



## SHAPING LEADERS

[www.ekuinas.com.my](http://www.ekuinas.com.my)

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# COMPANY VISION

To be a world-class Private Equity fund management company

# COMPANY MISSION

To create Malaysia's next generation of leading companies whilst promoting equitable, effective and sustainable Bumiputera economic participation

# COMPANY VALUES

## **Commercially Driven**

We maintain strict commercial discipline to create value

## **High Performance**

We strive to exceed expectations

## **Merit-Based**

We recognise and reward purely based on performance

## **Passion**

We are passionate in our task to deliver beyond the ordinary

## **Focused**

We are focused in our quest to achieve our objectives

## **Humility**

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



## **COVER RATIONALE**

Effective leadership is essential for the success of any organisation. With this in mind, Ekuinas was established to identify potential high growth mid-sized companies to invest in with a view to shaping them into business leaders of tomorrow.

This year's theme is exemplified through the art of origami. The goal of origami is to transform a flat sheet of paper into a finished product through a series of techniques.

Likewise it is Ekuinas' goal, through vision, creativity and discipline, to help shape entities of value. In this instance, the finished product, i.e. the boats represent the various organisations that Ekuinas is helping along their journey to become captains of industry.

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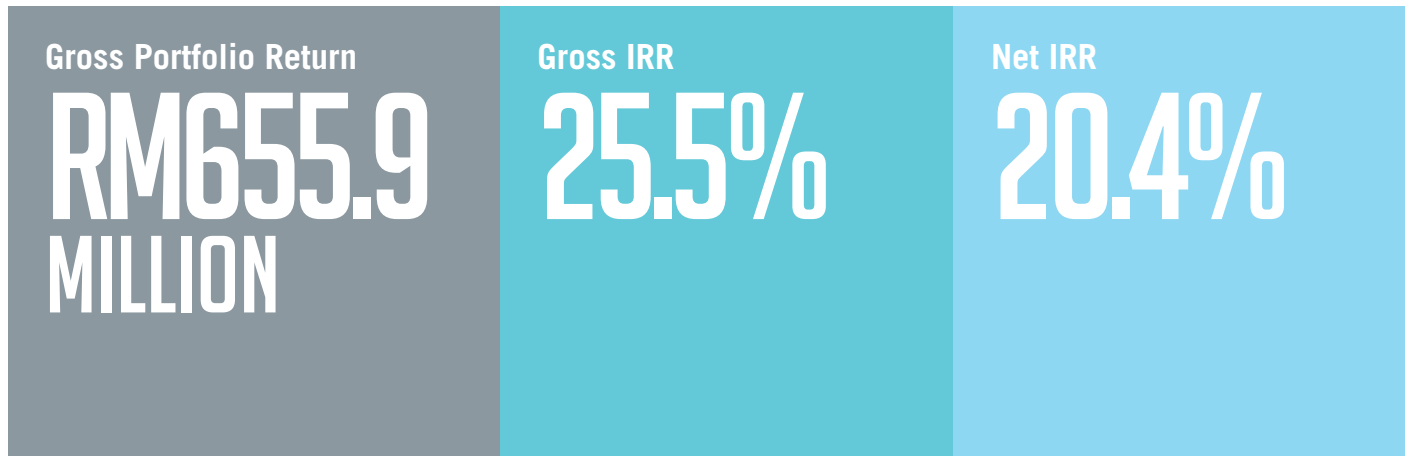
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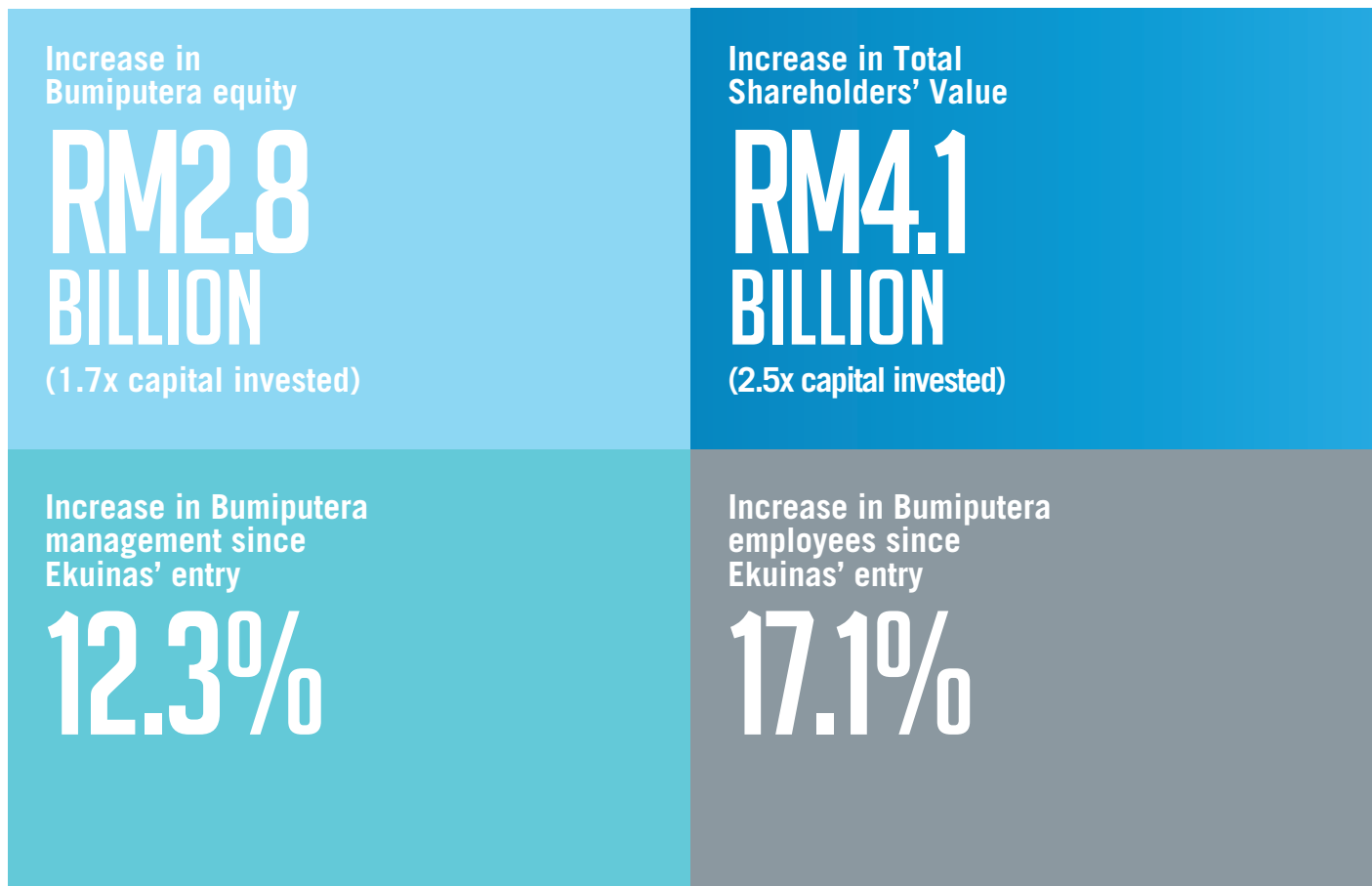
# EKUINAS AT A GLANCE

AS AT 31 DECEMBER 2013

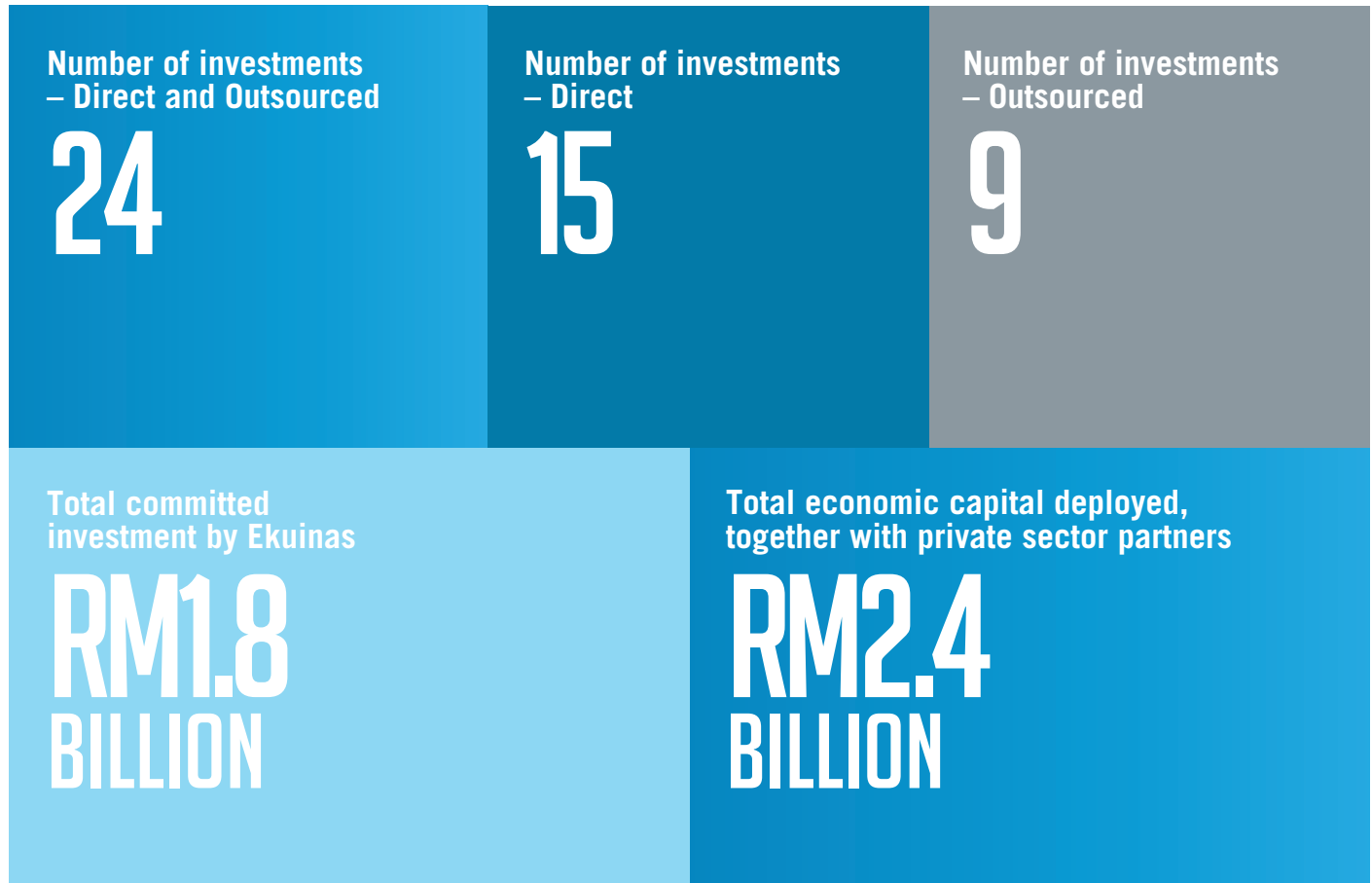
## EKUINAS DIRECT (TRANCHE I) FUND



## SOCIAL OBJECTIVE PERFORMANCE – COMBINED DIRECT AND OUTSOURCED



TOTAL INVESTMENT PORTFOLIO



FUND MANAGEMENT COMPANY



# 2013 OPERATIONAL HIGHLIGHTS

APR  
2013



## PERFORMANCE

Announcement of FY2012 results:-

- Gross Portfolio Return: RM368.6 million
- Gross Internal Rate of Return (IRR): 27.5%, Annualised Net IRR: 20.6%
- Increase in Bumiputera equity value of RM1.9 billion (1.4x capital invested); and
- Increase in Total Shareholders' Value of RM2.4 billion (1.7x capital invested).

## OUTSOURCED PROGRAMME

Navis Malaysia Growth Opportunities Fund I (MGO Fund), managed by Navis Capital Partners under Ekuinas' Outsourced Programme, undertook two investments in Strateq Group, one of Malaysia's leading information technology (IT) service companies and in HG Power Transmission Sdn Bhd, an established engineering, manufacturing and installation company, specialising in electrical transmission towers and lines.

## FUND

Ekuinas received fund allocation of RM600.0 million from the Government.

