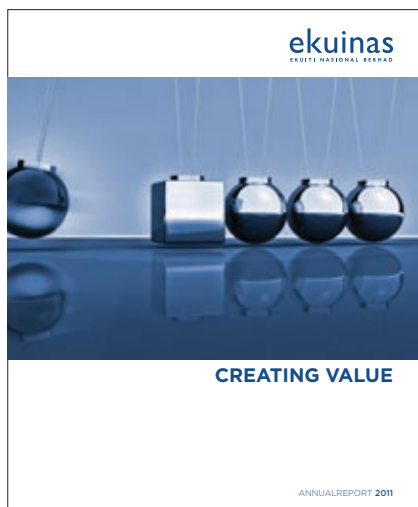


# CREATING VALUE



## **CREATING VALUE**

In a competitive market place, innovative policies are required to help create value through investments in strategic sectors. With this in mind, Ekuinas was established to identify mid-sized growth companies for investment with a view to helping them transform into future market leaders. This year's cover design features Newton's Cradle. The swinging spheres represent Ekuinas as the mechanism that sets growth in motion by providing high potential companies the necessary capital, resources and strategic counsel required to help them fulfill their promise.



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**5.** Organisation Structure    **6.** Board of Directors    **10.** Senior Management    **12.** Other Management  
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## COMPANY VALUES

### COMMERCIALY 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

## INVESTMENT PORTFOLIO



### OUTSOURCED PROGRAMME

**NAVIS**

Navis Capital Partners

**CIMB GROUP**

CIMB Private Equity

**Kuwait Finance House**  
بيت التمويل الكويتي

KFH Asset Management

## CORPORATE INFORMATION

**BOARD OF DIRECTORS** Raja Tan Sri Dato' Seri Arshad Raja Tun Uda (*Chairman*)  
Tan Sri Dato' Seri Mohamed Jawhar  
Datuk Dr. Rahamat Bivi Yusoff  
Datuk Mohamed Azman Yahya  
Datuk Noriyah Ahmad  
Dato' Abdul Rahman Ahmad (*Chief Executive Officer*)  
Dato' Mat Noor Nawawi (*Alternate to Datuk Noriyah Ahmad, resigned on 19 October 2011*)

### BOARD COMMITTEES

#### Audit Committee

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

#### Nomination & Remuneration Committee

Tan Sri Dato' Seri 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  
Nik Johaan Nik Hashim  
Amil Izham Hamzah  
Mazhairul Jamaludin

#### Company Secretary

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

#### Auditor

PricewaterhouseCoopers  
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*

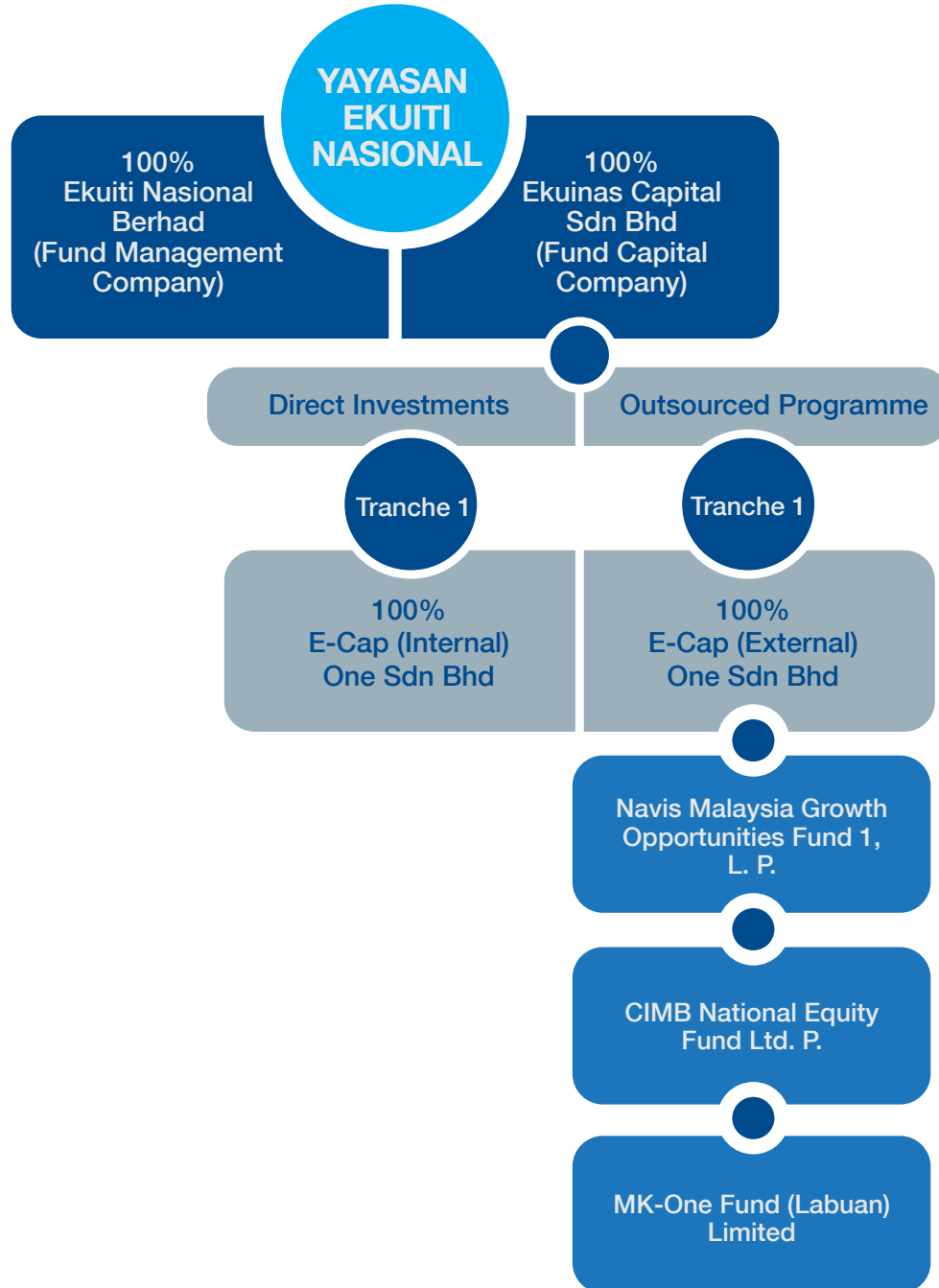
#### OTHER MANAGEMENT

Roselinda Hashim  
*Chief Legal Counsel/Director, Investment*

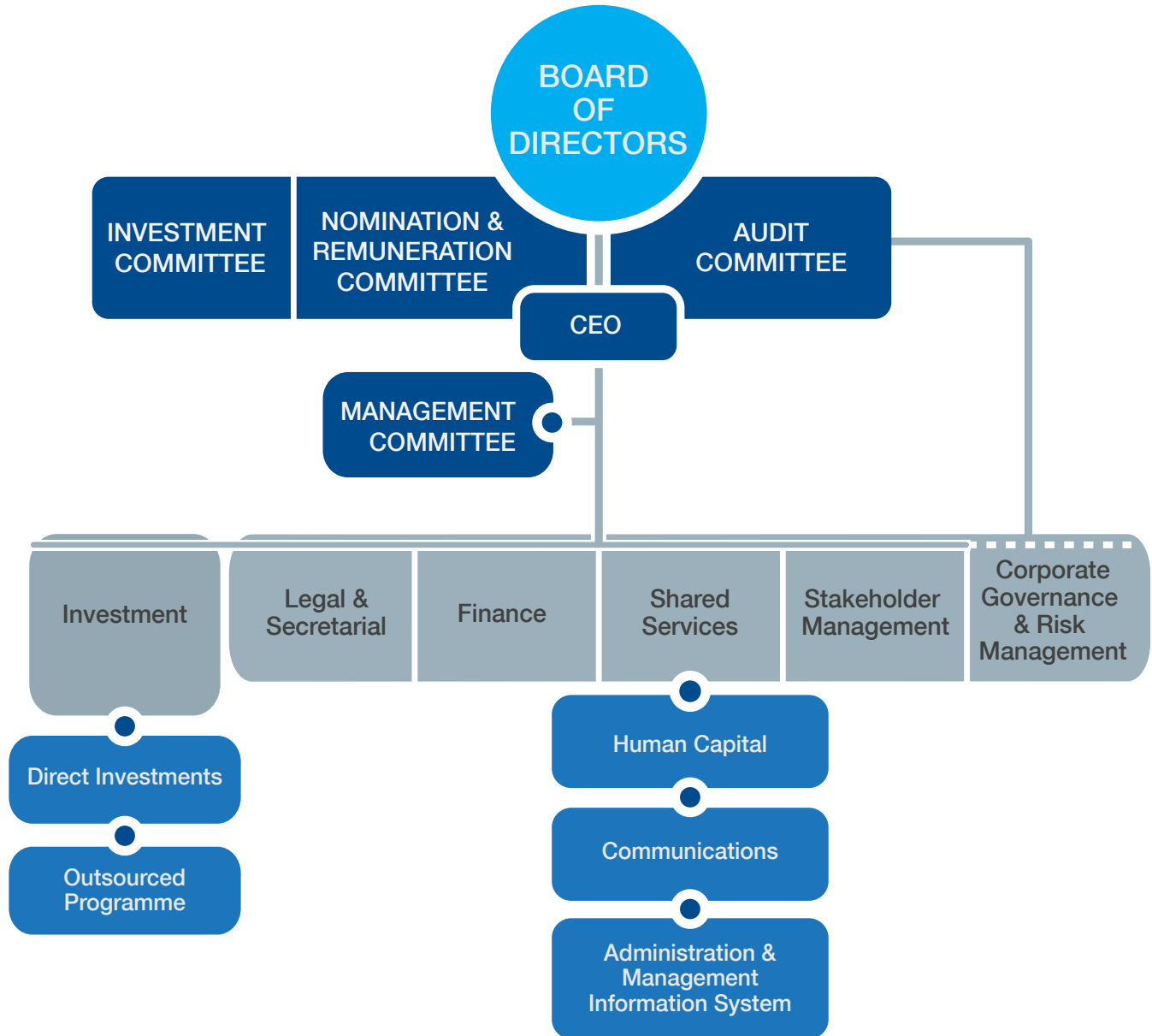
Mohamad Azlan Jaafar  
*Director,  
Corporate Governance & Risk Management*

Zaleha Abdul Hamid  
*Financial Controller*

# CORPORATE STRUCTURE



# ORGANISATION STRUCTURE







## BOARD OF DIRECTORS



**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 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 as President.

Currently, Raja Arshad also holds the positions of Chairman of Maxis Berhad, Director of Khazanah Nasional Berhad and ACR Capital Holdings Pte Ltd. He is also the Chairman of Yayasan Raja Muda Selangor and Chairman of Yayasan Amir, as well as a member of the Board of Trustees for Yayasan DayaDiri. Raja Arshad is also the Chancellor of Universiti Industri Selangor.

Raja 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 CEO*

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.

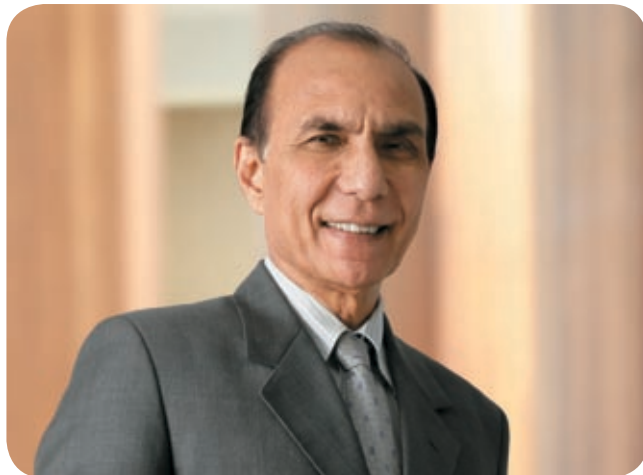
Prior to joining Ekuinas, Dato' Abdul Rahman was the Group Managing Director/Chief Executive Officer of Media Prima Berhad (MPB), the leading integrated media investment group in Malaysia. He also held the post of Group Managing Director/Chief Executive Officer of Malaysian Resources Corporation Berhad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

Dato' Abdul Rahman began his career 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 is currently also an Independent Director of MRCB, Felda Global Ventures Holdings Berhad and M+S Pte Ltd, a joint venture company between Khazanah Nasional Berhad and Temasek Holdings.

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

## BOARD OF DIRECTORS



**Tan Sri Dato' Seri Mohamed Jawhar**  
*Independent Non-Executive Director*

Tan Sri Dato' Seri 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 Bank Berhad.

Tan Sri Dato' Seri Mohamed Jawhar is the Chairman of the Institute of Strategic and International Studies (ISIS) Malaysia. He served with the Government of Malaysia in various positions before joining ISIS Malaysia as Deputy Director General in 1990 and thereafter assuming the posts of Director General, Chief Executive Officer and Chairman.

Tan Sri Dato' Seri Mohamed Jawhar is also Member, Economic Council Working Group and Member, Advisory Panel, Malaysian Anti-Corruption Commission. He is Chairman, Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific and an Expert and Eminent Person of the ASEAN Regional Forum (ARF).



**Datuk Dr Rahamat Bivi binti Yusoff**  
*Non-Executive Director*

Datuk Dr Rahamat joined as an Independent Non-Executive Director of Ekuiti Nasional Berhad (Ekuinas) on 19 October 2011, when she was appointed the Director-General of the Economic Planning Unit, Prime Minister's Department of Malaysia (EPU).

Datuk Dr Rahamat has been in the Malaysian Civil Service for over 30 years, starting out as the Assistant Secretary (Tax Division) in the Ministry of Finance (MOF), and was later appointed to various positions including Director for Budget at MOF, Deputy Director of Macro Economy Section at EPU, the Project Officer at Institut Tadbiran Awam Negara (INTAN) and Director at the Energy Commission. Before assuming her current post, she was the Deputy Secretary-General of Treasury, MOF in charge of System and Control Division.

Currently, Datuk Dr Rahamat is also the Chairman of Unit Peneraju Agenda Bumiputera (TERAJU) and Director of Malaysia-Thailand Joint Authority (MTJA), Federal Land Development Authority (FELDA), Johor Corporation and Malaysia Deposit Insurance Corporation (PIDM). She also serves as a member of the Special Taskforce to Facilitate Business (PEMUDAH), Iskandar Regional Development Authority (IRDA) and National Council for Higher Education (MTPN).

Datuk Dr Rahamat holds a Bachelor's degree in Social Sciences (Economics) (Honours) from Universiti Sains Malaysia and a Master's degree in Economics from the University of Western Michigan, USA. She has also been conferred a PhD from the Australian National University.



**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 boards of several Government Linked Corporations, including Khazanah Nasional Berhad, Malaysia Airline Systems Berhad and PLUS Expressways Berhad. Datuk Azman serves as member of PEMUDAH, the Special Taskforce to Facilitate Business and the Malaysian Financial Reporting Foundation (FRF).

Prior to venturing into business, Datuk Azman was appointed by the Malaysian Government to set up and head 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.



**Datuk Noriyah binti Ahmad**  
*Non-Executive Director*

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

Datuk Noriyah was formerly the Director-General of the Economic Planning Unit, Prime Minister's Department of Malaysia (EPU), the last position she held after more than thirty years working in the Malaysian Civil Service.

Datuk Noriyah began her career in Government as Assistant Director, Social Services Section, EPU, before holding various positions including Head Coordinator, National Y2K project, Ministry of Energy, Communications and Multimedia, Secretary of the Energy Section in the same Ministry, Senior Director, Distribution Section, Deputy Director General I and finally the Director General at EPU before retiring in October 2011.

Datuk Noriyah holds a Bachelor's degree in Applied Economics (Honours) from Universiti Malaya and obtained her Master's degree in Development Economics from the University of Kent, United Kingdom.

## SENIOR MANAGEMENT



**Abdul Rahman Ahmad**  
*Chief Executive Officer*

Syed Yasir Arafat is the Managing Partner, Investment and represents the company on the boards of its portfolio companies Tanjung Offshore Berhad and Konsortium Logistik Berhad. He also sits on the Board of CIMB National Equity Fund Ltd., one of Ekuinas' outsourced funds managed by CIMB Private Equity.

He was previously the Country Manager (ING Wholesale Banking) at ING Corporate Advisory (Malaysia) Sdn Bhd, specialising in mergers and acquisitions, equity and equity-linked fundraising, debt fundraising and financial advisory for Malaysia's leading companies in various sectors including banking, plantations, automotive, telecommunications and property.

Prior to that, Yasir was attached to United Overseas Bank (Malaysia) Berhad and Pengurusan Danaharta Nasional Berhad, Commerce International Merchant Bankers Berhad and Aseambankers Malaysia Berhad.

Yasir graduated from the University of Essex, United Kingdom with a B.A. (Hons) degree in Accounting & Financial Management.



**Syed Yasir Arafat Syed Abd Kadir**  
*Managing Partner, Investment*



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

Mazhairul Jamaludin is the Chief Financial Officer and Senior Director, Outsourcing/Investment. He represents Ekuinas on the boards of portfolio companies APIIT Sdn Bhd and Asia Pacific UCTI Sdn Bhd. He is also a member of the Advisory Boards and Investment committees of two of Ekuinas' outsourced funds, CIMB National Equity Fund Ltd. and MK-One Fund (Labuan) Limited.

Mazhairul previously spent four years in Astro, Malaysia's leading cross-media group with significant presence in DTH (Direct-To-Home) TV services, commercial radio and TV programming where, as Financial Controller and Senior Vice President, Commercial Services, MultiChannel TV, he was responsible for the strategic, financial and operational development of the DTH business. Prior to that, he was Vice President of Financial Accounting and Management Reporting at Celcom, one of the country's premier mobile telecommunications companies. Mazhairul started his career in Arthur Andersen, later Ernst & Young, where he was involved in the statutory audits of leading corporates.

Mazhairul holds a BA (Hons) degree in Accounting & Finance from Lancaster University, United Kingdom, and is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) as well as a member of the Malaysian Institute of Accountants.





**Nik Johaan Nik Hashim**  
*Senior Director, Investment/  
Stakeholder Management*

Nik Johaan Nik Hashim is Senior Director, Investment/Stakeholder Management and represents the company on the Boards of portfolio companies Konsortium Logistik Berhad, Lyndarahim Ventures Sdn Bhd and Awana Setia Sdn Bhd. He is also a member of the Executive Committee for Cosmo Restaurants Sdn Bhd.

Prior to joining Ekuinas, Nik Johaan was at CIMB Investment Bank Berhad and has over 18 years' banking experience primarily in Investment Banking where he led and managed debt capital market transactions, loan syndications, IPOs, project advisory and debt restructuring exercises. During his tenure there, he also served three years in CIMB Bank as Regional Director for consumer and business banking sales. His last position in CIMB was Director and Head, Multinational Corporations and Government Relations.

Nik Johaan graduated from the University of Leicester, United Kingdom with a Bachelor of Arts degree in Economics and a Master's degree in International Banking & Financial Services from the University of Reading, United Kingdom.

Amil Izham Hamzah is Senior Director, Investment at Ekuinas. He represents Ekuinas on the Boards of Directors and Executive Committees of Ekuinas' investments in APIIT UCTI, Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd. Amil is also a member of the Investment Committee of CIMB National Equity Fund Ltd., one of Ekuinas' outsourced funds currently managed by CIMB Private Equity.

Amil was formerly the Group Chief Financial Officer of Media Prima Berhad responsible for financial reporting, treasury, debt restructuring, mergers and acquisitions and investor relations. During his eight-year tenure with the group, Amil was also part of the Group's Senior Management team and director of several Media Prima subsidiaries including Big Tree, UPD and Primeworks Studios.

He was previously attached to PricewaterhouseCoopers, Kuala Lumpur, two Petronas subsidiaries and Deloitte Touche Tohmatsu in Perth, Australia.

Amil is a member of the Institute of Chartered Accountants in Australia (ICAA) and holds a Bachelor of Commerce (Accounting) from the University of New South Wales, Sydney, Australia, and an MBA in International Marketing from Berne University of Applied Sciences, Switzerland.



**Amil Izham Hamzah**  
*Senior Director, Investment*

Suridah Jalaluddin is Senior Director, Investment/Shared Services at Ekuinas and is currently the alternate director on the board of portfolio company Alliance Cosmetics Group.

Suridah was formerly the CEO of ntv7, a popular urban television station of Media Prima Berhad, following the sale of her own media company Big Tree Outdoor Sdn Bhd to the former. She established Big Tree in 1994 to focus on expressway, transit and retail outdoor advertising and nurtured the company until it became the country's largest outdoor advertising outfit.

Her earlier work experience spans various positions in the world of media, advertising and communications, both in Malaysia and the United Kingdom.



**Suridah Jalaluddin**  
*Senior Director, Investment/  
Shared Services*

## OTHER MANAGEMENT



**Roselinda Hashim**  
*Chief Legal Counsel/  
Director, Investment*



**Mohamad Azlan Jaafar**  
*Director, Corporate Governance and  
Risk Management*



**Zaleha Abdul Hamid**  
*Financial Controller*

## INVESTMENT TEAM

### Associate Directors, Direct Investments

- Mohd Zarihi Mohd Hashim
- Rizal Mohd Zin
- Mohd Irwan Ahmad Mustafa @ Mustafa

### Associate Director, Outsourced Investments

- Norhafizah Md Shariff

### Other Investment Professionals

- Ziad Hafiz Abd Razak
- Wong Pai Sent
- Izz Al-Din Maslan
- Mohamed Omar Fateh Mohamed
- Tengku Mohamed Hafiz Safiyuddeen
- Haslina Ali
- Nadia Madyna Abdul Hamidy
- Azril Rashid Abdul Rashid
- Wafiy Abd Aziz
- Teo Wei Min

### Special Projects (Education)

- Wan Ahmad Saifuddin Wan Ahmad Radzi

### Special Projects (F&B)

- Ahmad Fariz Hassan
- Khairil Amir Mohd Dewan
- Lim Siu Min

# CORPORATE PROFILE

## BACKGROUND

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

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 foundation whose mandate is to enhance and grow equitable Bumiputera economic participation.

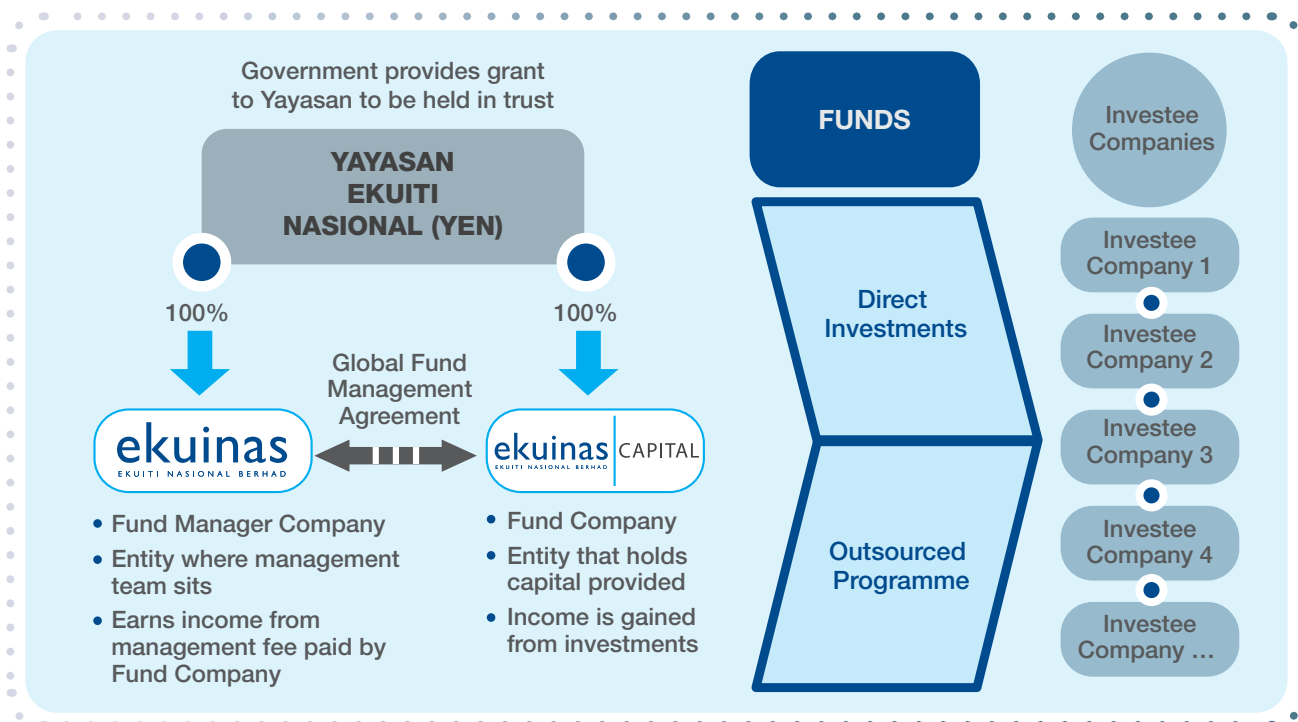
The funds held under YEN are directed into Ekuinas Capital Sdn Bhd, also known as Ekuinas Capital, which serves as the designated fund capital company. Ekuinas functions as the private equity company managing these funds and the operating entity where the management team resides (see Exhibit 1).

