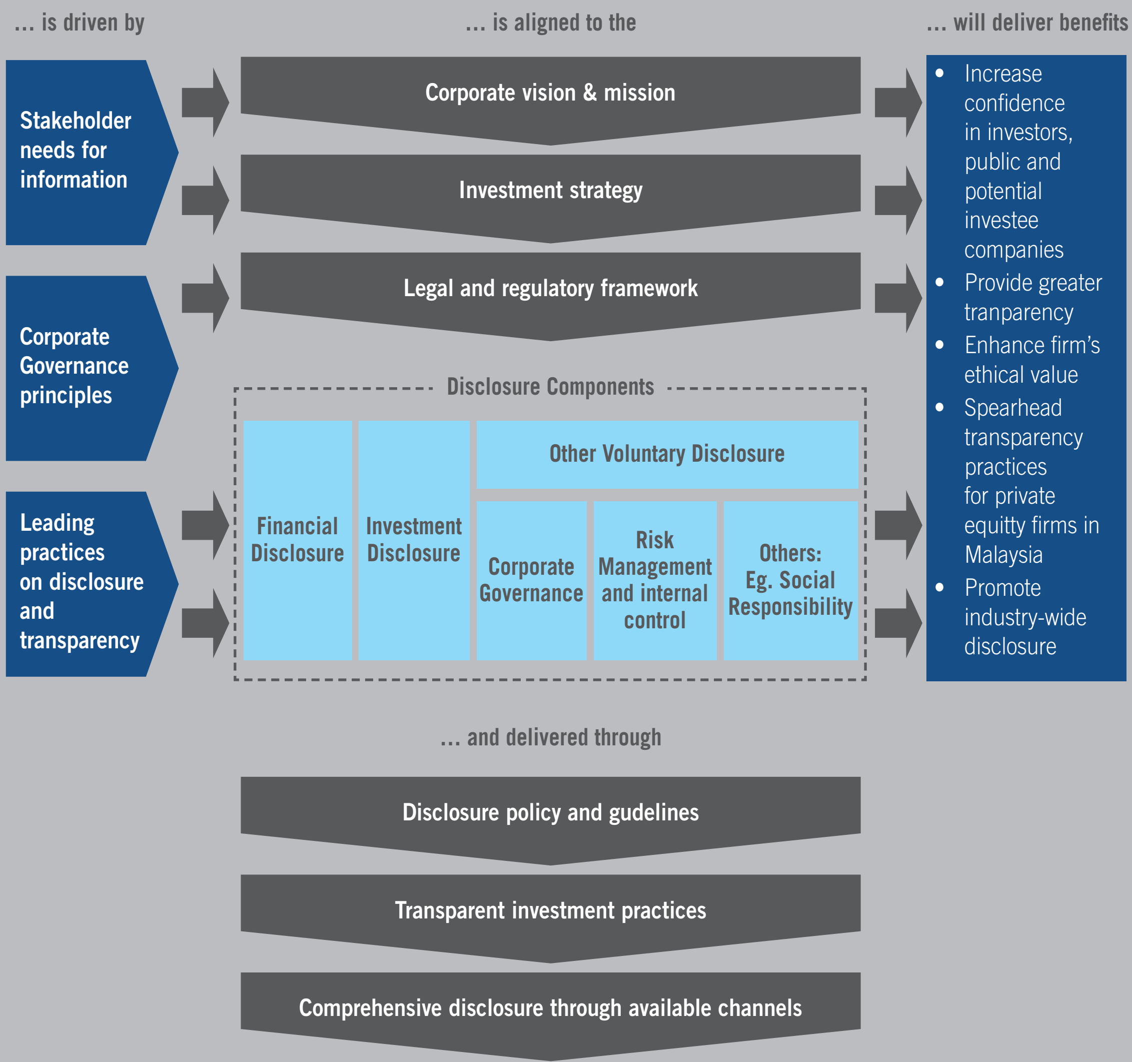
The disclosures ranged from providing minimum information such as contact details and basic information on company websites, to the average provision of strategies and objectives, acquisitions and disposals, as well as portfolio performance. The benchmarks for Ekuinas were, however, organisations such as UK-based **3i plc** and the Norway Government Pension Fund, which provide full disclosure of all portfolio holdings and ownerships, background on the management team, profiles of selected portfolios, as well as audited annual reports and financial statements.

Ekuinas is committed to provide fair and comprehensive disclosure of corporate information, in line with the best practices adopted by global private equity firms. We will comply with all laws and regulations to ensure communications to the public are disseminated according to applicable legal and regulatory requirements.

Our key guiding principles on disclosure are:

- Benchmarked against leading private equity and sovereign wealth fund industry practices;
- Material information must be disclosed fairly and comprehensively to the public via annual reports and broadly disseminated news releases;
- Responsive to requests for information from our key stakeholders, while at the same time adhering to the rules and guidelines of this disclosure policy; and
- In the event that we are not able to disclose any information in cases where co-investment partners demand confidentiality or where disclosure would materially impact value creation plans, we would provide due explanation.

EKUINAS DISCLOSURE FRAMEWORK



EKUINAS IN THE NEWS

kembang syarikat

da pengusaha Bumiputera terajui pasaran dalam lima tahun

RAJA ARSHAD...labur syarikat kecil

ABD RAHMAN...sasar pulangan dua angka

m Konsortium Logistik Bhd.

n ketiga Ekuinas RM206j

ABDUL Rahman Ahmad (kanan) menjawab soalan pemberita Konsortium Logistik Bhd. di Kuala Lumpur, semalam. Hadir Ekuinas ialah Raja Tan Sri Arshad Raja Tun Uda.

mbil alih 56.5 epentingan KLB

babitan dalam sektor logistik RM50b

Arshad Raja Tun Uda

APIIT, UCTI, Sapura Smart School pada harga RM102

abur bidang baharu

Alliance Cosmetics

Ekuinas' 3rd venture by year-end

KUALA LUMPUR: State private equity fund manager Ekuiti Nasional Bhd (Ekuinas) will announce its third investment before year-end, said chief executive officer Datuk Abdul Rahman Ahmad.

He said the investment would see the company's involvement in the management buyout of existing units of any government-linked companies (GLCs), public-listed companies (PLCs) or multinational corporations (MNCs).

"We are talking with a number of parties but we have not decided on any company or sector," he told reporters after Tanjung Offshore Bhd's EGM yesterday.

Set up in September 2009 as the goverment-linked special-purpose vehicle, Ekuinas has made two deals so far.

It first invested RM40mil in a vehicle that would control 80% of cosmetics maker Alliance Cosmetic Group together with Navis Capital Partners. More recently, it acquired a 20% stake in Tanjung Offshore through wholly-owned subsidiary E-Cap (Internal) One Sdn Bhd for RM73.4mil, or RM1.30 a share.

"This (third investment) is to fulfil our third objective of investing in the non-core assets of GLCs, PLCs or MNCs," Abdul Rahman said.

He said Ekuinas would pursue buyout transactions with an investment size of at least RM30mil and a meaningful effective stake of not less than 20% to enable it to become an active shareholder.

Ekuinas manages an initial fund of RM500mil which will be enlarged to up to RM10bil eventually.

Under the Ninth and 10th Malaysia Plans, it is expected to make private equity investments directly in companies and other private equity funds of up to RM5bil until 2015.

Meanwhile, Ekuinas said it received Tanjung Offshore shareholders' approval for the subscription of 26 million new Tanjung Offshore shares under a special share placement exercise, in conjunction with the acquisition of 20% stake in the company.

This exercise was expected to be completed by next week, it said.

Ekuinas said the exercise was expected to raise RM33.8mil, which would be used for the working capital of Tanjung Offshore and repay its borrowings, which amounted to RM587.3mil as at June 30.

It said the stake acquisition exercise also involved the purchase of another 30.5 million existing shares via a share sale agreement with former Tanjung Offshore executive director Abdullah Hashim and his affiliates.

"Following the acquisition, Ekuinas, via E-Cap, will own about 19.83% stake in Tanjung Offshore, while another 4.74% and 34.39% will be held by Tanjung Offshore managing director Omar Khalid and Abdullah respectively.

"The balance of 7.53% is owned by Tabung Haji," it said. — Bernama

Pelaburan ini memenuhi objektif utama Ekuinas

Ekuinas beli Tanjung Offshore

KUALA LUMPUR 17 Jun – Ekuiti Nasional Berhad (Ekuinas) telah memeterai perjanjian untuk memiliki 20 peratus pegangan di dalam Tanjung Offshore Bhd. (Tanjung Offshore) pada harga RM73.4 juta.

Transaksi itu melibatkan dua perjanjian iaitu perjanjian langganan untuk 26 juta saham baru syarikat di bawah penempatan saham istimewa (Special Share Placement) dan pemilikan 30.5 juta saham sedia ada di bawah perjanjian jualan saham dengan bekas Pengarah Eksekutif Tanjung Offshore Abdullah Hashim.

Kedua-dua transaksi adalah pada harga yang sama iaitu RM1.30 sesaham dan akan membolehkan Ekuinas memiliki 20 peratus kepentingan dalam penyedia penyelesaian menyeluruh minyak dan gas (O&G) Malaysia, Tanjung Offshore menepati kriteria pelaburan Ekuinas dan menunjukkan prestasi baik dengan potensi pertumbuhan.

RAJA ARSHAD TUN UDA

"Kami teruja untuk memainkan peranan untuk mempercepatkan pertumbuhan Tanjung Offshore untuk menjadi pemain utama dalam sektor O&G Malaysia tetapi di peringkat rantau juga," kata beliau dalam kenyataannya di sini hari ini.