SEPT  
2013



## OUTSOURCED PROGRAMME

Commencement of Tranche II for the Outsourced Programme with a total fund size of RM375.1 million, out of which RM240.0 million derives from Ekuinas' committed capital while RM135.1 million is provided by private investors. The launch of Ekuinas Outsourced Programme Tranche II was officiated by the Minister in the Prime Minister's Department, YB Senator Dato' Sri Abdul Wahid Omar.

**DIVESTMENT**

EkuiNAS undertook its first major exit through the divestment of its 61.6% stake in Konsortium Logistik Berhad (KLB).

Through this investment, EkuiNAS generated a total realisation of RM347.4 million including accumulated dividends received.

**OUTSOURCED PROGRAMME**

Investments by Outsourced Fund Managers:-

- 1 Navis Malaysia Growth Opportunities Fund I, L.P. managed by Navis Capital Partners undertook an investment in Brickfields Asia College, a private higher education institution that emphasises on law and business.
- 2 CIMB National Equity Fund managed by CIMB Private Equity undertook an investment in Macro Kiosk Berhad, a mobile payment solution company.
- 3 COPE Opportunities 3 Sdn Bhd managed by CMS Opus Private Equity undertook its maiden investment in STX Precision Corporation Sdn Bhd, a manufacturer of precision metal parts and components.
- 4 RMCP One Sdn Bhd managed by RM Capital Partners made its first investment since the appointment in Consobiz Ventures Sdn Bhd, a company that manufactures baby diapers.

OCT  
2013



DEC  
2013

**DIRECT INVESTMENT**

13th investment: EkuiNAS announced its entry into the food manufacturing sector with the 100% acquisition of PrimaBaguz Sdn Bhd (PrimaBaguz), a leading premium halal processed meat provider for a total investment of RM40.0 million.



**DIRECT INVESTMENT**

15th investment: EkuiNAS undertook a follow-on investment in its education arm, Ilmu Education Group (ILMU), to enable it to invest in an effective controlling stake of 76.5% in APIIT Lanka Pvt Ltd (APIIT Lanka), a leading provider of private tertiary education in Sri Lanka, for RM32.3 million.



**DIRECT INVESTMENT**

14th investment: EkuiNAS provided additional capital of up to RM48.8 million into its Retail F&B arm, Integrated Food Group (IFG), to acquire an additional 20.9% stake from minority shareholders and injection of new capital into Cosmo Restaurants Sdn Bhd, the franchise owner and operator of Burger King Malaysia.



# 2013 KEY FINANCIAL HIGHLIGHTS

## 1 FUNDING FROM YAYASAN EKUITI NASIONAL (YEN)

	2013 RM million	2012 RM million
Funds received for the year	600.0	700.0
Cumulative funds received	2,400.0	1,800.0

## 2 FUNDS ESTABLISHED

Fund Name	Vintage Year	Fund Size RM million	Investment Focus	Term	Deployment Status
Ekuias Direct (Tranche I) Fund	2010	1,000.0	Buyout & Growth Capital	5 + 2 years	Fully Deployed
Ekuias Direct (Tranche II) Fund	2012	1,000.0	Buyout & Growth Capital	5 + 2 years	Investing
Ekuias Outsourced (Tranche I) Fund	2011	400.0	Growth Capital	6 + 1 years	Investing
Ekuias Outsourced (Tranche II) Fund	2013	240.0	Growth Capital	7 + 1 years	Investing

## 3 TOTAL FUNDS UNDER MANAGEMENT

	2013 RM million	2012 RM million
Direct	2,000.0	2,000.0
Outsourced	640.0	400.0
	2,640.0	2,400.0
Total Funds available for Investments, including private capital	2,927.0	2,516.9



## 4 SUMMARY OF FUND PERFORMANCE

### a. Summary of Cumulative Investment Activity

	Number of Investments	Committed Investments Undertaken RM million	Total Economic Capital Deployed in Malaysian Economy RM million
<b>2013</b>			
Ekuinas Direct (Tranche I) Fund	10	1,258.2	1,380.3
Ekuinas Direct (Tranche II) Fund	5	375.2	375.2
<b>Total</b>	<b>15</b>	<b>1,633.4</b>	<b>1,755.5</b>
<b>2012</b>			
Ekuinas Outsourced (Tranche I) Fund	7	179.5	595.0
Ekuinas Outsourced (Tranche II) Fund	2	20.3	50.0
<b>Total</b>	<b>9</b>	<b>199.8</b>	<b>645.0</b>
<b>Total</b>	<b>24</b>	<b>1,833.2</b>	<b>2,400.5</b>
<b>2012</b>			
Ekuinas Direct (Tranche I) Fund	10	1,258.2	1,380.3
Ekuinas Direct (Tranche II) Fund	2	254.1	254.1
<b>Total</b>	<b>12</b>	<b>1,512.3</b>	<b>1,634.4</b>
Ekuinas Outsourced (Tranche I) Fund	3	74.1	434.8
<b>Total</b>	<b>3</b>	<b>74.1</b>	<b>434.8</b>
<b>Total</b>	<b>15</b>	<b>1,586.4</b>	<b>2,069.1</b>

### b. Summary of Cumulative Divestment Activity

	Total Number of Divestments RM million	Total Realisation from Divestments RM million
<b>2013</b>		
Ekuinas Direct (Tranche I) Fund	2	409.4
<b>Total</b>	<b>2</b>	<b>409.4</b>
<b>2012</b>		
Ekuinas Direct (Tranche I) Fund	1	62.0
<b>Total</b>	<b>1</b>	<b>62.0</b>

# 2013 KEY FINANCIAL HIGHLIGHTS

## 4 SUMMARY OF FUND PERFORMANCE (CONTINUED)

### c. Summary of Financial Performance

	Gross Portfolio Return RM million	Gross Internal Rate of Return (IRR)	Net IRR
<b>Direct Fund</b>			
<b>2013</b>			
Ekuias Direct (Tranche I) Fund	655.9	25.5%	20.4%
Ekuias Direct (Tranche II) Fund	133.0	68.9%	50.4%
<b>2012</b>			
Ekuias Direct (Tranche I) Fund	368.6	27.5%	20.6%
Ekuias Direct (Tranche II) Fund	27.0	95.8%	83.1%
<b>Outsourced Fund</b>			
<b>2013</b>			
Ekuias Outsourced (Tranche I) Fund	12.5	5.0%	2.4%
Ekuias Outsourced (Tranche II) Fund <sup>1</sup>	–	N/A	N/A
<b>2012</b>			
Ekuias Outsourced (Tranche I) Fund	(18.3)	-35.2%	-38.4%

<sup>1</sup> The financial performance for Ekuias Outsourced (Tranche II) Fund is not presented as the fund is still in early stages of investments.

### d. Social Objective Performance - Combined Direct and Outsourced

	Bumiputera Equity Created		Total Equity Created	
	Value RM million	Multiple of Capital Invested	Value RM million	Multiple of Capital Invested
<b>2013</b>	2,838.2	1.7x	4,087.5	2.5x
2012	1,944.1	1.4x	2,394.1	1.7x

## 5 EKUITI NASIONAL BERHAD (FUND MANAGEMENT COMPANY)

	2013 RM million	2012 RM million
Total Funds under Management (FuM)	2,640.0	2,400.0
Operating Expenditure (OPEX)	33.8	24.8
Profit After Tax (PAT)	14.6	6.1
Ratio of OPEX to FuM	1.3%	1.0%

## INDIVIDUAL FUND PERFORMANCES

### 1 Ekuinas Direct (Tranche I) Fund

	2013 RM million	2012 RM million
Fund Size	1,000.0	1,000.0
Number of Investments	10	10
<u>Investment Activity</u>		
Committed Investments Undertaken	1,258.2	1,258.2
Total Economic Capital Deployed in Malaysian Economy	1,380.3	1,380.3
<u>Divestment Activity</u>		
Number of Divestment	2	1
Total Realisation	409.4	62.0
<u>Financial Performance</u>		
(i) Returns		
Gross Portfolio Return	655.9	368.6
Gross Internal Rate of Return (IRR) (annualised)	25.5%	27.5%
Net IRR (annualised)	20.4%	20.6%
(ii) Balance sheet		
Portfolio Value	1,461.2	1,436.5
Net Asset Value (NAV)	1,264.0	1,467.4

# 2013 KEY FINANCIAL HIGHLIGHTS

## 2 Ekuinas Direct (Tranche II) Fund

	2013 RM million	2012 RM million
Fund Size	1,000.0	1,000.0
Number of Investments	5	2
<u>Investment Activity</u>		
Committed Investments Undertaken	375.2	254.1
Total Economic Capital Deployed in Malaysian Economy	375.2	254.1
<u>Financial Performance</u>		
(i) Returns		
Gross Portfolio Return	133.0	27.0
Gross Internal Rate of Return (IRR) (annualised)	68.9%	95.8%
Net IRR (annualised)	50.4%	83.1%
(ii) Balance sheet		
Portfolio Value	370.1	110.9
Net Asset Value (NAV)	302.0	106.8

## 3 Ekuinas Outsourced (Tranche I) Fund

	2013 RM million	2012 RM million
Fund Size	400.0	400.0
Number of Investments	7	3
<u>Investment Activity</u>		
Committed Investments Undertaken	179.5	74.1
Total Economic Capital Deployed in Malaysian Economy	595.0	434.8
<u>Financial Performance</u>		
(i) Returns		
Gross Portfolio Return	12.5	(18.3)
Gross Internal Rate of Return (IRR) (annualised)	5.0%	-35.2%
Net IRR (annualised)	2.4%	-38.4%
(ii) Balance sheet		
Portfolio Value	216.2	71.4
Net Asset Value (NAV)	216.2	71.4

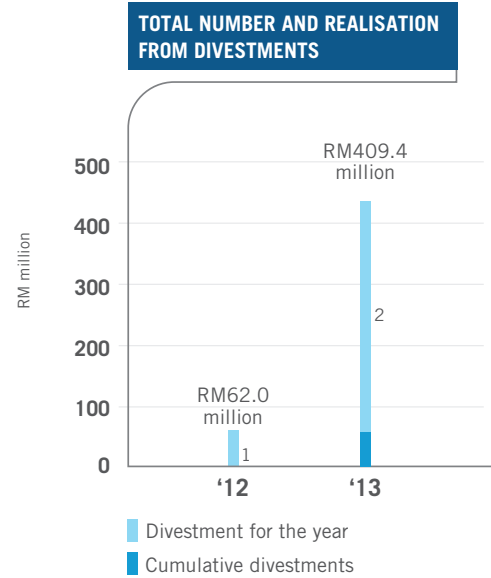
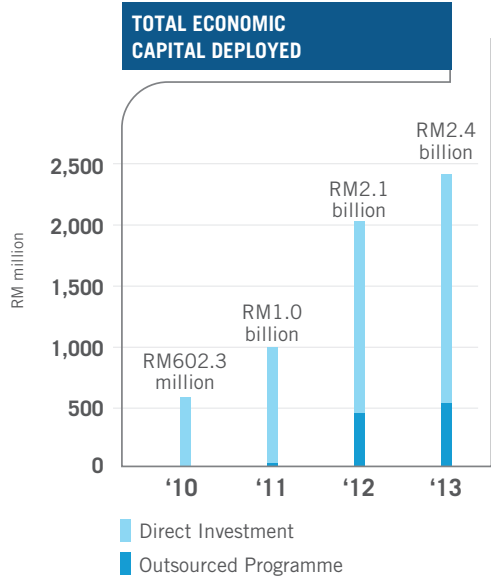
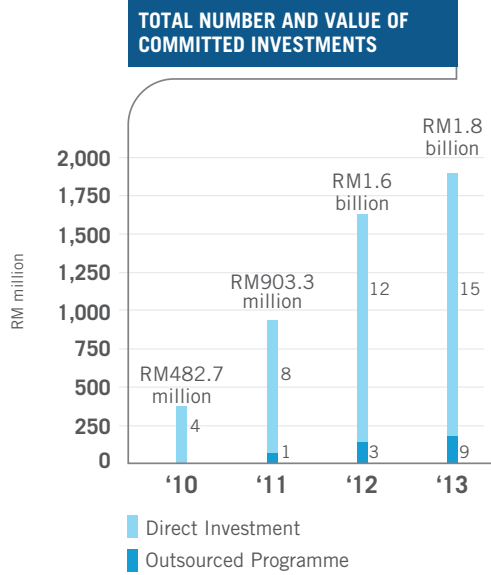
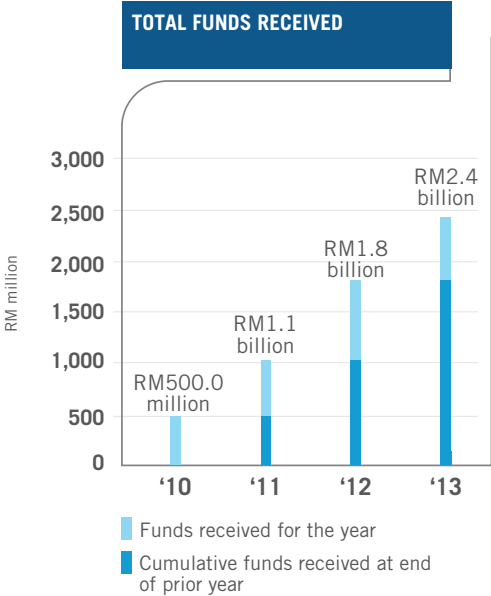
4 Ekuinas Outsourced (Tranche II) Fund <sup>1</sup>