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.

**Exhibit 1: Overall Ekuinas Structure**







## CORPORATE PROFILE

### YAYASAN EKUITI NASIONAL: BOARD OF TRUSTEES



1. **YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak**  
Prime Minister and Minister of Finance
2. **YAB Tan Sri Dato' Haji Muhyiddin bin Mohd Yassin**  
Deputy Prime Minister and Minister of Education
3. **YB Tan Sri Nor Mohamed bin Yakcop**  
Minister in the Prime Minister's Department
4. **YB Dato' Sri Mustapa bin Mohamed**  
Minister of International Trade and Industry
5. **YB Dato' Seri Haji Ahmad Husni bin Mohamad Hanadzlah**  
Minister of Finance (II)
6. **YBhg Tan Sri Dr Wan Abdul Aziz bin Wan Abdullah**  
Secretary General to the Treasury/Ministry of Finance
7. **YBhg Datuk Dr Rahamat Bivi binti Yusoff**  
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. EkuiNAS firmly believes that only through financial discipline and value can the social objectives it pursues be sustainably achieved.

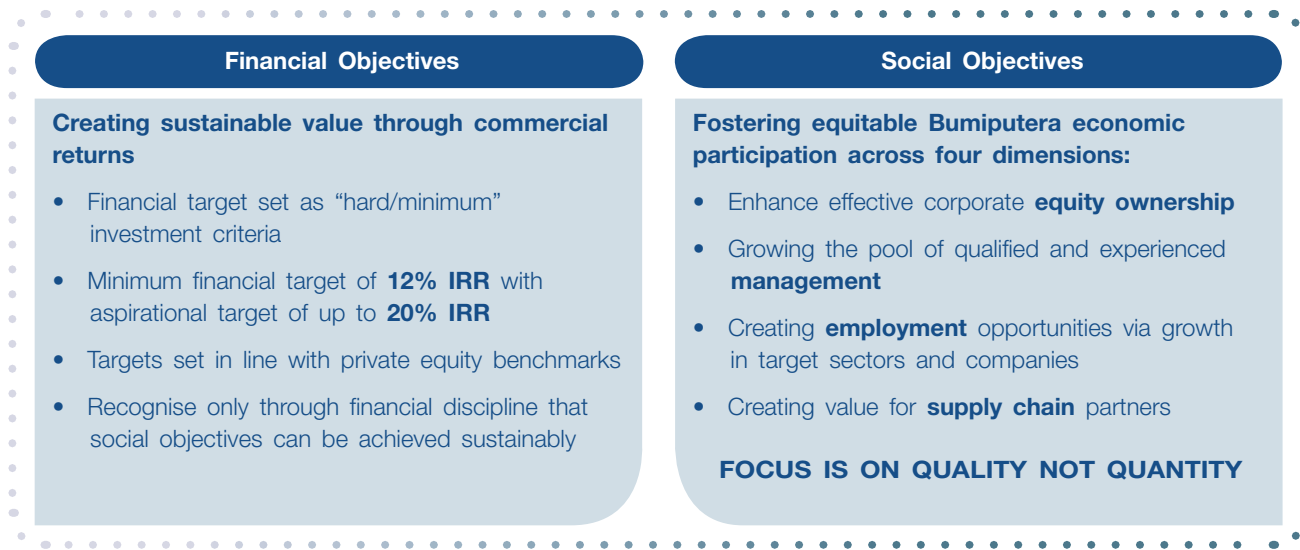
The Company has set a minimum target Internal Rate of Return (IRR) of 12% per annum, while aspiring to generate an overall IRR of 20% per annum on its total investment portfolio.

As a government-linked private equity company, EkuiNAS pursues the social goal of enhancing equitable Bumiputera economic 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 Bumiputera participation within the Malaysian economy across four key dimensions:-

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

## Exhibit 2: Clear Investment Objectives – A Balance between Financial and Social Objectives



## 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 Ekuinas’ corporate governance and disclosure framework are provided in the relevant sections in this Annual Report.

## OPERATING MODEL

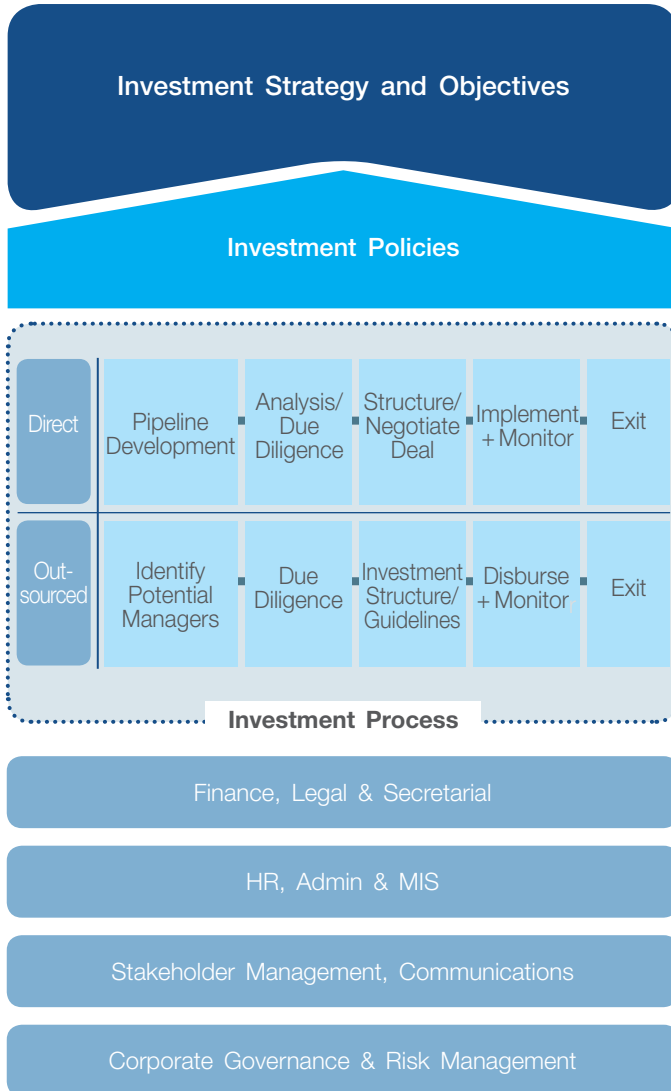
Ekuinas’ operating model consists of all the important functions which form the foundation of the business. Key policies were developed with the aim of ensuring a private equity practice that is on par with global standards and best practices. These policies encompass the Company’s direct and outsourced investments, the respective frameworks and guidelines, as well as those established for other areas of business including governance, disclosure, treasury, human resources, stakeholder management and communications (see Exhibit 3).

The RM5 billion allocated under the 9th Malaysia Plan and 10th Malaysia Plan will be invested in three funds over five years for both the Direct Investments and Outsourced Programme. In 2010, the first funds were allocated RM1 billion for Direct Investments and RM400 million for the Outsourced Programme. This is expected to be fully invested within a three year period.

## CORPORATE PROFILE

**Exhibit 3: Ekuinas Operating Model**

Since its inception on 1 September 2009, Ekuinas successfully established its operating model:



RM5 billion allocated to be invested via 3 Direct Investments Funds & 3 Outsourced Funds over 5 years

1st Fund for each was established as follows:

	Direct Investment Fund	Outsourced Fund
<b>Name of Fund:</b>	Ekuinas Direct (Tranche 1) Fund	Ekuinas Outsourced (Tranche 1) Fund
<b>Vintage Year</b>	2010	2011
<b>Ekuinas' Capital Commitment:</b>	RM1 billion	RM400 million
<b>Term:</b>	5 + 2 years	6 + 1 years
<b>Investment Period:</b>	3 to 5 years	3 to 6 years
<b>Investment Focus:</b>	Malaysia	Malaysia
<b>Sector Priorities:</b>	Oil & Gas, Education, FMCG, Retail & Leisure, Healthcare and Services	

## INVESTMENT FOCUS

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.

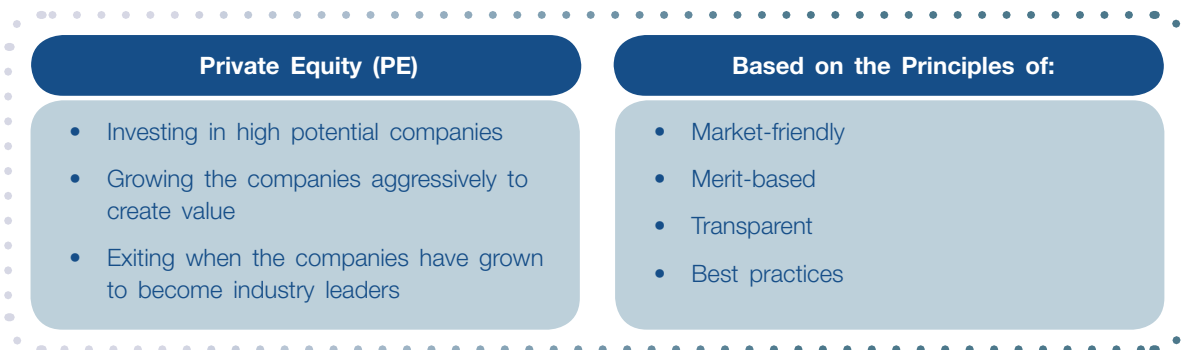
A government-led PE approach has been implemented in the past for the purpose of achieving national objectives and it has been proven to be successful. One of the leading PE firms in the world, 3i plc, was a government-led PE firm, introduced by the British Government post World War II with the objective to boost domestic investments. The firm has since been privatised and continues to create value in its investment portfolio which now includes global companies. Other countries have similarly adopted the PE model, mainly either to address the issues on shortage of capital for businesses to generate economic growth or to provide the catalyst to encourage private sector investments.

In Malaysia, the Government has established numerous agencies, institutions and programmes focusing predominantly on Venture Capital (VC) funding with the intention to support the development and growth of new businesses and ventures in the country. While VC provides funds for companies that are entering new business and developing new technology, PE focuses on companies that have already established themselves and are seeking to enter the next level of growth. Although still considered to be in a relatively nascent stage, the Government expects the PE industry to become more prominent and to play a more significant role as the country adapts to new realities in the market.

The Government of Malaysia established Ekuinas as an institution which would adopt the PE approach as one of the new innovative instruments of the New Economic Model (NEM). Ekuinas' private equity investments are undertaken in a market-friendly, merit-based and transparent manner in the aim of achieving a more inclusive economy for all Malaysians.

In order to avoid overlapping of roles between Government agencies, Ekuinas does not focus on start-ups or early stage companies which are more suited for VC investments and instead focuses more on established growth companies.

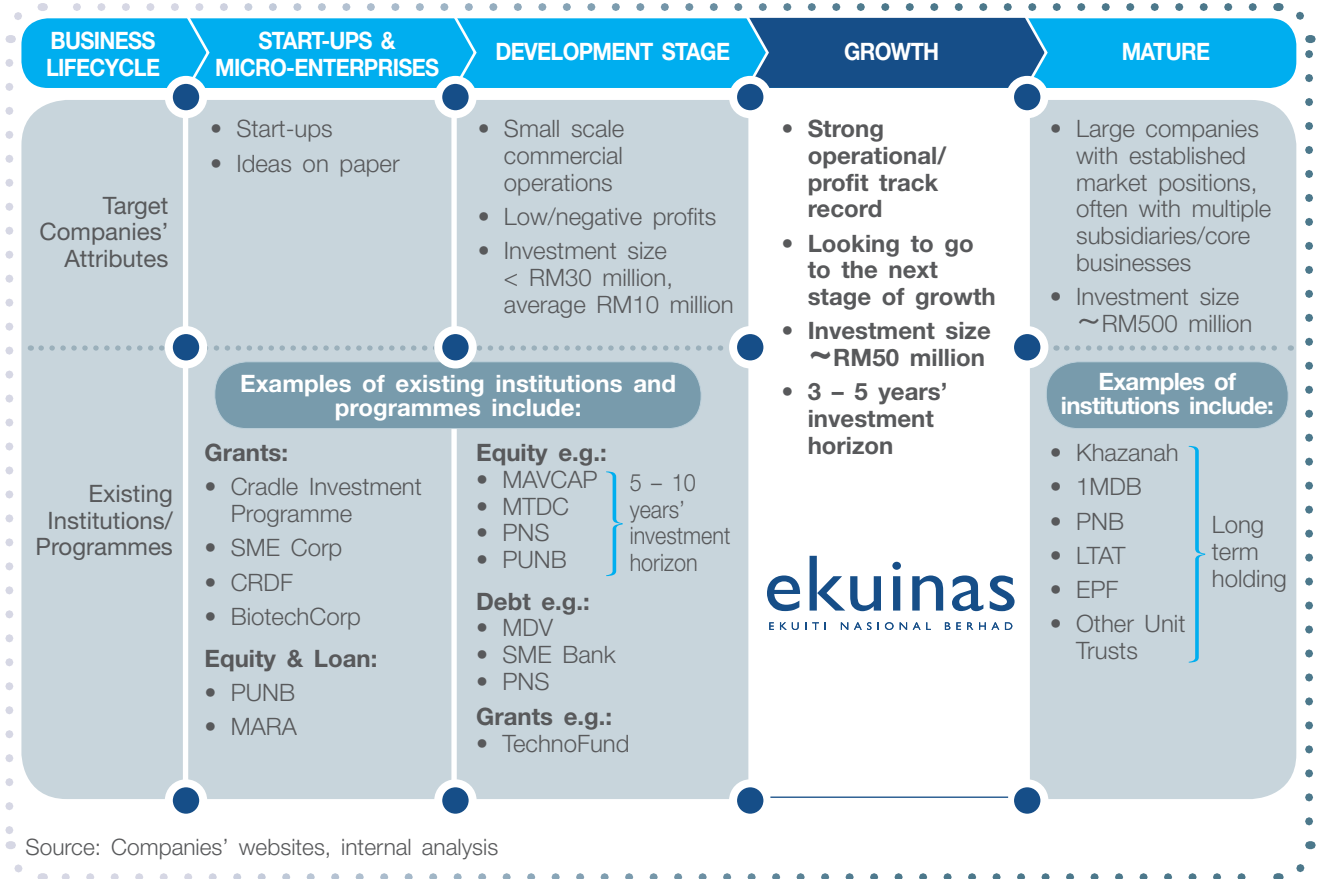
### Exhibit 4: Ekuinas' Private Equity approach



## CORPORATE PROFILE

Ekuias 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.

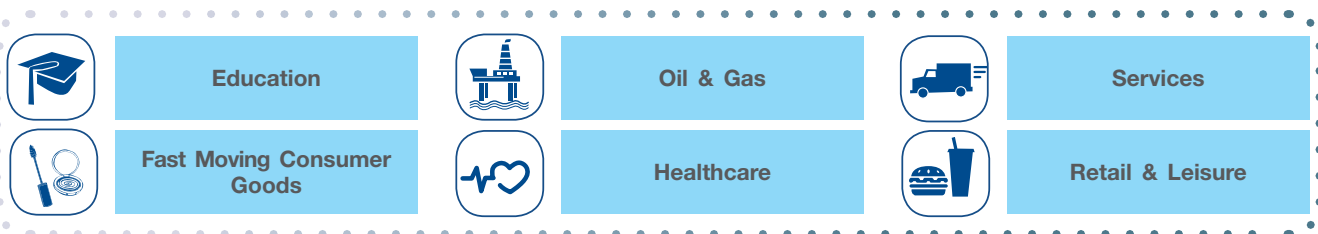
**Exhibit 5: Investment Focus**



## TARGET SECTORS

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

**Exhibit 6: Target Sectors**



The Company will not, however, invest in the following businesses.

- **Gaming, Liquor, Illegal & Unethical Sector/Business**
- **Hedge Funds, Derivatives, Currencies, Commodities, Fund of Funds**
- **Property & Construction**
- Businesses which are exposed to **concentration risks** especially those that rely heavily on a **single source of revenue stream/customer**
- Companies with **no Malaysian focus**

## TYPES OF INVESTMENTS

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

- TYPE 1** – growth capital investment in Malaysian/Bumiputera companies to accelerate growth;
- TYPE 2** – majority investment in strong Malaysian companies which demonstrate the potential to become market leaders; and
- TYPE 3** – buy-outs of non-core assets of any government-linked companies (GLCs), public-listed companies (PLC) or multi-national companies (MNCs).

### Exhibit 7: Types of Investments

#### TYPE 1

Growth Capital Investment in Malaysian/Bumiputera Companies to Accelerate Growth



Ekuias backs existing successful companies to accelerate their growth further through inorganic means

#### TYPE 2

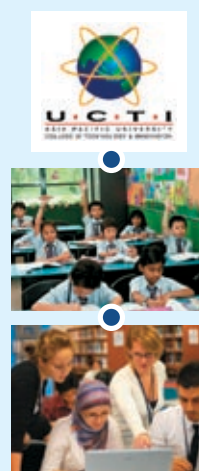
Majority Investment in Strong Malaysian Companies



Ekuias undertakes buy-outs of Companies and works with targeted professionals/entrepreneurs

#### TYPE 3

Buy-outs of Non-Core Assets of GLC/PLC/MNC



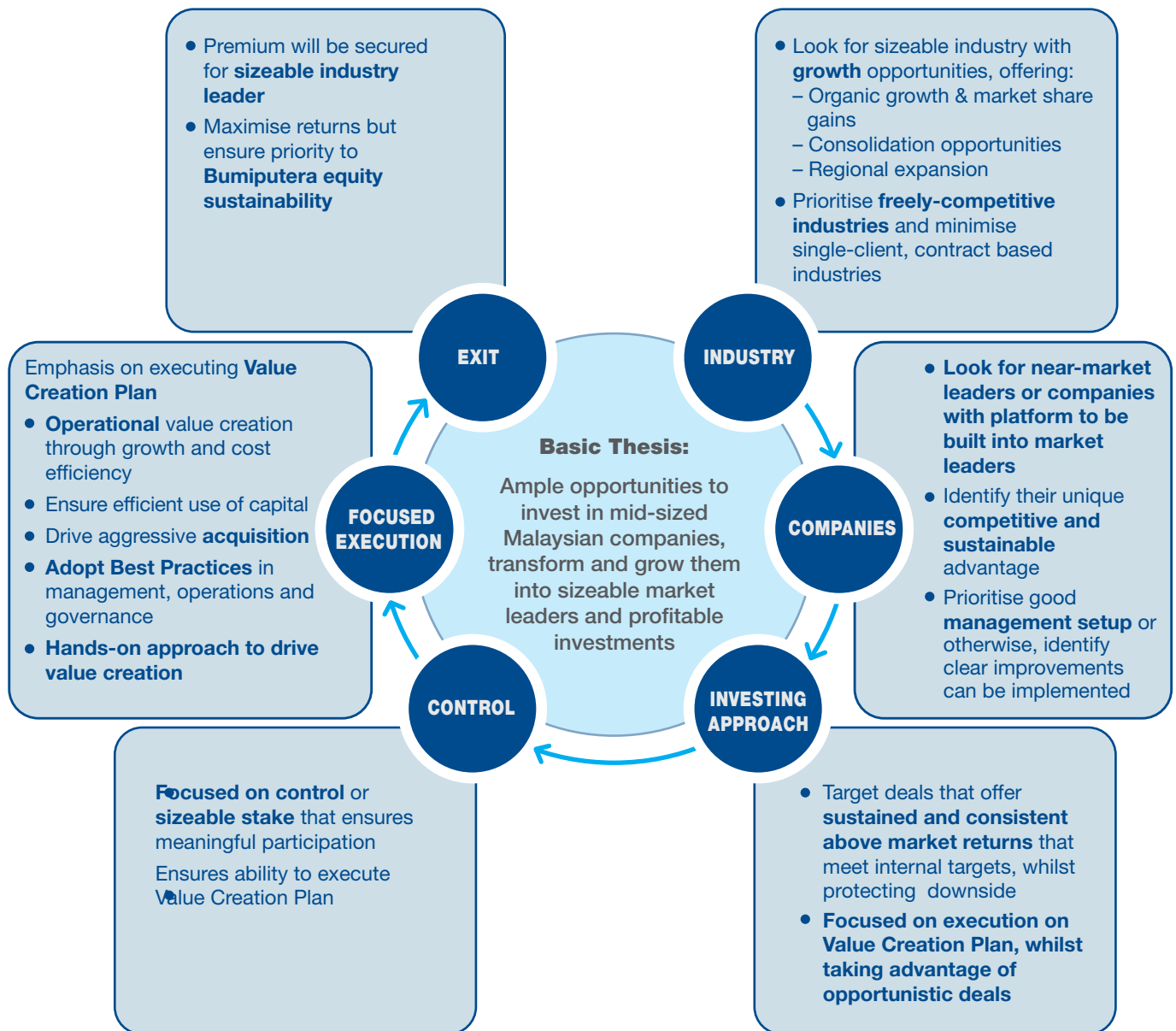
Ekuias backs targeted professionals in acquiring businesses that they can run as owner operators

## CORPORATE PROFILE

### INVESTMENT STRATEGY

EkuiNAS' investment strategy is to identify 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 below are the key elements of our investment strategy.

**Exhibit 8: Investment Thesis**





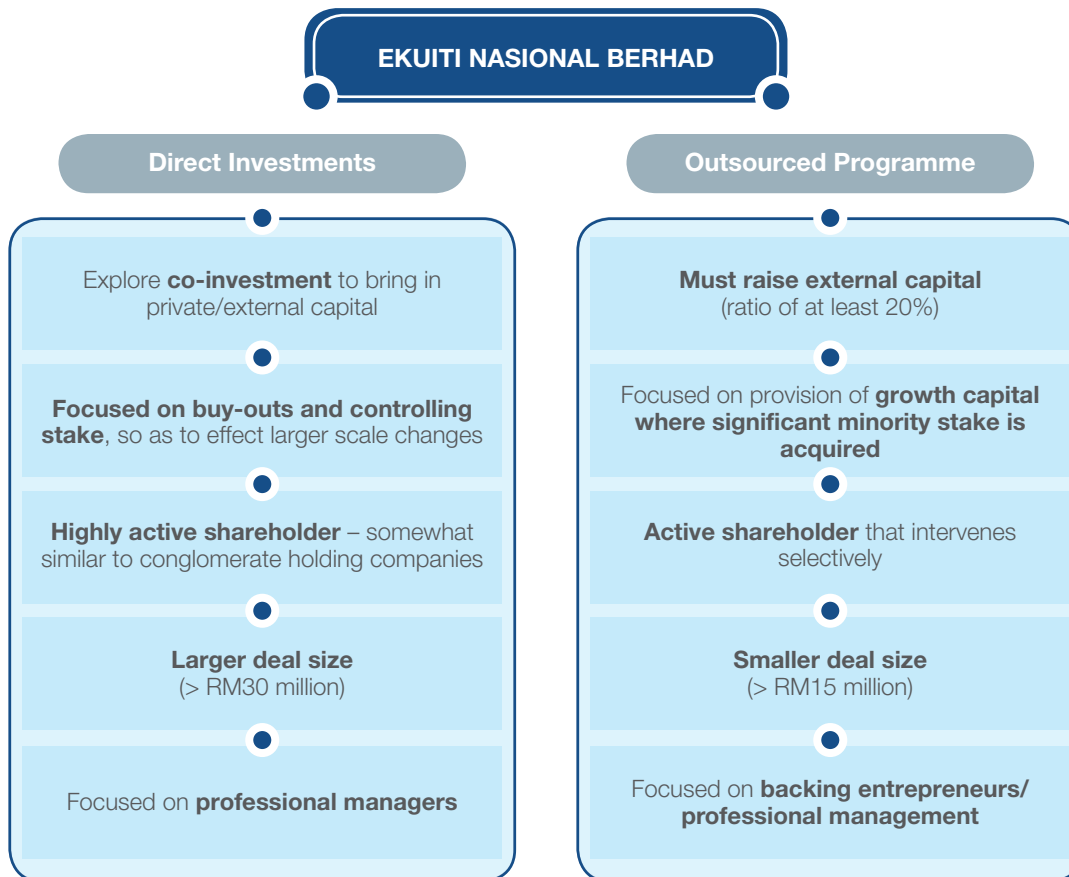
## INVESTMENT FRAMEWORK

EkuiNAS undertakes its investments through two operating models:

- 1. Direct Investments** – where investments are undertaken directly by EkuiNAS focusing on larger deal sizes involving controlling or sizeable equity stakes to enable active participation and value creation for the companies and all stakeholders.
- 2. Outsourced Programme** – where EkuiNAS undertakes investments through third party private equity firms appointed as fund managers, who are responsible to raise additional external capital and manage the investments.