"Sebagai sebuah syarikat sedang membangun dalam penyedia penyelesaian menyeluruh minyak dan gas (O&G) Malaysia, Tanjung Offshore menepati kriteria pelaburan Ekuinas dan menunjukkan prestasi baik dengan potensi pertumbuhan

– RAJA TAN SRI ARSHAD RAJA TUN UDA
Pengerusi Ekuinas

ditanggung anak syarikat yang baru dimilikinya Citech Energy Recovery Systems UK Ltd, dan keadaan pasaran mencabar.

Sementara itu, Ketua Pegawai Eksekutif Ekuinas, Datuk Abdul Rahman Ahmad berkata, pelaburan Tanjung Offshore telah memenuhi salah satu daripada objektif pelaburan utama Ekuinas iaitu membantu ... panjang Tanjung Offshore dan berharap untuk turut serta dalam pertumbuhan syarikat," jelasnya.

Pengarah Urusan dan pemegang saham terbesar Tanjung Offshore, Omar Khalid akan terus menerajui syarikat itu.

Beliau berkata, Tanjung Offshore berbangga untuk mempunyai Ekuinas se...

Ekuinas vows investment transparency

By Adeline Paul Raj
bt@nstp.com.my

EKUITI Nasional Bhd (Ekuinas) will strive to be as transparent as it can on its investments as long as it doesn't jeopardise its competitiveness, its chief said.

The private equity (PE) firm, set up by the government to boost Bumiputera participation in the economy, plans to follow the typical investment disclosures of its global peers, chief executive officer Abdul Rahman Ahmad said.

He said Ekuinas would provide what is deemed "necessary information" on its investments, but this would be done on a progressive basis rather than every time an investment is made.

The firm can't say yet how regularly it will provide such reports.

"I hope you appreciate that in the PE world, sometimes it's very important to keep certain information private and confidential for competitiveness purposes. So I think we need to balance the two.

"But we are cognisant that this is a fund provided by the public, the government, and so will ensure that there is enough sufficient disclosure to ensure transparency," he said at a media briefing yesterday.

What will Konsortium Logistik hold for Ekuinas?

BY Nadia S Hassan

Considering that Konsortium Logistik Bhd closed at RM1.56 on Friday, it does appear that the offer by Ekuiti Nasional Bhd (Ekuinas) to mop up shares in the company will not be taken up by the minorities.

The fact that Ekuinas wants to keep Konsortium Logistik's listing status adds credence to the theory that taking the company private is not part of a grand scheme by the government equity arm.

That being the case, what is the appeal of Konsortium Logistik for Ekuinas?

Ekuinas' purchase of a 56.5% stake in Konsortium Logistik for RM206.6 million, or RM1.55 per share, represents its third investment since the beginning of the year and second in a public-listed entity. It also triggered a mandatory general offer.

Although most are in agreement that it looks like a good buy for Ekuinas, on the face of it there doesn't seem to be much upside for Konsortium Logistik going forward. Its core business of logistics and charter is highly competitive, and its earnings while steady can hardly be classified as stellar.

Over the past three years, Konsortium Logistik has been reporting revenue of above RM200 million and net profit of above RM20 million. However, with Ekuinas behind the current management and having board representation, this is set to change.

According to Ekuinas' CEO Datuk Abdul Rahman Ahmad, Konsortium Logistik's next step would be a widening of its reach.

"The plan for the company is to expand its logistics services for other industries such as oil and gas," Abdul Rahman tells *The Edge*. Right now, the sector in which Konsortium Logistik has the biggest presence is automotive.

He adds, "Ekuinas has outlined a value creation plan for the company, which should take between three and five years."

However, most analysts and fund managers are recommending that shareholders reject the MGO as it does not reflect the upside from having Ekuinas as a shareholder.

Even with the possibility of not having total control, Ekuinas' other plans for Konsortium Logistik include working with its current management to enhance efficiencies to drive its cost savings and improve margins.

Among the reasons Ekuinas chose the company was that it is one of the country's leading logistics providers, with a considerable underutilised balance sheet and assets, which offers significant value creation.

But could it also be part of a much bigger plan? In June, Ekuinas had acquired a 20% stake in Tanjung Offshore Bhd, which offers services to the oil and gas industry.

Given that Konsortium Logistik's and Tanjung Offshore's businesses share common threads, could it be that Ekuinas is looking to build a portfolio of a similar vein?

Abdul Rahman: Ekuinas has outlined a value creation plan for the company

There were also reports that Ekuinas was possibly one of the suitors for Khazanah Nasional Bhd's 32% stake in Pos Malaysia Bhd, a hotly contested race, given the company's monopoly of the country's postal services.

If that were the case, Pos Malaysia would represent another corner of the logistics market for Ekuinas to invest in, making its portfolio more well rounded. However, in the short term, funding could prove an issue as acquiring that block at Pos Malaysia's current share price of RM3.23 would cost some RM558.5 million.

Ekuinas has been allocated some RM500 million by the government, with another RM4.5 billion due under the 10th Malaysia Plan.

Although Tanjung Offshore was not its maiden investment — that was in February when it invested RM40 million in Alliance Cosmetics Group — it was Ekuinas' first in a public-listed company since it was established in 2009.

Notably, private equity group Ekuinas seems to have a knack for picking companies where there is a possibility of securing a big block. In fact, one of its investment strategies is to pick companies where the major shareholders are looking to exit the company.

In this instance, the most prominent is long-time director Loo Hooi Keat, who was appointed to the board of Konsortium Logistik on Oct 27, 1992, before the company went public in 1996, according to data services.

Loo's exit comes just two years short of a 20-year relationship with the company, which saw a battering after the Asian financial crisis. According to reports, Loo decided to part with his stake so he could focus on Pelikan International Corp Bhd, where he is president and CEO.

But it is still uncertain as to whether Loo actually gained from the sale of his 14.7% stake to Ekuinas. It is also not known what Loo's entry price into Konsortium Logistik was, and to look at purely capital appreciation would not account for any of the dividends that the company had paid over the years.

It should be noted, however, that before 1998, Konsortium Logistik was performing well on the stock market. In 1997, its share price closed as high as RM15.75, according to data services, before it all came crashing down.

In 1998, Konsortium Logistik's share price fell to around RM3.50. At the time

CONTINUES ON PAGE 22

High-level govt body to help develop Bumi entrepreneurs

By Hamidah Atan
news@nstp.com.my

THE government will form a high-level body to help develop Bumiputera entrepreneurs who are at the early stages of their businesses, says Prime Minister Datuk Seri Najib Razak.

This committee will report to the prime minister and it will be chaired by Minister in the Prime Minister's Department Tan Sri Nor Mohamed Yakcop, Najib said in a statement.

The committee will be modelled on the successful Putrajaya Committee for GLC High Performance, a body that led the transformation of Malaysia's government-linked companies since 2004.

The committee for Bumiputera Entrepreneurial Development will work to enhance the effectiveness of existing entrepreneur development programmes by relevant government-linked institutions.

Yesterday, Najib was briefed on Ekuinas' investment framework by its board of directors.

Najib said through its investments, Ekuinas will play a major role in strengthening Bumiputera participation and forge genuine partnerships with non-Bumiputeras.

"As a result, Ekuinas activities will benefit all Malaysians and the Malaysian economy," he said.

Ekuinas was set up as a wholly-owned subsidiary of Yayasan Ekuiti Nasional, a Bumiputera trust.

Apart from the prime minister as chairman, the Yayasan's board of trustees also includes Deputy Prime Minister Tan Sri Muhyiddin Yassin, Nor Mohamed, Trade Minister Datuk Mustapa Mohamed, and Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah.

The Treasury's secretary general Tan Sri Dr Wan Abdul Aziz Wan Abdullah and Datuk Noriyah Ahmad, director general of the Economic Planning Unit, are also on the board.

'Through its investments, Ekuinas will play a major role in strengthening Bumiputera participation and forge genuine partnerships with non-Bumiputeras.

Datuk Seri Najib Razak, Prime Minister

APIIT UCTI

国家股权1.2 亿购 2 科技大学

沙布拉资源获利 6890 万

INTRODUCTION

Ekuinas is a government-linked private equity firm established as a new style catalyst for developing strong, homegrown Malaysian companies with the potential to become future market leaders. It is based on a public private partnership model predicated on the Government's new philosophy under the New Economic Model towards increasing equitable Bumiputera economic participation through a merit based and market driven approach with clear investment discipline. Ekuinas' financial and social objectives and its operating model is best described in Exhibit 1.

Exhibit 1: Operating Model Pursues Financial And Social Objectives Through Two Key Activities

	Ekuinas pursues two main objectives...	...through two key methods...	...targeting two key groups
1	**Financial objective**	**Direct Investments**	**Entrepreneurs**
	• Target IRR p.a.: **Min 12%** **Aspirational 20%** • Only through financial discipline can social objectives be achieved	• Undertake **direct investments**, with opportunities for **co-investment** • **Skewed towards buy-outs and controlling stake**, so as to effect larger scale changes • **Larger deal size** (>RM50 million)	• Supplement entrepreneurs' **risk capital** to help expand their business • Enhance their capabilities with **professional oversight** and management
2	**Social objective**	**Outsourced Funds**	**Professional Managers**
	Enhance Bumitera economic participation in terms of: • Enhanced **equity ownership** • Increasing **management** • Creating **employment** • Creating value in the **supply chain**	• **Must raise external capital** (ratio of least 20%) • Focused on provision of **growth capital** • Will acquire **significant minority stake**, or while remaining an **active shareholder** • **Smaller deal size** (RM15 million to RM50 million)	• Giving opportunities for capable **professionals/ managers** to lead Ekuinas' owned businesses • Provide **Equity Incentive schemes** that enable them to own equity based on performance

One of the key initial challenges for Ekuinas when first established, was what should be the identifiable metrics that can be adopted to measure its social objective of enhancing Bumiputera economic participation. This was solved after a careful and extensive study which determined the key dimensions in investments that drive economic participation and these are equity ownership, management, employment and supply chain, which now form Ekuinas' targeted social objective metrics.