	2013 RM million	2012 RM million
Fund Size	240.0	–
Number of Investments	2	–
<u>Investment Activity</u>		
Committed Investments Undertaken	20.3	–
Total Economic Capital Deployed in Malaysian Economy	50.0	–
<u>Financial Performance</u>		
(i) Returns <sup>2</sup>		
Gross Portfolio Return	–	–
Gross Internal Rate of Return (IRR) (annualised)	N/A	–
Net IRR (annualised)	N/A	–
(ii) Balance sheet		
Portfolio Value	17.1	–
Net Asset Value (NAV)	17.1	–

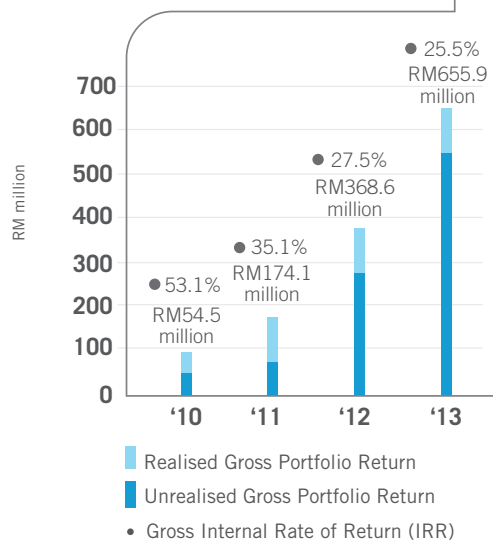
<sup>1</sup> There is no comparative as the Fund was established in 2013.

<sup>2</sup> The financial performance for Ekuinas Outsourced (Tranche II) Fund is not presented as the fund is still in early stages of investments.

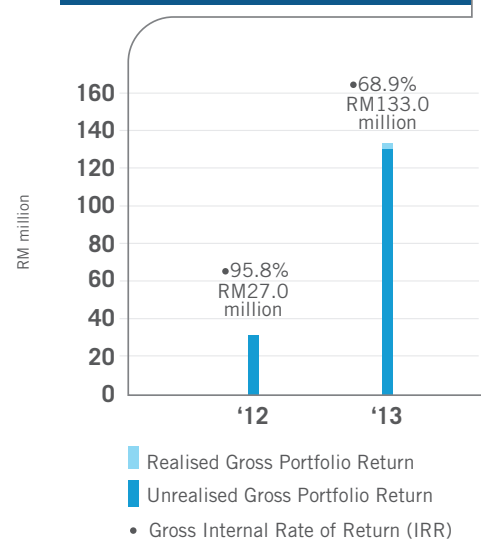
# 2010-2013 FINANCIAL HIGHLIGHTS



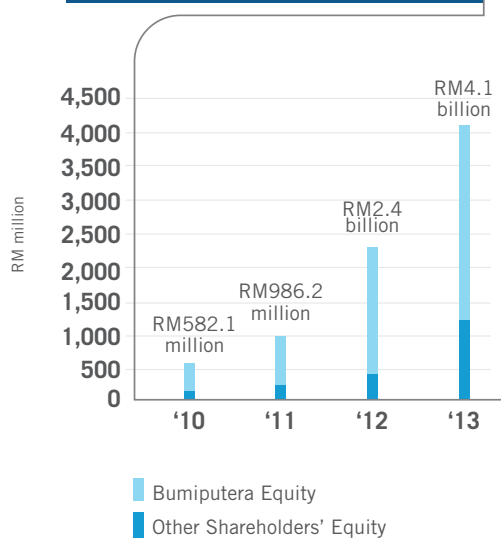
**FUND PERFORMANCE -  
EKUINAS DIRECT (TRANCHE I) FUND**



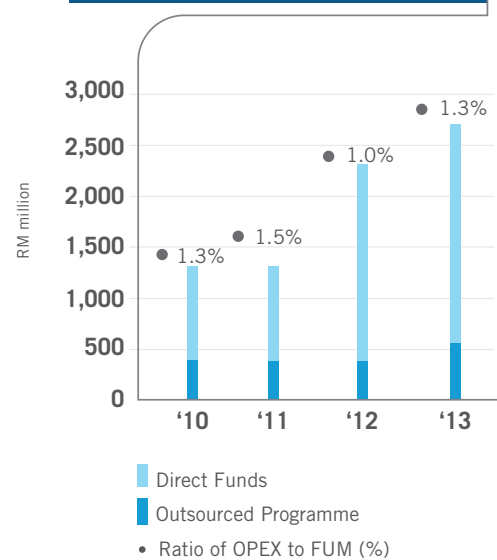
**FUND PERFORMANCE -  
EKUINAS DIRECT (TRANCHE II) FUND**



**TOTAL BUMIPUTERA EQUITY AND OTHER  
SHAREHOLDERS' VALUE CREATED**



**FUNDS UNDER MANAGEMENT AND  
FUM OPEX RATIO**





# CHAIRMAN'S STATEMENT

Ekuias was able to deliver sustained value creation in FY2013 despite an increasingly challenging business and investment environment, as well as heightened competition from the foreign private equity (PE) firms. Indeed, the increased competition among the PE firms bodes well for the growth of the industry in Malaysia and is testimony to the attractive potential of the country's mid-cap sector for investments in general.



## DEAR STAKEHOLDERS,

On behalf of the Board of Directors, it gives me great pleasure to present Ekuinas' financial and operational highlights for 2013.

## SUSTAINING VALUE CREATION

The financial year ended 31 December 2013 (FY2013) witnessed the global economy still navigating uncertainties albeit with a more positive outlook. The IMF World Economic Outlook, released in October 2013, reported that most countries had experienced much welcome growth through the year. The distressed Eurozone finally recorded growth in the second quarter of 2013, after a long recession, while the United States continued its slow but certain economic recovery.

The emerging economies continued to be the driver for growth as ASEAN-5, comprising Malaysia, Indonesia, the Philippines, Vietnam and Thailand, achieved steady growth, buoyed by strong domestic demand particularly in Malaysia and the Philippines.

Malaysia continued to perform strongly economically with Bank Negara Malaysia announcing a 5% year on year growth for the country in 2013. The nation was able to cushion the negative impact from the external sector with strong domestic demand, largely driven by the Construction and Services sectors, attributable to the positive impact of the Government's Economic Transformation Programme (ETP) initiatives.

It was also a significant year for the country as it went through the 13th General Elections, which dominated the first half of the year and augured well in providing continued political stability for the country.

The more positive global and domestic economic outlook however, had a negative counter-intuitive impact on private equity investments, as asset values rose significantly driven by rising stock markets and heightened expectations from business owners.

For Ekuiti Nasional Berhad (Ekuinas), FY2013 was another eventful year, during which we achieved several important milestones that would provide us with a stronger foundation to further develop sustainable Bumiputera equity participation in the country's expanding medium enterprises sector.

More importantly, Ekuinas was able to deliver sustained value creation in FY2013 despite an increasingly challenging business and investment environment, as well as heightened competition from the foreign private equity (PE) firms. Indeed, the increased competition among the PE firms bodes well for the growth of the industry in Malaysia and is testimony to the attractive potential of the country's mid-cap sector for investments in general.

During the year, Ekuinas secured an additional RM600.0 million from the Government which brought the total funds received since inception in 2009 to RM2.4 billion. This amounts to 48.0% of the RM5.0 billion earmarked for Ekuinas under the 9th and 10th Malaysia Plans.

Another fund was created in FY2013, the Ekuinas Outsourced (Tranche II) Fund with an allocation of RM240.0 million committed to third party fund managers mandated to undertake investments on Ekuinas' behalf.

Amid an environment of rising asset prices, Ekuinas chose to remain disciplined and focused in its investments to ensure it can deliver on its financial objectives through a balanced risk reward profile. Accordingly in FY2013, Ekuinas undertook a total of nine direct and outsourced investments for a total committed investment of only RM246.8 million. Whilst this is significantly lower than the investment rate undertaken in previous years, this brings Ekuinas' total committed investments since inception to RM1.8 billion and which, together in partnership with private investors, led to a total economic capital deployment of more than RM2.4 billion that has positively impacted the Malaysian economy.

The Board of Directors is particularly pleased that the Ekuinas Direct (Tranche I) Fund, which is already fully invested, successfully attained a gross portfolio return of RM655.9 million for FY2013 (2012: RM368.6 million), which translates to a gross Internal Rate of Return (IRR) of 25.5% per annum (2012: 27.5%) and a net IRR of 20.4% per annum (2012: 20.6%). This continues Ekuinas' proud track record since inception of delivering returns exceeding our long term minimum targeted annualised return of 12% and aspirational target of 20%.

## GROWING OUR PORTFOLIO AND SHAPING MARKET LEADERS

As Ekuinas approaches the fifth anniversary of its establishment, companies under our portfolio are being shaped and groomed to emerge as the next generation of market leaders.

Ekuinas finalised three direct investments in FY2013 at a total committed investment of RM121.1 million. This includes our maiden foray into the lucrative halal food manufacturing sector through the acquisition of PrimaBaguz Sdn Bhd, a leading premium halal processed meat producer. The halal food industry's growing global prominence augurs well for PrimaBaguz, which also has the potential to leverage on significant synergies with Ekuinas' existing food and beverage (F&B) portfolio under Integrated Food Group Sdn Bhd (IFG).

# CHAIRMAN'S STATEMENT

Our two other investments in FY2013 were follow-on investments, also known as bolt-on investments, in our existing portfolios. Ekuinas committed additional investment to consolidate IFG's ownership of Burger King Malaysia and to aggressively roll out new BURGER KING® outlets. We also further expanded our education group, now known as ILMU Education Group Berhad (ILMU), to acquire APIIT Lanka Pvt Ltd, a leading private education provider in Sri Lanka, as part of the strategy to further extend ILMU's footprint regionally.

## MEETING FINANCIAL AND SOCIAL OBJECTIVES THROUGH FIRST MAJOR DIVESTMENT

The financial year just ended also marked the first major exit by Ekuinas. In December 2013, we divested our investment in Konsortium Logistik Berhad (KLB), which was acquired in 2010, which positively resulted in a RM106.4 million net gain or a money multiple return of 1.5 times of invested capital.

On top of delivering on the financial objectives, the investment in KLB also enhanced Bumiputera equity significantly, including providing capital gain to management and employees through the share option scheme which Ekuinas helped to establish. Further, throughout Ekuinas' period of ownership, KLB increased its workforce by 25% to more than 1,400 employees.

In short, the investment in KLB has delivered on both the financial and social objectives and we hope to be able to replicate this success in our other divestments.

## STRENGTHENING OPERATIONS AND IMPROVING PERFORMANCE

The implementation of our value creation initiatives has resulted in significant improvements across our entire portfolio. Ekuinas is on track to create future industry leaders by providing a solid platform for the companies under our portfolio, which are currently focused on three sectors: Oil and Gas (O&G), Education and F&B.

Despite the challenges posed to deliver organic growth in FY2013, Ekuinas' portfolio companies continued to expand their revenue and earnings base. We are confident the operational performance of our portfolio companies would improve in the short to medium term as the impact of our Value Creation Plan's initiatives comes to fruition.

In particular, we are excited with the prospect of the proposed Initial Public Offering (IPO) of Icon Offshore Berhad, which has established itself as the third largest offshore support vessel player in the country. This will mark the maiden listing exercise of an Ekuinas portfolio company and all efforts are now focused on ensuring its success.

Our investment in the Education sector has resulted in ILMU emerging as one of the largest private education groups in Malaysia. Besides expanding its regional footprint through APIIT Lanka, ILMU now has a combined student population of 28,000 across its seven education institutions.