To avoid overlap, each operating model has a different investment focus.

### Exhibit 9: Investment Focus For Each Operating Model



## CORPORATE PROFILE

### DIRECT INVESTMENTS

EkuiNAS' Direct Investment activities cover several key processes from the initial stage of identifying potential investments, evaluation and approval by the Investment Committee and the Board of Directors, to completion of investment.

Post-investment, EkuiNAS will work together with the portfolio company to develop and execute a Value Creation Plan (VCP) with the aim of helping the company grow to the next level.

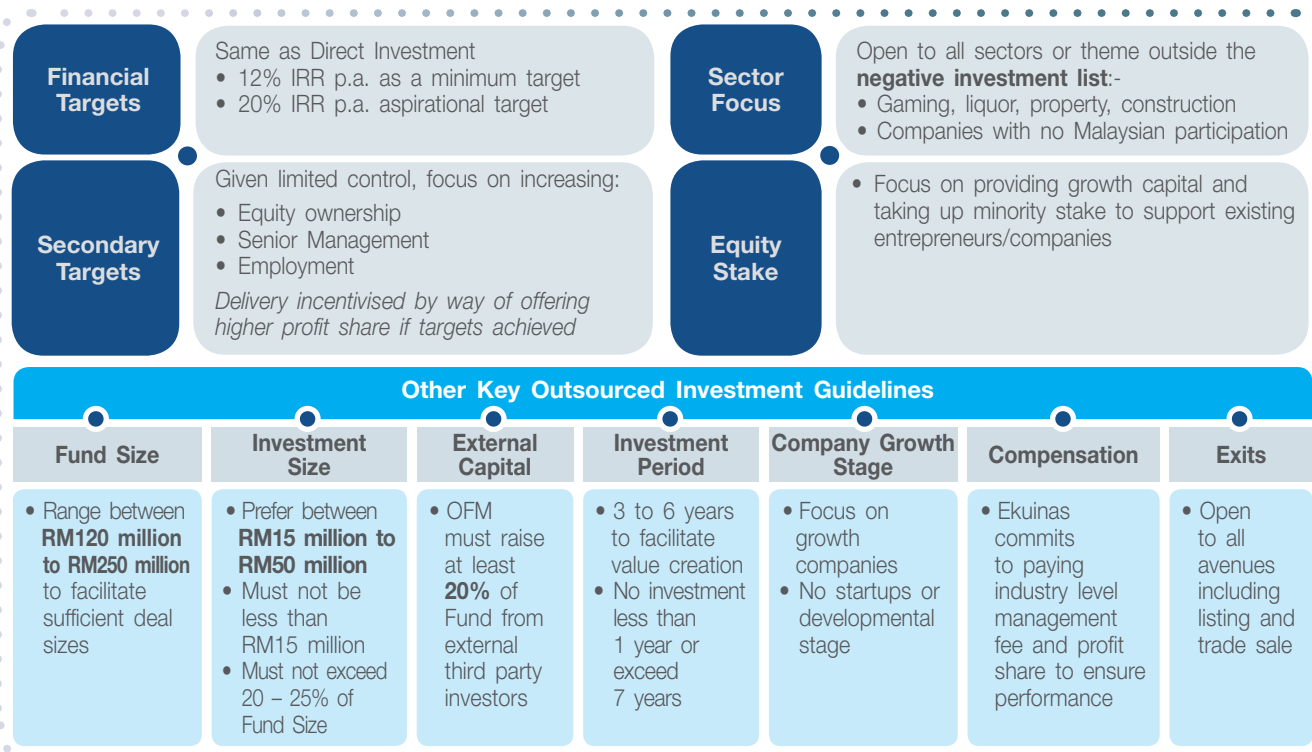
**Exhibit 10: Seven Key Processes for Direct Investments**



## OUTSOURCED PROGRAMME

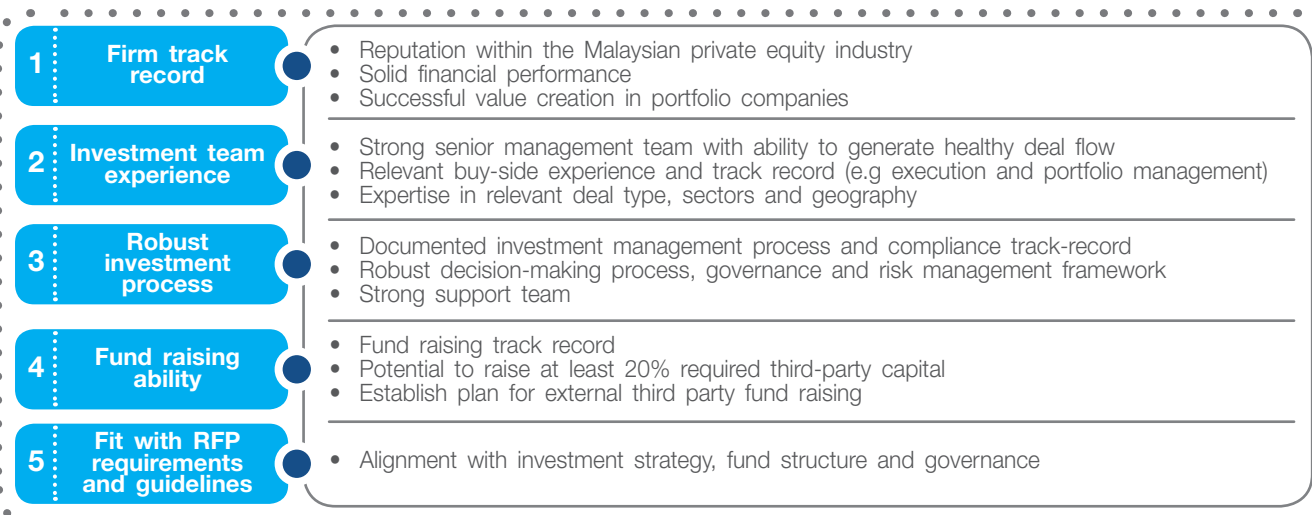
To complement Direct Investment activities, Ekuinas also operates an Outsourced Programme with the objective of successfully developing and managing an outsourced fund programme through selection of capable third party Outsourced Fund Managers (OFM) working within a clear outsourced framework and investment guidelines.

### Exhibit 11: Outsourced Programme – Framework and Guidelines



Five key evaluation dimensions were used in the selection of the OFMs. These are shown below.

### Exhibit 12: Key dimensions used in OFM selection process





**Promoting equitable and sustainable  
Bumiputera economic participation  
in a market-friendly, merit-based  
and transparent manner**



Kuinas  
KULTI WAKTU DAN LINGKUNGAN



## KEY FINANCIAL HIGHLIGHTS

	2011 RM million	2010 RM million
<b>Funds Received from Yayasan Ekuiti Nasional (YEN)</b>	1,100.0	500.0
<b>Funds Established</b>		
EkuiNAS Direct (Tranche 1) Fund	1,000.0	1,000.0
EkuiNAS Outsourced (Tranche 1) Fund		
Capital Committed by EkuiNAS	400.0	400.0
Amount raised by Outsourced Fund Managers (OFMs)	143.6	113.6
	543.6	513.6
Total Funds under Management (FuM)	1,400.0	1,400.0
Total Funds available for Investments	1,543.6	1,513.6
<b>Combined Fund Performance</b>		
<b>EkuiNAS Direct &amp; Outsourced (Tranche 1) Fund</b>		
<u>Investment Activity</u>		
Committed Investments Undertaken	903.4	482.6
Completed Investment <sup>1</sup>	577.7	380.6
Total Economic Capital Deployed in Malaysian Economy	1,028.2	602.3
<u>Financial Performance</u>		
(i) Returns		
Gross Portfolio Return	165.7	54.5
Gross Internal Rate of Return (IRR) (annualised)	32.3%	53.1%
Net IRR (annualised)	20.6%	20.8%
(ii) Balance Sheet		
Portfolio value	662.6	432.2
Net Asset Value (NAV)	686.1	447.3
<u>Social Objective Performance</u>		
(i) Bumiputera Equity created		
Value	806.54	483.2
Multiple of Capital Invested	1.4x	1.3x
(ii) Total Equity created		
Value	986.2	582.1
Multiple of Capital Invested	1.7x	1.5x
<b>Ekuiti Nasional Berhad (Fund Management Company)</b>		
Total Funds under Management (FuM)	1,400.0	1,400.0
Operating Expenditure (OPEX)	20.5	17.9
Profit After Tax (PAT)	4.3	3.4
Ratio of OPEX to FuM	1.5%	1.3%

<sup>1</sup> Capital invested on completed investments, excluding capital utilised for management fee and other operating expenses

<sup>2</sup> All figures except for Fund Management Company are presented on cumulative basis

## Individual Fund Performance

### Fund performance of the Direct and Outsourced Funds under the Ekuinas Direct & Outsourced (Tranche 1) Fund:

	2011 RM million	2010 RM million
<b>Ekuinas Direct (Tranche 1) Fund</b>		
<u>Investment Activity</u>		
Committed Investments Undertaken	891.6	482.6
Completed Investment <sup>1</sup>	565.9	380.6
Total Economic Capital Deployed in Malaysian Economy	1,011.2	602.3
<u>Financial Performance</u>		
(i) Returns		
Gross Portfolio Return	174.1	54.5
Gross Internal Rate of Return (IRR) (annualised)	35.1%	53.1%
Net IRR (annualised)	23.2%	24.3%
(ii) Balance Sheet		
Portfolio value	648.7	412.2
Net Asset Value (NAV)	672.2	427.0
<b>Ekuinas Outsourced (Tranche 1) Fund<sup>2</sup></b>		
<u>Investment Activity</u>		
Committed Investments Undertaken	11.8	N/A
Completed Investment <sup>1</sup>	11.8	N/A
Total Economic Capital Deployed in Malaysian Economy	17.0	N/A
<u>Financial Performance</u>		
(i) Returns		
<i>The financial performance of the Fund is not presented given the fund is in the early stages of investment and the gross portfolio return represents mainly the management fees, expenses and other set up costs.</i>		
(ii) Balance Sheet		
Portfolio value	13.9	N/A
NAV	13.9	N/A

<sup>1</sup> Capital invested on completed investments, excluding other capital utilised for management fee and other operating expenses

<sup>2</sup> There is no comparative as the Fund had its final closing and first investment in 2011

<sup>3</sup> Fund performance is presented on cumulative basis





## CHAIRMAN'S STATEMENT



Dear Stakeholders,

“ Ekuinas has recently completed its second year of operations and on behalf of the Board of Directors, it gives me great pleasure to present to you the Company's annual report for the financial year ended 31 December 2011. ”

## A STRONG FOUNDATION ESTABLISHED

Ekuiti Nasional Berhad (Ekuinas), a private equity fund management company established by the Government of Malaysia as an innovative, market-friendly instrument to transform high potential mid-sized Malaysian companies into future market leaders, has had a challenging yet gratifying second year of operations.

With an initial allocation of RM500 million which will rise to RM10 billion over time, Ekuinas was established under Yayasan Ekuiti Nasional and expects to invest up to RM5 billion until 2015 by taking up significant strategic equity stakes in high potential Malaysian companies. The key sectors for investment are oil and gas, education, fast moving consumer goods, retail and leisure, healthcare and services.

Our operating model emphasises the creation of genuine public and private 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.

This is because we firmly believe that only through financial discipline and shareholders' value creation can we truly deliver sustainable and equitable social impact as demanded under the New Economic Model.

In 2010, we had a very strong start in our operations where we focused on establishing the internal frameworks and processes with the aim of creating a high quality private equity firm that can be benchmarked against the best of global private equity practices. In line with this, Ekuinas had earlier announced a disclosure policy that promises a high standard of transparency for its operations to all key stakeholders.

One key platform to this commitment is the comprehensive disclosure of Ekuinas' yearly performance by way of an Annual Report, of which the inaugural report for the financial year ended 31 December 2010 we were pleased to release on 29 April 2011.

The report reflects positively on our strong start. We successfully undertook four investments with committed investment amounting to RM482.6 million, facilitating and facilitated economic capital deployment of more than RM602.3 million that positively impacted the Malaysian economy. At the same time, Ekuinas achieved strong portfolio returns generating a net Internal Rate of Return (IRR) of 20.8% as well as successfully increasing Bumiputera equity value through its investments by RM483.2 million.

## A MORE CHALLENGING INVESTMENT YEAR

2011 has been a different year where economic outlook started promisingly but was later affected by the uncertain economic environment in the west caused especially by the sovereign debt crisis in Europe. On a more positive note, the Malaysian economy remains relatively insulated with GDP growth expected to close between 5 – 6% buoyed up by strong domestic demand and relatively low inflation and unemployment.

However, the moderating Asian economic growth coupled with relatively high investment asset prices and significant availability of unutilised capital meant that mergers and acquisitions (M&A) activity within private equity market in the regions was on a declining trend. Whilst overall M&A activity in ASEAN and especially in Malaysia remained vibrant, most were driven by large transactions undertaken by corporate and strategic activities. In this context, private equity especially in Malaysia and ASEAN region remains a nascent and relatively small industry especially within the mid-sized companies market.

In view of this, it is unsurprising that the investment climate was more challenging in 2011. Whilst our investment operations went into full swing, the investment deal flows slowed considerably reflecting the uncertain global economic climate. At the same time, our investment team focus expanded into post investment management for the portfolio companies acquired to ensure they are on track with their value creation plan amidst moderating economic environment.



## CHAIRMAN'S STATEMENT

However, I am extremely pleased that Ekuinas has been able to navigate through these challenges and eventually end our second year of operations on a commendable note with strong overall fund performance, satisfactory level of new investments and considerable progress in value creation at the portfolio companies.

After receiving an additional allocation of RM600 million from government and aggressively pursuing investment opportunities, Ekuinas eventually managed to undertake four direct investments amounting to RM408.9 million, out of which only two investments (Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd) were completed in 2011 whilst the other two investments (Revenue Valley Group and Cosmopoint Group) although committed during the year, were only completed in early 2012.

At the same time, our Outsourced Programme which commenced on 1 January 2011 through three funds managed by the selected outsourced fund managers with RM543.6 million available for investment, saw only one investment undertaken in Atelier Asia Sdn Bhd amounting to RM17 million.

Nevertheless, I am pleased that these activities meant that by the end of 2011, Ekuinas has cumulatively undertaken nine committed investments of RM903.4 million and facilitated economic capital deployment of more than RM1 billion that directly and positively impacted the Malaysian economy.

“ Ekuinas has cumulatively undertaken nine committed investments of more than RM903.4 million and facilitated economic capital deployment of more than RM1 billion that directly and positively impacted the Malaysian economy. ”

## FOCUSING ON VALUE CREATION

With a growing portfolio of companies under management, our investment team focus for the year was on executing the value creation plans identified for each company to ensure they aggressively grow and are on track to create sustainable value for all stakeholders.

As a result, we are pleased that, within the Direct Investment Fund, our portfolio companies' combined revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 8.5% and 2.1% to more than RM1 billion and RM231.9 million in 2011 respectively. This was achieved despite the highly challenging operating environment faced by some of our portfolio companies such as Tanjung Offshore Berhad, Konsortium Logistik Berhad and Atelier Asia Sdn Bhd.

Most importantly, we are proud that the combined Ekuinas Direct and Outsourced (Tranche 1) Fund recorded a total gross portfolio return of RM165.7 million for the financial year ended 31 December 2011, out of which more than RM96.6 million or 58.3% represents realised income through dividends received from portfolio companies. This translates to a gross IRR of 32.3% and a net IRR after management fee of 20.6% which again exceeded our long term minimum targeted return of 12% and aspirational target of 20%.

Whilst this strong financial performance is heartening to note, I would like to reiterate my caution that the returns are, to a certain extent, skewed by the relatively short investment period and by 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 and 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.

## STRIVING FOR SUSTAINABLE SOCIAL IMPACT

Our commitment towards achieving the financial objectives has always been driven by the mandate to create equitable and sustainable Bumiputera economic participation. Ekuinas strives to make a difference across four dimensions – equity ownership, growing the pool of capable management and entrepreneurs, increasing employment opportunities at our investee companies, and improving the supply chain such that other smaller companies can benefit from our investee companies' growth.

In terms of meeting our social objectives, the investments we have undertaken have borne immediate impact. Based on the RM565.9 million investment completed by year end, Ekuinas has successfully increased Bumiputera equity value by RM806.5 million which represents a multiple of 1.4 times.

“ Ekuinas has successfully increased Bumiputera equity value by RM806.5 million. ”

At the same time, our portfolio companies provide gainful employment to more than 3,400 Malaysians, an increase of more than 12% since Ekuinas' entry. Further, our portfolio companies currently employ and are developing more than 100 talented managers, out of which 45% are Bumiputera.

“ Ekuinas has also helped to increase RM986.2 million in equity value for all shareholders of our portfolio companies, reflecting Ekuinas' model of facilitating increased shareholder value for the benefit of all Malaysians. ”

I am particularly pleased that in terms of value creation, Ekuinas has also helped to increase RM986.2 million in equity value for all shareholders of our portfolio companies, reflecting Ekuinas' model of facilitating increased shareholder value for the benefit of all Malaysians.

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



## CHAIRMAN'S STATEMENT

### SUPPORTING EFFORTS TO EMPOWER THE BUMIPUTERA COMMUNITY

In February 2011, the Malaysian Government announced the establishment of Unit Agenda Peneraju Bumiputera (TERAJU) under the Prime Minister's Department tasked with spearheading, coordinating and driving the Bumiputera transformation and participation in the economy to reduce the economic disparity within communities.

Ekuias welcomes the creation of TERAJU and since then has participated in various programmes spearheaded by TERAJU to raise awareness of various initiatives undertaken by the Government to assist the development of Bumiputera entrepreneurs.

At the same time, Ekuias also supported TERAJU in its establishment of Yayasan Peneraju Pendidikan Bumiputera, a dedicated trust aimed at ensuring deserving Bumiputera students have access to quality education and talented executives are given opportunities to further develop their skills. Given that education is also one of Ekuias' core target sectors for investment, we pledged a total of RM1 million to Yayasan Peneraju Pendidikan Bumiputera with 50% of the amount earmarked for sponsoring students at APIIT-UCTI, a fast growing education institution under our investment portfolio.

### CHARTING THE JOURNEY AHEAD

In summary, my fellow directors and I are pleased with Ekuias' progress to date, the strong foundation established and milestones achieved over our two years of operations. Our CEO, Dato' Abdul Rahman Ahmad, will explain further on the operational progress made by Ekuias throughout the year in the business review section of this report.

However, we acknowledge that more work needs to be done and 2012 presents another challenging and exciting year as Ekuias continues to mature and strive to deliver on its expectations.

Subject to receipt of funding from government, we hope to collectively invest for the coming year another RM500 to RM600 million under our Direct Investments and Outsourced Programme. We hope that 2012 will see our RM1 billion Ekuias Direct (Tranche 1) Fund fully invested within the targeted three year investment period and to commence the activity of Tranche 2 Direct Investments.

At the same time, we hope to rejuvenate the rate of investment of Ekuias Outsourced (Tranche 1) Fund and complete the selection process for the private equity managers for Tranche 2 Outsourced Programme with a targeted commencement date of early 2013.

We also intend to aggressively boost our deal flow pipeline to help improve the investment momentum and continue the progress made by our investee companies as well as maintain the strong fund portfolio performance achieved in the last year.

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

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our heartfelt appreciation to the distinguished Board of Trustees of Yayasan Ekuiti Nasional, for their continuing faith and trust given to Ekuias to undertake this demanding but exciting challenge of transforming high potential companies into the market leading players of the future.

I have also been fortunate to benefit from the shared wisdom of my fellow directors on the Board of Ekuias, and would like to thank all of them for their commitment and contribution in guiding Ekuias' operations.

I would like to especially thank YBhg Datuk Noriyah Ahmad, one of the persons instrumental in bringing Ekuinas from concept to reality, who retired from her position as Director-General of EPU in October 2011 but I am pleased that she has kindly agreed to remain on Ekuinas' Board. At the same time, I would also like to welcome our new director, YBhg Datuk Dr Rahamat Bivi binti Yusoff who assumed the post of Director-General of EPU in October 2011 and look forward to her sharing her wealth of experience for the benefit of our organisation.

To all our stakeholders, investee companies and business partners, we remain grateful for your support and contribution during this demanding year. In closing, I must express my gratitude to the CEO and his 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 remain excited to work together with the Ekuinas Team in this journey on which we have embarked and look forward to an even better year ahead.

**Raja Tan Sri Dato' Seri Arshad Raja Tun Uda**

*Chairman*



# THE MALAYSIAN PRIVATE EQUITY OUTLOOK

## INTRODUCTION

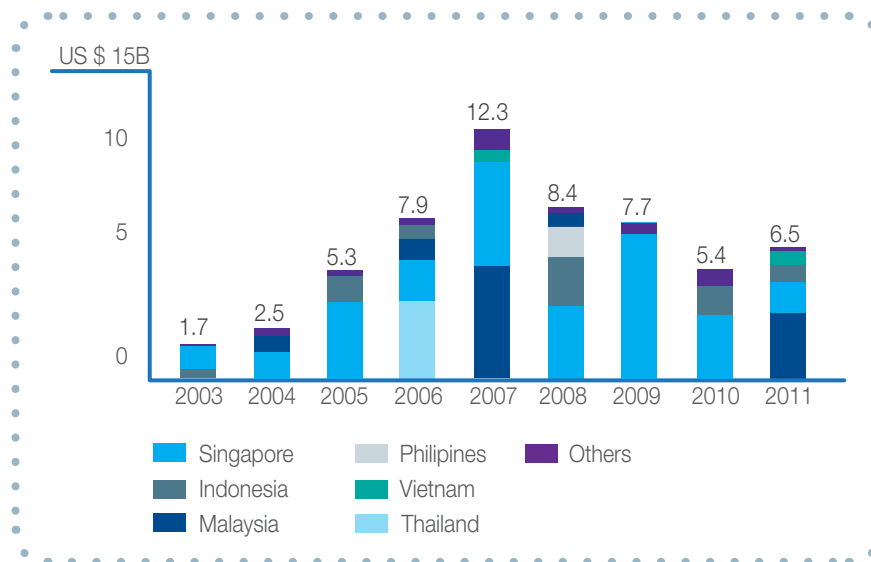
When Ekuinas was established by the Government in September 2009, the private equity approach was chosen as the operating model for the Company to undertake its investments in a market-driven, merit-based and transparent manner in line with the New Economic Model. Private equity investments undertaken by Ekuinas are targeted at growth-stage Malaysian companies, often mid-sized to large, which demonstrate the potential to grow further and become the next generation of market leaders. The Ekuinas investment portfolio now consists of dynamic businesses involved in retail, oil and gas, logistics, education and food & beverage (F&B).