Through this experience, Ekuinas was made aware that the Government likewise also faces similar challenges in identifying the comprehensive measures that can be used to properly gauge ethnic participation across the Malaysian economy. For so long, equity ownership has been used as the sole measurement at the expense of a broader and more holistic metrics that measures participation across different economic dimensions.

Recognising this challenge for government, Ekuinas initiated a research project as part of its maiden Corporate Social Contribution Programme, which involved Ekuinas commissioning The Boston Consulting Group, a leading global management consulting firm, to undertake a comprehensive study of the Economic Participation Measurement for consideration by the Malaysian government. A brief extract of the said study follows.

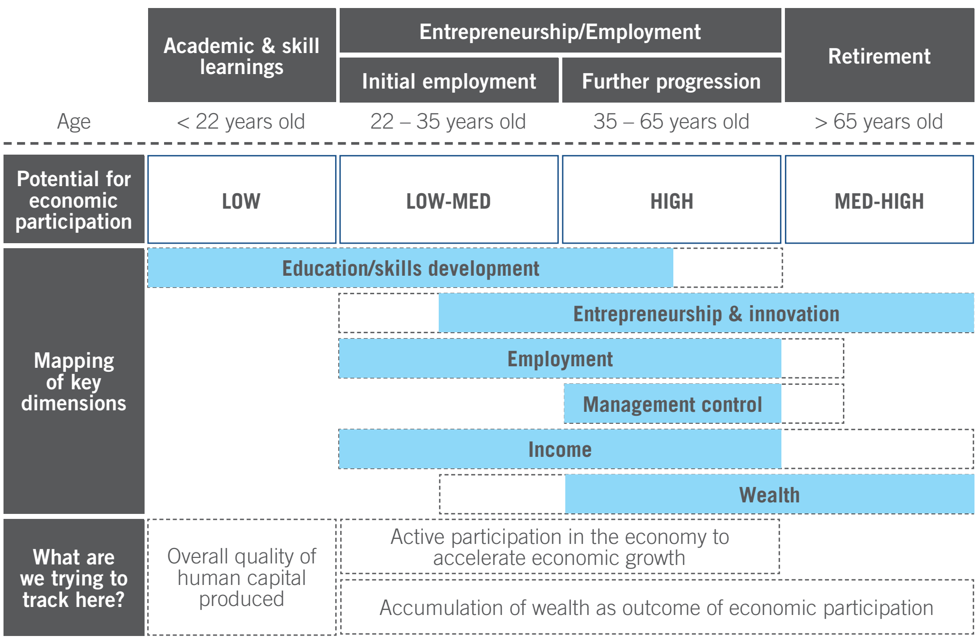
ECONOMIC PARTICIPATION MEASUREMENT: TOWARDS A HOLISTIC APPROACH

Economic inequality remains a challenge for many countries the world over. This economic inequality, if left unchecked, may lead to discontentment between groups (e.g. different ethnic groups, male-female, urban-rural, etc.). However, before this issue can be effectively addressed, it is important to understand the drivers behind this phenomenon and determine the levels and types of inequality that exist. Only with this understanding can effective measures be introduced and relevant programmes put in place.

One of the key drivers of economic inequality is the degree and type of economic participation of a particular group in the economy. Economic participation itself can be measured in many different forms along the life cycle of a productive human capital (see Exhibit 2).

Different countries have devised different approaches to identify, measure and consequently address economic participation in their countries. Some choose to measure the basic inputs such as number of labour force participation or education attainment level, whereas others focus more on the outcome measures such as level of income and wealth.

Exhibit 2: Six Dimensions Provide A Holistic End-to-End Life Cycle View of Economic Participation in the Economy



Source: BCG analysis

In 2007, South Africa, made the transition towards the Broader Based Black Economic Empowerment (BEE) and the objectives shifted from the enrichment of a few to the distribution of wealth across as broad a spectrum of South African society as possible to help enable meaningful participation of the black community in society. Extending beyond Ownership and Management Control measurements, five additional dimensions were added to the list:-

- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Socio-economic Development

The metrics used for measurement in the Broader Based BEE also ensured that different dimensions were given different weightings relative to their importance and emphasis in the development of a productive workforce.

In Malaysia, the New Economic Policy (NEP) was created in 1971 to help address the socio-economic imbalances amongst Malaysia's different ethnic groups. The NEP aimed to eradicate absolute poverty irrespective of race and to restructure Malaysian society so as to eliminate economic identification by race. The restructuring of Malaysian society involved restructuring of employment, restructuring of corporate equity and development of Bumiputera Commercial and Industrial Community (BCIC). Two issues were identified in the study by BCG with regard to this equity target.

The first issue focused on the way corporate equity was defined and calculated and, secondly, whether this metric alone is sufficient to gauge successful economic participation in the economy or should there be a more holistic measure of economic participation in the economy?

The result of the study was a set of metrics that could holistically measure economic participation in the country. The proposed metrics have been identified leveraging both an outside-in perspective, through benchmarks of other high income economies as well as international institutions, and was complemented by an inside-out perspective which took into account changes in Malaysia's policies. It was also important to widen the measurement of equity metrics beyond just a single ethnic group in order to ensure the study reflected inclusive economic participation measurements for all ethnic groups.

To provide a holistic view of economic participation, it was important to measure both the input as well as the output of an economy. Therefore it was essential to take into consideration an individual from the point where he or she had some potential for economic participation right through to retirement. Broken down by age groups, the metrics which were proposed ensured the ability to track an individual from the point when they began developing sufficient skills to participate in the economy (i.e. through academic and skill learning) to the point where they enter as direct participants in the economy through entrepreneurship and employment potential, right through to the point when they retire.

By mapping across the end-to-end life cycle of an individual, we were able to identify six key dimensions to measure economic participation in the economy. A set of metrics was then identified along these six dimensions, both in terms of its relevance to the dimension as well as the practicality for data collection and implementation efforts:-

- **Wealth**: Measures proportion and value of asset ownership of different ethnic groups e.g. property ownership by value, savings by value, equity ownership by market value or market value proxy.
- **Income**: Gauges proportion and level of income of the different ethnic groups in the economy e.g. household annual income levels and percentages by ethnic group in the bottom 40%.
- **Employment**: Measures proportion of different ethnic groups employed at various levels/ sectors in the economy e.g. employed by sector and skill level required and employed by sector and income level.
- **Management control**: Gauges direct or indirect control by the different ethnic groups in enterprises in the economy e.g. senior management and board level representations.
- **Entrepreneurship and innovation**: Gauges proportion, scale and growth of entrepreneurs from different ethnic groups e.g. number of incorporated companies by size and survival rate by company tenure (up to five years).
- **Education/Skills development**: Measures education level and quality of the different ethnic groups e.g. distribution of starting monthly salary for undergraduates and net enrolment by education level and waiting time to obtain first job.

Exhibit 3: An Overview of the Six Key Dimensions of Economic Participation

Source: BCG analysis

Given the exhaustive nature of the information required, it is recognised that a large scale data gathering exercise needs to be initiated and institutionalised to identify the current position of these metrics and the subsequent improvements achieved over time.

Although a mammoth task, once completed, these broad based metrics will provide a comprehensive platform to enable the Government to formulate policies that will be far reaching and perhaps a more effective measure of addressing the economic and social imbalances in the economy.

17 January 2011

BCG

THE BOSTON CONSULTING GROUP

APPRECIATION

The study was led by Ms Nor Azah Razali, Partner and Managing Director, BCG Kuala Lumpur and Mr Rizal Rickman Ramli, Principal, BCG Kuala Lumpur. Ekuinas would like to express our sincere appreciation to the BCG team for their commitment in undertaking this study.

REALISING AMBITION

ekuinas

Portfolio Reporting

1 FUND OVERVIEW

Vintage Year	2010
Capital Committed	RM1 billion
Term	5 Years (+ 2 Years)
Investment period	3 – 5 years
Legal form & structure	One fund manager and one investor. Ekuinas Direct (Tranche 1) Fund Fund Manager: Ekuiti Nasional Berhad
Investment focus	Malaysian Focused
Investment focus by stage	Growth Capital Fund
Investment focus by industry	– Education – Oil & Gas – Fast Moving Consumer Goods (FMCG) – Retail & Leisure – Healthcare – Services

EKUINAS DIRECT (TRANCHE 1) FUND
as at 31 December 2010

EKUINAS DIRECT (TRANCHE 1) FUND
as at 31 December 2010 (continued)

2 FUND NET ASSETS VALUE (NAV)

		2010 RM million
A. Capital Commitment		1,000.00
B. Capital Called		332.67
C. Capital Distributed		–
D. Capital Called less Capital Distributed		332.67
E. Debt Drawdown		70.86
F. Capital Invested (B+E)		403.53
Plus: Increases to Net Assets Value:		
Dividend Income	23.82	
Unrealised gain on Fair Value of investments	31.51	
		55.33[1]
Less: Reductions to Net Assets Value:		
Expenses incurred to date	(26.05)[1]	
Carried Interest	(5.82)	
Net Increase in Net Assets Value		23.46
G. Net Assets Value		426.99
Net Assets Value made up of:		
Investments – at cost		380.64
Unrealised gain on Fair Value of investments		31.51
Investments carried at Fair Value		412.15
Plus: Working capital		14.84
Equals Net Assets Value		426.99
Shareholder's Fund		356.13
Debt carried at Amortised Cost		70.86
Equals Net Assets Value		426.99
Gross IRR		53.09%
Net IRR (before carried interest)		24.28%
Carried Interest (RM'million)		5.82
NAV to Paid-In Capital		
C/B Cash distributions to capital called (a)		0.00x
G/B Net assets value to capital called (b)		1.28x
Total value to capital called (a+b)		1.28x
B/A Capital called to committed capital		0.33x

[1] These amounts take into account the RM3.86 million incurred at subsidiary level.