In the F&B sector, specifically the retail segment, Ekuinas' IFG continues to grow and now has more than 170 outlets across the region through its popular global and home-grown brands such as BURGER KING®, Manhattan Fish Market, Tony Roma's and San Francisco Coffee.

## NURTURING MALAYSIA'S PRIVATE EQUITY INDUSTRY

The Malaysian private equity industry is still in its nascent stage. The Ekuinas' Board of Directors together with the Economic Planning Unit, Prime Minister's Department (EPU) agreed that the Outsourced Programme would roll out its Tranche II with a specific focus to help develop local PE firms.

With this developmental role in mind, Ekuinas selected four Outsourced Fund Managers (OFMs) under Tranche II and one replacement manager for Tranche I in September 2013 to assist high potential mid-sized companies in strengthening their operations and venturing to the next level. This brings the total funds made available for investment under Ekuinas' Outsourced Programme to RM927.0 million in total.

We are pleased that FY2013 has proven a much better year for the Outsourced Programme, with significantly more investments being undertaken. The investment portfolio for the Outsourced Programme has now grown to a total of nine Malaysian companies in high growth sectors such as Education, Fast Moving Consumer Goods (FMCG), Retail and Leisure, and Services, and we look forward to further investments in the coming years.

## ACHIEVING SOCIAL IMPACT THROUGH FINANCIAL DISCIPLINE

As a government-linked private equity fund management company, the attainment of financial objectives must be done hand in hand with the achievement of the social objectives.

I am pleased to report that in FY2013 Ekuinas has succeeded in increasing Bumiputera equity value by RM2.8 billion which is 1.7 times of our total invested capital (2012: RM1.9 billion, 1.4 times of total invested capital).

Concurrently, the total equity value for all shareholders of the portfolio companies has also risen to more than RM4.1 billion or 2.5 times of the invested capital (2012: RM2.4 billion, 1.7 times of total invested capital).

**EkuiNAS has succeeded in increasing Bumiputera equity value by RM2.8 billion which is 1.7 times of our total invested capital.**

This is a clear testament that through EkuiNAS' PE investment approach, both Bumiputeras and Malaysians at large stand to benefit from our investments as we advance closer towards attaining the more inclusive New Economic Model (NEM) envisioned by the Government.

In terms of enlarging the talent pool, total managers and employees across EkuiNAS' portfolio companies numbered 201 and 9,336 respectively at end of FY2013, out of which 40.8% and 56.4% were Bumiputeras. These represent a healthy increase of 12.3% and 17.1% for Bumiputera managers and employees respectively since EkuiNAS' entry.

Moving forward, EkuiNAS expects to further strengthen the achievement of its social objectives in tandem with the aggressive growth of its investment portfolio.

## **GEARING UP FOR INCREASED TRANSFORMATIVE VALUE CREATION**

The year 2014 marks EkuiNAS' fifth year and soon it will be the final stage of the fund allocated under the 10th Malaysia Plan. As the 11th Malaysia Plan is unveiled, it is our hope that EkuiNAS will continue to be identified as one of the instruments to contribute towards the growth of the country's economy in a market-friendly, merit-based and transparent manner whilst emulating leading global PE best practices to produce the required results.

Transformative value creation shall remain our key thrust as we persist with our efforts in shaping the leaders of tomorrow. Consequently, the impact of EkuiNAS' PE investments will hopefully improve and enhance the economic participation of Bumiputeras in an equitable manner, which would in turn also benefit all Malaysians, and become sustainable over the long term for the benefit of our future generations.

Subject to the Government's allocation, EkuiNAS expects to invest an additional RM650.0 million, with RM500.0 million allocated for Direct Investments and RM150.0 million for the Outsourced Programme in the coming financial year. We hope to make further progress in the crystallisation of value for our investments under EkuiNAS Direct (Tranche I) Fund, whilst we expect EkuiNAS Direct (Tranche II) Fund to be substantially invested by year end.

## **APPRECIATION**

On behalf of my fellow Directors on the Board of EkuiNAS, I would like to record our utmost appreciation to our trustees on the Board of Yayasan Ekuiti Nasional (YEN) for continuing to entrust EkuiNAS with this meaningful mandate of empowering Bumiputeras through the PE investment approach. In FY2013, there was a change in the composition of trustees on the Board of YEN, with the departure of the then Minister in the Prime Minister's Department, Yang Berhormat Tan Sri Nor Mohamed Yakcop, who was instrumental in the setting up of EkuiNAS. He was replaced by Yang Berhormat Senator Dato' Sri Abdul Wahid Omar, who brings with him a wealth of experience from the private sector.

On behalf of the Board, Management and staff of EkuiNAS, I would like to express our sincerest appreciation to Tan Sri Nor for his wisdom, guidance and counsel and wish him well at Khazanah Nasional Berhad. We would like to also extend a warm welcome to Dato' Sri Abdul Wahid and we look forward to working with him in taking EkuiNAS to the next level.

As always, my fellow Directors on the Board of EkuiNAS continue to provide invaluable insight and perspective during our meetings and discussions, and to them I offer my warmest gratitude.

I would like to extend our deepest appreciation to our stakeholders and business partners, especially the management teams and staff of our portfolio companies. Let us continue to work together to deliver on the value creation plans.

For yet another year, the team at EkuiNAS has proven that passion, combined with commitment and dedication, can only produce positive results. On behalf of the Board, I would like to commend the EkuiNAS team and record the Board's sincerest appreciation to our Chief Executive Officer, Dato' Abdul Rahman Ahmad and his Senior Management for successfully steering EkuiNAS through the various challenges faced in FY2013, and to all staff for their contribution towards meeting the required financial and social objectives.

I look forward to the same passion and commitment in the coming year, as EkuiNAS continues on this exciting journey.

**RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA**  
**Chairman**

A portrait of a middle-aged man with glasses, wearing a dark suit, white shirt, and a blue and pink striped tie. He is smiling and has his hands clasped in front of him. The background is a dark, textured grey.

# CHIEF EXECUTIVE OFFICER'S REVIEW

In FY2013, Ekuinas ramped up efforts to strengthen our portfolio companies' operations as we executed their value creation plans in our quest of shaping them into future industry leaders. And as we embarked on our fifth year of operations, Ekuinas also moved into the phase of crystallising the value of our investments to find them their rightful homes, once transformed into leading Malaysian companies.

## 2013 – CRYSTALLISING VALUE CREATION ACROSS THE PORTFOLIO

Ekuias always strives to benchmark itself against the best of private equity (PE) players from around the world. Being a unique government-linked private equity firm, Ekuias' role to create a new generation of leading Malaysian companies through the private equity approach is gaining traction as well as recognition amongst the business community.

The financial year ended 31 December 2013 (FY2013) has been another exciting and transformative year for Ekuias, although in some ways the outcomes were slightly mixed. Given the challenging investment environment stemming from rising asset values and high owners' expectations, the total rate of investment undertaken during the year decelerated significantly despite extensive deal sourcing efforts.

In FY2013, Ekuias ramped up efforts to strengthen our portfolio companies' operations as we executed their value creation plans in our quest of shaping them into future industry leaders. And as we embarked on our fifth year of operations, Ekuias also moved into the phase of crystallising the value of our investments to find them their rightful homes, once transformed into leading Malaysian companies.

The results from these value creation efforts have been **highly satisfying**, as Ekuias delivered yet another year of **exceeding fund performance targets** and achieving considerable progress on our social objectives.

### ENHANCED FUND ACTIVITY

The Government continued with its strong support for Ekuias during FY2013, allocating RM600.0 million this year to ensure more Malaysian companies would benefit from our private equity investments. This brings the total disbursed to Ekuias by year end to RM2.4 billion, representing 48.0% of the RM5.0 billion originally committed by government at inception.

With its maiden fund, Ekuias Direct (Tranche I) Fund, fully deployed by October 2012, the second – Ekuias Direct (Tranche II) Fund with a total fund size of RM1.0 billion further evolved and ended the year with 37.5% of the total fund committed for investment.

Ekuias also expanded its Outsourced Programme by establishing a new Ekuias Outsourced (Tranche II) Fund where an additional RM240.0 million was committed to local Malaysian private equity fund managers.

With this, Ekuias now operates four funds, two Direct and two Outsourced Funds with a total committed capital of RM2.6 billion.

Despite the challenges faced, nine new investments were undertaken with a committed capital totalling RM246.8 million, comprising both direct deals and outsourced investments undertaken by our Outsourced Fund Managers (OFMs).

This brings the total number of investments to 24, with a total committed amount of approximately RM1.8 billion. Together with private capital, Ekuias has successfully facilitated total economic capital deployment of RM2.4 billion, positively impacting the Malaysian economy.

- TOTAL COMMITTED INVESTMENTS TO DATE  
**24 COMPANIES**
- TOTAL COMMITTED AMOUNT  
**RM1.8 BILLION**
- TOTAL ECONOMIC CAPITAL DEPLOYMENT, TOGETHER WITH CAPITAL FROM PRIVATE INVESTORS  
**RM2.4 BILLION**

### LEVERAGING STRENGTHS IN CORE SECTORS THROUGH DIRECT INVESTMENTS

After a highly active FY2012, direct investments activity slowed considerably in FY2013 despite our team evaluating a large number of investment opportunities. Three new investments were undertaken with a total committed capital of RM121.1 million as we focused on the strategy of expanding investments across our core sectors of Education, Retail & Leisure, Oil & Gas (O&G), Fast Moving Consumer Goods (FMCG), Services and Healthcare.

Two of the investments were follow-on investments in Integrated Food Group (IFG) and Ilmu Education Group (ILMU), Ekuias F&B and Education Groups respectively. This is in line with our approach to build transformative investments through what private equity terms as “Buy and Build strategy”, where we undertake complementary bolt-on investments in the same industry to help drive consolidation and expeditiously build scale in the portfolio companies.

RM48.8 million was provided to IFG, to enable it to acquire additional stake and inject new capital into Cosmo Restaurants Sdn Bhd (BKM), the Malaysian franchisee for BURGER KING®

# CHIEF EXECUTIVE OFFICER'S REVIEW

and aggressively expand the number of BKM outlets. Ekuinas' initial investment in BKM was undertaken in September 2011 and since then, BKM has grown considerably from only 24 outlets to 45 outlets by end of FY2013. Armed with the additional capital, BKM hopes to hit a target of 100 outlets throughout Malaysia by 2016.

The additional investment also brings the total committed investment within the F&B portfolio to RM289.8 million, representing 17.7% of Ekuinas' total direct investments portfolio.

Whilst we always recognised that the gestation period for F&B investments will take some time, with its ownership of BKM, BURGER KING® Singapore, Manhattan Fish Market, Tony Roma's, Popeye's Singapore and San Francisco Coffee, IFG now already has more than 170 outlets operating across the region with a combined revenue of RM420.0 million for FY2013. This represents a strong outlet and revenue growth of 19.3% and 10.1% respectively against last year, reflecting the considerable progress being made within the F&B group.

Ekuinas also undertook another bolt-on investment amounting to RM32.3 million in ILMU to acquire up to 76.5% effective stake in APIIT Lanka Pvt Ltd (APIIT Lanka). APIIT Lanka is one of the leading private tertiary education providers in Sri Lanka with more than 1,000 students under enrolment. The College offers degrees as well as postgraduate qualifications awarded by Staffordshire University, United Kingdom, across various disciplines including Business, Computing, and Law, and enjoys a close partnership with Asia Pacific University of Technology & Innovation (APU), an existing portfolio company under Ekuinas.

This investment extends ILMU's footprint beyond Malaysia, in line with its vision to become a regional education investment group. With investments in APU and Asia Pacific Smart Schools, UNITAR International University, Kuala Lumpur Metropolitan University College (KLMUC) and Cosmopoint Colleges, as well as APIIT Lanka, ILMU now collectively has more than 28,000 students under enrolment and achieved collective revenue of more than RM296.2 million for FY2013.

With a total of RM438.8 million committed to date, representing 26.9% of Ekuinas' total portfolio of Direct Investments, we expect the Education group to remain a cornerstone of our investment strategy going forward.

Ekuinas' other investment for the year was the acquisition of a 100% stake in PrimaBaguz Sdn Bhd (Primabaguz), for a total investment of RM40.0 million which signalled our maiden entry

TOTAL COMMITMENT IN  
RETAIL – F&B SECTOR  
**RM289.8 MILLION**



TOTAL COMMITMENT IN  
EDUCATION SECTOR  
**RM438.8 MILLION**

into Food Manufacturing. PrimaBaguz is a high potential provider of premium halal processed meat that services leading players within the quick service restaurants (QSR) as well as the hotels, resorts and caterers (HORECA) industry.