In this section, Bain & Company, a leading global consulting firm provides an insightful commentary on the overall outlook of the private equity industry in Malaysia and the Southeast Asian region for 2011–2012. We would like to extend our sincere gratitude to the team from Bain & Company who produced this report, in particular Mr Suvir Varma (Partner and Asia Pacific Head of Private Equity/Sovereign Wealth Funds), Mr Mohd Khairil Kevin (Partner, Kuala Lumpur office) and Mr Sebastien Lamy (Manager, Singapore office).

## PRIVATE EQUITY COMING OF AGE ACROSS SOUTHEAST ASIA

The private equity (PE) market in Southeast Asia is large and growing. In 2011, private equity investors poured US\$6.5 billion into the region; reflecting an approximately 21% increase over 2010 (Figure 1), and accounting for about 12% of Asia’s total private equity activity. Though investments in Southeast Asia were at a five-year low in 2010, the upward momentum in 2011 looks likely to continue.

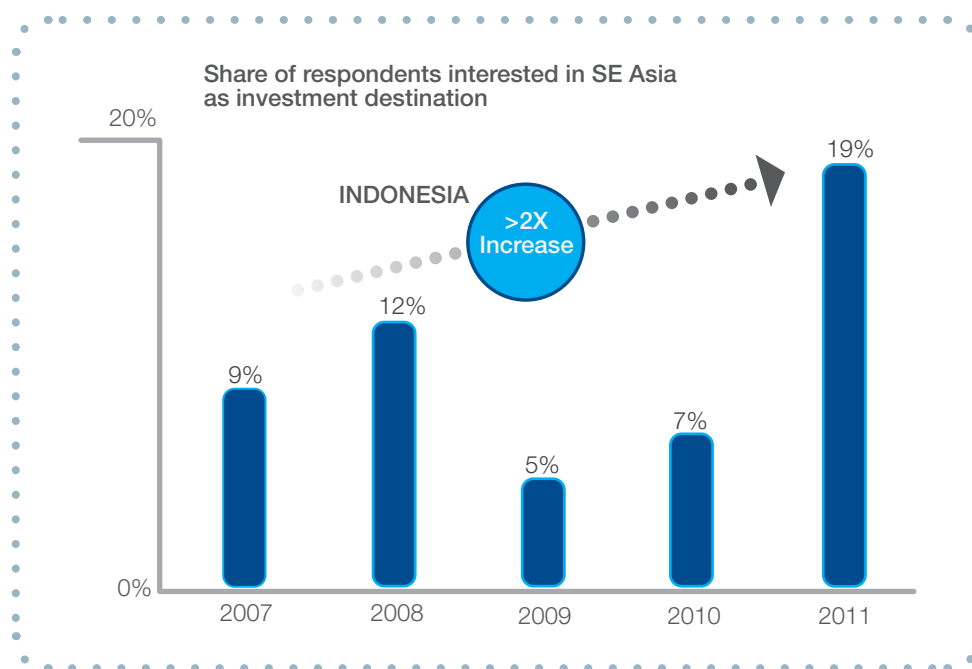
Figure 1: Private equity deal value rebounds in Southeast Asia



Note: 2011 data as of December 2011  
 Source: Asian Venture Capital Journal (AVCJ); Bain Analysis

Nearly 80% of institutional investors active in the region predict higher private equity activity there in 2012, according to a recent survey by Probitas Partners. Investor interest in Southeast Asia has doubled over the last five years (Figure 2), and capital may soon follow. About 70% of investors surveyed forecast they will invest as much as US\$100 million annually over the next several years; up from 50% last year. About one-third expect an increase in the size of their individual deals, and they also anticipate strong increases in growth investments and private investments in public equities.

**Figure 2: A surge of investor interest in Southeast Asia**



Source: Probitas Partners; Ernst & Young Survey 2011

## MALAYSIA A RISING LEADER

While Singapore has traditionally dominated Southeast Asia's private equity market, Malaysia is emerging as a strong focus for PE activity. In 2011, Malaysia surpassed Singapore in popularity, becoming Southeast Asia's top investment destination. Private equity funds invested US\$3.6 billion across 14 transactions within the country, a level that represents 50% of Southeast Asia's total deal value (Figure 1).

Private equity investors have played an increasingly important role in Malaysia's major mergers and acquisition deals over the last few years. Their presence in the country will likely continue to build for a variety of reasons. Government-linked investors, like Ekuinas, Khazanah and EPF, are increasingly active. In 2011 alone, Khazanah invested about US\$1.9 billion in 13 transactions, and realised about US\$660 million in eight divestments. Malaysia's private domestic funds like CIMB Private Equity are also starting to play a bigger role. Beyond the borders, global and regional private equity funds are becoming more eager to enter Malaysia.

## THE MALAYSIAN PRIVATE EQUITY OUTLOOK

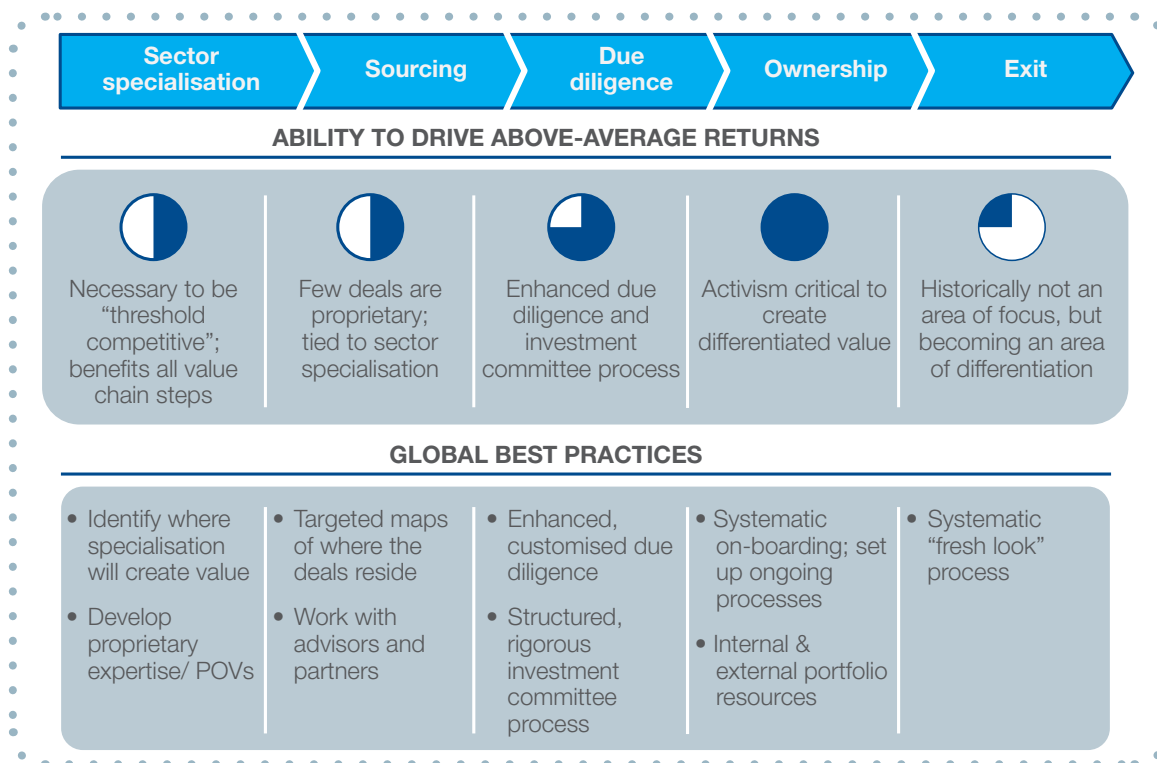
One, UK-based CVC Capital Partners, recently teamed up with a local private equity fund in a US\$1.65 billion buyout offer for Malaysia's fast-food operators KFC and QSR, one of the largest private equity deals in Southeast Asia in 2011. Another point of attraction: Malaysia is building a track record of successful exits. In April 2011, for example, Khazanah sold part of its stake in Integrated Healthcare Holdings to a Japanese strategic investor for US\$1.1 billion. For at least the next several years, the wealth of investment opportunities plus the sizeable level of "dry powder" and available debt all point to the continued growth of Malaysia's private equity market.

### PRIVATE EQUITY FIRMS DIFFERENTIATE THEMSELVES IN RESPONSE TO COMPETITIVE PRESSURE

The scramble to invest in Southeast Asia, coupled with the presence of more and richer private equity funds, has increased competition throughout the region. The natural consequences – a scarcity of high-quality target companies and higher asset prices – are already becoming evident. Respondents to the 2011 Bain & Company survey of private equity in Southeast Asia cited the difficulty of finding attractive companies to invest in and the inflated price expectations of sellers as two of the biggest constraints on the industry going forward. Furthermore, the survey indicates that returns are being squeezed in the region. The percentage of private equity exits that earned a negative return increased slightly over the past year, as those that realised an outsized multiple of more than three times investment dropped.

To succeed in Southeast Asia's dynamic and increasingly competitive emerging markets, private equity firms are sharpening their own capabilities. Successful investors are differentiating themselves at all stages of the investment process (Figure 3).

Figure 3: How successful PE firms boost value



The three key factors combine to produce above-average returns:

**Proprietary sourcing.** To find the best companies quickly and avoid overpaying, fund managers need to have people on the ground who can spot opportunities before competitors do. Local connections are critical. For example, in Indonesia, TPG, a major US-based firm, is teaming up with a local private equity fund. Taking another approach, a major global fund has formed an alliance with a leading industrial group in the region, giving it the first look at business units the conglomerate decides to divest. Fund managers can also raise their visibility with target companies by participating in conferences, boosting marketing and entertainment activities, and opening local offices.

**Enhanced due diligence and deal-execution process.** Funds that excel in converting acquisitions into winners and avoiding the losers use a probing due diligence process. They dig deep into a potential target's operations before they commit to an investment. Superior due diligence is especially critical in Southeast Asia because private equity firms are targeting smaller companies—typically private ones or carve-outs of larger companies—in which information often is less than transparent.

**More hands-on portfolio activism.** To reap value after the transaction, fund managers need to complement their deal teams by hiring dedicated operating partners and associates who have experience in both banking and operations. Leading firms are strengthening their internal portfolio operating talent, establishing portfolio value-creation committees and developing playbooks to institutionalise best practices. As they expand their portfolios across the region, private equity firms will want to develop a network of outside experts across their geographic footprint and increase their use of external support.

As they have learned in every attractive new region, private equity firms need to tailor their approach to the specific characteristics of each market. Malaysia is no exception. Funds that are nimble and flexible will be best positioned to win.

## **HANDS-ON PORTFOLIO ACTIVISM CRITICAL FOR CREATING VALUE**

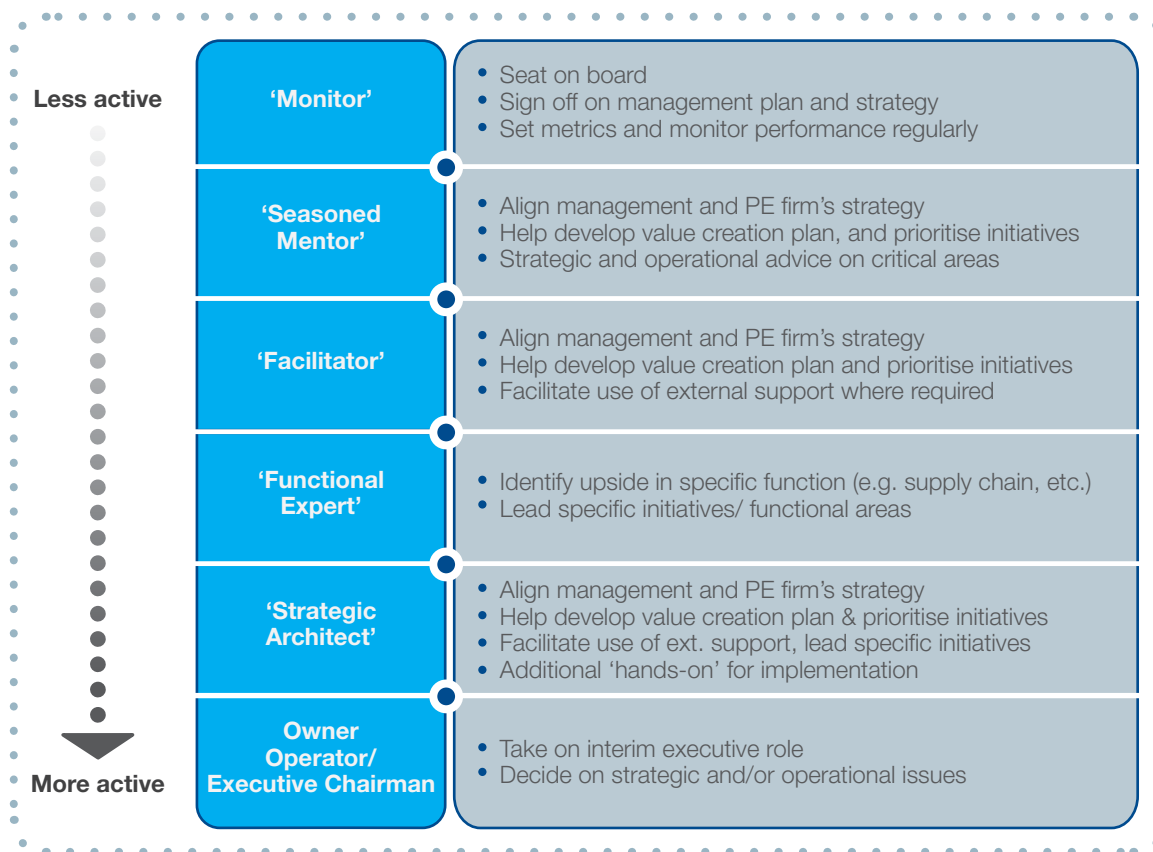
Leading private equity firms are realising that active intervention in portfolio companies is critical to creating value. Bain data suggest that private equity firms that intervene early and effectively deliver returns more than double those produced by firms that do not get involved in portfolio company operations. A 2010 survey of financial sponsors by Private Equity News adds more fuel to the fire, revealing that LPs' (or Limited Partner) top criteria when selecting GPs (or General Partner) is effective value creation post-deal. In today's competitive and challenging economic environment, private equity investors can no longer rely solely on the power of leverage and ballooning price-earnings multiples to generate superior returns.

In Bain's experience, successful private equity firms add value and engage portfolio companies throughout their investment period. Their due diligence process includes the exercise of targeting value-creation opportunities and preparing high-level mitigation plans to address the company's top risks. Within the first 100 days after acquisition, leading funds give input on management changes (as required) and strategy formulation, providing portfolio companies with a blueprint consisting of a value-creation plan and key initiatives. The work continues throughout their ownership, with partners providing input and challenging top executives at board meetings, as well as monitoring key metrics and monthly performance. Some of the ongoing ways the top private equity firms support their portfolio companies are by providing advice and due diligence for add-on acquisitions, participating in financing decisions, connecting them with external operational resources like consultants, and introducing management teams to a network of contacts to pave their way to exit.

## THE MALAYSIAN PRIVATE EQUITY OUTLOOK

Above all, the most effective private equity firms dynamically flex their approach to suit the portfolio company's different needs at different stages in the ownership lifecycle. Bain has identified six approaches that cover the full array of activity, from maintaining limited oversight to running the business (Figure 4). Private equity firms that aim to create value can begin by adopting a prevalent approach that best suits their unique combination of firm and portfolio-company characteristics.

Figure 4: Leading PE firms mix and match approaches



### Choosing the right approach hinges on five factors:

1. **"House" style and dominant investment thesis.** Does the private equity firm look for challenging turnaround situations? Or does it buy strong companies with strong management teams in search of breakthrough performance? The former would dictate a more active approach; the latter a less active one.
2. **Size of the portfolio.** What is its total value and how many companies does it include?
3. **Complexity of the portfolio.** Does it include companies that span several industry sectors, geographies and business challenges? Generally, the larger and more complex the portfolio, the more challenging it will be for a private equity firm to play an active role in each portfolio company.

4. **Portfolio companies' potential.** Are they likely to produce only marginal improvements or are they capable of achieving major transformations? If the answer is major transformation, then partners might consider a more active role.
5. **Portfolio companies' strength.** How financially healthy are they? Are there gaps in their senior management teams that need to be plugged? Typically, private equity firms would increase their involvement if a portfolio company requires significant changes to its strategy, and/or if its management team lacks experience working with private equity investors.

Defining a prevalent approach can allow a private equity firm to create the foundation of a repeatable model, one that captures the most common situations a firm and its portfolio companies face. Whatever model a firm chooses, however, should be considered a starting point, not the ultimate destination.

## CONCLUSION

Malaysia's private equity market is coming of age and poised to continue growing, as both interest and competition increase. While the market is currently dominated by government-linked investors, other types of firms are eager to enter. Regional and international private equity funds seeking to enter the market should consider partnering with a local co-investor or forming other domestic alliances. Such partners help investors navigate Malaysia's regulatory landscape and open doors to the country's business network; critical elements for successful sourcing, due diligence and exit. In turn, regional and international funds bring their deep financial and operational expertise and their global networks. Longer term, a crucial factor in driving top returns will be the extent to which private equity firms actively and effectively intervene in their Malaysian portfolio companies. At this point, the country's business environment is ripe for change. By introducing international best practices in local companies, and driving industry consolidation in fragmented sectors, private equity funds of all types can significantly increase the value of their portfolios.

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**Creating genuine and mutually  
beneficial public-private partnerships  
for the benefit of all stakeholders**



## CHIEF EXECUTIVE OFFICER'S REVIEW



As reported in the 2010 Annual Report, Ekuinas had a strong start in its first year of operations. Ekuinas successfully undertook four investments with committed investment amounting to RM482.6 million, facilitated a total economic capital deployment of RM602.3 million and delivered portfolio fund performance that exceeded its long term aspirational target of 20% internal rate of return (IRR).



## A CHALLENGING BUT INSIGHTFUL SECOND YEAR

As reported in the 2010 Annual Report, Ekuinas had a strong start in its first year of operations. Ekuinas successfully undertook four investments with committed investment amounting to RM482.6 million, facilitated a total economic capital deployment of RM602.3 million and delivered portfolio fund performance that exceeded its long term aspirational target of 20% internal rate of return (IRR).



*The YAB Prime Minister announced Ekuinas' first year performance on 29 April 2011*

After this fast paced start, it was perhaps inevitable that the second year of operations for Ekuinas in 2011 would be more challenging especially in an environment where economic growth moderated in Malaysia and ASEAN, and weakened significantly in the western developed countries.

Despite the deterioration in the global economic environment caused by the sovereign debt crisis in Europe and continued high unemployment in the United States of America, the Malaysian economy managed to remain relatively insulated with Gross Domestic Product (GDP) growth estimated to end for 2011 at approximately 5.1% (Department of Statistics Malaysia) boosted by strong domestic consumption.

This positive economic growth in Malaysia and the ASEAN region helped to maintain a relatively active mergers and acquisitions (M&A) market where a total of USD17.8 billion worth of transactions were undertaken through the region, with Malaysia being one of the most active countries.

However, private equity investments in ASEAN and Malaysia still represent only a small share of the total M&A activity, reflecting its position as a relatively nascent

industry. Further, with asset prices remaining high and capital readily available, the investment climate for private equity firms operating in the region became extremely testing. This is further exacerbated by the fact that the Malaysian economy is limited in size and the lack of knowledge within the business community of private equity as a potential alternative to capital markets.

At the same time, the uncertain global economic condition also affected the operating performance of some of our portfolio companies, making organic growth difficult. This posed a considerable challenge to our investment team who had to balance between focusing on the expanded scope of managing the newly acquired portfolio companies as well as maintaining the aggressive pursuit of new investments.

We are pleased that Ekuinas was able to overcome the obstacles and eventually end our second year of operations on a commendable note with strong overall fund performance, satisfactory level of new investments and achieving considerable progress in value creation at the portfolio companies.

## GOVERNMENT – CONTINUING SUPPORT IN THE PROVISION OF CAPITAL

Ekuinas was established with a committed capital of RM5 billion from the Malaysian 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 investment plan with RM3.5 billion and RM1.0 billion allocated to undertake its two core investment activities, namely direct investment and outsourced programme respectively.

During the year ended 31 December 2011, Ekuinas received a disbursement from government amounting to **RM600 million** under the annual committed allocation, bringing the total cumulative amount received by Ekuinas to **RM1.1 billion**. The money received has been earmarked for investments under Ekuinas' maiden funds, namely Ekuinas Direct (Tranche 1) Fund under Direct Investments activities and Ekuinas Outsourced (Tranche 1) Fund under its Outsourced Programme with a total committed capital of RM1 billion and RM400 million respectively.





## CHIEF EXECUTIVE OFFICER'S REVIEW

### DIRECT INVESTMENT – FOCUSING ON VALUE CREATION

The challenging investment climate and difficulty in sourcing high potential mid-sized companies that satisfy our stringent investment criteria meant that our investment team faced considerable difficulty in meeting our targeted rate of investments.

Despite scrutinising more than 300 prospective investments since Ekuinas commenced operations, Ekuinas managed to undertake only four investments for the year with committed investment amounting to RM408.9 million. However, as at year end, only two of these investments were completed whereas the two other investments were agreed in principle but executed and completed only in early 2012.

The four committed investments undertaken during the year are as follows:-

- **Lyndarahim Ventures Sdn Bhd** – where Ekuinas invested RM15 million for a 90.0% equity stake in a Bumiputera company which owns and operates the popular specialist coffee chain in Malaysia, San Francisco Coffee. An additional investment

of RM15 million has also been allocated for the chain's regional expansion plans and also to invest in additional F&B brands;



- **Cosmo Restaurants Sdn Bhd** – where Ekuinas invested RM68.2 million to acquire a 74.1% shareholding in the Malaysian franchisee for Burger King®;



### KEY MILESTONES

#### February 2011

Acquisition of 51% majority stake in the APIIT Education Group for RM102 million.

Received RM300 million for 2011 from the Government.

#### March 2011

Completion of first closing for Tranche 1 of Outsourced Programme with RM513.6 million available for investment in strong Malaysian companies, RM113.6 million collectively raised by the three OFMs.

One of the OFMs, Navis completed its investment of RM17 million in Atelier Asia Sdn Bhd, a fast growing distributor and retailer of popular lifestyle and baby care brands.

#### April 2011

The Prime Minister, YAB Dato' Sri Mohd Najib Tun Abdul Razak, announced Ekuinas' first year achievement and launched the inaugural annual report.

- **Revenue Valley Group** – where Ekuinas has committed to invest a total of RM64.7 million for a 85.7% stake in the diversified F&B group that owns and operates Manhattan Fish Market, Tony Roma’s franchise in Malaysia and Popeyes franchise in Malaysia and Singapore.
- **Cosmopoint Group** – where Ekuinas has committed to invest a total of RM246 million for a 90% stake in the fast growing Bumiputera education group with a strong brand and reputation for providing affordable education.

The investments in these three groups form the critical foundation for Ekuinas’ strategy to build a diversified food and beverage (F&B) group that has both local and global brands within its portfolio serving all segments of the market.

Ekuinas has identified F&B as one of its core investment sectors and strongly believes that the industry with its sizeable size of more than RM23 billion and highly fragmented nature, provides a clear opportunity to create growth and assume a market leading position through ownership of multi brands.



This year’s investments focus predominantly on the acquisition of controlling stakes in companies and providing them with the necessary capital required to bring these companies to the next level of growth. Further, these buy-out investments enable Ekuinas to back professional managers who are given the opportunity to own equity based on performance, in line with our mandate to help create a larger pool of professional owner-managers.

**August 2011**

Received another RM300 million from the Government.

**September 2011**

Investment amounting to RM98.2 million in the Malaysian franchisee for Burger King® and San Francisco Coffee.