3 INVESTMENT PERFORMANCE

Portfolio Performance as at 31 December 2010

Company	Date of Initial Investment	Stake	Cost of Investment	Co-Investment	Fair Value as at 31 Dec'10	Total Gain in Portfolio[1]	Gross IRR[2]
		%	(RM m)	(RM m)	(RM m)	(RM m)	%
ACG	4 Jan-10	20.00	39.88	119.64			
TOFF	26 Jul-10	24.00	99.80	–	412.15	55.33	53.09
KLB	18 Oct-10	65.91	240.96	–			
Total			380.64	119.64	Net IRR		24.28

Note: 1 Total gain in portfolio comprises unrealised gain in fair value of investments and dividend income.
2 Gross IRR is derived after charging interest expense incurred on the investments.

ACG: Alliance Cosmetics Group
TOFF: Tanjung Offshore Berhad
KLB: Konsortium Logistik Berhad

EKUINAS OUTSOURCED (TRANCHE 1) FUND

as at 31 December 2010

1 FUND OVERVIEW

Vintage Year	2010
Capital Committed	RM400 million
Term	6 Years (+ 1 Year)
Investment period	3.5 Years
Legal form & structure	One fund manager and multiple investors. Outsourced to the following fund/fund managers: 1) Fund: CIMB National Equity Fund Ltd.P. Fund Manager: CIMB General Partner Ltd 2) Fund: MK-One Fund (Labuan) Limited Fund Manager: Kuwait Finance House (Labuan) Berhad 3) Fund: Navis Malaysia Growth Opportunities Fund 1, L.P. Fund Manager: Navis MGO 1 GP Ltd
Investment focus	Malaysian Focused
Investment focus by stage	Growth Capital Fund
Investment focus by industry	General except for Ekuinas' negative investment list

FIRST CLOSING OF THE FUND

	First Closing date	Fund Size	Ekuinas' commitment
Outsourced Fund Managers:			
Navis Capital Partners	1 Dec-10		
KFH Asset Management	1 Dec-10	RM513 million	RM400 million
CIMB Private Equity	12 Jan-11		

Outsourced Funds final closing is due in June 2011.

2 FUND NET ASSETS VALUE (NAV)

	2010 RM million
A. Capital Commitment	400.00
B. Capital Called	20.44
C. Capital Distributed	–
D. Capital Called less Capital Distributed	20.44
E. Debt Drawdown	–
F. Capital Invested (B+E)	20.44
Less: Reductions to Net Assets Value:	
Expenses incurred to date	(2.33)
G. Net Assets Value	18.11
NAV made up of:	
Investments – at cost	–
Unrealised gain on Fair Value of investments	–
Investments carried at Fair Value	–
Plus: Working capital	18.11
Equals Net Assets Value	18.11
Gross IRR	N/A
Net IRR (before carried interest)	N/A
Carried Interest (RM million)	N/A
NAV to Paid-In Capital	
C/B Cash distributions to capital called (a)	–
G/B Net assets value to capital called (b)	0.89x
Total value to capital called (a+b)	0.89x
B/A Capital called to committed capital	0.05x

3 INVESTMENT PERFORMANCE

There was no investment made as at 31 December 2010.

EKUINAS DIRECT & OUTSOURCED (TRANCHE 1) FUND

as at 31 December 2010

1 FUND NET ASSETS VALUE (NAV) AS AT 31 DECEMBER 2010

		2010 RM million
A. Capital Commitment		1,400.00
B. Capital Called		353.11
C. Capital Distributed		–
D. Capital Called less Capital Distributed		353.11
E. Debt Drawdown		70.86
F. Capital Invested (B+E)		423.97
Plus: Increases to Net Assets Value:		
Dividend income	23.82	
Unrealised gain on Fair Value of investments	31.51	
Less: Reductions to Net Assets Value:		
Expenses incurred to date	(28.38)	
Carried Interest	(5.82)	
Net Increase in Net Assets Value		21.13
G. Net Assets Value		445.10
NAV made up of:		
Investments – at cost		380.64
Unrealised gain on Fair Value of investments		31.51
Investments carried at Fair Value		412.15
Plus: Working capital		32.95
Equals Net Assets Value		445.10
Gross IRR		53.07%
Net IRR (before carried interest)		20.77%
Carried Interest (RM million)		5.82
NAV to Paid-In Capital		
C/B Cash distributions to capital called (a)		0.00x
G/B Net assets value to capital called (b)		1.26x
Total value to capital called (a+b)		1.26x
B/A Capital called to committed capital		0.25x

1 NOTES TO THE PORTFOLIO REPORTING

The external auditor, PwC, was engaged by Ekuinas to perform certain procedures on the Portfolio Reporting on pages 109 to 114 for the financial period ended 31 December 2010, and has checked the information on Fund Net Assets Value and Investment Performance as at 31 December 2010 included therein to supporting source data, and re-performed computations where applicable.

NOTES TO THE PORTFOLIO REPORTING

as at 31 December 2010

Financial Statements

EKUITI NASIONAL BERHAD

DIRECTORS' REPORT
for the financial year ended
31 December 2010

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in providing investment management, financial, corporate and management advisory services to a Government-linked private equity fund to promote equitable and sustainable Bumiputera economic participation via the creation of Malaysia's next generation of leading companies. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM
Total comprehensive income for the financial year	3,404,219

DIVIDEND

No dividend has been paid, declared or proposed since the end of the previous financial period. The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2010.

ISSUE OF SHARES

No shares were issued by the Company during the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors who have held office during the financial period since the date of the last report are as follows:

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Dato' Noriyah binti Ahmad
Dato' Mat Noor bin Nawi (Alternate to Dato' Noriyah binti Ahmad)
Tan Sri Mohamed Jawhar
Datuk Mohamed Azman bin Yahya
Abdul Rahman bin Ahmad

In accordance with Article 65 of the Company's Articles of Association, Dato' Noriyah binti Ahmad and Abdul Rahman bin Ahmad shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings maintained by the Company in accordance with Section 134 of the Companies Act, 1965, none of the Directors in office at the end of the financial year held any interest in shares, warrants, share options and debentures in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the date of last report, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by a Director as the fixed salary of a full-time employee of the Company as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there are no known bad debts that had been written off and that allowance need not be made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

HOLDING FOUNDATION

The Directors regard Yayasan Ekuiti Nasional, a foundation incorporated in Malaysia, as the Company's holding foundation.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

ABDUL RAHMAN BIN AHMAD
DIRECTOR

RAJA TAN SRI DATO' SERI ARSHAD
BIN RAJA TUN UDA
DIRECTOR

Kuala Lumpur
10 March 2011

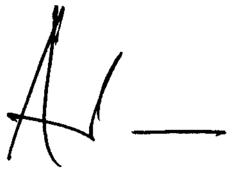
STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Abdul Rahman bin Ahmad and Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, being two of the Directors of Ekuiti Nasional Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 124 to 146 have been properly drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the results and cash flows of the Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and comply with the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution.

ABDUL RAHMAN BIN AHMAD
DIRECTOR



RAJA TAN SRI DATO' SERI ARSHAD
BIN RAJA TUN UDA
DIRECTOR

Kuala Lumpur
10 March 2011

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mazhairul Jamaludin, being the Officer primarily responsible for the financial management of Ekuiti Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 124 to 146 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

MAZHAIRUL JAMALUDIN
CHIEF FINANCIAL OFFICER

Subscribed and solemnly declared by the above named Mazhairul Jamaludin at Kuala Lumpur before me, on 10 March 2011.

PESURUHJAYA SUMPAH
NO W 476
Raman Kunyapu
MALAYSIA

COMMISSIONER FOR OATHS

Unit No 50-8-1, Tkt 10
Wisma UOA Damansara
50 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the Member of Ekuiti Nasional Berhad
(incorporated in Malaysia)
(Company No: 868265-U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ekuiti Nasional Berhad, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 124 to 146.