Our investment in PrimaBaguz would enable us to participate in the fast growing domestic halal processed food industry valued at an estimate RM13.4 billion, in line with Government's aspiration to turn Malaysia into a global halal food production hub. Further, it provides Ekuinas with the opportunity to leverage on the significant potential synergies between PrimaBaguz and its existing F&B portfolio companies such as BURGER KING® Malaysia and Singapore, Tony Roma's and San Francisco Coffee.

Going forward, we hope to build on this investment and expand further into food manufacturing as well as other fast growing manufacturing segments.

Despite the limited number of investments undertaken during the year, we are pleased to report that Ekuinas has undertaken Direct Investments cumulatively in 15 companies with a total committed investment amounting to more than RM1.6 billion.

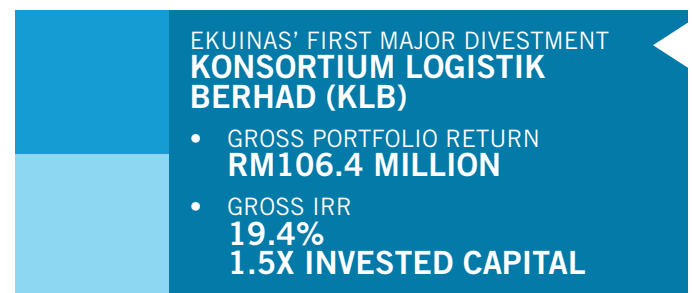
### MOVING INTO EXIT PHASE AND CRYSTALLISING INVESTMENT VALUE

As a private equity firm, Ekuinas' mandate right from the start was to eventually exit from its investment after creating transformative value in its portfolio companies. After four years in operation, we commenced our exit phase by undertaking our first major divestment through the sale of our 61.6% stake in Konsortium Logistik Berhad (KLB) to KL Airport Services Sdn Bhd (KLAS), a wholly owned subsidiary of DRB-HICOM Berhad (DRB-HICOM).



The decision to divest was made after Ekuinas carried out an exhaustive and targeted sale process assisted by a leading global investment bank, which attracted serious interest from more than five regional and domestic logistic players. DRB-HICOM was eventually selected after it submitted the most compelling offer in terms of price, strategic fit and social objectives sustainability.

Considering the highly fragmented and intensely competitive Malaysian logistics industry, the divestment of KLB was a commercial success. Total proceeds of RM241.0 million was received from the sale, which together with the accumulated dividends already received, generated for Ekuinas a total gross portfolio return of RM106.4 million, translating to a gross Internal Rate of Return (IRR) of 19.4% per annum or 1.5 times of Ekuinas' invested capital.



Under Ekuinas' ownership, KLB had successfully executed its value creation plans of unlocking the Group's balance sheet and expanding its operations into new areas such as O&G and FMCG.

The investment in KLB also delivered on the social objectives front. Through the investment, Bumiputera equity was increased by RM403.2 million or 1.7 times of Ekuinas' invested capital, including generating equity gain of RM4.7 million to KLB's Management and employees through the share option scheme which Ekuinas helped to establish.

The number of Bumiputera and total employees at KLB also increased by 25% and 21% respectively since Ekuinas' entry and at exit, KLB employed more than 1,400 employees, out of which 91% were Bumiputeras.

But more importantly, we are pleased to find KLB its rightful home. DRB-HICOM's position as a leading Bumiputera conglomerate, which also owns stakes in Pos Malaysia Berhad and PROTON Holdings Berhad, provides KLB with significant synergies and will help KLB complete its transformation into becoming one of the largest integrated logistics players in Malaysia. Further, DRB-HICOM not only has the necessary platform, resources and entrepreneurial capabilities that can take KLB to the next phase of growth, but also provides continuity in terms of Bumiputera ownership.

# CHIEF EXECUTIVE OFFICER'S REVIEW

## TRANSFORMATIVE INVESTMENTS PAVING THE WAY FOR SHAPING LEADERS – ICON OFFSHORE POISED FOR LISTING

Building on the outcomes of the preceding financial year when Ekuinas successfully created three leading industry groups in the Education, F&B and O&G sectors, FY2013 witnessed increasing focus, time and resources being invested to ensure effective execution of the value creation plans for each company. The management teams of the portfolio companies worked hard alongside our investment team to aggressively expand revenue and increase productivity even further, with the ultimate goal of fulfilling their potential to become new market leaders.

None reflects the successful execution of this strategy better than Icon Offshore Berhad (Icon Offshore). The company, which was created from the merger of two O&G portfolio companies under Ekuinas, namely Tanjung Kapal Services Sdn Bhd and OMNI Petromaritime Sdn Bhd, has successfully established a strong reputation for itself in the industry. Icon Offshore is now the third largest OSV company in Malaysia with a 32-strong fleet ranging from Anchor Handling Tug/Supply vessels (AHT/S), Straight Supply Vessels (SSV) and Platform Supply Vessels (PSV).

With total assets exceeding RM1 billion, Icon Offshore grew strongly in FY2013 with revenue and adjusted net profit (excluding recurring items) increasing by 14.8% and 38.2% to RM334.9 million and RM89.6 million respectively. This was driven by investment in new vessels as well as higher utilisation rates on the back of rising Malaysian Exploration & Production (E&P) activities. Given the strong results, we are pleased to report that we are on track to deliver on the plan to undertake an Initial Public Offering (IPO) exercise for Icon Offshore scheduled to take place in 2014.

The investment in O&G sector through Icon Offshore represents the biggest investment under Ekuinas' portfolio at RM484.1 million or 29.6% of our total committed investment to date.

TOTAL COMMITMENT IN O&G SECTOR  
**RM484.1 MILLION**







### STRATEGIC VALUE CREATION EFFORTS BEARING FRUIT

In summary, the hands-on work that our team consistently executed across the portfolio companies throughout FY2013 continued to produce positive results and enabled us to deliver yet another year of strong fund performance.

The Ekuinas Direct (Tranche I) Fund achieved a cumulative gross portfolio return of RM655.9 million for FY2013, up 77.9% from RM368.6 million posted in the preceding financial year. This translates to annual gross Internal Rate of Return (IRR) and net IRR of 25.5% and 20.4% per annum respectively, sustaining the strong performance achieved in FY2012.

As highlighted at the inception of Ekuinas, in private equity, true fund performance can only be properly measured after the fund matures over 3 to 5 years. As such, we are pleased to deliver this strong performance in our fourth year of operations, which exceeds our internal performance targets. More gratifyingly, the financial performance delivered is comparable to, if not better than, the market returns achieved by emerging market private equity funds, despite the constraints of Ekuinas being a single country focused investment firm.

In the same vein, whilst our Ekuinas Direct (Tranche II) Fund also achieved gross IRR and net IRR of 68.9% and 50.4% respectively, we believe it is too premature to properly evaluate the fund's performance as it is still early in its investment cycle. We are hopeful, however, that our Ekuinas Direct (Tranche II) Fund can leverage on the strong start and be substantially invested by the end of FY2014, despite the challenging investment environment.

More pleasingly after a challenging FY2012, the operating performance of our portfolio companies showed considerable improvements. For FY2013, Ekuinas' portfolio companies collectively increased their revenue significantly by 6.2% from RM1.4 billion in FY2012 to RM1.5 billion in FY2013.

Earnings before interest, tax, depreciation and amortisation (EBITDA), also improved by 4.1% to RM375.5 million, driven by strong performance in Icon Offshore, Revenue Valley Group and improved performance in BKM but was partially offset by weaker performance at Cosmopoint Group and Burger King Singapore.

We are confident that with the various strategies in place and currently already in progress, the companies will be able to deliver a much stronger performance in the coming year.

# CHIEF EXECUTIVE OFFICER'S REVIEW

## COMMENCING SECOND TRANCHE OF THE OUTSOURCED PROGRAMME

The Outsourced Programme also continued to expand, with the appointment of four more OFMs under Tranche II when it commenced in September 2013. The earlier allocation of RM400.0 million for the first tranche of the Outsourced Programme has now been expanded to RM640.0 million, with the additional allocation of RM240.0 million for the second tranche.

This brings the total capital made available for investment under our Outsourced Programme to reach approximately RM927.0 million as at end FY2013, with external private capital collectively raised by OFMs under Tranche I and Tranche II amounting to RM287.0 million. This is a testimony to the success of the public-private partnership model that Ekuinas strives to achieve in carrying out its mandate in line with government's aspirations.

The OFMs under Tranche I, namely Navis Capital Partners and CIMB (Group Strategy and Strategic Investments) were joined by Asiasons Capital as the replacement fund manager, whilst CMS Opus Sdn Bhd, RM Capital Partners, TAEI Partners and Tuas Capital were appointed as OFMs under Tranche II of the Outsourced Programme.

The new OFMs were chosen after a rigorous selection process assisted by a global consulting firm which saw 30 firms registering interest, out of which 16 firms submitted proposals and seven were shortlisted for detailed due diligence process, before the final selection was made.

In terms of investments undertaken, FY2013 witnessed a much improved year for the Outsourced Programme with the OFMs undertaking six new investments amounting to RM191.3 million, out of which RM125.7 million was capital contributed by Ekuinas. The investments were made across a wide spread of sectors such as technology, engineering services, manufacturing and education in companies such as Strateq Sdn Bhd, HG Power Transmission Sdn Bhd, Brickfields Asia College Sdn Bhd, Macro Kiosk Berhad, STX Precision Corporation Sdn Bhd, and Consobiz Ventures Sdn Bhd.

This brings the total number of portfolio companies under the Outsourced Programme to nine, with a total committed investment undertaken amounting to RM291.8 million, out of which Ekuinas contributed RM199.8 million.

- TOTAL CUMULATIVE NUMBER OF OUTSOURCED INVESTMENTS  
**9 COMPANIES**
- COMMITTED CAPITAL CONTRIBUTION BY EKUINAS  
**RM199.8 MILLION**

At the same time, the performance of Ekuinas Outsourced (Tranche I) Fund has begun to improve, achieving a gross portfolio return of RM12.5 million, which translates to a gross IRR of 5.0%.

We expect the Outsourced Programme will continue to expand as our outsourced private equity fund managers further accelerate their investment activities and continue to deliver improved fund performance in FY2014.

## CREATING VALUE FOR BUMIPUTERAS AND ALL MALAYSIANS

In terms of social objectives, Ekuinas has, through the investments undertaken, successfully enhanced Bumiputera equity value by RM2.8 billion at end FY2013, which represented 1.7 times the capital invested by Ekuinas. This has concurrently led to the creation of RM4.1 billion in total economic value for all shareholders of the Ekuinas portfolio companies, representing 2.5 times the total capital invested to date.

This represents a significant, clear and measurable impact, and further demonstrates the efficacy of Ekuinas' PE approach in helping to shape a more inclusive economic model for all Malaysians. As Ekuinas strives to enhance the Bumiputera equity, equity owned by all other shareholders also increased in tandem.

In the area of human capital, Ekuinas' portfolio companies provided gainful employment for 9,336 talents, with 56.4% Bumiputerans. Ekuinas also continues to enhance the pool of capable entrepreneurs as well as professional managers entrusted to lead the various investments, and as at end FY2013, there were 201 managers in total, with 82 Bumiputerans among them. Further, the number of Bumiputera managers and employees has grown by 12.3% and 17.1% respectively since Ekuinas' entry.

- INCREASE IN BUMIPUTERA EQUITY VALUE  
**RM2.8 BILLION**  
**1.7X CAPITAL INVESTED**
- INCREASE IN TOTAL SHAREHOLDERS' EQUITY VALUE  
**RM4.1 BILLION**  
**2.5X CAPITAL INVESTED**

Various Bumiputera companies which provide quality products and services were also given the opportunity to participate in Ekuinas' portfolio companies' supply chain. Some of the major initiatives which enlisted the expertise of Bumiputera vendors include the interior décor works for the new campuses of UNITAR and Cosmopoint, and the contract to build Icon Offshore's new vessel.

As an establishment introduced with the specific mandate of promoting Bumiputera economic participation in an effective and sustainable manner, Ekuinas recognises the hopes and expectations of its Bumiputera stakeholders. The Government's plans for further empowering Bumiputera businesses have identified Ekuinas as one of the agencies to facilitate the development of the Bumiputera business community, as announced during the Perhimpunan Usahawan Bumiputera event held in March 2013 and again later in September, when the Prime Minister launched the Bumiputera Economic Empowerment programme.