**January 2012**

Acquisition of 85.7% in Revenue Valley Group for RM64.7 million, gaining control over three F&B chains namely Manhattan Fish Market, Popeyes in Malaysia and Singapore, as well as Tony Roma’s in Malaysia.

**March 2012**

Ekuinas’ education portfolio expanded with the acquisition of 90% equity stake for RM246 million in Bumiputera-owned Cosmopoint Group which owns and operates Kuala Lumpur Metropolitan University College and Cosmopoint International College of Technology.



## CHIEF EXECUTIVE OFFICER'S REVIEW

### EKUINAS DIRECT (TRANCHE 1) FUND



Total committed investments undertaken



Together with the portfolio of investments brought forward from 2010, the investments made in 2011 bring the total number of committed investments directly undertaken by Ekuinas Direct (Tranche 1) Fund to 8 investments, amounting to RM891.6 million, out of which RM565.9 million has been completed at year end. Further, these investments combined have facilitated a total economic capital deployment of more than RM1.0 billion, positively impacting the Malaysian economy.

More importantly, the Ekuinas Direct (Tranche 1) Fund delivered a gross portfolio return of RM174.1 million, out of which more than RM96.6 million or 55.5% has been realised through dividends income received from the portfolio companies. This translates to a gross IRR of 35.1% and net IRR after management fee of 23.2%, exceeding our long term targeted minimum return of 12% IRR per annum and aspirational target of 20% IRR per annum.

This strong performance is commendable but it should be cautioned that these returns are skewed by the relatively short investment period and listed company investments, whose fair values are determined by market prices at year end, which can fluctuate significantly.

Accordingly, we still expect the Fund Performance to 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 critical success factor to deliver financial return is to focus on the underlying operational performance of the investee companies.

In this regard, we are pleased to note that despite the challenging operating environment, the underlying operational performance of the investee companies under Ekuinas remained positive. Excluding the portfolio companies recently acquired in 2011, the four companies within the Direct Investments fund collectively recorded growth in revenue and earnings before interest, depreciation and amortisation (EBITDA) (before any exceptional items) of 8.5% and 2.1% to more than RM1.0 billion and RM231.9 million respectively.

This was achieved through focused execution of the Value Creation Plan formulated upfront for each investment to ensure their value is enhanced. Our investment team expended significant time and resources at our portfolio companies to assist the management teams in identifying and addressing the key issues faced by each portfolio company.

We are particularly pleased that some of these efforts have already borne encouraging results. Amongst these include the successful non-core asset divestment initiatives at Konsortium Logistik Berhad, securing land for APIIT Education Group's capacity expansion and the significant network of distribution achieved in Indonesia for Alliance Cosmetics Group.

Notwithstanding this, we believe that more work needs to be done at all our portfolio companies to improve performance, especially at Tanjung Offshore Berhad and Konsortium Logistik Berhad to ensure that they meet the ambitious targets which we have set.



## OUTSOURCED FUND PROGRAMME – A SLOW START

The Ekuinas Outsourced (Tranche 1) Fund was successfully launched in the financial year 2011 with a capital commitment of RM543.6 million, including RM143.6 million raised by external investors. This is in line with government's desire to leverage from private capital and increasing public-private partnership.

Three outsourced fund managers (OFMs) were selected under Tranche 1, namely Navis Capital Partners (Navis), CIMB Private Equity (CIMB PE) and KFHAM Asset Management (KFHAM). The Outsourced Programme complements Ekuinas' Direct Investments fund by focusing on smaller deal sizes and providing growth capital to high potential businesses via minority stakes.

However, the overall performance of the Outsourced Programme during 2011 has been below expectations. To date, only one investment amounting to RM17.0 million has been undertaken in a leading retailer group, Atelier Asia Sdn Bhd, which specialises in lifestyle and baby-

care brands including Wrangler, Philips Avent, Mattel/ Fisher Price, MacLaren, Crocs, Fred Perry and Mom's Care.

Accordingly, Ekuinas Outsourced (Tranche 1) Fund performance cannot be meaningfully analysed as the sole investment is still being recorded at cost with the Fund only incurring management fees.





## CHIEF EXECUTIVE OFFICER'S REVIEW

The outsourced private equity firms are currently working on several transactions and we expect to report on additional investments undertaken in our next annual report.

In late December 2011, the Board of Directors gave its approval for Ekuinas to commence Tranche 2 of the Outsourced Programme with an allocation of between RM300 – 400 million. Ekuinas plans to select the OFMs for this second tranche following a similar rigorous evaluation process as applied to Tranche 1 and hopes to finalise and commence the operation of these funds effective early 2013.

### SOCIAL OBJECTIVES ACHIEVEMENT



RM  
**806.5**  
MILLION  
INCREASE IN  
BUMIPUTERA  
EQUITY  
VALUE



>RM1.4  
BILLION  
TOTAL  
ECONOMIC  
VALUE  
CREATED  
FOR ALL  
SHAREHOLDERS



### SOCIAL OBJECTIVES – ON TRACK AND IN PROGRESS

As a government linked private equity firm, Ekuinas pursues social objectives through its investments across four dimensions – increasing equity ownership, enlarging the pool of capable managers and entrepreneurs, increasing employment opportunities and improving the supply chain such that more companies can benefit from the growth of Ekuinas' portfolio companies.

Ekuinas aims to increase Bumiputera equity value through enhancement in the shareholder value of our portfolio companies which not only directly increases the value of Ekuinas' own investment but also the increase in the value of equity owned by other shareholders and managers in the companies.

For the period under review, we are pleased that our total investments have facilitated an increase of RM806.5 million in Bumiputera equity value, representing a multiple of 1.4 times the capital invested from completed investments of RM565.9 million. This translates to a significant, real and measurable impact in increasing Bumiputera equity value in line with our long term aspiration to deliver RM10 billion or 2 times of the expected capital of RM5 billion to be invested.

At the same time, our investments have also resulted in the total economic value created for all shareholders of the portfolio companies of more than RM1.4 billion, representing an increase of RM986.2 million or a multiple of 1.7 times of Ekuinas' invested capital in completed investments. This further demonstrates that Ekuinas' investments positively impact and benefit all Malaysians.

Ekuinas' portfolio companies currently employ more than 100 managers, out of which 45% are Bumiputera. Some of these managers have been provided with a performance-based equity scheme that we hope will incentivise them to drive excellence and enable them to share in the value created in their companies.

EkuiNAS has also successfully increased the number of employees within our portfolio companies by 12% to more than 3,400, out of which more than 76% are Bumiputera. This positively supports our original thesis that only through growth and commercial viability can social objectives be achieved.

We are fully aware that notwithstanding the encouraging progress made, more work needs to be done to sustainably deliver on our social objectives on a long term basis. In particular, we are cognisant that we need to identify more impactful ways on how our portfolio companies can directly provide spin-off benefits to other companies and stakeholders through its activities. For this purpose, we are developing for each portfolio company, a social objective Value Creation Plan to identify areas of impact and to track progress in the delivery of the social objectives.

However, we are always mindful that any effort to deliver on our social objectives within our portfolio companies has to be undertaken in a fair, merit-based manner to ensure inclusiveness and mutual benefit for all. Only through this approach, can such efforts bear long term sustainable results.

The Investment Performance Review set out on pages 53 to 81 of this report provides highlights of EkuiNAS' investment activities in further detail.

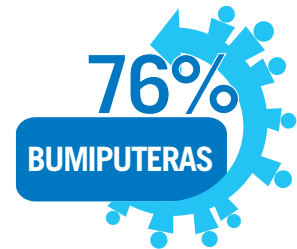
## INSTITUTING WORLD-CLASS PRIVATE EQUITY BEST PRACTICES

As a fund management company tasked to manage and invest the funds allocated by the Government, EkuiNAS strives to benchmark our operations against the best practices of leading global private equity firms.

One of the key guiding principles adopted by EkuiNAS is that the management of these funds is undertaken by employing the highest standards of governance and ensuring it is done cost effectively.

For this purpose, EkuiNAS continued to build on the operating and governance framework developed in its first year of operations and this year, expanded its scope to ensure that our portfolio companies also institute a similar governance framework of high standards but tailoring it to their specific requirements. Further, we continued to develop the capability of our shared services units to ensure they continue to provide a high quality and effective support to our investment team and portfolio companies.

## EMPLOYMENT UNDER PORTFOLIO COMPANIES

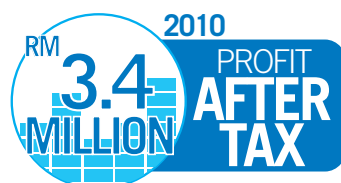
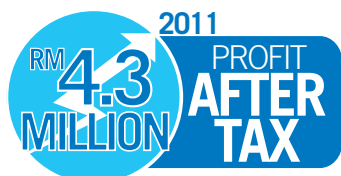




## CHIEF EXECUTIVE OFFICER'S REVIEW

### EKUINAS FUND MANAGEMENT COMPANY

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We are pleased to note that Ekuinas recorded a profit after tax of RM4.3 million in the financial year ending 31 December 2011. More importantly, the ratio of operating expenditure (OPEX) to total funds under management (FuM) is 1.5%, compared to 1.3% in FY2010 which is in line with, if not better than, the benchmarks set by other government agencies and private equity firms.

As we continue to move forward, we aim to ensure our operations remain at par with leading financial services institutions and private equity firms in Malaysia and in the region. To achieve this, investment in human capital is core to our strategy. Whilst we have formulated an in-depth human capital strategic framework to attract, retain and develop talents, going forward we intend to fast track and expedite the implementation of these initiatives to ensure that our talent pool is capable of delivering on the high expectations that have been set.

At the same time, we intend to enhance our capabilities in identifying and developing capable professional managers and entrepreneurs at the portfolio companies as they remain the single fundamental factor in determining success in their companies.



### EFFECTIVE AND ONGOING ENGAGEMENTS

Ekuinas has, since inception, adopted an active engagement policy with all stakeholders covering mainstream and new media, government, business community, non-governmental organisations (NGOs) as well as the general public.

Various engagements, presentations and discussions were held throughout the year to provide clarity on Ekuinas' mandate and how we play a complementary role in helping the country achieve some of its socio-economic goals. This has resulted in a positive awareness and better understanding about private equity model and Ekuinas' progress to-date.



A perception audit was undertaken during the year with stakeholder groups and media to seek feedback on how Ekuinas can further enhance its communications. The results indicate that most stakeholders are aware of Ekuinas' mandate and are confident that Ekuinas is on track towards achieving its objective of increased equitable Bumiputera economic participation.



We note that some stakeholders also seek additional information on a more regular basis, which we will endeavour to meet in line with our Disclosure Policy as set out on pages 111 and 112. Further, Ekuinas will continue its efforts to educate the business community, trade associations and general public on the concept of private equity investment and how private equity could positively impact a company's growth and value.

## CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Ekuinas' corporate social responsibility (CSR) focus continued in extending support to non-governmental organisations that provide assistance and organise programmes for developing and enhancing entrepreneur capabilities. Contributions were made to various NGO groups for activities that encourage entrepreneurship as well as those which provide opportunity for business networking amongst companies.

At the same time, we maintained a small allocation for NGOs that provide support for the less fortunate in our society, including single mothers, orphans and those afflicted with terminal illnesses. Further information on Ekuinas' contributions to society are provided in the CSR section on pages 82 to 85.

At the same time, we have commenced our process to formulate and establish a more structured CSR programme to enable Ekuinas to meaningfully contribute with more impact in areas that are relevant to our mandate. We hope that the CSR programmes would reflect Ekuinas' catalytic role in developing talents and businesses and look forward to its execution in 2012.

## IN SUMMARY

The second year of operations for Ekuinas was challenging but I am pleased that our team persevered and remained disciplined in executing our investment strategies and operations.

Going forward despite the uncertain global economic outlook for 2012, we remain optimistic with the Malaysian economy and the latent potential of Malaysian companies. We believe there are still opportunities for Malaysian companies to grow both organically as well as through consolidation and we hope that Ekuinas will remain an attractive and unique destination for these companies.

Accordingly, we continue to set ambitious targets for our coming year. Subject to availability of funds, we hope to further deploy RM500 to RM600 million for investments in 2012. At the same time, we hope to create further value at our investee companies, deliver on our minimum targeted financial returns and achieve further progress in meeting our social objectives.

Most importantly, we hope to start turning into reality our ambition of transforming some of our portfolio companies into future market and industry leaders, leaving a legacy of sustainable and viable companies that can positively impact the community.





## CHIEF EXECUTIVE OFFICER'S REVIEW

I would like to end by thanking 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 navigate the many challenges encountered during our initial year of operations. We would also like to welcome Datuk Dr Rahamat Bivi who joined our Board and look forward to working with her and all members of the Board in continuing to improve the performance of Ekuinas going forward.

At the same time, we are extremely grateful to all the eminent trustees of Yayasan Ekuiti Nasional for the trust in allowing us to execute the vision set.

Ekuinas has also been fortunate to receive the continuing support of all our valued stakeholders, investee companies and business partners, to whom we remain highly indebted and whose contributions towards our operations we highly appreciate.

Finally, I would like to thank the whole team at Ekuinas whose enormous hard work, commitment and dedication form the real strength behind Ekuinas. I am truly honoured and privileged to have the opportunity to work with all of you, and look forward to continuing our journey together in establishing a private equity organisation that can be benchmarked against the leading players within the industry.

**ABDUL RAHMAN AHMAD**

*Chief Executive Officer*





# INVESTMENT PERFORMANCE REVIEW

EkuiNAS has received to date a total of RM1.1 billion from the Government for the purposes of undertaking investments. Leveraging on this, two funds were established under Tranche 1, as follows:

1. EkuiNAS Direct (Tranche 1) Fund with a capital commitment 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

EkuiNAS Direct (Tranche 1) Fund was established in 2010 with a capital commitment of RM1 billion allocated to undertake Direct Investments. The Fund has an investment period of between three (3) to five (5) years to invest in growth-stage Malaysian companies. The Fund has a tenure of five (5) years, with an additional extension of two (2) years.

Fund Name	EkuiNAS Direct (Tranche 1) Fund
Vintage Year	1 January 2010
Capital Committed	RM1 billion
Term	5 Years (+ 2 Years)
Investment Period	3 – 5 Years
Legal Form & Structure	One fund manager and one investor Fund: EkuiNAS Direct (Tranche 1) Fund Fund Manager: Ekuiti Nasional Berhad Fund's Domicile: Malaysia
Investment Focus	Malaysia
Investment Focus by Stage	Growth Capital Fund
Investment Focus by Industry	<ul style="list-style-type: none"> <li>– Education</li> <li>– Oil &amp; Gas</li> <li>– Fast Moving Consumer Goods (FMCG)</li> <li>– Retail &amp; Leisure</li> <li>– Healthcare</li> <li>– Services</li> </ul>

## INVESTMENT PERFORMANCE REVIEW

### Investment Activities

For the financial year ended 31 December 2011, the Fund undertook four (4) committed investments amounting to RM408.9 million. Out of this, two (2) investments in Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd amounting to RM98.2 million were completed by year end, whilst the other two (2) investments in Revenue Valley Group and Cosmopoint Group amounting to RM310.7 million were committed before year end but completed in early 2012.

These investments bring the total cumulative committed investments undertaken by the Fund since inception to eight (8) investments amounting to RM891.5 million. Excluding investments not yet drawdown, the total capital invested by the Fund for completed investments as at the year end amounted to RM565.9 million.

Through these investments, the Fund has facilitated an economic capital deployment to date of more than RM1.0 billion, positively impacting the Malaysian economy.

### Exhibit 1: Investment activities undertaken

	Name	Sector	Stake %	Committed Investment RM million	Committed Investment by Others RM million	Economic Capital Deployed RM million	Completed Investment by Ekuinas RM million
1	Alliance Cosmetics Group (ACG)	FMCG	20.00%	39.88	119.64	159.52	39.88
2	Tanjung Offshore Berhad (TOFF)	Oil & Gas	24.00%	99.80	–	99.80	99.80
3	Konsortium Logistik Berhad (KLB)	Services	61.62%	240.96	–	240.96	240.96
4	APIIT Education Group (APIIT)	Education	51.00%	102.00	–	102.00	102.00 <sup>1</sup>
Historical Portfolio Brought Forward (A)				482.64	119.64	602.28	482.64
5	Lyndarahim Ventures Sdn Bhd	Retail – F&B	90.00%	30.00	–	30.00	15.00
6	Cosmo Restaurants Sdn Bhd	Retail – F&B	74.10%	68.21	–	68.21	68.21
7	Revenue Valley Group (RV)	Retail – F&B	85.67%	64.70	–	64.70	0.00
8	Cosmopoint Group	Education	90.00%	246.00	–	246.00	0.00
Total for the year (B)				408.91	–	408.91	83.21
Cumulative Total (C) = (A) + (B)				891.55	119.64	1,011.19	565.85

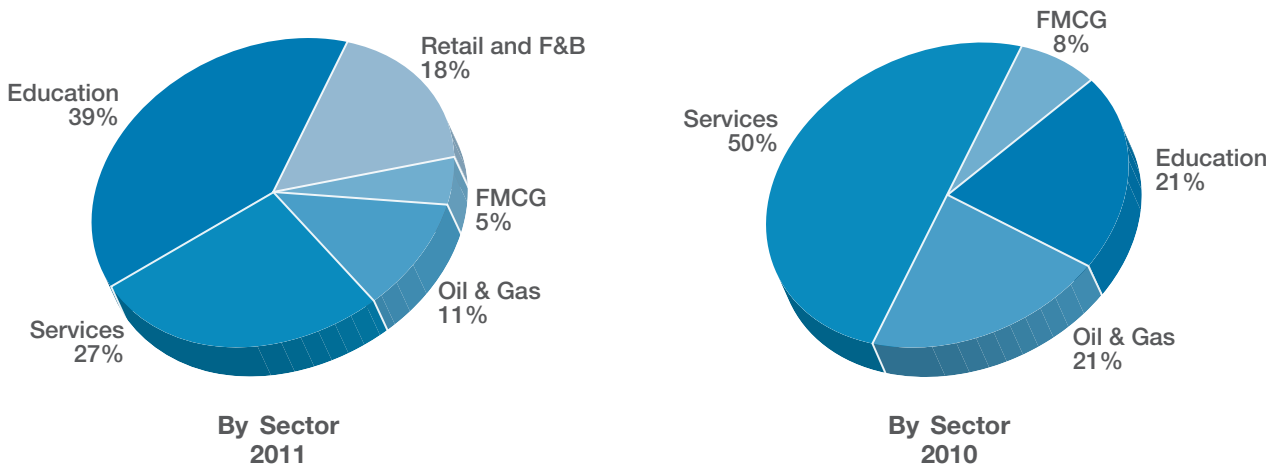
<sup>1</sup> The investment in APIIT Education Group was committed in late 2010 and completed in early 2011

The committed investments undertaken up to the date of this Annual Report had the following characteristics:

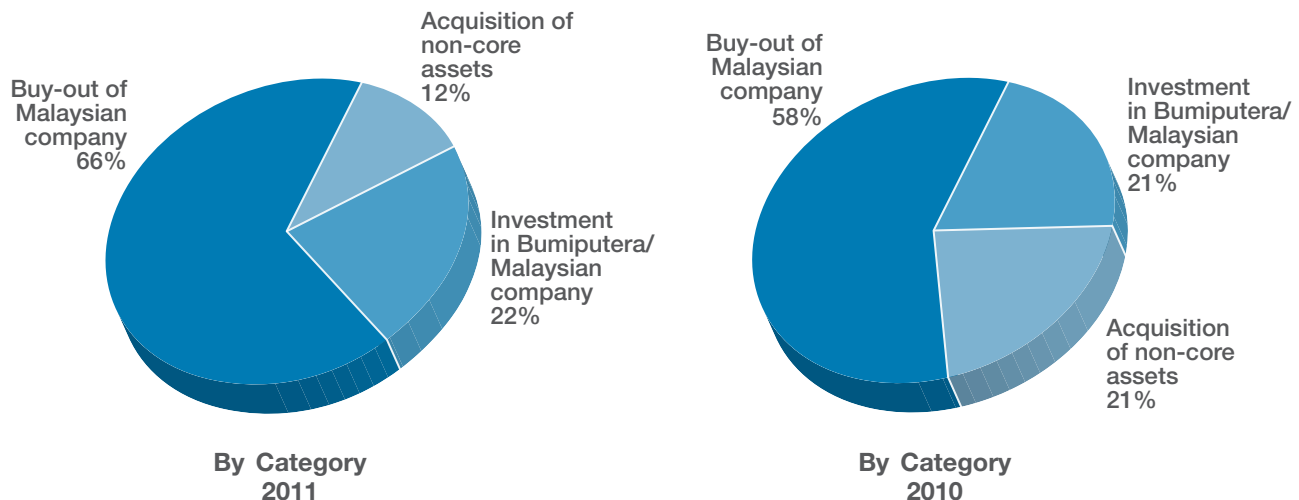
- The bulk of the investments made are in the education industry with investments in APIIT Education Group and Cosmopoint Group and the Retail and F&B sector with investments in Cosmo Restaurants Sdn Bhd, Lyndarahim Ventures Sdn Bhd and Revenue Valley Group.

This is in line with Ekuinas' strategy to tap into the opportunities in these rapidly expanding sectors as well as the longer term plan to consolidate these investments under an Education and F&B holding group that can be future market leaders in their respective industries.

All in all, Ekuinas has invested in five (5) out of six (6) core sectors identified, namely, Fast Moving Consumer Goods (FMCG), Education, Oil & Gas, Services and Retail and F&B.



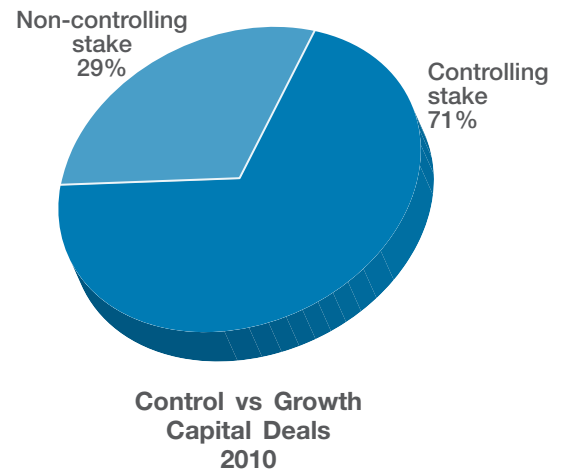
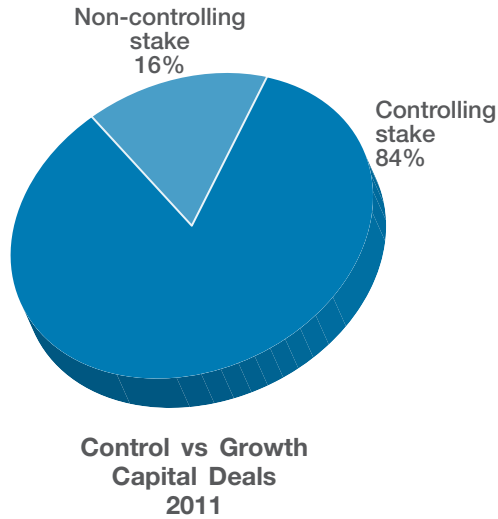
- The investments made fall under all three (3) categories of investments that have been identified by Ekuinas, namely investment in high potential Bumiputera/Malaysian companies to help accelerate growth, buy-out of Malaysian companies entering the next level of growth and acquisition of non-core assets from GLC/PLC/MNC.