Directors' Responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/12 (J))
Chartered Accountant

Kuala Lumpur
10 March 2011

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended
31 December 2010

	Note	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
REVENUE			
Management fees		20,000,000	–
Treasury fees		1,054,383	–
OTHER INCOME			
Interest income		275,831	30,381
TOTAL INCOME		21,330,214	30,381
EXPENSES			
Employee benefit costs	4	(10,463,323)	(686,743)
Occupancy costs		(867,499)	(36,348)
Consultancy fees		(4,455,504)	(2,204,292)
Other expenses		(2,139,669)	(192,731)
Profit/(loss) before taxation	5	3,404,219	(3,089,733)
Taxation	6	–	–
Total comprehensive income/(loss) for the financial year/period		3,404,219	(3,089,733)

The significant accounting policies and other explanatory notes are set out on pages 128 to 146 of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSET			
Property, plant and equipment	7	2,701,319	1,915,199
CURRENT ASSETS			
Other receivables, deposits and prepayments	8	495,881	252,639
Amount due from holding foundation	12	688	–
Amount due from a related company	12	870,380	2,000
Tax recoverable		415,498	–
Cash and cash equivalents	9	10,438,231	7,728,241
		12,220,678	7,982,880
CURRENT LIABILITIES			
Other payables and accruals	10	3,582,511	3,087,810
Amount due to a related company	12	1,124,998	–
		4,707,509	3,087,810
NET CURRENT ASSETS		7,513,169	4,895,070
		10,214,488	6,810,269
FINANCED BY:			
Share capital	11	9,900,002	9,900,002
Retained earnings/(accumulated loss)		314,486	(3,089,733)
		10,214,488	6,810,269

The significant accounting policies and other explanatory notes are set out on pages 128 to 146 of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the financial year ended
31 December 2010

	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares	Issued and fully paid ordinary shares of RM1 each: Share capital RM	Distributable: Retained earnings/ (accumulated loss) RM	Total RM
At 1 January 2010		9,900,002	9,900,002	(3,089,733)	6,810,269
Total comprehensive income for the financial year		–	–	3,404,219	3,404,219
At 31 December 2010		9,900,002	9,900,002	314,486	10,214,488
At 13 August 2009 (date of incorporation)		2	2	–	2
Issuance of shares during the financial period	11	9,900,000	9,900,000	–	9,900,000
Total comprehensive loss for the financial period		–	–	(3,089,733)	(3,089,733)
At 31 December 2009		9,900,002	9,900,002	(3,089,733)	6,810,269

The significant accounting policies and other explanatory notes are set out on pages 128 to 146 of these financial statements.

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2010

	Note	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		3,404,219	(3,089,733)
Adjustments for:			
Depreciation of property, plant and equipment		564,559	3,241
Interest income		(275,831)	(30,381)
Operating profit/(loss) before working capital changes		3,692,947	(3,116,873)
Changes in working capital:			
Other receivables, deposits and prepayments		(180,461)	(252,639)
Amount due to a related company		256,618	(2,000)
Amount due from holding foundation		(688)	–
Other payables and accruals		494,701	3,087,810
Cash generated from/(used in) operations		4,263,117	(283,702)
Tax paid		(415,498)	–
Net cash flows generated from/(used in) operating activities		3,847,619	(283,702)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,350,679)	(1,918,440)
Interest received		213,050	30,381
Net cash flows used in investing activities		(1,137,629)	(1,888,059)
CASH FLOW FROM FINANCING ACTIVITY			
Proceeds from the issuance of shares		–	9,900,002
Net cash flow generated from financing activity		–	9,900,002
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR/PERIOD		2,709,990	7,728,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR/DATE OF INCORPORATION		7,728,241	–
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR/PERIOD	9	10,438,231	7,728,241

The significant accounting policies and other explanatory notes are set out on pages 128 to 146 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended
31 December 2010

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial year beginning on or after 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The Company will apply the following new standards, amendments to standards and interpretations from annual periods beginning on 1 January 2011:

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
  - The name of the government-related entities and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  Apart from the new presentation and disclosure requirements described, the Company does not expect any other impact on the financial statements arising from the adoption of these amendments.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

  The Company has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Company.

Improvement to FRS:

- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

B PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. All other repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Motor vehicles	5 years
Furniture and fittings	5 years
Office equipment	5 years
Renovation	5 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

At the end of each reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note C on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss from operations in the financial year the asset is de-recognised.

C IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indications exist, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("the cash generating units"). An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the profit or loss and any subsequent increase in recoverable amount is recognised in the profit or loss. Any reversal is credited to the profit or loss to the extent of a previously recognised impairment loss.

D FINANCIAL ASSETS

(i) Classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) Subsequent measurement – gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement – impairment of financial assets

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

E CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

F PROVISIONS RECOGNITION

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

G FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

H SHARE CAPITAL

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

I REVENUE RECOGNITION

(i) Management fees and treasury fees

Management fees and treasury fees are recognised on an accrual basis when services are rendered.

(ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income shall accrue to the Company.

J INCOME TAXES

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax rates enacted or substantively enacted by the reporting period are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

K EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Company.

(ii) Defined contribution plan

The Company contributes to the Employees' Provident Fund, the mutual defined contribution plan. Once the contributions have been paid, the Company has no further payment obligations. The Company's contributions to the Employees' Provident Fund are charged to the profit or loss in the financial year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended
31 December 2010

1 GENERAL INFORMATION

The principal activities of the Company are to provide investment management, financial, corporate and management advisory services to a Government-linked private equity fund to promote equitable and sustainable Bumiputera economic participation via the creation of Malaysia's next generation of leading companies. There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited company, incorporated and domiciled in Malaysia.

The address of the registered office of the Company is:

12th Floor, Bangunan Setia 1,
15 Lorong Dungun, Bukit Damansara,
50490 Kuala Lumpur.

The principal place of business of the Company is:

Level 13, Surian Tower,
No 1, Jalan PJU 7/3 Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan.

2 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Company's financial risk management policies. The Board regularly reviews these risks and approves the treasury and investment policies, which cover the management of these risks.

The Company does not face significant exposure to financial risks except for interest rate risk and credit risk.

(b) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure is limited to the impact of rate changes of its interest bearing assets such as deposit with licenced financial institutions.

2 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates, where applicable.

	Interest bearing	Non-interest bearing	
	Less than 1 year RM	Less than 1 year RM	Total RM
As at 31 December 2010			
Financial assets			
Cash and bank balances	–	1,315,310	1,315,310
Deposits with licenced financial institutions	9,122,921	–	9,122,921
Other receivables, deposits and prepayments	–	495,881	495,881
Amount due from a holding foundation	–	688	688
Amount due from a related company	–	870,380	870,380
Total financial assets	9,122,921	2,682,259	11,805,180
Financial liabilities			
Other payables and accruals	–	3,582,511	3,582,511
Amount due to a related company	–	1,124,998	1,124,998
Total financial liabilities	–	4,707,509	4,707,509
Net interest sensitivity gap	9,122,921		

2 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk (continued)

	Interest bearing	Non-interest bearing	
	Less than 1 year RM	Less than 1 year RM	Total RM
As at 31 December 2009			
Financial assets			
Cash and bank balances	–	728,241	728,241
Deposits with licenced financial institutions	7,000,000	–	7,000,000
Other receivables, deposits and prepayments	–	252,639	252,639
Amount due from a related company	–	2,000	2,000
Total financial assets	7,000,000	982,880	7,982,880
Financial liability			
Other payables and accruals	–	3,087,810	3,087,810
Total financial liability	–	3,087,810	3,087,810
Net interest sensitivity gap	7,000,000		

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instrument

The Company does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

2 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

The Company seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that investments are made in licenced financial institutions with an appropriate credit history. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

The following table sets out the credit risk concentrations of the Company:

	Cash and bank balances RM	Deposits with licenced financial institutions RM	Other financial assets RM	Total RM
As at 31 December 2010				
Cash and cash equivalents	1,315,310	9,122,921	–	10,438,231
Other receivables, deposits and prepayments	–	–	495,881	495,881
Amount due from holding foundation	–	–	688	688
Amount due from a related company	–	–	870,380	870,380
Total	1,315,310	9,122,921	1,366,949	11,805,180
As at 31 December 2009				
Cash and cash equivalents	728,241	7,000,000	–	7,728,241
Other receivables, deposits and prepayments	–	–	252,639	252,639
Amount due from a related company	–	–	2,000	2,000
Total	728,241	7,000,000	254,639	7,982,880

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholder and to maintain an optimal capital structure to reduce the cost of capital. The company is not subject to any externally imposed capital requirements.

2 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value of the financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

A range of methodologies and assumptions had been used in deriving the fair values of the Company's financial instruments at reporting period.

Other receivables, deposits and prepayments

The estimated fair value of other receivables, deposits and prepayments identified as financial instruments approximates its carrying value due to the relatively short term nature of these instruments.

Amount due from/(to) a related company and amount due from the holding foundation

The fair value of amount due from/(to) a related company and amount due from the holding foundation approximates its carrying value as the balances are repayable on demand.

Cash and cash equivalents

For cash and cash equivalents with maturity of less than one year, the carrying value is a reasonable estimate of fair value.

Other payables and accruals

The estimated fair values of other payables and accruals identified as financial instruments approximate their carrying values due to the relatively short term nature of these instruments.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

In the process of applying the Company's accounting policies, the Directors and the management have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax liability

As at the end of the reporting period, the Company has not recognised deferred tax liability of RM350,000 arising from taxable temporary differences in relation to property, plant and equipment, as based on the Directors' and management's estimates, the temporary differences will reverse during the period of the tax exemption disclosed in Note 6.

4 EMPLOYEE BENEFIT COSTS

	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
Wages and salaries	5,317,698	513,815
Defined contribution plan	705,082	84,424
Other employee benefits	4,440,543	88,504
	10,463,323	686,743

Included in wages and salaries is Directors' remuneration amounting to RM1,492,208 (2009: RM228,189).