Ekuinas remains committed to our mandate and believes that through our private equity investments guided by the principles of being merit-based and market-driven, we will produce new market leaders to share their success stories as an inspiration to our community as a whole.

- EKUINAS PORTFOLIO COMPANIES**
- TOTAL EMPLOYEES **9,336**
  - TOTAL MANAGERS **201**

## FORTIFYING OPERATIONS TO BETTER EMULATE INDUSTRY'S BEST

During FY2013, Ekuinas, the fund management company, managed to post a significantly higher profit after tax of RM14.6 million (2012: RM6.1 million). This is attributable to the higher fees earned based on a larger fund under management (FuM) provided by Ekuinas Capital, the fund capital company, which increased to RM2.6 billion in FY2013 (FY2012: RM2.4 billion).

And continuing the trend of previous years, Ekuinas' ratio of operating expenditure (OPEX) to total funds under management (FuM), remained relatively low at 1.3% (2012: 1.0%). This demonstrates our continuous effort to ensure optimum efficiency and cost-effectiveness across all areas of Ekuinas' operations.

At the same time, we continue to invest in Ekuinas' operations, to achieve standards at par with the best of global private equity firms as well as other Malaysian leading sovereign investment institutions.

Internal capacity building within Ekuinas continued to be a critical area in the year under review. Focused Training and Development programmes were strengthened across Ekuinas whilst Talent Management plans were developed for those identified as high potentials and future leaders within the organisation.

Both in-house training and off-site sessions provided the necessary technology transfer led by industry experts, and also facilitated knowledge sharing amongst all staff towards achieving the mutual goal of improving Ekuinas' internal processes as a whole. To further strengthen the team's capabilities, our senior personnel attended numerous investment and leadership development courses at globally renowned institutions throughout the year.

The Portfolio Management and Monitoring (PMM) unit, which is the team tasked with the management and implementation of the value creation plans for the portfolio companies, was further expanded in 2013. From the initial areas of human capital and finance, the PMM team now also covers strategy, processes and management information systems, all areas that we believe are vital to ensure the complete transformation of Ekuinas' portfolio companies into becoming leading companies.

Other departments within Ekuinas continued to provide strong value-adding support to the portfolio companies when required, such as Corporate Governance and Risk Management (CGRM), Legal as well as Communications.

# CHIEF EXECUTIVE OFFICER'S REVIEW



## TRANSPARENT AND CONSISTENT COMMUNICATION WITH STAKEHOLDERS

EkuiNAS regularly reports on investment activities and operational updates to the Government of Malaysia through annual meetings with the trustees on the board of Yayasan Ekuiti Nasional, as well as monthly and fortnightly meetings with the Economic Planning Unit, Prime Minister's Department (EPU) and the Minister in the Prime Minister's Department himself.

The year under review witnessed the departure of Yang Berbahagia Tan Sri Nor Mohamed Yakcop from his post of Minister in the Prime Minister's Department, a position he had held since 2009 and in which capacity he had played a significant role in establishing and nurturing the growth of EkuiNAS as a government-linked private equity investment firm. We at EkuiNAS feel deeply honoured to have been given

the opportunity to work under Yang Berbahagia Tan Sri Nor and would like to express our heartfelt gratitude for all his guidance and wisdom as he steered the development of EkuiNAS during these past years.

As we bade farewell to Yang Berbahagia Tan Sri Nor, we welcomed Yang Berhormat Senator Dato' Sri Abdul Wahid Omar, the newly appointed Minister in the Prime Minister's Department who brings his wealth of corporate experience and perspective to the country's economic administration. Our work at EkuiNAS shall continue to be carried out in the same vein, with the same high degree of passion and commitment, and we hope to further strengthen it with the new YB Minister's kind guidance.

Ekuinas also maintained close interactions with other government agencies and fund agencies which share similar goals to empower Malaysian entrepreneurs and enterprises including Unit Peneraju Agenda Bumiputera (TERAJU), Perbadanan Nasional Berhad (PNS), Perbadanan Usahawan Nasional Berhad (PUNB) and many others. This was formalised under a special Bai'ah, a commitment to work together, executed by 13 investment and entrepreneur development agencies in March 2013 at the Majlis Perhimpunan Usahawan Bumiputera (HUB).

#### Further entrusted to enhance capacity building for Bumiputera PLCs

At the same time, Ekuinas continued to engage through numerous discussion and workshop sessions with the various Non-Government Organisations (NGOs) involved in the development of Bumiputera companies, which remained concerned with funding, business support, human capital development and regulatory requirements.

This led to Government further refining its approach to strengthen Bumiputera economic participation as encapsulated in the initiatives announced under the Bumiputera Economic Empowerment programme announced by the Prime Minister, Yang Amat Berhormat Dato' Sri Mohd Najib Tun Abdul Razak in September 2013.

As part of this announcement, Ekuinas has been entrusted together with TERAJU to strengthen and revamp the Skim Jejak Jaya Bumiputera (SJJJ) programme as part of the strategy to increase the market capitalisation value of Bumiputera-controlled companies listed on Bursa Malaysia Securities Berhad (Bursa Malaysia).

Established in 2007, SJJJ has, since inception, provided "last mile" support for Bumiputera companies wishing to go for listing on Bursa Malaysia. Emphasising the need for a more capacity building approach, TERAJU and Ekuinas will work together to provide a more holistic, end-to-end support for the participating companies, aimed at transforming them into successful listed groups.



# CHIEF EXECUTIVE OFFICER'S REVIEW

## CAPACITY BUILDING INITIATIVES FOR THE COMMUNITY

As one of the key players in the local Private Equity industry, Ekuinas continues to extend support to the industry association which is the Malaysian Venture Capital and Private Equity Association (MVCA). The numerous programmes it runs throughout the course of the year helps to increase public awareness of the role of PE firms and venture capital companies (VCs) in supporting the local entrepreneurial community.

Unlike in the Western economies, historically there is limited amount of capital allocated to private equity by investment institutions in Malaysia, especially those in the private sector. In this context, Ekuinas lauds the Employees Provident Fund's (EPF) efforts in organising the inaugural Global Private Equity Summit held in March 2013, which aimed at raising the profile of private equity in Malaysia internationally.

We plan to further build on these efforts by undertaking a Malaysian-focused Private Equity Conference in September 2014 to help showcase private equity as an attractive alternative investment class to Malaysian investment institutions. This way, we hope more Malaysian investment institutions will consider and allocate some capital to private equity as part of their overall investment portfolio, which can in turn be a catalyst to a more vibrant private equity market in the future.

In our aim to also extend support to the community at large, Ekuinas has formalised its Corporate Social Responsibility (CSR) framework. Still in keeping with our theme of Realising Potential, the main thrust of the newly launched framework will focus on empowering entrepreneurs, enhancing education opportunities for the poor and extending philanthropic contributions to selected groups in the community. Emphasis for the latter will be in the areas of alleviating poverty and helping the disadvantaged.

For FY2013, our CSR efforts focused on two areas predominantly – entrepreneur capacity building and education. The full description of the CSR framework and a report on activities undertaken for the year are presented on pages 99 – 111 of this report.





### ON TRACK TO SHAPE THE NEW MARKET LEADERS

The financial year ended 31 December 2013 was undoubtedly a fulfilling year for us at Ekuinas. It was challenging in terms of securing new investments but the on-going growth in our existing portfolio companies has demonstrated that our mission of producing the next generation of leading Malaysian companies is progressing well. As we enter our fifth year of operations in 2014, the results of preceding years will provide the stimulus for us to strive even harder to achieve the desired outcomes much anticipated by our stakeholders.

We hope to receive additional funding amounting to RM600.0 million in 2014 to undertake investments in more homegrown companies with high growth potential. At the same time, our existing portfolio will continue to receive our focused attention as we implement the final phase of their transformation process into becoming the new market leaders.

All these efforts would prove futile if Ekuinas had not received the continuous support of the Government, the Board of Trustees of Yayasan Ekuiti Nasional, and also the team at EPU, through all these years – to them we owe our deepest gratitude.

We would also not have been able to achieve as much, had we not been guided by our visionary Board of Directors, led by the Chairman, Yang Mulia Raja Tan Sri Dato' Seri Arshad. We sincerely thank all our Board members for sharing their expertise and steering us on the right track towards achieving our goal.

We would also like to record our heartfelt appreciation to all our business partners, media organisations and other stakeholder groups, who have continuously provided constructive feedback in motivating Ekuinas to constantly improve and whom we hope will continue to support us in the coming years.

Last but not least, the performance of Ekuinas during FY2013 has been the outcome of the collective efforts by all Ekuinas team members, together with the management teams at our portfolio companies. They have toiled tirelessly and persevered patiently, as together we identified and managed challenges to the best of our ability. The team has demonstrated unwavering passion and commitment this past year and I thank them for this.

And I hope we will all multiply our efforts in 2014 towards fulfilling our mission together.

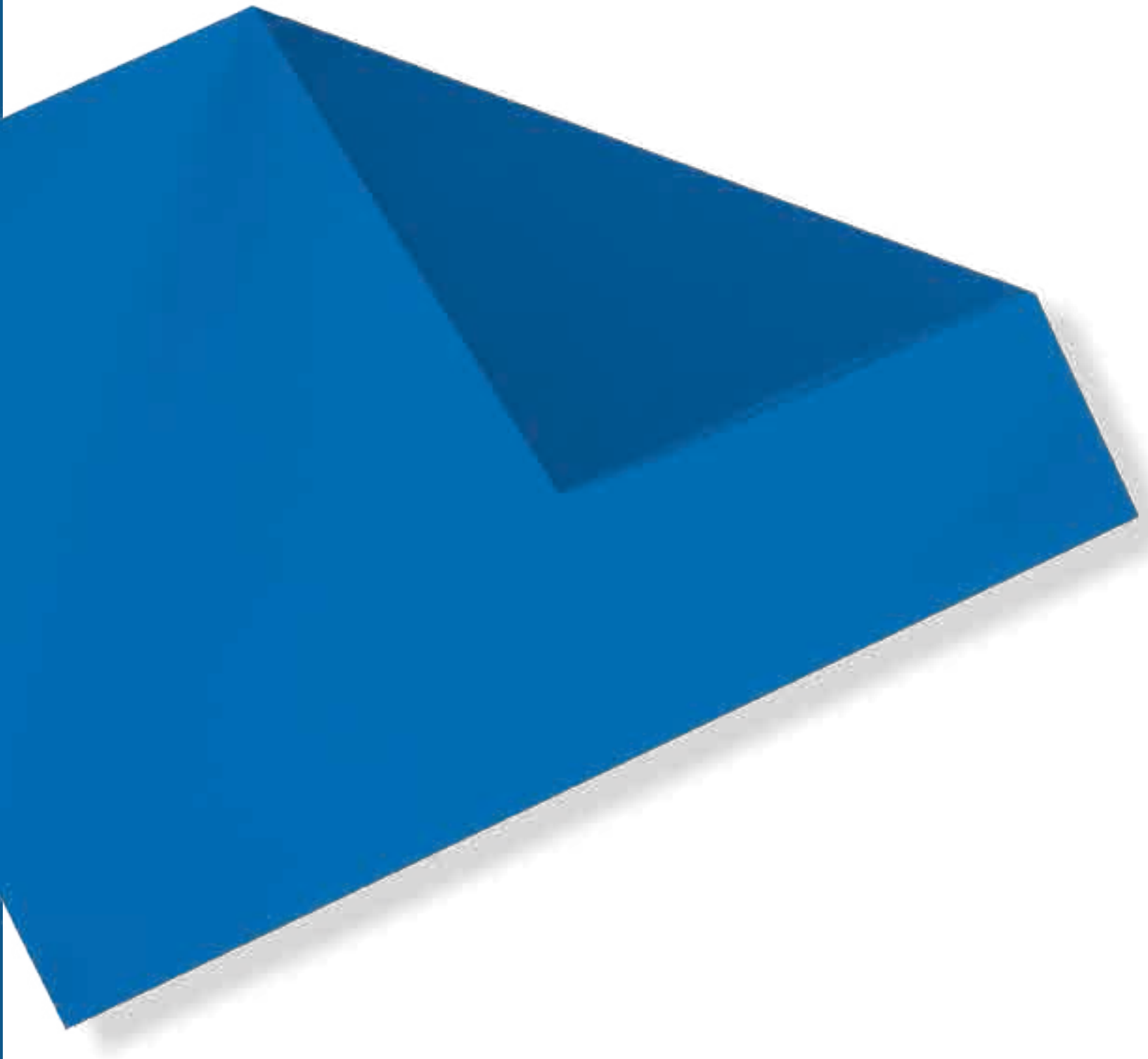
**ABDUL RAHMAN AHMAD**  
Chief Executive Officer



# CREATING PARTNERSHIPS

Our Private Equity model has been effective in undertaking investments which assist high potential, medium-sized Malaysian companies transform into future market leaders





# INDUSTRY

- What is Private Equity?
- Malaysian Private Equity Outlook by Bain & Company
- Selecting Private Equity Managers in Southeast Asia by Towers Watson Investment

# WHAT IS PRIVATE EQUITY?

**Ekuiti Nasional Berhad (Ekuinas) is a Private Equity fund management company which was established by the Government of Malaysia in September 2009 as one of the new market-friendly instruments to realise the objectives of the New Economic Model (NEM). Ekuinas is mandated to create the next generation of leading Malaysian companies by undertaking Private Equity investments in high potential local businesses.**

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 portfolio companies and eventually sell them at a profit, after having created value in those companies

In the case of Ekuinas, the Government of Malaysia provides the capital to be invested through Yayasan Ekuiti Nasional, a specific trust established to help enhance and grow Bumiputera equity interest. Ekuinas manages the funds and invests in mid-sized Malaysian companies which demonstrate the potential to become future market leaders.