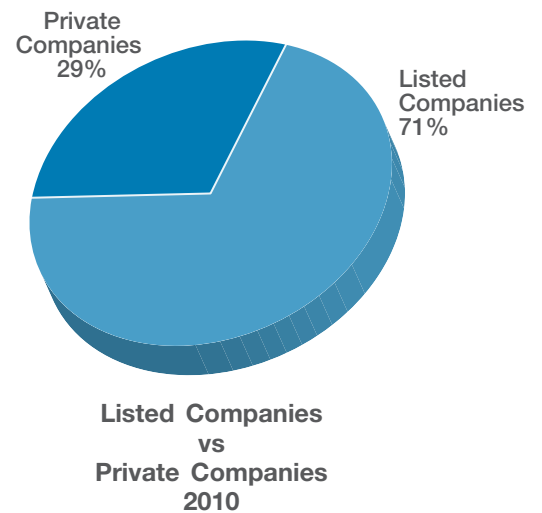
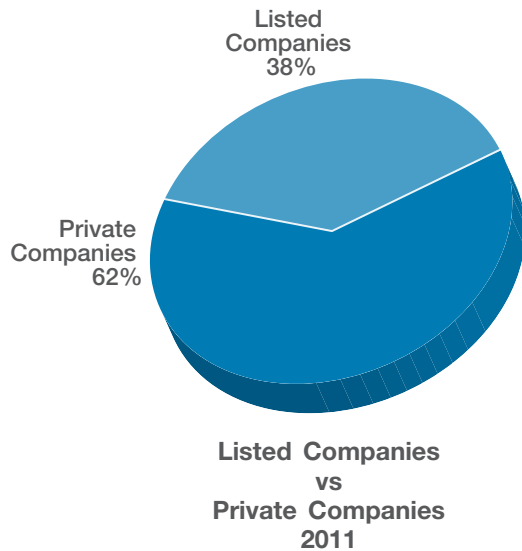


## INVESTMENT PERFORMANCE REVIEW

- All of the investments in 2011 involved Ekuinas acquiring controlling stakes in companies, where we backed capable and experienced entrepreneurs and professional managers as they sought the necessary support to grow their businesses.



- All four (4) investments for the year were in private companies. This brings the total investments in private companies to 62% of the total portfolio, with the balance being in listed companies.



### Fund Net Assets Value (NAV) as at 31 December 2011

	2010 RM million	Movements in 2011 RM million	2011 RM million
Capital Invested <sup>1</sup>	403.53	167.53	571.06
Plus increases to Net Assets Value:			
Dividend Income	23.82	72.78	96.60
Net Unrealised Gain on Fair Value of Investments	31.51	51.35	82.86
Interest Expense	(0.86)	(4.50)	(5.36)
Total Gross Portfolio Return	54.47	119.63	174.10
Less reductions to Net Assets Value:			
Total Operating Expenditure	(31.01)	(41.92)	(72.93)
Net Increase in Net Assets Value	23.46	77.71	101.17
Net Assets Value	426.99	245.24	672.23
Net Assets Value made up of:			
Investments – at cost	380.64	185.21	565.85
Net Unrealised Gain on Fair Value of Investments	31.51	51.35	82.86
Investments carried at Fair Value	412.15	236.56	648.71
Plus: Working capital	14.84	8.68	23.52
Equals Net Assets Value	426.99	245.24	672.23
Gross IRR	53.09%		35.07%
Net IRR (before carried interest)	24.28%		23.16%

<sup>1</sup> Amount drawdown for completed investments, management fee and other operating expenses

During the period under review, a total capital amount of RM167.5 million was called for the investments in APIIT Education Group, Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd, and management expenses, bringing the total cumulative capital called to RM571.1 million as at the end of the reporting period.

Based on the completed investments as at 31 December 2011, the Fund successfully achieved a gross portfolio return of RM174.1 million, out of which RM96.6 million is realised through dividend income.

## INVESTMENT PERFORMANCE REVIEW

This translates to a healthy gross annualised IRR of 35.1%, and a net IRR of 23.2%, after deducting management fees payable to Ekuinas. These returns are lower than those recorded in 2010 which were skewed by the short investment period, but remains higher than the minimum target IRR of 12% and aspirational target of 20%.

Accordingly, the Fund's net assets value as at year end rose by 57.4% from RM427.0 million recorded in 2010 to RM672.2 million. This includes total completed investments, whose original cost amounted to RM565.9 million, being carried at a collective fair value of RM648.7 million, reflecting the enhanced value of the investments made after taking into account the estimated current market value of these assets.

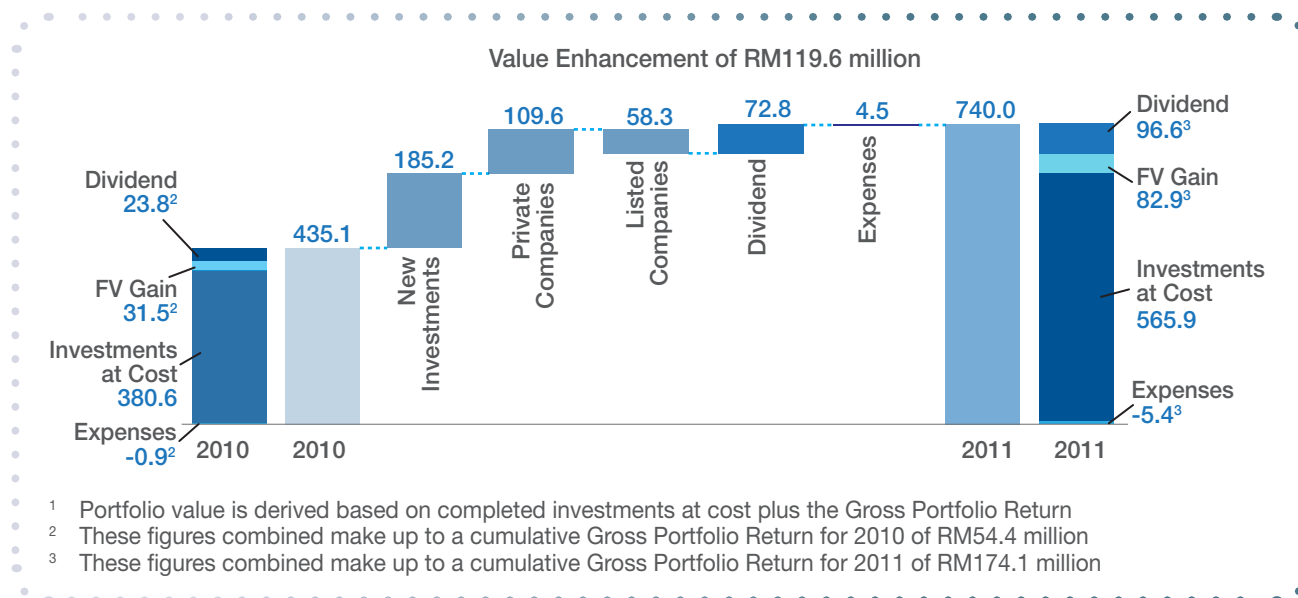
### Exhibit 2: Portfolio Performance as at 31 December 2011

Company	Date of Investment	Stake %	Cost of Investment RM million	Fair Value 2011 RM million	Gross Portfolio Return RM million	IRR %
ACG	4-Jan-10	20.00	39.88	648.71	Realised Income 96.60	Gross IRR 35.07%
TOFF	26-Jul-10	24.00	99.80			
KLB	18-Oct-10	61.62	240.96		Increase in Fair Value 82.86	Net IRR 23.16%
APIIT	18-Feb-11	51.00	102.00			
SF	12-Sep-11	90.00	15.00		Expenses (5.36)	
BK	15-Sep-11	74.10	68.21			
Total			565.85		174.10	

*Gross IRR is derived after interest expense*  
*Net IRR is derived after management fee and other operating expenses*



**Exhibit 3: Portfolio Value<sup>1</sup> Movement as at 31 December 2011 (RM million)**



In terms of the composition profile of Ekuinas' investment portfolio, the growth in portfolio value for the year of RM304.9 million has been primarily driven by new investments of RM185.2 million, the net increase in unrealised fair value of investments amounting to RM51.3 million and from realised income of RM72.8 million arising from dividend income. The net increase in unrealised fair value of investment is attributed to the increase in fair value of private companies amounting to RM109.6 million but was partly off-set by the decline in the market value of listed investments of RM58.3 million.

### Portfolio Companies' Performance

It has been a challenging year for the portfolio companies with continued global economic and market uncertainty resulting in a difficult operating environment domestically. In 2011, Ekuinas' portfolio companies recorded a collective revenue growth of 8.5% to more than RM1 billion and marginal earnings before interest, tax, depreciation and amortisation (EBITDA) (and excluding any exceptional items) growth of 2.1% to RM231.9 million.

**Exhibit 4: Portfolio Companies – Combined Revenue and EBITDA**

	Total Revenue (RM million)			Total EBITDA (RM million)		
	2010	2011	% growth	2010	2011	% growth
<b>Total of Portfolio Companies</b>	924.8	1,003.5	8.5%	227.1	231.9	2.1%

The above financial results exclude portfolio companies acquired less than six (6) months to year end



## INVESTMENT PERFORMANCE REVIEW

# ALLIANCE COSMETICS GROUP

**New**  
**Hi-Definition**  
Waterproof Mascara

**70%\*** Longer lashes | **10x\*** Thicker lashes

**Extra Fiber-Extender**  
Blade longer, thicker and more defined lashes

**Lash Nutrient Complex**  
Strengthens lashes from root to tip

**Dual action brush applicator**  
Magnifies your lashes to extreme clarity and definition

**Hi-Definition My Eyes!**

**New**  
**Hi-Definition**  
Gel Liner

Smooth and easy application  
Long-lasting definition  
Waterproof, resists sweat and smudge-proof

**New**  
**Hi-Definition**  
Brow Liner

**Angled-tip**

With angled-tip to shape and fill your brows with precision  
Super smooth and long-lasting  
With attached brow brush for easy blending

**IMPORTANT**  
The product is water proof. It can only be washed out with eye make-up remover. To use, gently rub the eye or brow from base to tip (not the lashes).

**SILKYGIRL**



### Transaction Details

Investment Type	: Majority investment in strong Malaysian companies
Status	: Private company
Sector	: Fast Moving Consumer Goods (FMCG)
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 and 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 to Indonesia

### Financial Highlights

	2010 Audited (Index)	2011 Unaudited (Index)	Growth %
Revenue	100.0	104.9	4.9%
EBITDA	100.0	96.4	-3.6%

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

- ACG revenue grew by 4.9%, whilst EBITDA declined by 3.6% year-on-year due to start up losses from Indonesia operations. Excluding this, EBITDA grew marginally by 3%.
- ACG continued to have good underlying growth in sales especially within modern trade but offset by slower demand from general trade and lower margins due to higher promotional costs.
- Expansion into Indonesia continued to progress with Silkygirl products now available across more than 11,000 distribution points nationwide, whilst at the same time in Malaysia the company successfully launched its men's care range under the SG Men brand.



## INVESTMENT PERFORMANCE REVIEW

# TANJUNG OFFSHORE BERHAD



### Transaction Details

Investment Type	: Growth capital 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

A leading local offshore O&G service provider which 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
- Established capabilities in offshore supply vessel services and marginal field solutions

### Financial Highlights

	2010 Audited RM million	2011 Unaudited RM million	Growth %
Revenue	406.8	497.6	22.3%
EBITDA before EI	84.8	90.4	6.7%
PAT before EI	15.1	10.4	-31.1%
PAT after EI	6.8	-55.4	-<100%

EI: Extraordinary Items

- TOFF revenue grew by 22.3% driven by higher vessel utilisation within the marine business segment arising from increased domestic oil and gas activities.
- However, lower margins within the engineering, equipment, maintenance and services resulted in EBITDA before EI growing only by 6.7%. Further provisions for doubtful debts, prepayments and closure cost of subsidiary in UK resulted in significant losses incurred by the non-marine business segment and resulted in the group incurring a loss after tax of RM55.4 million.
- TOFF is currently undertaking a comprehensive restructuring and rationalisation exercise to turnaround the non marine business segment and to re-focus its activities to enable it to tap into the opportunities within the O&G sector.



## INVESTMENT PERFORMANCE REVIEW

# KONSORTIUM LOGISTIK BERHAD





### Transaction Details

Investment Type	: Majority investment in strong Malaysian companies
Status	: Listed company
Sector	: Services
Acquisition Date	: October 2010
Capital Invested	: RM241.0 million
Ownership	: 61.6%



### Company Description

Integrated logistics provider with services spanning container haulage, dry bulk transportation, warehousing and distribution, freight forwarding and customs clearance, besides specialising 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 abilities

### Financial Highlights

	2010 Audited RM million	2011 Unaudited RM million	Growth %
Revenue	294.4	258.7	-12.1%
EBITDA before EI	67.4	56.6	-16.1%
PAT before EI	33.0	25.3	23.5%
PAT after EI	-26.4	26.0	>100%

EI: Extraordinary Items

- Revenue and EBITDA before EI declined by 12.1% and 16.1% respectively, due to delay in securing project logistics contract as well as a challenging market environment within the domestic automotive industry.
- This was partly offset by improved operational performance within the haulage division driven by cost efficiency savings. Consequently, profit after tax improved considerably from loss making in 2010 to RM26.0 million in 2011 as last year's results were affected by non-recurring provisions and write-offs.
- Significant value and cashflow generated from the non-core assets divestment process with total dividends declared to shareholders for 2011 amounting to RM100 million.



## INVESTMENT PERFORMANCE REVIEW

# APIIT EDUCATION GROUP



### Transaction Details

Investment Type	: Buy-out of a non-core asset from 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, with award-winning APIIT/UCTI University College specialising in providing high quality tertiary-level education for Technology, Engineering and Business courses to both local and foreign students.

### Investment Rationale

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

### Financial Highlights

	2010 Audited RM million	2011 Unaudited RM million	Growth %
Revenue	95.7	112.9	18.0%
EBITDA	35.8	47.0	31.6%

- Strong revenue and EBITDA growth by 18.0% and 31.6% respectively, driven by increased number of students at both the university college and private school. APIIT/UCTI and Sapura Smart School now have more than 9,000 students and 1,000 students respectively.
- The capacity expansion programme for APIIT/UCTI is in progress with land secured for the development of a new campus at Technology Park Malaysia.
- Moving forward, APIIT Education Group will further strengthen its revenue base through increasing its penetration into local student market, exploring new international market to boost its foreign student intake and potential introduction of more courses.

INVESTMENT PERFORMANCE REVIEW

# COSMO RESTAURANTS SDN BHD AND LYNDARAHIM VENTURES SDN BHD



## SAN FRANCISCO COFFEE



Transaction Details	COSMO RESTAURANTS SDN BHD	LYNDARAHIM VENTURES SDN BHD
Investment Type	: Growth capital investment in Malaysian Company	Growth capital investment in Bumiputera Company
Status	: Private company	Private company
Sector	: Retail – Food & Beverage (F&B)	Retail – Food & Beverage (F&B)
Acquisition Date	: September 2011	September 2011
Capital Invested	: RM68.2 million	RM15.0 million
Ownership	: 74.1%	90.0%

### Company Description

#### – Cosmo Restaurants Sdn Bhd

Cosmo Restaurants Sdn Bhd (Cosmo) was established in 1997 as the local franchise with development rights for the Burger King® brand in Peninsular Malaysia, excluding KLIA. Currently, the company owns and operates 27 outlets in Malaysia.

#### – Lyndarahim Ventures Sdn Bhd

Lyndarahim Ventures Sdn Bhd owns and operates San Francisco Coffee, a brand that was founded in 1997 to sell premium brewed coffee, espresso-based hot and cold drinks and cafe food such as sandwiches, pastries and snacks in Malaysia. Currently, the company has 22 outlets in Malaysia and Singapore, of which 6 are franchised.

### Investment Rationale

- Investment in the Malaysian franchise of a strong global brand and an established locally developed brand
- Investment in the F&B industry, which is expanding, driven by growth in consumer spending
- Provides the platform to build one of the largest F&B groups in the country

### Financial Highlights

The investment in Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd were completed less than six (6) months before year end. Accordingly, the financial highlights of the companies will only be provided in 2012.







## INVESTMENT PERFORMANCE REVIEW

# REVENUE VALLEY GROUP





### Transaction Details

Investment Type	: Majority investment in a strong Malaysian company
Status	: Private company
Sector	: Retail – Food and beverage (F&B)
Acquisition Date	: January 2012
Capital Invested	: RM64.7 million
Ownership	: 85.7%



### Company Description

A Malaysian-based investment holding company which owns Manhattan Fish Market, Tony Roma's franchise for Malaysia and Popeyes franchise in Singapore and Malaysia.

### Investment Rationale

- Investment in a well established F&B company with three high potential brands
- Provides immediate regional presence with outlet operations in Malaysia, Singapore and Thailand
- Strong and experienced management team
- Provides further platform for Ekuinas' overall plan of building one of the largest F&B groups with a diversified portfolio

### Financial Highlights

The investment in Revenue Valley Group was committed in November 2011 and completed in early 2012.

Accordingly, the financial highlights for Revenue Valley Group will only be provided in 2012 and does not form part of Ekuinas' financial results for 2011.





## INVESTMENT PERFORMANCE REVIEW

# COSMOPPOINT GROUP



**cosmopoint**  
COLLEGE OF TECHNOLOGY



Kuala Lumpur Metropolitan  
University College

### Transaction Details

Investment Type	: Majority investment in strong Malaysian company
Status	: Private company
Sector	: Education
Acquisition Date	: March 2012
Capital Invested	: RM246.0 million
Ownership	: 90.0%



### Company Description

Cosmopoint Group owns two strong brands in mass-market private education namely Kuala Lumpur Metropolitan University College and Cosmopoint International College of Technology which provide bachelor and diploma courses, as well as training for ICT, with total enrolment of 11,000 students in 13 campuses nationwide.

### Investment Rationale

- Investment in one of Malaysia's most profitable education groups with strong track record of growth
- Tapping into Malaysia's fast growing education sector
- Provide further platform for the overall plan to establish one of the largest education groups in Malaysia

### Financial Highlights

The investment in Cosmopoint Group was committed in November 2011 and completed in March 2012.

Accordingly, the financial highlights for Cosmopoint Group will only be provided in 2012 and does not form part of Ekuinas' financial results for 2011.



## INVESTMENT PERFORMANCE REVIEW

### 2 EKUINAS OUTSOURCED (TRANCHE 1) FUND

#### Fund Overview

Ekuias Outsourced (Tranche 1) Fund was established in 2011 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 has an investment period of between three (3) to six (6) years in growth-stage Malaysian companies.

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 investments, in line with the government's call for increasing public-private partnership.

<b>Fund Name</b>	<b>Ekuias Outsourced (Tranche 1) Fund</b>
<b>Vintage Year</b>	2011
<b>Capital Committed</b>	RM400 million
<b>Term</b>	6 Years (+ 1 Year)
<b>Investment Period</b>	3 to 6 Years
<b>Legal Form &amp; Structure</b>	<p>One fund manager and multiple investors. Outsourced to the following fund/fund managers:</p> <ol style="list-style-type: none"> <li>1) Fund: Navis Malaysia Growth Opportunities Fund I, L.P. Fund Manager: Navis MGO 1 GP Ltd Fund's Domicile: Cayman Islands</li> <li>2) Fund: CIMB National Equity Fund Ltd.P. Fund Manager: CIMB General Partner Ltd Fund's Domicile: Labuan</li> <li>3) Fund: MK-One Fund (Labuan) Limited Fund Manager: Kuwait Finance House (Labuan) Berhad Fund's Domicile: Labuan</li> </ol>
<b>Investment Focus</b>	Malaysia
<b>Investment Focus by Stage</b>	Growth Capital Fund
<b>Investment Focus by Industry</b>	General except for Ekuias' negative investment list

During the period under review, the Fund had its final closing with total commitment amounting to RM543.6 million, further broadening the participation from private investors.

#### Exhibit 5: Fund's Capital Commitment

	First Closing Date	Final Closing Date	Fund Size RM million	Ekuinas' Capital Commitment RM million	Private Capital RM million
OFMs:					
Navis Capital Partners	1-Dec-10	18-Apr-11	543.57	400.00	143.57
CIMB Private Equity	12-Jan-11	11-Jul-11			
KFH Asset Management	1-Dec-10	31-May-11			

Note: Out of RM143.6 million, RM88 million is foreign capital

#### Investment Activities

For the financial year ended 31 December 2011, the Fund undertook one (1) committed investment and completed the investment amounting to RM11.8 million. Together with capital committed and invested by investment partners amounting to RM5.2 million, has facilitated the total economic capital deployed into the economy amounted to RM17.0 million.

#### Exhibit 6: Investment activities undertaken

Name	Sector	Stake %	Committed Investment RM million	Committed Investment by Others RM million	Economic Capital Deployed RM million	Completed Investment by Ekuinas RM million	
Navis Malaysia Growth Opportunities Fund I, L.P.							
1	Atelier Asia Sdn Bhd	FMCG	70.30%	11.83	5.17	17.00	11.83
Total for the year				11.83	5.17	17.00	11.83

## INVESTMENT PERFORMANCE REVIEW

### Fund Net Assets Value (NAV) as at 31 December 2011

	2010 RM million	Movements in 2011 RM million	2011 RM million
Capital Invested <sup>1</sup>	20.44	3.91	24.35
Less reductions to Net Assets Value:			
Unrealised Loss on Fair Value of Investments	–	(8.39)	(8.39)
Total Operating Expenditure	(0.14)	(1.97)	(2.11)
Net Decrease in Net Assets Value	(0.14)	(10.36)	(10.50)
Net Assets Value	20.30	(6.45)	13.85
Net Asset Value made up of:			
Investments – at cost <sup>1</sup>	20.08	2.18	22.26
Unrealised Loss on Fair Value of Investments	–	(8.39)	(8.39)
Investments carried at Fair Value	20.08	(6.21)	13.87
Plus: Working capital	0.22	(0.24)	(0.02)
Equals Net Assets Value	20.30	(6.45)	13.85
Gross IRR	N/A		N/A <sup>2</sup>
Net IRR	N/A		N/A <sup>2</sup>

<sup>1</sup> This includes amount drawdown/invested on completed investment of RM11.83 million and capital invested for Outsourced Funds' management fee and other operating expenses

<sup>2</sup> The Fund recently commenced operation and has only one investment to date. Management fees and other operating expenses are significant at the early stage of the Fund and resulted in not meaningful gross and net IRR for the Fund

Ekuias Outsourced (Tranche 1) Fund commenced operation in early 2011. Out of the RM400 million of Ekuias' capital committed for the Fund, RM24.3 million capital was invested up to the year end, out of which RM22.3 million was capital invested in outsourced funds at year end. The capital invested was predominantly allocated to the Navis MGO Fund which completed the sole investment undertaken during the year in Atelier Asia Sdn Bhd (Atelier).

The Fund's performance for the year was affected by the management fee expenses and other corporate expenses incurred during the year which resulted in the net assets value of the fund to decrease from RM20.3 million to RM13.9 million.

### Exhibit 7: Portfolio Performance as at 31 December 2011

Company	Date of Investment	Stake %	Cost of Investment RM million	Fair Value RM million	Gross Portfolio Return RM million	Gross IRR %
<b>Navis Malaysia Growth Opportunities Fund I, L.P.</b>						
Atelier	28-Mar-11	70.30	17.00	17.00 <sup>1</sup>	–	N/A <sup>2</sup>

<sup>1</sup> The investment is still carried at cost as it is within the period of initial investment

<sup>2</sup> The Fund recently commenced operation and has only one investment to date. Management fees and other operating expenses are significant at the early stage of the Fund and resulted in not meaningful gross and net IRR for the Fund



## Portfolio Company

### ATELIER ASIA SDN BHD

During the period under review, the Fund saw its first investment, with Navis MGO Fund acquiring a 70.3% stake in Atelier, a leading distributor and retailer of premium lifestyle and baby care products. Amongst the products distributed by Atelier are Wrangler, Philips Avent baby products, Mattel, Crocs footwear, Winx Club clothing and Maclaren strollers.



## PROFILE OF APPOINTED OFMS

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

### Navis Capital Partners

Navis was founded in 1998 in order to make private equity investments in growth-oriented buyouts in South and Southeast Asia. The firm contributes both capital and management expertise to a limited number of well-positioned companies with the objective of directing strategic, operational and financial improvements. The firm focuses exclusively on enterprises based in Asia, particularly South and Southeast Asia, where the principals of Navis have lived and worked for many years. The firm manages approximately USD3 billion in capital commitments.