5 PROFIT/(LOSS) BEFORE TAXATION

	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
Profit/(loss) before taxation is arrived at after charging:		
Auditors' remuneration		
– Statutory audit	(20,000)	(6,000)
– Other services	(30,000)	–
Depreciation of property, plant and equipment	(564,559)	(3,241)
Rental of premises	(641,516)	(35,988)

6 TAXATION

Reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the Malaysian tax rate is as follows:

	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
Profit/(loss) before taxation	3,404,219	(3,089,733)
Tax calculated at rate of 25%	851,055	(772,433)
Income not subject to tax	(501,055)	–
Expenses not subject to tax	–	772,433
Effect of temporary differences not recognised*	(350,000)	–
Tax expense	–	–

* No deferred tax liability has been recognised in respect of the temporary differences arising from property, plant and equipment, as based on the Directors' and management's estimates, the temporary differences will reverse during the period of the tax exemption described below.

On 9 April 2010, the Company applied to the Ministry of Finance for tax exemptions for the Company and its related companies, which consist of Ekuinas Capital Sdn Bhd (ECap), E-Cap (Internal) One Sdn Bhd (E-Cap Internal) and E-Cap (External) One Sdn Bhd (E-Cap External).

On 26 November 2010, the Ministry of Finance approved the application and granted income tax exemption for all statutory business income for a period of five (5) years commencing from year of assessment 2009 until 2013 for the Company and its related companies as mentioned in the preceding paragraph.

7 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Computer equipment RM	Total RM
Cost						
At 1 January 2010	–	688,195	106,694	931,973	191,578	1,918,440
Additions during the financial year	276,179	15,300	3,278	21,030	1,034,892	1,350,679
At 31 December 2010	276,179	703,495	109,972	953,003	1,226,470	3,269,119
Accumulated depreciation						
At 1 January 2010	–	–	210	–	3,031	3,241
Charge for the financial year	54,953	128,718	20,869	174,701	185,318	564,559
At 31 December 2010	54,953	128,718	21,079	174,701	188,349	567,800
Net book value						
As at 31 December 2010	221,226	574,777	88,893	778,302	1,038,121	2,701,319

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended
31 December 2010 (continued)

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fittings RM	Office equipment RM	Renovation RM	Computer equipment RM	Total RM
Cost					
At 13 August 2009 (date of incorporation)	–	–	–	–	–
Additions during the financial period	688,195	106,694	931,973	191,578	1,918,440
At 31 December 2009	688,195	106,694	931,973	191,578	1,918,440
Accumulated depreciation					
At 13 August 2009 (date of incorporation)	–	–	–	–	–
Charge for the financial period	–	210	–	3,031	3,241
At 31 December 2009	–	210	–	3,031	3,241
Net book value					
As at 31 December 2009	688,195	106,484	931,973	188,547	1,915,199

8 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010 RM	2009 RM
Other receivables	158,276	–
Deposits	229,343	194,120
Prepayments	108,262	58,519
	495,881	252,639

9 CASH AND CASH EQUIVALENTS

	2010 RM	2009 RM
Cash and bank balances	1,315,310	728,241
Deposits with licenced financial institutions	9,122,921	7,000,000
	10,438,231	7,728,241

Bank balances are deposits held at call with licenced financial institutions.

The weighted average effective interest rate per annum of the deposits with licenced financial institutions as at 31 December 2010 is 3.11% (31 December 2009 : 2.15%) with an average maturity period of 128 days (31 December 2009 : 4 days).

10 OTHER PAYABLES AND ACCRUALS

	2010 RM	2009 RM
Other payables	23,557	10,874
Accruals	3,558,954	3,076,936
	3,582,511	3,087,810

11 SHARE CAPITAL

	2010 RM	2009 RM
Authorised:		
Ordinary shares of RM1 each:		
At 31 December	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At 1 January 2010/13 August 2009 (date of incorporation)	9,900,002	2
Issuance of shares during the financial year/period	–	9,900,000
At 31 December	9,900,002	9,900,002

The Company was incorporated on 13 August 2009 with an authorised share capital of RM100,000,000, consisting of 100,000,000 ordinary shares of RM1 each issued, and paid up capital of RM2 consisting of two (2) ordinary shares of RM1 each. During the financial period ended 31 December 2009, the Company issued 9,900,000 ordinary shares at par value of RM9,900,000 for working capital purposes. The shares have been fully paid up in cash. No shares were issued by the Company during the financial year ended 31 December 2010.

12 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) The related parties of, and their relationships with the Company, are as follows:

Related party	Relationship
Yayasan Ekuiti Nasional	Holding foundation
Ekuinas Capital Sdn Bhd	Related company
E-Cap (Internal) One Sdn Bhd	Related company

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company who make certain critical decisions in relation to the strategic direction of the Company.

(b) Key management personnel

	Financial year ended 31.12.2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
Directors' remuneration	1,492,208	228,189

12 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

	Financial year ended 31 Dec 2010 RM	Financial period from 13.8.2009 (date of incorporation) to 31.12.2009 RM
E-Cap (Internal) One Sdn Bhd		
Management fee income	20,000,000	–
Ekuinas Capital Sdn Bhd		
Treasury fee income	1,054,383	–

The transactions described above were carried out on negotiated terms and conditions.

(d) Significant related party balances

Included in the Company's statement of financial position are the following significant related party balances arising from normal business transactions:

	2010 RM	2009 RM
Amount due from Yayasan Ekuiti Nasional	688	–
Amount due from Ekuinas Capital Sdn Bhd	870,380	2,000
Amount due to Ekuinas Capital Sdn Bhd	(1,124,998)	–

All the above outstanding balances are expected to be settled in cash by the related parties.

13 COMPARATIVE FIGURES

The comparative figures of the Company in the statement of comprehensive income, statement of cash flows and the related notes to the financial statements are not comparable as they are for the 5-month financial period ended 31 December 2009.

14 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors.

Financial Statements

E-CAP (INTERNAL) ONE SDN BHD

DIRECTORS' REPORT

for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of an investment holding company, to invest in private equity investments and to acquire the shares of or invest in any company. There have been no significant changes in the nature of these activities during the financial period.

FINANCIAL RESULTS

	RM
Total comprehensive income for the financial year	23,454,067

DIVIDEND

No dividend has been paid, declared or proposed since the date of incorporation. The Directors do not recommend the payment of any final dividend for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010.

ISSUE OF SHARES

The Company was incorporated on 23 March 2010 with an authorised share capital of RM100,090,000, divided into 100,000,000 ordinary shares of RM1.00 each and 9,000,000 redeemable preference shares of RM0.01 each. The following shares were issued by the Company during the financial period from 23 March 2010 (date of incorporation) to 31 December 2010:

Date of issue	Type of share	Purpose of issue	Number of shares	Par value (RM)	Premium (RM)	Terms of issue
23 March 2010 (date of incorporation)	Ordinary	Subscriber's share	2	1	–	Cash, at par
30 August 2010	Preference	Working capital	552,309	0.01	99.99	Cash, at RM100
30 August 2010	Ordinary	Working capital	13	1	–	Cash, at par
10 November 2010	Preference	Working capital	1,065,834	0.01	99.99	Cash, at RM100
10 November 2010	Ordinary	Working capital	40	1	-	Cash, at par
30 December 2010	Preference	Working capital	1,708,604	0.01	99.99	Cash, at RM100
30 December 2010	Ordinary	Working capital	98	1	–	Cash, at par

ISSUE OF SHARES (CONTINUED)

The new ordinary shares issued during the financial period ranked *pari passu* in all respects with the existing ordinary shares of the Company.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements and notes to the financial statements.

DIRECTORS

The Directors who have held office since the date of incorporation are as follows:

Dato' Noriyah binti Ahmad	(First Director)
Abdul Rahman bin Ahmad	(First Director)
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	(Appointed on 2 August 2010)

In accordance with Article 66 of the Company's Articles of Association, all Directors shall retire from the Board in the forthcoming first Annual General Meeting and being eligible, offer themselves for election.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings maintained by the Company in accordance with Section 134 of the Companies Act, 1965, none of the Directors in office at the end of the financial period held any interest in shares, warrants, share options and debentures in the Company or its related corporations during the financial period.

DIRECTORS' BENEFITS

During and at the end of the financial period, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the date of incorporation, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there are no known bad debts that had been written off and that allowance need not be made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial period.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Company's operations for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010 were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING FOUNDATION

The Directors regard Ekuinas Capital Sdn Bhd, a company incorporated in Malaysia as the immediate holding company. The Directors regard Yayasan Ekuiti Nasional, a foundation incorporated in Malaysia, as the Company's ultimate holding foundation.

SUBSEQUENT EVENT

The significant event subsequent to the reporting period is disclosed in Note 13.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

ABDUL RAHMAN BIN AHMAD
DIRECTOR

RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA
DIRECTOR

Kuala Lumpur
10 March 2011

STATEMENT BY DIRECTORS

Pursuant to Section 169(15)
of the Companies Act, 1965

We, Abdul Rahman bin Ahmad and Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, being two of the Directors of E-Cap (Internal) One Sdn Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 156 to 175 have been properly drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of the results and cash flows of the Company for the financial period ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and comply with the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution.

ABDUL RAHMAN BIN AHMAD
DIRECTOR

RAJA TAN SRI DATO' SERI ARSHAD
BIN RAJA TUN UDA
DIRECTOR

Kuala Lumpur
10 March 2011

I, Mazhairul Jamaludin, being the Officer primarily responsible for the financial management of E-Cap (Internal) One Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 156 to 175 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MAZHAIRUL JAMALUDIN
CHIEF FINANCIAL OFFICER

Subscribed and solemnly declared by the above named Mazhairul Jamaludin at Kuala Lumpur before me, on 10 March 2011.