A government-led PE approach, such as Ekuinas, has been implemented in the past for the purpose of achieving national objectives and it has proven 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.

Such vehicles have enabled the creation of so many lasting companies that have positively impacted societies in a sustainable manner. Ekuinas aspires to make the same positive impact in Malaysia in a market-friendly, merit-based and transparent manner.

# MALAYSIAN PRIVATE EQUITY OUTLOOK

## BY BAIN & COMPANY

### 2013 WAS A MIXED YEAR IN SOUTH-EAST ASIA: SOME CHALLENGING MACRO CONDITIONS, BUT SOME BRIGHTER SIGNS IN TERMS OF DEAL ACTIVITY AND INVESTOR INTEREST.

#### SE ASIAN MARKETS FACED SOME MACRO CHALLENGES IN 2013:

- GDP growth fell to 4.9% compared with 5.5% previously, with countries ranging from a pronounced slowdown, as in Thailand, to noticeable improvement, as in Singapore
- Indonesia remained in a twin deficit situation, with both fiscal and current account balance deteriorating, while inflation kept rising
- Equity markets started strongly in Q1 across most regions, but dropped back to January levels in areas like Singapore and Indonesia, while Malaysia sustained steady growth

These challenges undoubtedly had an effect on private equity (PE) investors: SE Asia deal count went up but investment value continued their downward trends, reaching \$5.0 billion, down 9% compared to 2012. In addition, exits declined widely, in line with the overall trend in Asia-Pacific. On the whole, PE funds faced a very challenging environment for IPOs and a soft corporate M&A market. As a result, both the count and value of exits declined in SE Asia, with the number of exits dropping by -30% to just 19 and total value down by -61% to only \$4.3 billion (see Figure 1).

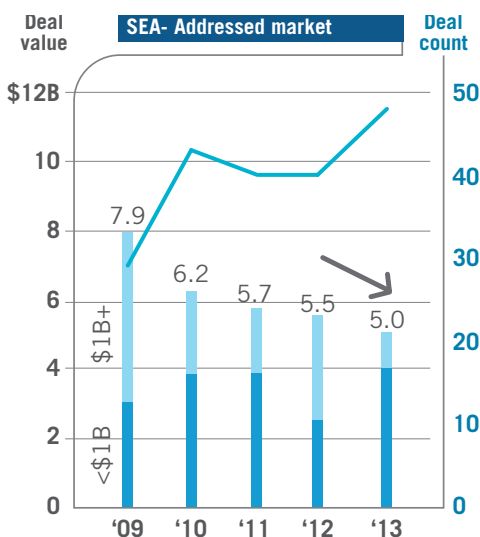
But a look below the surface suggests activity held up better than these numbers imply. Traditionally led by sovereign wealth funds, mega-deals, valued at more than \$1 billion, were largely absent from the market in 2013, leaving the total value of core deal making by GPs slightly higher than in 2012. Internet deals reached record high activity in the region, making up a quarter of the deal count, whereas they accounted for only 10% of the deal flow last year.

**We are already seeing signs of improvement:** Q4 is seeing rebound activity, with \$2.5 billion deal value registered for this quarter, representing half of 2013 investment value.

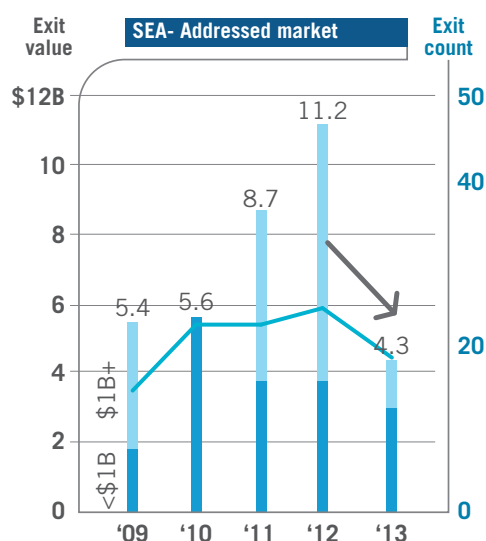
In addition, there are clear **signs of SE Asia attracting more investors**, with a record level of dry powder, continued good market fundamentals, almost \$30 billion being returned to investors from assets exited between 2010 and 2013, and a deepening view that, in some ways, SE Asia's large neighbours, India and China, have disappointed.

Figure 1: On the surface, SE Asia private equity (PE) market was challenged. But deal activity remained healthy

Healthy 'core PE' deal activity, but value down



Exits back to record low levels after bumper year



Note: Exits and Investments with announced deal value >\$10M only, done in APAC; Excludes real estate, hotels & lodging, infrastructure, and large domestic transfers from SWF to government

Source: AVCJ (database extracted on 14th Feb 2014)

According to a recent Emerging Markets Private Equity Association LPs survey finalised in May 2013, SE Asia has supplanted the BRICs (Brazil, Russia, India and China) as one of the most attractive deal destinations in emerging markets. This perspective is echoed by Asia-Pacific-based GPs. A recent Bain & Company survey indicates that almost 60% of the surveyed GPs see SE Asia among the top-three most attractive markets for new deals in 2014.

The growing number of GPs focusing on SE Asia, coupled with an increased activity of cash-rich corporates, **means there will be no let-up in competition throughout the region.** This trend has already become evident: The 2014 Bain & Company survey respondents quoted scarcity of high-quality target companies as the most important challenge for the year to come.

**How challenges will unfold at a country level will vary:** PE investors surveyed by Bain & Company expect that finding attractive companies will remain the main challenge in the more established countries of Malaysia and Singapore. In Indonesia, volatile macroeconomic factors and price expectations are expected to be the most pressing issues, while weak corporate governance appears to be an on-going concern for investors competing for deals in Vietnam.

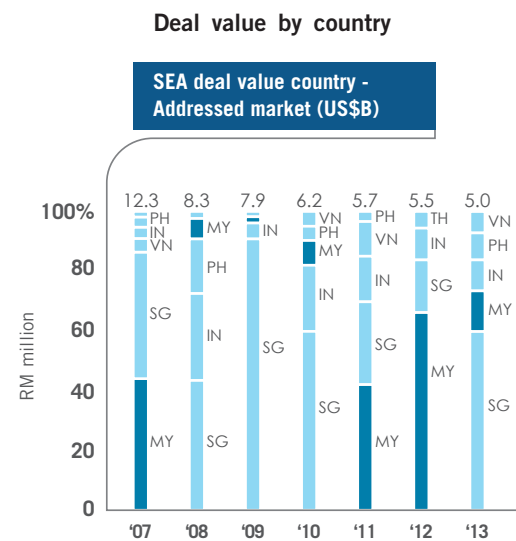
*Despite subdued headline numbers last year, Malaysia will continue to be a key destination for PE investors looking to do deals in SE Asia*

**Malaysia has its own particular characteristics as a deal market:** Compared with other markets, government-linked investors, including Ekuiti Nasional Berhad, Khazanah Nasional Berhad and Employees' Provident Fund, have recently become very prominent, suggesting the advantages of having local knowledge and networks. Over the last five years, these three players have been involved in about half of all deals. In addition, Malaysia has historically proven to be a market in which control- and activist deals can be done.

**A brief glance at 2013 deal value may suggest that investors have pulled back, but the reality is not so simple:** After two record years, Malaysia private equity activity has come back to 2008–2010 levels. But this was not due to lack of interest, as **Malaysia is still a maturing market in which mega-deals can make a big difference. There simply were none in 2013.**

**Taking a longer-term perspective, Malaysia has been a prominent destination in SE Asia PE.** With an average deal value of \$2.2 billion over the last three years, Malaysia accounted for more than 40% of Southeast Asia's total deal value, consistently taking the first or second position (see Figure 2). Other hot sectors over that same time frame have included consumer-related sectors and financial services.

**Figure 2: Malaysia has been a prominent destination in SE Asia private equity market**



Year	Acquirer	Asset	Value	Type
2011	Aabar	RHB Capital	~\$1.9B	PIPE
2012	CVC, EPF, Johor Corp.	QSR Brands	~\$1.7B	Buy-outs
2012	Multiple investors	Felda Global Ventures	~\$1.1B	Growth
2011	Abraaj Capital	PT Matahari Putra Prima	~\$340M	Growth
2013	Khazanah Nasional Berhad	CIMB-Aviva JV	~\$300M	Growth
2012	Ekuiti Nasional Berhad	Tanjung Kapal	~\$80M	Buyout

*Note: Investments with announced deal value >\$10M only, done in APAC; Excludes real estate, hotels & lodging, infrastructure, and large domestic transfers from SWF to government*

*Source: AVCJ (database extracted on 14th Feb 2014)*

# MALAYSIAN PRIVATE EQUITY OUTLOOK BY BAIN & COMPANY

Malaysia has recently really punched well above its weight in strong exits. This is a key driver of the interest we are seeing from PE investors in Malaysia. In 2012 alone, we saw three large IPOs involving PE exits (\$3.1 billion: Felda Global Ventures; \$2.0 billion: IHH Healthcare; and \$1.5 billion: Astro Television Network System). Although 2013 did not match this level, exit activity remained solid, with \$1.3 billion returned to investors across nine exits.

Inevitably, competition is intensifying. Apart from the above-mentioned government-linked investors, the country has attracted a diverse playing field. Navis Capital is a good example of a home-grown GP that continues to be prominent. Global and regional private equity funds, together with foreign

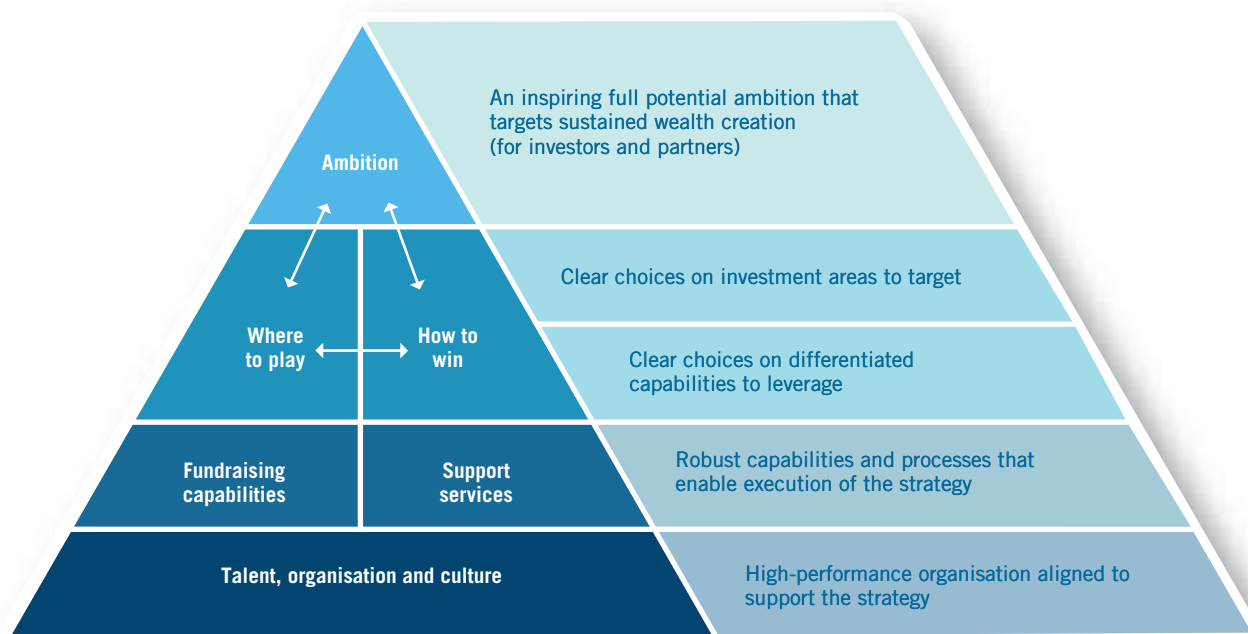
sovereign wealth funds, are also actively looking at Malaysia as a core destination within SE Asia, where the most recent deals included Headland's partnership with Mamee and KKR's investment in Weststar Aviation Services.