### CIMB Private Equity

CIMB Private Equity & Venture Capital is one of the leading private equity and venture capital fund management companies in Malaysia with assets under management of over RM900 million and 9 separate fund mandates. Focusing on medium to long term investment opportunities in Malaysia and other parts of ASEAN, it currently has investments in companies across a wide range of industries including manufacturing, retail, education, services, agriculture and technology.



### 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.



## INVESTMENT PERFORMANCE REVIEW

### 3 EKUINAS DIRECT & OUTSOURCED (TRANCHE 1) FUND

#### Fund Overview

This consolidated fund represents the financial positions of the amalgamated Direct Investments fund and Outsourced Programme fund. Ekuinas Direct (Tranche 1) Fund was established in 2010 with a capital commitment of RM1.0 billion, whilst Ekuinas Outsourced (Tranche 1) Fund was established in 2011 with a capital commitment of RM400 million.

#### Investment Activities

Since inception, the Fund has undertaken nine (9) committed investments amounting to RM903.4 million and successfully completed seven (7) investments amounting to RM577.7 million. Through these investments, the Fund has facilitated an economic capital deployment to date of more than RM1.0 billion.

#### Exhibit 8: Investment activities undertaken

	Fund Name	No. of Investments	Committed Investment : RM million	Committed Investment : by Others : RM million	Economic Capital : Deployed : RM million	Completed Investment : by Ekuinas : RM million
2011	Ekuinas Direct (Tranche 1) Fund	8	891.55	119.64	1,011.19	565.85
	Ekuinas Outsourced (Tranche 1) Fund	1	11.83	5.17	17.00	11.83
	<b>Total</b>	<b>9</b>	<b>903.38</b>	<b>124.81</b>	<b>1,028.19</b>	<b>577.68</b>
2010	Ekuinas Direct (Tranche 1) Fund	4	482.64	119.64	602.28	380.64
	Ekuinas Outsourced (Tranche 1) Fund	–	–	–	–	–
	<b>Total</b>	<b>4</b>	<b>482.64</b>	<b>119.64</b>	<b>602.28</b>	<b>380.64</b>

#### Fund Net Assets Value (NAV) as at 31 December 2011

	2010 RM million	Movements in 2011 RM million	2011 RM million
Capital Invested <sup>1</sup>	423.97	171.44	595.41
Plus increases to Net Assets Value:			
Dividend Income	23.82	72.78	96.60
Net Unrealised Gain on Fair Value of Investments	31.51	42.96	74.47
Interest Expense	(0.86)	(4.50)	(5.36)
Total Gross Portfolio Return	54.47	111.24	165.71
Less reductions to Net Assets Value:			
Total Operating Expenditure	(31.15)	(43.89)	(75.04)
Net Increase in Net Assets Value	23.32	67.35	90.67
Net Assets Value	447.29	238.79	686.08
Net Assets Value made up of:			
Investments – at cost <sup>1</sup>	400.72	187.39	588.11
Net Unrealised Gain on Fair Value of Investments	31.51	42.96	74.47
Investments carried at Fair Value	432.23	230.35	662.58
Plus: Working capital	15.06	8.44	23.50
Equals Net Assets Value	447.29	238.79	686.08
Gross IRR	53.07%		32.30%
Net IRR (before carried interest)	20.77%		20.56%

<sup>1</sup> This includes amount drawdown/invested on completed investments, management fee, other operating expenses and capital invested for Outsourced Funds

During the period under review, a total amount of RM171.4 million capital was invested by the combined Direct and Outsourced funds for the investments in APIIT Education Group, Cosmo Restaurants Sdn Bhd and Lyndarahim Ventures Sdn Bhd, disbursement to OFMs and management expenses, bringing the total cumulative capital invested of RM595.4 million as at the end of the reporting period.

Based on the completed investments as at 31 December 2011, the Fund successfully achieved a gross portfolio return of RM165.7 million, out of which RM96.6 million is realised through dividend income.

This translates to a healthy gross IRR of 32.3%, and a net IRR of 20.6%, after deducting management fees payable to Ekuinas. These returns are lower than those recorded in 2010 which were skewed by the short investment period, but remains higher than the minimum target IRR of 12% and aspirational target of 20%.

Accordingly, the Fund's net assets value rose by 53.4% from RM447.3 million to RM686.1 million.

## SOCIAL OBJECTIVE PERFORMANCE

During the period under review, Ekuinas continued to make solid progress in terms of delivery of its social objectives of increasing equitable Bumiputera economic participation measured across four key dimensions, namely equity ownership, growing the management pool, increasing employment opportunities and improving the supply chain.

Through the investments undertaken up to the end of 2011, Ekuinas has successfully facilitated an increase of RM806.5 million in Bumiputera equity value, or a multiple of 1.4 times the total capital invested by the Company. This marks an encouraging improvement from the RM483.2 million increased in value or 1.28 times capital invested registered during the Company's maiden performance in the last financial year.

At the same time, Ekuinas' investments facilitated a total increase in total economic value for all shareholders of RM986.2 million or 1.7 times the total capital invested by the Company, reflecting the positive impact of Ekuinas' involvement to all Malaysians.

### Exhibit 9: Bumiputera Equity Value and Economic Value

2011	Bumiputera				Total Company			
	Ex Ante	As at 31 Dec	Increase in Bumiputera Value	Multiple of Ekuinas' Invested Capital	Ex Ante	As at 31 Dec	Economic Value Created	Multiple of Ekuinas' Invested Capital
Total for Portfolio Companies								
Equity Value	473.5	1,043.6	806.5	1.40x	1,108.4	1,425.5	986.2	1.71x

2010	Bumiputera				Total Company			
	Ex Ante	As at 31 Dec	Increase in Bumiputera Value	Multiple of Ekuinas' Invested Capital	Ex Ante	As at 31 Dec	Economic Value Created	Multiple of Ekuinas' Invested Capital
Total for Portfolio Companies								
Equity Value	313.1	726.0	483.2	1.28x	865.7	1,066.7	582.1	1.53x

## INVESTMENT PERFORMANCE REVIEW

Further, the six (6) portfolio companies and one (1) company under our Outsourced Fund Manager as at 31 December 2011, collectively provide gainful employment of 3,480 of which 76% are Bumiputeras. This represents a commendable increase of 12% to the level of employment prior to Ekuinas entry.

Ekuinas' portfolio companies also currently employ a pool of 101 managers, out of which 45% 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 portfolio companies.

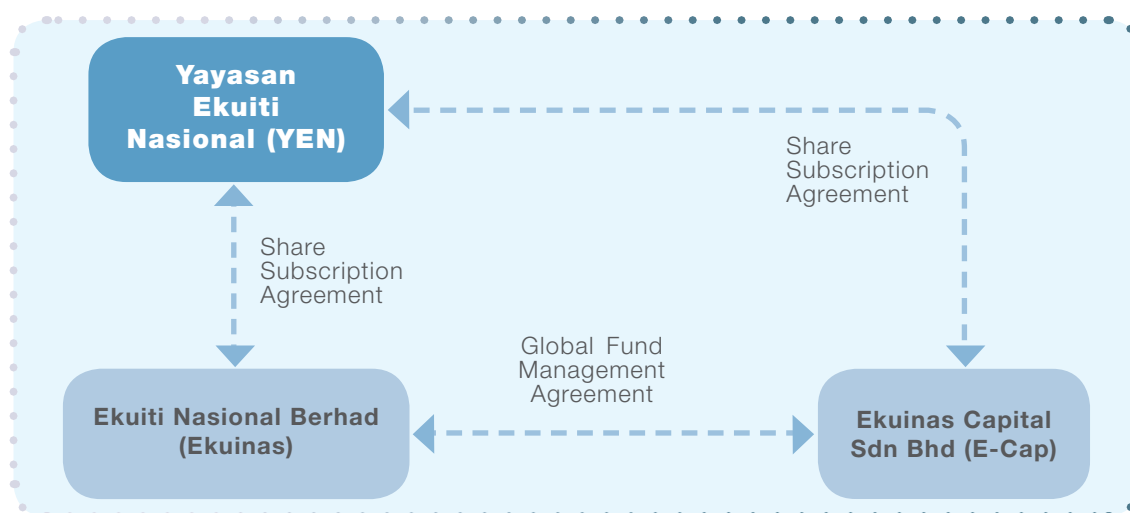
**Exhibit 10: Portfolio Companies – Management and Employees**

2011	Bumiputera Headcount	Total Headcount	% Bumiputera to Total 2011	Increase from Ex Ante
Management	45	101	44.6%	12.5%
Employees	2,647	3,480	76.1%	12.4%
2010	Bumiputera Headcount	Total Headcount	% Bumiputera to Total 2010	Increase from Ex Ante
Management	19	42	45.2%	11.8%
Employees	1,565	1,861	83.9%	4.1%

## EKUITI NASIONAL BERHAD – FUND MANAGEMENT COMPANY

EkuiNAS was established as a fund management company to manage the funds allocated by Yayasan Ekuiti Nasional (YEN) to EkuiNAS Capital Sdn Bhd (E-Cap), which is 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.



For the financial year ended 31 December 2011, EkuiNAS earned a management fee of RM22.0 million for managing EkuiNAS Capital funds, which are the EkuiNAS Direct (Tranche 1) Fund and EkuiNAS Outsourced (Tranche 1) Fund. This resulted in a profit after tax (PAT) of RM4.3 million after operating expenditure (OPEX) amounting to RM20.5 million, against a PAT of RM3.4 million after OPEX amounting to RM17.9 million posted in the previous financial year.

The OPEX incurred was related mainly to salary, occupancy, transactions and capacity building costs. This translates to OPEX to Funds under Management (FuM) ratio of 1.5%, which is comparable if not better to benchmarks set by other government investment agencies and private equity firms.

### Exhibit 11: Financial Highlights

Ekuiti Nasional Berhad (Fund Management Company)	2011 RM million	2010 RM million
Total Funds under Management (FuM)	1,400.0	1,400.0
Total Operating Expenditure (OPEX)	20.5	17.9
Profit After Tax (PAT)	4.3	3.4
Ratio of OPEX to FuM	1.5%	1.3%

# CORPORATE SOCIAL RESPONSIBILITY

## OUR CONTINUING COMMITMENT TO REALISING POTENTIAL

As Ekuinas advanced into its second year of operations, the focus on pursuing the social objectives in tandem with the financial objectives remained intact and was one of the fundamental principles present in key decision-making processes in the Company. Potential deals were considered not only for the possible returns on investment but also for how Ekuinas could, through the company, make a difference in the areas of enhancing professional leadership and capabilities, increasing employment opportunities and also in improving the supply chain where possible.

A modest allocation was once again set aside in 2011 to enable the Company to fulfill its corporate social responsibility. Empowerment was adopted as the underlying theme for all the programmes conducted and supported by Ekuinas. **Empowering entrepreneurs** through capability development and enhanced networking, empowering future leaders by **making a difference in the field of education** and empowering youth as **the new workforce** via a dedicated programme – these were the core activities that marked Ekuinas’ continuing commitment to realising potential in the community this year.

### Empowering Entrepreneurs

In the aim of fulfilling the objectives that have been established since 2009, the Company continued to extend support for various entrepreneur development programmes organised by government agencies as well as non-government organisations (NGO).



In 2011, the Company provided financial assistance for entrepreneur capacity building programmes in addition to conducting briefings to explain the concept of private equity and how it helps to create value in high growth companies. Among the events and projects in which Ekuinas participated during the year under review were those organised by the Malaysian Venture Capital & Private Equity Association (MVCA) and various business NGOs including the Association of Bumiputra Women Entrepreneurs of Malaysia (USAHANITA), the Malaysian Association of Bumiputera ICT Industry and Entrepreneurs (NEF) and Federation of Women Entrepreneur Associations Malaysia (FEM).



*Ekuinas participated in TERAJU's Engagement Programme in July 2011*

Always mindful of the fact that Ekuinas exists as part of a larger ecosystem of government agencies that were introduced to assist in the development of local entrepreneurs, Ekuinas also collaborated closely with the other agencies to help raise awareness of the complete suite of services made available to new and seasoned business owners. Amongst these were the Entrepreneur Development section of the Ministry of International Trade and Industry, SME Corp, MTDC and particularly Unit Peneraju Agenda Bumiputera (TERAJU) for their TERAS programme.



## Investing in Education

During the year under review, Ekuinas also made a significant contribution in the field of Education in support of a concerted effort to raise the overall quality and level of education for the Bumiputeras.

As Malaysia advances towards the achievement of a high income nation status by the year 2020, several Government plans have identified the education sector as one of the significant areas to develop further. Among these are the 10th Malaysia Plan, covering the years 2011 – 2015, which lists education as one of the 12 National Key Economic Areas (NKEA) and the Industrial Master Plan 3 spanning the years 2006 – 2020. In the 2010 Budget, the Education Ministry received an allocation of 15.9% while the Higher Education Ministry received 6.8%, accounting for a large portion of the national Budget.

With such strong emphasis placed on the education sector, the Government has also taken steps to ensure that opportunities are provided for all Malaysians. As part of the Bumiputera Transformation Programme spearheaded by Unit Peneraju Agenda Bumiputera (TERAJU) to increase Bumiputera economic participation, the Prime Minister also launched a special education trust fund on 26 November 2011 to assist deserving Bumiputera as to fully realise their potential.

The trust fund, known as Yayasan Peneraju Pendidikan Bumiputera (Yayasan), upholds three key principles of the New Economic Model and aims for implementation that is **needs-based** – focusing on those in the bottom 40% of the income bracket; **merit-based** – allocating assistance for outstanding candidates who demonstrate high potential to succeed in their chosen fields; and **transparent** – the policies, procedures and selection criteria will be made public.

The trust fund was launched in conjunction with the Government's Bumiputera Economic Transformation Roadmap, a blueprint for driving positive change to ensure Bumiputeras are able to play an active role in the country's quest to become a highly developed nation. It aims to elevate the capabilities of Bumiputera in identified fields by providing them good educational support as well as financial assistance to improve their education qualification so as to enhance their marketability for employment, and also to assist students who require a second chance with the hope to elevate their prospects for the future (source: pledge agreement between Yayasan and Ekuinas).



*Ekuinas Chairman, Raja Tan Sri Dato' Seri Arshad Raja Tun Uda, inserting a mock cheque into a repository as a symbol of Ekuinas' RM1 million pledge to Yayasan Peneraju Pendidikan Bumiputera*



(source: [www.teraju.gov.my](http://www.teraju.gov.my))



## CORPORATE SOCIAL RESPONSIBILITY

The Yayasan has received pledges from Government agencies, government-linked companies as well as private corporations and individuals amounting to RM158 million as at the date of the Prime Minister's announcement. Targeting to reach a total of RM500 million in the next five years, the Yayasan expects to assist deserving Bumiputera students and talented human capital, particularly focusing on candidates from the bottom 40% of the income bracket, giving a second chance to displaced talents and also to provide opportunities for professional re-skilling for those already in the workforce.

The modus operandi for the Yayasan is three-fold: to leverage existing organisations and mechanisms to increase Bumiputera students in selected educational areas which would lead them to high-income employment opportunities; collaborate with local and international higher education institutions to offer tertiary education pathways leading to key sectors; and to boost professional development in terms of quality and quantity so as to empower talented human capital to enter and compete in the global market.



Given that education is one of Ekuinas' focus sectors for investment, the Board of Directors of Ekuinas had approved for the Company to pledge RM1 million to the Yayasan. Of the total amount, Ekuinas committed half of the funds to sponsor students to pursue quality higher education at its 51%-owned portfolio company, Asia Pacific University College of Technology & Innovation (APIIT-UCTI), a leading higher education institution renowned for its quality courses in Business, Information Technology and Engineering.

APIIT-UCTI was awarded University College status in 2004 and today holds the distinction of being the first educational institution to win the Prime Minister's Award at the annual Industry Excellence Awards 2011 organised by the Ministry of International Trade and Industry. With Ekuinas' involvement in the Yayasan, it is envisaged that many youths from disadvantaged backgrounds would have the opportunity to pursue their studies in the three core areas which are APIIT-UCTI's forte, or at other educational institutions within Ekuinas' growing portfolio.

## Empowering The New Workforce – Ekuinas Investee Company Management Trainee Programme

Another initiative that was introduced by Ekuinas to fulfill our social objective of creating more employment opportunities for high potential Malaysians is the Ekuinas Investee Company Management Trainee Programme – which aims to help widen the horizons of young talents who have just joined the country’s workforce. To this end, Ekuinas has introduced a management trainee programme to place deserving young graduates in various departments of its investee companies – ranging from finance, business, media and marketing, to specialist areas such as engineering, information technology and hospitality.

The programme aims to enhance fresh graduates’ skills and capabilities through hands-on training in core business areas, as they work hand in hand with line managers at the respective investee companies. The Company’s human capital department is actively seeking out prospective candidates from amongst the top achievers in public universities as well as private higher institutions, with priority given to those who demonstrate a keen interest in entrepreneurship.

The pioneer group has just begun their training in February 2012 and Ekuinas hopes to attract more exceptional youths from around the country to join its growing investment portfolio, as we strive to realise our aim of creating future market leaders out of the high potential companies in which we invest.

*In February 2012, the pioneer group of management trainees began their formal training. Ekuinas expects to employ many more bright and talented young Malaysians to join its businesses in cosmetics, oil & gas, logistics, education and retail F&B in the years to come*

## Ekuinas’ Contribution to Society – An Ongoing Approach

Other than the three programmes outlined earlier, Ekuinas continued to extend financial assistance to numerous other groups which provide care or financial assistance for abandoned orphans, children with terminal diseases as well as the elderly and those with physical disabilities, amongst others.

Moving forward, the Company plans to further strengthen its support for the local private equity industry as well as contribute towards the growth of the entrepreneur community in a more active way. Also in the pipeline are plans to develop Ekuinas’ own CSR initiatives which would enable the employees to take on more active roles in giving back to society as the Company continues to uphold the underlying principle of ‘Realising Potential’ in related initiatives for the benefit of all stakeholders.

**ekuinas**  
EKUITI NASIONAL BERHAD

**REALISING POTENTIAL**

**EKUINAS INVESTEE COMPANY  
MANAGEMENT TRAINEE  
PROGRAMME 2012**

Established since September 2009 to create future market leaders by transforming high potential Malaysian companies, Ekuinas now has various businesses ranging from cosmetics, oil and gas, and logistics, to education and retail food and beverage (F&B) under its investment portfolio. Ekuinas aims to create value in all its investee companies by driving value improvements to enable the companies to realise their full potential.

We are now in search of talented and driven graduates to join our Ekuinas Investee Company Management Trainee Programme for 2012 where successful candidates will be deployed in various key activities within the companies such as Finance, Marketing, Human Resources, Communications, IT and others. The one year programme will provide graduates with on-the-job work experience and expose them to vital office and managerial skills. Candidates will also gain business awareness and eventually participate in supervised assignments.

**Requirements:**

- Talented high achievers in Finance, Business, Media, Marketing, Engineering, IT courses and Hospitality industry from local or international universities or higher learning institutions.
- Passion for business
- Creative thinkers
- Strong interpersonal and leadership skills
- Good written and spoken proficiency in English and BM
- Good computer skills with working knowledge of Microsoft Office programmes

If you believe you have what it takes and will thrive in a fast-expanding company, please send in your resume to:

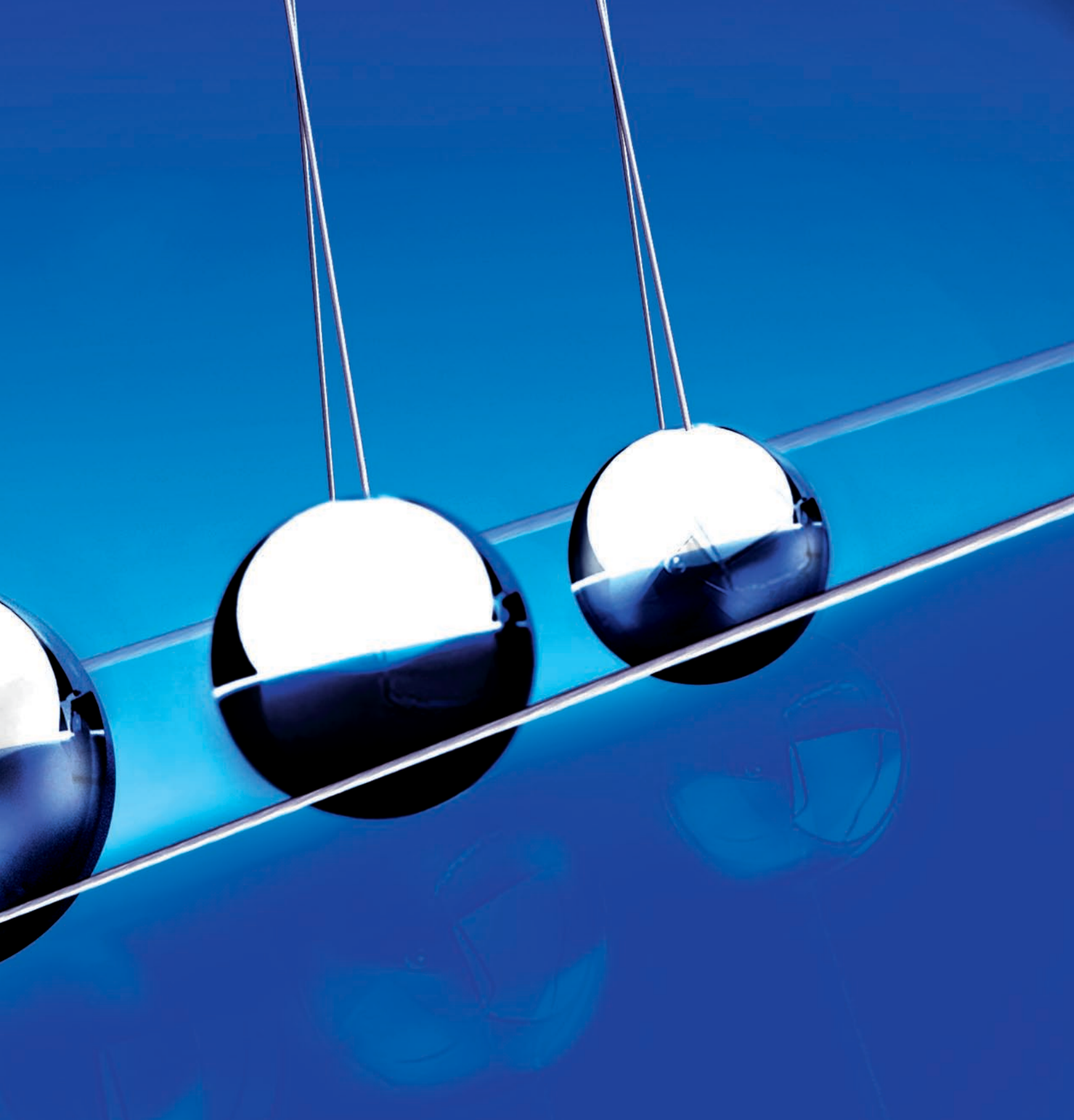
Human Capital Department,  
Ekuiti Nasional Berhad (95200 U),  
Level 13 Surin Tower, No 1 Jalan PJU 7/3 Mutiara Damansara,  
47810 Petaling Jaya, Selangor DE.

T: +60 3 7710 7171  
F: +60 3 7710 7173  
E: [recruitment@ekuinas.com.my](mailto:recruitment@ekuinas.com.my)  
W: [www.ekuinas.com.my](http://www.ekuinas.com.my)

Only shortlisted candidates will be notified.







**Institutionalising best practices while  
enhancing corporate performance  
and accountability**



## STATEMENT ON CORPORATE GOVERNANCE

### INTRODUCTION

EkuiNAS is not a listed entity and therefore, there is no requirement to adhere to the corporate governance disclosure requirements set out by Bursa Malaysia or the Malaysian Code of Corporate Governance.

However, as a government-linked private equity fund management company, EkuiNAS is fully committed to transparency and providing quality reporting in its Annual Report. Accordingly, the disclosures under this section have been prepared based on the best practice requirements set out under Bursa Malaysia, the Malaysian Code on Corporate Governance (Revised 2007) as well as EkuiNAS' Disclosure Policy and include Statement on Corporate Governance, Statement on Risk Management, Statement on Internal Control and Audit Committee Report.