PESURUHJAYA SUMPAH
NO W 476
Raman Kunyapu
MALAYSIA

COMMISSIONER FOR OATHS

Unit No 50-8-1, Tkt 10
Wisma UOA Damansara
50 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 169(16)
of the Companies Act, 1965

INDEPENDENT AUDITORS' REPORT

to the Member of
E-Cap (Internal) One Sdn Bhd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of E-Cap (Internal) One Sdn Bhd, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 156 to 175.

Directors' Responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the financial period then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS	DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. AF: 1146)	(No. 1867/09/12 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
10 March 2011

STATEMENT OF COMPREHENSIVE INCOME

for the financial period from
23 March 2010 (date of incorporation)
to 31 December 2010

	Note	Financial period from 23.03.2010 (date of incorporation) to 31.12.2010 RM
REVENUE		
Dividend income		3,997,278
OTHER INCOME		
Unrealised gain on fair value of investments		
– investment in a subsidiary		33,060,152
– investments in associates		14,408,032
TOTAL INCOME		51,465,462
EXPENSES		
Management fees		(20,000,000)
Consultancy fees		(2,157,593)
Other expenses		(5,853,802)
Profit before taxation	4	23,454,067
Taxation	5	–
Total comprehensive income for the financial period		23,454,067

The significant accounting policies and other explanatory notes are set out on pages 160 to 175 of these financial statements.

	Note	2010 RM
NON-CURRENT ASSETS		
Investments in subsidiaries	6	207,890,737
Investments in associates	7	154,087,784
		361,978,521
CURRENT ASSETS		
Amount due from immediate holding company	11	676,027
Cash in hand		2
		676,029
CURRENT LIABILITIES		
Amounts due to subsidiaries	11	676,031
Other payables and accruals	8	5,849,599
		6,525,630
NET CURRENT LIABILITIES		(5,849,601)
		356,128,920
FINANCED BY:		
Share capital	9	33,420
Share premium	10	332,641,433
Retained earnings		23,454,067
		356,128,920

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

The significant accounting policies and other explanatory notes are set out on pages 160 to 175 of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010

		Issued and fully paid ordinary shares of RM1 each		Issued and fully paid redeemable preference shares of RM0.01 each		Non-distributable	Distributable	
	Note	Number of shares	Share capital RM	Number of shares	Share capital RM	Share premium RM	Retained earnings RM	Total RM
At 23 March 2010 (date of incorporation)		2	2	–	–	–	–	2
Issuance of shares during the financial period	9	151	151	3,326,747	33,267	332,641,433	–	332,674,851
Total comprehensive income for the financial period		–	–	–	–	–	23,454,067	23,454,067
At 31 December 2010		153	153	3,326,747	33,267	332,641,433	23,454,067	356,128,920

The significant accounting policies and other explanatory notes are set out on pages 160 to 175 of these financial statements.

STATEMENT OF CASH FLOWS

for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010

	Note	Financial period from 23.3.2010 (date of incorporation to 31.12.2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		23,454,067
Adjustment for:		
Unrealised gain on fair value of investments:		
– investment in a subsidiary		(33,060,152)
– investments in associates		(14,408,032)
Operating loss before working capital changes		(24,014,117)
Changes in working capital:		
Amount due from immediate holding company		(676,027)
Amount due to subsidiaries		676,031
Other payables and accruals		5,849,599
Net cash flows used in operating activities		(18,164,514)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment in subsidiaries	6	(174,830,585)
Acquisition of investments in associates	7	(139,679,752)
Net cash flows used in investing activities		(314,510,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of redeemable preference shares		332,674,700
Proceeds from the issuance of ordinary shares		151
Net cash flows generated from financing activities		332,674,851
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		–
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION		2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD		2

The significant accounting policies and other explanatory notes are set out on pages 160 to 175 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial period from 23 March 2010 (date of incorporation) to 31 December 2010

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

As at 31 December 2010, the Company is in a net current liability position of RM5,849,601. The immediate holding company, Ekuinas Capital Sdn Bhd has indicated its intention to provide continuous financial support to the Company so as to enable the Company to meet its liability as and when they fall due and to carry on its business without any significant curtailment of its operations. In view of the foregoing, the Directors consider that it is appropriate to prepare the financial statements of the Company on a going concern basis.

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Company's financial period beginning on or after 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The Company will apply the following new standards, amendments to standards and interpretations from annual periods beginning on 1 January 2011

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company does not expect any material impact arising from this amendment.

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:

  – The name of the government-related entities and the nature of their relationship;

  – The nature and amount of each individually significant transactions; and

  – The extent of any collectively significant transactions, qualitatively or quantitatively.

  Apart from the new presentation and disclosure requirements described, the Company does not expect any other impact on the financial statements arising from the adoption of these amendments.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

  The Company has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Company.

Improvement to FRSs:

- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

B INVESTMENT IN A SUBSIDIARY

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's financial statements, investment in a subsidiary is accounted for in accordance with FRS 139 and is stated at fair value. Changes in fair value of investment in subsidiary are recognised in profit or loss in the period in which the changes arise.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

Consolidated financial statements have not been prepared because the Company is exempted from preparing consolidated financial statements under FRS 127 "Consolidated and Separate Financial Statements" by virtue of its status as a wholly-owned subsidiary of another holding company in Malaysia.

The ultimate holding foundation, which publishes consolidated financial statements, is Yayasan Ekuiti Nasional. The registered office of Yayasan Ekuiti Nasional is located at 12th Floor, Bangunan Setia 1, 15 Lorong Dungun, Bukit Damansara, 50490 Kuala Lumpur.

C INVESTMENTS IN ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Company has significant influence. An associate is accounted for in accordance with FRS 139 and is stated at fair value from the date the Company obtains significant influence until the date the Company ceases to have significant influence over the said associate.

The Company's investments in associates are subsequently carried at fair value. Changes in fair values of investments in associates are recognised in profit or loss in the period which the changes arise.

On disposal of such investments, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

D FINANCIAL ASSETS

(i) Classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non current assets. The Company's loans and receivables comprise cash in hand and amount due from immediate holding company in the statement of financial position.

D FINANCIAL ASSETS (CONTINUED)

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iii) Subsequent measurement – gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement – impairment of financial assets

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

E CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand.

F PROVISIONS RECOGNITION

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

G FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS139, are recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

H SHARE CAPITAL

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

I REVENUE RECOGNITION

Dividend income is recognised when the right to receive payment is established.

J CARRIED INTEREST

Carried interest represents the fees payable to the Investment Managers and is computed and accrued at each financial year end based on the valuation of the investments in the Fund portfolio, after deducting the appropriate outflow payments/inflow receipts in accordance with the terms stated in the Fund Management Agreement. Any increase or decrease in carried interest is recognised in the statement of comprehensive income.

K INCOME TAXES

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax rates enacted or substantively enacted by the reporting period are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1 GENERAL INFORMATION

The principal activities of the Company are to carry on the business of an investment holding company, to invest in private equity investments and to acquire the shares of or invest in any company. There have been no significant changes in the nature of these activities during the financial period.

The Company is a private limited company, incorporated and domiciled in Malaysia.

The addresses of the registered office of the Company is:

12th Floor, Bangunan Setia 1,
15 Lorong Dungun, Bukit Damansara,
50490 Kuala Lumpur.

The principal place of business of the Company is:

Level 13, Surian Tower,
No 1, Jalan PJU 7/3,
Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan.

2 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The objectives of the Company are to promote equitable and sustainable Bumiputera economic participation via the creation of Malaysia's next generation of leading companies.

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Company's financial risk management policies. The Board regularly reviews these risks and approves the treasury and investment policies, which covers the management of these risks.

The Company does not face significant exposure to financial risks except for market price risk.

(b) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Company's investments will fluctuate because of changes in market prices (other than interest or exchange rates).

2 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market price risk (continued)

The Company's objective is to manage investment returns and equity price risk.

The Company is exposed to equity price risk arising from its investment in quoted investment. The quoted investments are listed on the Bursa Malaysia Stock Exchange.

At the end of the reporting date, if the quoted price of the underlying investments listed in Bursa Malaysia Stock Exchange had been 5% higher/lower, with all other variables held constant, the Company's profit net of tax would have been RM18,400,000 higher/lower. As at the reporting date, all quoted investments have been recognised at fair value based on the last closing price of Bursa Malaysia Stock Exchange as at 30 December 2010.

Unquoted investment is exposed to market price risk of comparable listed companies. The fair value of unquoted investment is based on earning multiples of comparable listed companies.

If the selected comparable companies' earnings multiplied in unquoted investment of the Company had been 5% higher/lower, with all other variables held constant, the Company's profit net of tax would have been RM2,060,000 higher/lower. As at the end of the reporting period, the unquoted investment has been recognised at fair value.

(c) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholder and to maintain an optimal capital structure to reduce the cost of capital. The company is not subject to any externally imposed capital requirements.

(d) Fair value of the financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

2 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value of the financial instruments (continued)

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

A range of methodologies and assumptions had been used in deriving the fair values of the Company's financial instrument at reporting period.

Other payables and accruals

The estimated fair values of other payables identified as financial instruments approximate their carrying values due to the relatively short term nature of these instruments.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, the Directors and management have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Valuation of unquoted investment

The Company carries its investments at fair value, with changes in fair values being recognised in the statement of comprehensive income. The Company estimates the fair value of its unquoted investment based on the enterprise valuation method as at 31 December 2010, as recommended in the International Private Equity and Venture Capital Valuation Guidelines. Based on management's estimates and judgements, the Company applied a discount rate on the selected comparable companies' earnings multiple in deriving the fair value of the unquoted investment. Where expectations differ from original estimates, the difference will impact the fair value of the unquoted investment.

(b) Carried interest

Carried interest represents the amount payable to the Fund Management Company based on the valuation of investments in the Fund portfolio of the Company. Significant judgements are required in determining the extent of the carried interest expense to be recognised which is dependent on the valuation of the Fund portfolio.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Financial period from 23.03.2010 (date of incorporation) to 31.12.2010 RM
Auditors' remuneration	
– Statutory audit	(10,000)
– Other service	(8,000)

5 TAXATION

Reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate is as follows:

	Financial period from 23.03.2010 (date of incorporation) to 31.12.2010 RM
Profit before taxation	23,454,067
Tax calculated at rate 25%	5,863,517
Expenses not subject to tax	(5,863,517)
Tax expense	–

On 9 April 2010, the Company applied to the Ministry of Finance for tax exemptions for the Company and its related companies, which consist of Ekuinas Capital Sdn Bhd (ECap), E-Cap (Internal) One Sdn Bhd (E-Cap Internal) and E-Cap (External) One Sdn Bhd (E-Cap External).

On 26 November 2010, the Ministry of Finance approved the application and granted income tax exemption on the statutory business income for a period of five (5) years commencing from year of assessment 2009 until 2013 for the Company and its related companies as mentioned in the preceding paragraph.

6 INVESTMENT IN SUBSIDIARIES

	2010 RM
Unquoted shares, at cost	174,830,585
Unrealised gain on fair value of investment	33,060,152
	207,890,737

Name	Country of incorporation	Principal activity	Company's effective interest 2010
Bendahara 1 Sdn Bhd *	Malaysia	Investment holding	100%
Subsidiary of Bendahara 1 Sdn Bhd			
Konsortium Logistik Berhad **	Malaysia	Provision of total logistics services and inventory solutions	65.90%
Simbol Minda Sdn Bhd *	Malaysia	Investment holding	100%
Subsidiary of Simbol Minda Sdn Bhd			
Ontime Direction Sdn Bhd *	Malaysia	Investment holding	100%

* Audited by PricewaterhouseCoopers, Malaysia
** Audited by BDO, Malaysia
Listed on the Bursa Malaysia Stock Exchange

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The investment acquisitions during the period ended 31 December 2010 were as follows:

(i) During the financial period, the Company acquired 100% of the issued and paid up ordinary share capital totalling 83 ordinary shares and 1,748,305 redeemable preference shares of Bendahara 1 Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM174,830,583.

(ii) On 18 October 2010, Bendahara 1 Sdn. Bhd. acquired 56.50% of the issued and paid up ordinary share capital totalling 133,272,700 of Konsortium Logistik Berhad (KLB), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, for a total consideration of RM206,572,685 of which RM136,572,685 were settled in cash whilst the remaining balance of RM70,000,000 was setted via a bank borrowing.

Upon completion of the Share Purchase Agreement and Share Market Acquisition, the Company extended an Unconditional Take-Over Offer that was completed on 29 November 2010. The Company acquired additional 22,189,622 ordinary shares of KLB representing approximately 9.41% of the entire issued and paid up capital of KLB at a purchase price of RM1.55 each for a total consideration of RM34,393,914.

Pursuant to the completion of the Share Purchase Agreement, Share Market Acquisition and Unconditional Take-Over Offer, the total shareholdings of the Company in KLB as at the end of the reporting period are 155,462,322 ordinary shares representing approximately 65.90% of the entire issued and paid up capital of KLB. The total cost of investment in KLB amounted to RM240,966,599.

(iii) On 2 November 2010, the Company acquired 100% of the issued and paid up ordinary share capital totalling 2 ordinary shares of RM1 each of Simbol Minda Sdn Bhd, a company incorporated in Malaysia, for a total cash consideration of RM2. On the same date, the Company also acquired 100% of the issued and paid up ordinary share capital totalling 2 ordinary shares of RM1 each of Ontime Direction Sdn Bhd, a company incorporated in Malaysia for a total cash consideration of RM2. Subsequent to the acquisition, Ontime Direction Sdn Bhd became a wholly-owned subsidiary of Simbol Minda Sdn Bhd.

The Company is not required to prepare consolidated financial statements as disclosed in the Summary of Significant Accounting Policies (Note B).

7 INVESTMENTS IN ASSOCIATES

	2010 RM
Quoted shares, at cost	99,800,000
Unrealised gain on fair value of investment	10,100,000
	109,900,000
Unquoted shares, at cost	39,879,752
Unrealised gain on fair value of investment	4,308,032
	44,187,784
Total investment in associates	
– At cost	139,679,752
– Unrealised gain on fair value of investments	14,408,032
	154,087,784

Name	Country of incorporation	Principal activities	Company's effective interest 2010
Forma South East Asia Holdings	Republic of Mauritius	Investment holding	25%
Tanjung Offshore Berhad*	Malaysia	Provision of engineering equipment, shipowning, ship management and chartering services, equipment maintenance services, drilling and production platform services	24%

* Listed on the Bursa Malaysia Stock Exchange

8 OTHER PAYABLES AND ACCRUALS

	2010 RM
Carried interest	5,824,174
Accruals	25,425
	5,849,599

Other payables and accruals are non-interest bearing.

9 SHARE CAPITAL

	2010 RM
Authorised:	
Ordinary shares of RM1 each	
At 23 March 2010 (date of incorporation)/31 December 2010	100,000,000
Redeemable preference shares of RM0.01 each	
At 23 March 2010 (date of incorporation)/31 December 2010	90,000
Issued and fully paid capital:	
Ordinary shares of RM1 each:	
At 23 March 2010 (date of incorporation)	2
Issuance of shares during the financial period	151
At 31 December 2010	153
Redeemable preference shares of RM0.01 each	
At 23 March 2010 (date of incorporation)	–
Issuance of shares during the financial period (Note 10)	33,267
At 31 December 2010	33,267
Total issued and fully paid capital	33,420

The Company was incorporated on 23 March 2010 with an authorised share capital of RM100,090,000, consisting of 100,000,000 ordinary shares of RM1 each, and 9,000,000 redeemable preference shares of RM0.01 each.

At the date of incorporation, the Company issued two (2) ordinary shares at par value of RM1. The shares have been fully paid in cash.

10 REDEEMABLE PREFERENCE SHARES

	2010 RM
At 23 March 2010 (date of incorporation)	–
Issuance of shares during the financial period	332,674,700
As at 31 December 2010	332,674,700

The redeemable preference shares can be analysed as follows:

	2010 RM
Nominal value (Note 9)	33,267
Share premium	332,641,433
	332,674,700

The main features of the redeemable preference shares (RPS) are as follows:

- The holders of the shares shall be entitled to any dividend declared.
- The RPS shall rank *pari passu* among themselves and in priority of ordinary shares.
- The holders of the RPS shall be entitled to receive all notices, accounts, and report which holder of the ordinary shares are entitled to.
- The holders of the RPS shall only be entitled to vote at the meetings convened for the purpose of transacting to the following items of the business:
  - (a) Variation, whether directly or indirectly of the rights attached to the RPS
  - (b) Winding up of the Company
  - (c) Such other circumstances as may be expressly provided under law from time to time in respect of preference shares
- Subject to the Companies Act, 1965, the Company shall have the right at any time, to redeem all or part of the RPS at a price of RM100 per RPS ("Redemption Amount").
- The RPS are not convertible into ordinary shares or any other classes of shares in the Company.

11 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) The related party of, and its relationship with the Company, is as follows:

Related party	Relationship
Ekuiti Nasional Berhad	Related company
Bendahara 1 Sdn Bhd	Subsidiary company
Simbol Minda Sdn Bhd	Subsidiary company
Forma South East Asia Holdings	Associate company

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company includes all the Directors of the Company who make certain critical decisions in relation to the strategic direction of the Company.

The Company has no key management personnel compensation during the financial period.

(b) Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

	Financial period from 23.03.2010 (date of incorporation) to 31.12.2010 RM
Ekuiti Nasional Berhad	
Management fees expense	20,000,000
Forma South East Asia Holdings	
Dividend income	3,997,278

The transactions described above were carried out on negotiated terms and conditions.

11 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party balances

Included in the Company's statement of financial position are the following significant related party balances arising from normal business transactions:

	2010 RM
Amount due from Ekuinas Capital Sdn Bhd	676,027
Amount due to Bendahara 1 Sdn Bhd	(676,029)
Amount due to Simbol Minda Sdn Bhd	(2)

All the above outstanding balances are expected to be settled in cash by the related parties.

12 COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements prepared by the Company since its incorporation.

13 SUBSEQUENT EVENT

On 4 November 2010, Ekuiti Nasional Berhad (Ekuinas), related company, announced its investment of 51% stake in APIIT/UCTI Education Group, comprising the Asia Pacific Institute of Information Technology (APIIT) and Asia Pacific University College of Technology and Innovation (UCTI), one of Malaysia's leading private tertiary education providers and Sapura Smart School, a fast growing primary and secondary school, for a total consideration of RM102,000,000. The investment of APIIT/UCTI Education Group and Sapura Smart School was completed on 18 February 2011 and is held under a special purpose entity, Ontime Direction Sdn Bhd, a company incorporated in Malaysia.

14 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors.

This page has been intentionally left blank.