These statements, where applicable, have all been prepared in adherence to the Bursa Listing Requirements and the Malaysian Code on Corporate Governance (Revised 2007) and intended to provide EkuiNAS' stakeholders with meaningful, high-level information about the state of EkuiNAS' governance practice.

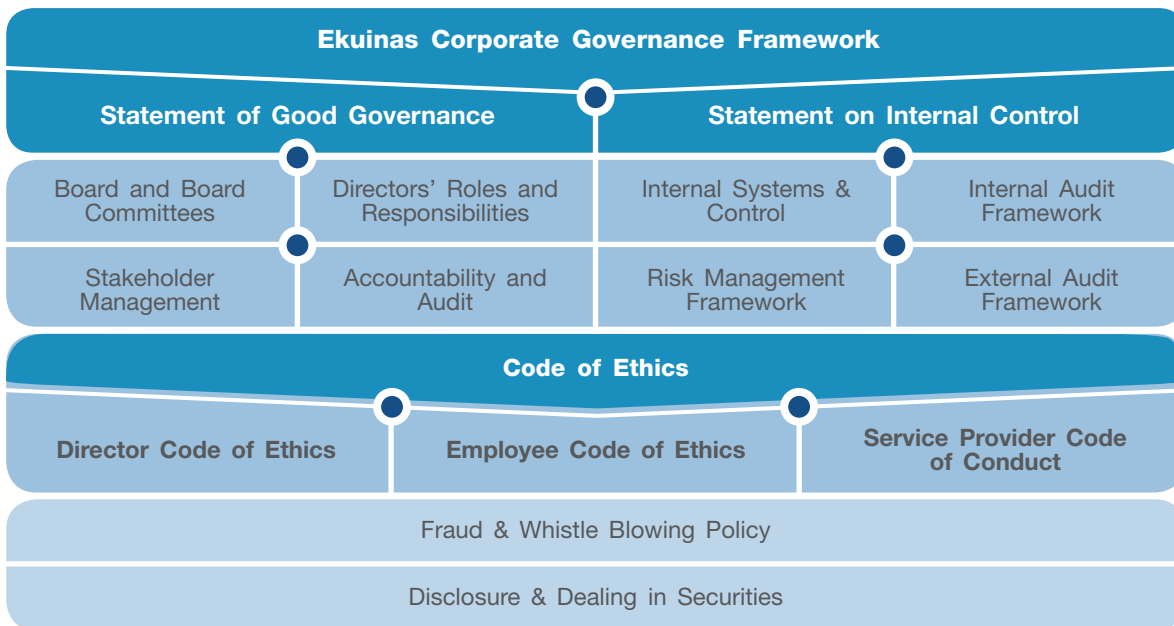
For clarity purposes, we wish to highlight that all members of the Board of Directors of EkuiNAS have been appointed by the Government of Malaysia as the ultimate shareholders of the Company. However, we have classified directors who are currently not in the government service (and have not been in service for the last two years), independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement, as Independent Directors, for the purpose of this report. All of the other directors outside this definition are accordingly deemed as Non-Independent Directors.



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 have implemented Ekuinas' Corporate Governance Framework at the Company level while advocating good governance practices within that Framework 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 is aimed at encouraging innovation and entrepreneurship within the Company through efficient oversight and risk management framework.



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 2011.



## STATEMENT ON CORPORATE GOVERNANCE

### BOARD OF DIRECTORS

EkuiNAS acknowledges the critical roles played by the Board members and the Management in formulating and determining EkuiNAS' direction and operations. EkuiNAS is led and managed by experienced and skillful Board members with varied backgrounds ranging from the Government and private sectors, who are essential for the overall strategic direction of EkuiNAS.

During the financial year, the Board continued to ensure that the highest standards of corporate governance were practised to protect and enhance stakeholders' value.

As part of best practice in good corporate governance, 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 Communications; and
- Internal Control and Audit Process.

EkuiNAS has also adopted the Director Code of Ethics for all the Directors of EkuiNAS which are based on principles of sincerity, integrity, responsibility and corporate social responsibility. The principles in this Code are the individual and collective responsibility of all Directors for the best interest of EkuiNAS and its stakeholders. The adoption of the Director Code of Ethics formalises the ethical values throughout the Company and ensures its compliance.

### Board Composition and Balance

The Board currently consists of six (6) members, comprising an Independent Non-Executive Chairman, one (1) Executive Director designated as the Chief Executive Officer (CEO), two (2) Independent Non-Executive Directors and two (2) Non-Executive Directors. About 50% of the Board members are Independent Non-Executive Directors, exceeding the one-third requirement as set out in the Code and the Bursa Securities Main Market Listing Requirements (Bursa Listing Requirements), reflecting the commitment of the Board to maintain a strong representation of independent Directors on the Board as well as retaining objectivity on all issues deliberated.

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. They are appointed by the Government of Malaysia, are currently not in the government service and have not been in service for the last two years, independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board is of the view that the current number of directors would be the optimum size for the Board to function effectively given the scale of the Company's operations.

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 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 6 to 9 of this Annual Report.

### **Board's Conduct**

The Board has adopted a formal charter, known as the Governance Charter, which sets out the key values, principles and ethos of Ekuinas. In this regard, the Governance Charter serves not only as a reminder of the Board's roles and responsibilities but also as a general statement of intent and expectation as to how the Board will discharge their duties. It also serves as a source of reference, providing insights to prospective board members as well as the Senior Management.

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 by preserving and protecting 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 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, re-appointment or replacement of the external auditor.



## STATEMENT ON CORPORATE GOVERNANCE

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. Special Board Meetings are convened as and when necessary for the Board to deliberate on matters that require expeditious decisions.

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	IC
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda	7/7	1/1	5/5	–
Tan Sri Dato' Seri Mohamed Jawhar	7/7	1/1	5/5	–
Datuk Noriyah Ahmad	6/7	–	5/5	–
Datuk Mohamed Azman Yahya	6/7	1/1	–	4/4
Datuk Dr. Rahamat Bivi Binti Yusoff (appointed on 19 October 2011)	2/2	–	–	–
Dato' Abdul Rahman Ahmad	7/7	–	–	4/4

Notes:

NRC – Nomination and Remuneration Committee

AC – Audit Committee

IC – Investment Committee

The Audit Committee shall meet at least four (4) times in a year in accordance with its terms of reference.

### **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.

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. As and when the need arises, Directors are provided with ad hoc reports, information papers and relevant training to ensure they are kept abreast on key business, operational, corporate, legal and industry matters.

### **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 are 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.



## STATEMENT ON CORPORATE GOVERNANCE

### 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 (NRC) 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 Dato' Seri Mohamed Jawhar

Members:

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda

Datuk Mohamed Azman Yahya

There was one (1) meeting held during the financial year and the attendance record of each member is set out in the table on page 92.

### 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 CEO, and such other members of the Management as it is designated to consider;
- to establish a formal and transparent procedure for developing the 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 comprise 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 Company Secretary of the Company and/or Company 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.

## STATEMENT ON CORPORATE GOVERNANCE

- 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 the 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 like form, each signed by one or more members of the NRC.

### (b) Audit Committee

The Audit Committee comprises two Independent Non-Executive Directors and one Non-Executive Director namely:-

Chairman:

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda

Members:

Tan Sri Dato' Seri Mohamed Jawhar

Datuk Noriyah Ahmad

Further details on the summary of activities of the Audit Committee during the financial year are set out on pages 109 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 2011, with categorisation into appropriate components are as follows:-

Non-Executive Directors	RM
Fees	213,760
Allowances and other benefits	44,500
<b>Total</b>	<b>258,260</b>

Executive Director	RM
Salary and other emoluments	842,400
Variable bonus	304,950
EPF contribution	187,416
<b>Total</b>	<b>1,334,766</b>

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

Remuneration Band	Directors	
	Executive	Non-Executive
Up to RM50,000	–	1*
RM50,001 – RM100,000	–	4
RM1,300,000 – RM1,350,000	1	–

\* Newly appointed non-executive director whose fees were pro-rated

## 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.

In this respect, Ekuinas continues to strive to keep a high standard in providing relevant and pertinent information on the development of the Company and addressing the interests of stakeholders. As such, the Company places strong emphasis on the importance of timely dissemination of information and transparency to the general public and stakeholders.

### 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 is regularly in communication 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. The Board aims to present clear and comprehensive disclosures in the Annual Report, in accordance with the principles set out in the Bursa Listing Requirements (as far as this is applicable) and the Malaysian Code on Corporate Governance.

### Employee 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 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. The Code of Ethics is communicated to and acknowledged by all employees and compliance with this Code is mandatory.

### Press Announcements

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



## STATEMENT ON CORPORATE GOVERNANCE

### Company Website

The Company is committed to ensure that the general public have convenient access to the Company's annual report, press releases, the Company's announcements and other corporate information via its website [www.ekuinas.com.my](http://www.ekuinas.com.my).

### Disclosure of Dealings in Securities

In line with the Company's commitment to reinforce high ethical business standards, a policy on 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 Code when conducting business with Ekuinas. Ekuinas may take the necessary action for breaches of this 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 of Internal Control, which provides an overview of the state of internal controls within the Company, is set out on pages 103 and 104 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 105 to 110 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 8 March 2012.

## STATEMENT ON RISK MANAGEMENT

### OVERALL RISK MANAGEMENT POLICY AND FRAMEWORK

The Board has approved the Risk Management Policy and Framework for the Company which 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.



## STATEMENT ON RISK MANAGEMENT

### MITIGATION STRATEGIES

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.

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.

### RISK CATEGORIES

Ekuinas Risks (Company)			
Strategic	Direct Investment	Outsourced Programme	Operational
<ul style="list-style-type: none"> <li>– External Environment</li> <li>– Funding</li> <li>– Regulatory</li> <li>– Stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>– Deal sourcing and evaluation</li> <li>– Investment Performance and management</li> <li>– Non-financial objective</li> </ul>	<ul style="list-style-type: none"> <li>– OFM selection</li> <li>– OFM Performance</li> <li>– OFM Management</li> </ul>	<ul style="list-style-type: none"> <li>– Human Capital</li> <li>– Treasury</li> <li>– Financial Management &amp; Reporting</li> <li>– Compliance</li> <li>– Shared Services</li> </ul>
Investee Companies' Risks			
Strategic and Market	Business & Financial	Strategic Value Creation	Execution
<ul style="list-style-type: none"> <li>– External Environment</li> <li>– Industry</li> <li>– Government and Regulation</li> </ul>	<ul style="list-style-type: none"> <li>– Business Operations</li> <li>– Capex and Investment</li> <li>– Gearing/debts</li> </ul>	<ul style="list-style-type: none"> <li>– Business Expansion</li> <li>– Mergers &amp; Acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>– Human Capital</li> <li>– IT system and processes</li> <li>– Financial Management &amp; Reporting</li> <li>– Governance and Compliance</li> </ul>



Strategic risks which include external environment, market and industry, regulatory and stakeholder management are managed through regular and ongoing monitoring of key economic, industry outlook, regulatory development and periodic engagement and update with the government as well as adoption and implementation of Disclosure, Stakeholder Management and Communication policies.

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.

Ekuiti's investment framework incorporates risk management with rigorous reviews 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 cover 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.

### **Risk Management Committee (RMC)**

The RMC, which is chaired by the CEO and consists of the Senior Management, was established during the year to assist the Board in discharging its functions with regard to risk management. While the risk reporting is not purporting to represent every business risk faced by Ekuiti, the objective of the risk reporting is to identify major business risks and outline key steps taken to mitigate risks involving Ekuiti as an organisation as well as its investee companies.

All major risks identified were then individually assessed and ranked to ascertain their potential impact and likelihood of occurrence in accordance to the Company Risk Rating Framework as per the approved Ekuiti Risk Management Policy.

Through discussion with the Management, key initiatives are identified to mitigate the risks. The summary of risks based on their priorities are then documented in the report and presented to the RMC and Audit Committee on a quarterly basis. This process is undertaken quarterly, identifying new and reviewing existing business risks as well as monitoring the effectiveness of the mitigating initiatives identified.

The following are the duties and responsibilities of the RMC:-

- To review and recommend risk management policy and reports for approval by the Audit Committee and Board;



## STATEMENT ON RISK MANAGEMENT

- To monitor the risk exposure of the Company and investee companies and recommend actions where necessary;
- To review on a quarterly basis on the overall performance, initiatives undertaken and major business risks of the investee companies;
- To review any significant risks and exposures that exist and assess the initiatives undertaken by the Management and Investee companies to mitigate the risks.

Three (3) RMC meetings were held throughout the year 2011. Among major activities undertaken by the RMC activities during the year were:-

- Adoption of the Company Risk Management Policy and Framework;
- Adoption of the approach, methodology and risk rating framework in the risk management process and reporting;
- Review on the Company's risk profile and rating;
- Review on the investee companies' risk profile and rating;
- Review and discussion on mitigating actions identified and progress.

### Investment Controls

In most investment cases, Ekuinas' senior representatives are appointed on the executive management committee and board of the investee 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 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.

- **Board Committees**

To promote corporate governance and transparency, in addition to the Board, the Company has an Audit Committee, a Nomination and Remuneration Committee and an Investment Committee. These

Board Committees were established to assist the Board in providing independent oversight of the Company's management, with responsibilities and authorities clearly governed in their respective terms of reference.

- **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. The objective of the policies and procedures is to ensure that internal control principles or mechanisms are embedded in the Company's operations. There are documented procedures in place covering financial, Information Technology (IT), procurement, legal and other key policies and procedures.

- **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 employees are competent and adequately trained in carrying out their duties and responsibilities.

- **Code of Ethics**

The Board and Senior Management set the tone at the top for corporate behaviour and corporate governance. The Code of Ethics have been formalised and adopted for the Directors and Employees to ensure high standards of conduct that are associated with ethical business practices. It is a requirement for all Directors and Employees to understand their respective Codes and to acknowledge and sign off on the declaration form.



## STATEMENT ON INTERNAL CONTROL

- **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 are 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 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 necessary 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. A rigorous review of risks is undertaken for any strategic or major proposal or transaction where risk issues are identified, analysed, prioritised and managed in a consistent manner.

- **Risk Management Committee (RMC)**

The RMC has been established to assist the Audit Committee and Board to fulfill their corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of the Company. The RMC is responsible for reviewing and recommending the risk management policies, strategies and risk mitigation actions for the Company as well as reporting to the Audit Committee and Board on a quarterly basis.

- **Training and Development Framework**

It is the Company's policy to train employees at all levels so that they would be able to perform competently in their present jobs and also to train those employees who are considered to have the potential to perform duties with wider responsibilities so that they may be ready to assume them when needed.

- **Communications Policy**

The Communications Policy is in place to ensure that communications across the Company, to the general public and stakeholders are effectively managed, ensuring a consistent image for Ekuinas at all times.

### 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 2011 and 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 2011.

### Establishment and Composition of the Audit Committee

The Audit Committee was established 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;
- no alternate director can be appointed as a member of audit committee

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

Name of Directors	Status of directorship	No. of meetings attended
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda (Chairman of the Committee)	Independent Non-Executive Director	5/5
Tan Sri Dato' Seri Mohamed Jawhar	Independent Non-Executive Director	5/5
Datuk Noriyah Ahmad	Non-Executive Director	5/5

### MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate.

The CEO, Managing Partner of Investment, Chief Financial Officer, Director of CGRM, Company Secretary 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 Audit Committee makes a report on each meeting to the Board.



## AUDIT COMMITTEE REPORT

### 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;



## AUDIT COMMITTEE REPORT

- 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;
- Review of the risk management report presented by the Risk Management Committee on a quarterly basis for consideration and approval;
- Meeting with the external auditor without management presence;
- Review of the fees of the external auditor;

- 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;
- Review and deliberation of the audit reports, issues and recommendations from the external and internal auditors from the audit conducted during the year;
- Review of the adequacy of resources and competencies of staff within the internal audit function to execute the plan and the results of their work; and
- Performance appraisal of the Director of CGRM.

**Internal Audit Function**

The Company has an in-house 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 review 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.

During the year, as per the approved internal audit plan, CGRM has reviewed and assisted on the documentation and formalisation of the Company's policies and procedures, facilitated the risk review and documentation of Ekuinas risks for reporting to the RMC and Audit Committee and has also completed a review on the direct investment process.



## AUDIT COMMITTEE REPORT

The report on direct investment process review provided independent and objective assessment on the adequacy, effectiveness and efficiency of the internal control systems on the direct investment process covering areas of deal sourcing and screening, evaluation, execution and post-acquisitions. The internal audit reports were issued to the Management for their comments, with agreed action plans and timeline for improvement. The final report has been tabled to the Audit Committee for due deliberation.

CGRM is also involved in the due diligence for proposed acquisitions of investments covering governance and investment risks. Major findings are highlighted to the Management and Board as part of the investment evaluation process, ensuring all major investment risks are prudently mitigated.

CGRM also engages with the management of investee companies to advocate implementation of good governance and best practices. Among governance initiatives undertaken together with the management of investee companies during the year were reviewing and updating limits of authority for approval and adoption, assisting in the setting up of in-house internal audit unit in the investee companies (where applicable) and assisting them in various controls and governance improvement initiatives where necessary.

All internal audit functions during the year were conducted by CGRM. There were no areas of the internal audit function which were outsourced.

This report is made in accordance with a resolution of the Board of Directors dated 8 March 2012.

## 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.

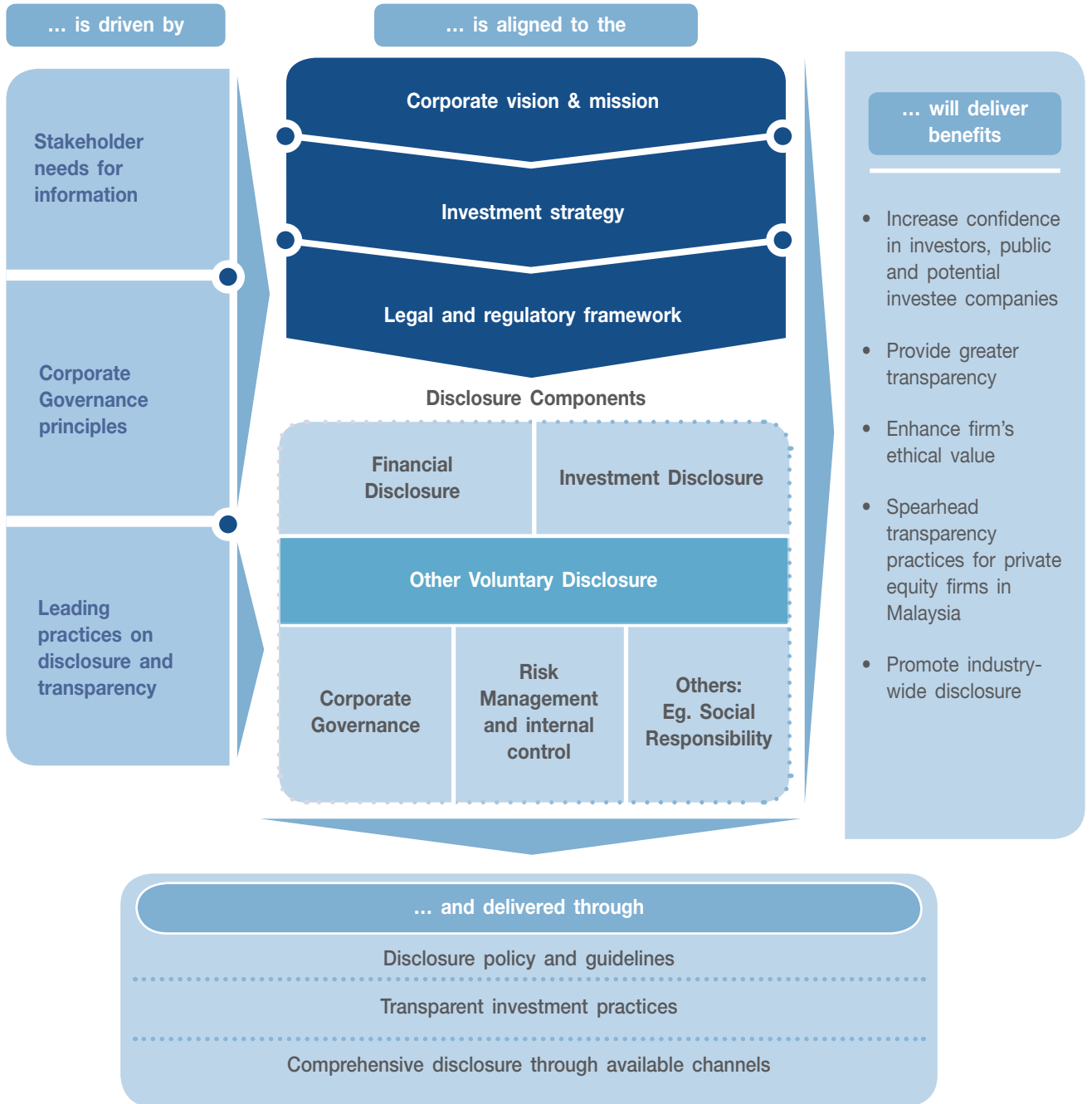
Ekuinas is committed to provide fair and comprehensive disclosure of corporate information, in line with the best practices adopted by global private equity firms. We will comply with all laws and regulations to ensure communications to the public are disseminated according to applicable legal and regulatory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

## DISCLOSURE POLICY

### EKUINAS DISCLOSURE FRAMEWORK





## SUBMISSION OF BUSINESS PROPOSAL


Ekuinas welcomes business proposals from all Malaysian companies which have been in operation between one to three years and are now planning to pursue the next phase of expansion. The quick checklist below will help you assess your company's suitability to Ekuinas' investment criteria.

	YES	NO
• Does your company focus on activities other than gaming, liquor, illegal, unethical activities, property, construction or hedge funds/commodities trading?	<input type="checkbox"/>	<input type="checkbox"/>
• Is your company already established and has a track record of at least 1 – 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your company possess significant growth potential?	<input type="checkbox"/>	<input type="checkbox"/>
• Do your company's financial metrics support Ekuinas' investment of >RM30 million?	<input type="checkbox"/>	<input type="checkbox"/>
• Are you prepared to have a business partner that will have active participation in your company?	<input type="checkbox"/>	<input type="checkbox"/>

## INFORMATION CHECKLIST

To submit your business proposal to Ekuinas, check that you have all the pertinent information below to send to our office:

<b>Description of business:</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Principal activities of the company</li><li><input type="checkbox"/> List of Shareholders</li><li><input type="checkbox"/> Board of Directors and their profiles</li><li><input type="checkbox"/> Senior Management members and their profiles</li><li><input type="checkbox"/> Description of products and services</li></ul>	<b>Financial Information:</b> <p>Summary of 3 years' historical financial results and 3 years' financial projection including:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> Revenue/Gross Profit</li><li><input type="checkbox"/> EBITDA/EBIT</li><li><input type="checkbox"/> PBT/PAT</li><li><input type="checkbox"/> Total assets</li><li><input type="checkbox"/> Shareholders' funds</li><li><input type="checkbox"/> Debt</li></ul>
<b>Details of the proposal:</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Complete or partial divestment, injection of new equity</li><li><input type="checkbox"/> Stake available/size of the deal/amount required</li><li><input type="checkbox"/> If new equity, proposed use of proceeds</li></ul>	<b>Industry/Sector Overview:</b> <ul style="list-style-type: none"><li><input type="checkbox"/> Size</li><li><input type="checkbox"/> Growth rate</li><li><input type="checkbox"/> Industry characteristics</li><li><input type="checkbox"/> Market players</li></ul>



Please submit your business proposal to:

**Investment Department**  
**EKUITI NASIONAL BERHAD (868265-U)**  
Level 13, Surian Tower  
No 1, Jalan PJU 7/3, Mutiara Damansara  
47810 Petaling Jaya  
Selangor

Tel : +603 7710 7171  
Fax : +603 7710 7173  
E-mail : [info@ekuinas.com.my](mailto:info@ekuinas.com.my)  
Website: [www.ekuinas.com.my](http://www.ekuinas.com.my)

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