## How to win in a competitive environment

Given the reality of growing competitive pressure, now is the time for investors who are active in Malaysia and SE Asia to make sure they are differentiated on some of the key drivers of their investor strategy.

Based on our experience, there are six factors that determine the strategy (see Figure 3).

Figure 3: What makes a good PE firm strategy



**Ambition:** Investors often face a lack of alignment around their ambition, leading to spontaneous reactive decisions, rather than proactive strategic ones. We have observed that the most successful investors think about their ambition and strategic priorities beyond fundraising events. They build upon their senior team's individual ambitions to align around a long-term collective ambition. In the SE Asian context, given the shift of interest away from the earlier focus on India and China, incumbents will be well served if they can articulate their collective ambition, define long-term economic success, lay out the strategic priorities to achieve this long-term ambition, and track progress.

**Where to play:** PE investors have traditionally focused on a growth trajectory as opposed to diversification, but this is no longer good enough. The unique Malaysian landscape is going to demand that participants balance their growth aspirations with the need to differentiate. Players need to look inward to know what they are good at. They must understand where and how they have derived returns to date and how things might change. They should clearly and correctly define their sweet spot and know areas to avoid along a number of dimensions, including deal size, partnership, sectors, management team, primary thesis or ownership. This can be complicated further if players attempt to apply their experience from other markets

to either Malaysia or SE Asia. Mustering the discipline to stick to a sweet spot brings more benefits. According to forensic deal diagnostics, which are done once companies are exited, deals made outside the sweet spot dramatically underperform.

**How to play:** Clarifying ‘where to play’ within Malaysia and SE Asia is part of the puzzle. But it is also necessary to clearly define the best angle for generating superior returns within their sweet spot. These must translate into investment processes that reinforce that angle and address weak links, so that they can be institutionalised into repeatable models. Fact-based forensic deal diagnostics, combined with a 360° internal and external assessment, can surface opportunities across the investment value chain, from sector specialisation to sourcing, leading to due diligence, portfolio management and exit.

**Fundraising capabilities:** Fundraising means different things to different types of investors. The challenge is more obvious for GPs than for some government-linked investors. Most successful GPs are reinforcing this skill, with more planning around short- and long-term capital needs, more compelling pitch on investment angle, and differentiated capabilities or more thought around LP segmentation. They are also becoming more sophisticated in the way they manage their LP relationships, as ‘customers’, with regard to transparency, reporting and communications.

**Support services:** Issues with support activities surface as investors grow. In our experience, this is a real challenge in SE Asia and in Malaysia, because the size of teams there has historically been limited. Support services should not be an afterthought, but should be viewed as providing critical capabilities for the deal team as they grow the business. In fact, effective and efficient support services affect investors internally and externally by preventing leakage of firm profits, avoiding duplicative activities, simplifying knowledge capture and sharing, and ensuring consistent brand communication.

**Talent, organisation and culture:** The region has a limited pool of experienced talent. The competition we are seeing in Malaysia and the region is exacerbating this, as several investors are looking to fill out their local teams. The most successful investors tend to follow a number of rules as they review their organisation: They align their structure with their investment strategy and priorities; they have a clear plan for succession; they reduce the burden on management, with clear delineation of decision responsibilities; they also get more sophisticated in talent management while instilling a one-team culture.

### Conclusion

Malaysia has clearly established itself as an important destination in the SE Asia private equity market. As more investors eye the country, competition is likely to intensify. For PE investors ranging from GPs to government-linked investors, it is prudent to re-examine their models in terms of the key dimensions that will really differentiate them in what will soon become a crowded market. In Malaysia, investors with strong local networks and proprietary deal flow, a clear sectorial and deal-type sweet spot and an activist investment model with ‘feet on the street’ will likely emerge as the winners.

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## BAIN & COMPANY

### ABOUT BAIN & COMPANY

Bain & Company is the management consulting firm that the world's business leaders come to when they want results. Bain advises clients on strategy, operations, technology, organisation, private equity and mergers and acquisition, developing practical insights that clients act on and transferring skills that make results sustainable. The firm often aligns its incentives with clients by linking its fees to their results. Bain clients have outperformed the stock market 4 to 1. Founded in 1973, Bain has 50 offices in 32 countries, and its deep expertise and client roster cross every industry and economic sector. For more information, visit: [www.bain.com](http://www.bain.com).

# SELECTING PRIVATE EQUITY MANAGERS IN SOUTHEAST ASIA

## BY TOWERS WATSON INVESTMENT

### INTRODUCTION

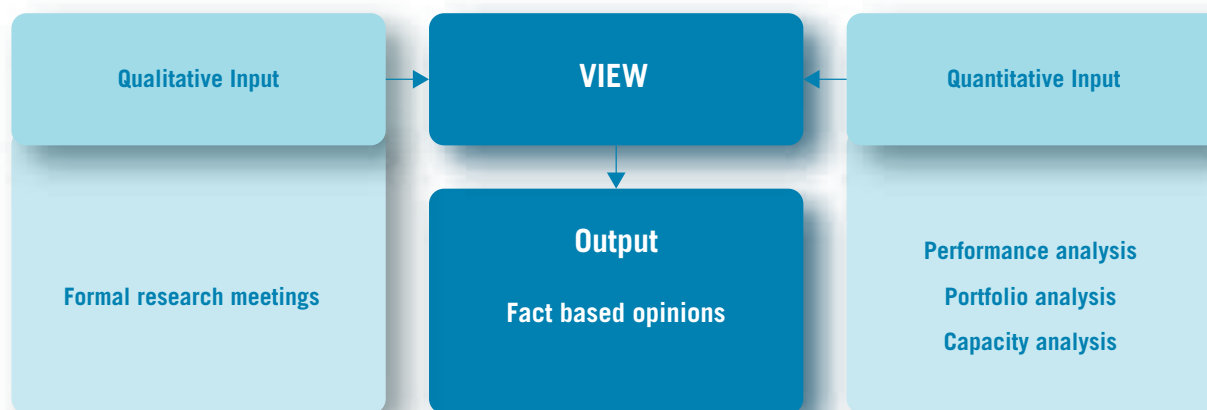
Private equity is an asset class which has many merits and has seen growth in demand in recent years, especially for those funds which are run out of Southeast Asia. The purpose of this paper is i) to summarise the main factors that we believe investors should focus on when selecting private equity managers, ii) to apply this framework to the Southeast Asian context and iii) to share some perspectives of our experience working with Ekuinas to conduct due diligence on its Tranche II Outsourced Programme.

Whilst there are many different reasons why investors enter private equity, the primary driver of increased appetite for the asset class is the belief that private equity can generate returns in excess of public markets through exercising skill. Part of the genesis of this manager skill, or “alpha”, is driven by the medium term timeframe afforded to the manager

whereby the investors’ capital will be locked-in usually for a period of 8-12 years unlike other asset classes whereby investors can decide to take their capital out more readily. This longer-term timeframe provides flexibility for managers to time the market and create value without worrying about redemption at an inconvenient time before the value-creation has been completed.

### HOW TO SELECT A PRIVATE EQUITY MANAGER

We believe selecting a private equity manager is an art as well as a science, and therefore, selecting a manager requires an assessment of both qualitative as well as quantitative factors. This multi-dimensional analysis in turn allows investors to develop fact based opinions by which they can judge private equity managers. This is summarised in the illustration below.





At Towers Watson, our assessment of a manager is broken down into six factors. Three of these are focused on the identification of competitive advantages of the manager and the other three analyse the sustainability of such competitive advantages. We summarise the underlying items we explore within each factor below:

### IDENTIFICATION OF COMPETITIVE ADVANTAGES

- **Investment professionals:** This refers to the calibre of key people and whether they exhibit the traits of great investors. This ensures that the investment professionals have intellect and investment acumen to spot the right opportunities and the networks to successfully source attractive transactions. More so than other asset classes, private equity is a people business and interpersonal skills are essential. Managers need to communicate and facilitate a healthy working relationship with the management of the investment companies they own. This factor also captures the appropriateness of the size of resources available to a manager for a given strategy.
- **Approach/insight generation:** We would like to see evidence of competitive advantage in the way the investment professionals generate investment ideas (perhaps through thematic research) and a consistent and compelling investment philosophy, backed by appropriate resources and skill-set. Whilst we would like the manager to have the flexibility to venture into other areas when opportunities emerge, we like to see discipline in their focus and the avoidance of strategy drift. Within this factor, we also like to see a high quality and relevant track record which is consistent with the anticipated future strategy being pursued.
- **Portfolio management:** In private equity, the ability to add value post-acquisition via operational and strategic support to management teams is critical to a manager's proposition. Within a fund, we assess how a manager thinks about mitigating risks through diversification of portfolio exposures and sensitivity analysis. Lastly, having a view on when and how to exit underlying investments is very important.

### SUSTAINABILITY OF COMPETITIVE ADVANTAGES

- **Firm & People stability:** It is important to have a firm which has a viable long-term business model which provides a stable platform for investment professionals to manage investor's capital. Examples include successful management of ownership succession and appropriate retention mechanisms to keep the most effective professionals motivated and hungry. It is also important to assess the team dynamics within the firm and the team culture and how this impacts team turnover.
- **Opportunity set:** A critical part of successful investment due diligence is to assess which managers are operating in an attractive market segment facing thematic tailwinds. Importantly, an investor must establish a view on the current market opportunity set, but also how this might evolve over time. The manager's thinking around its capacity within this opportunity set is also important, particularly as it links to the size of the fund it is managing.
- **Alignment:** In our view, aligning the interests of investors with the manager's team and broader business is one of the most critical factors in ensuring a manager maintains its competitive advantage. We analyse this on a number of levels, including manager co-investment in the fund, quantum and structure of the performance fees and allocation of these fees across the investment team. As part of this process, we seek to understand how important the success of the fund is for the investment professionals as a source of generating wealth and recognition. The structure should not encourage excessive risk taking behaviour - at the risk of clients' capital - or deter the investment professionals from taking an adequate level of risk which might lead to lacklustre performance

In summary, the goal of a due diligence process is to identify a manager who has exceptional people who can successfully implement great ideas. Just as importantly, the manager should be operating within a framework which allows repeatable strong performance and is motivated to succeed thanks to a strong alignment of interest with its investors and who is supported by a stable platform to execute its ideas.

# SELECTING PRIVATE EQUITY MANAGERS IN SOUTHEAST ASIA BY TOWERS WATSON INVESTMENT

## TRENDS IN THE SOUTHEAST ASIAN MANAGER LANDSCAPE

Later in the article we explore how the above framework applies to Southeast Asia but let us firstly consider the private equity manager landscape in Southeast Asia.

Whilst there has been increasing fund-raising focus on Southeast Asia in recent years as investors look to take advantage of the emerging middle class in the region as well as its natural resources, the depth and breadth of managers that are available in Southeast Asia remain a far cry from what is seen in developed markets or even some other emerging markets within Asia.

Broadly speaking, there are two types of managers in Southeast Asia – those which are part of pan-regional groups (either pan-Asian or Southeast Asian) or country specific funds. Recently, some “country-specific” funds have started to branch into other geographies within ASEAN (Association of Southeast Asian Nations). Managers will explain this evolution as their desire to take advantage of synergistic flows in ASEAN intra-regional trade, but in some instances, we believe it is more a product of the managers simply running out of ideas within their own geographies.

Separately, new managers are forming, often spinning-out from existing Southeast Asian managers, and are trying to raise new private equity funds, potentially creating the next wave of Southeast Asian private equity managers. We also observe a geographical expansion amongst Southeast Asian managers with some of the frontier countries within the region gaining traction from private equity investors; this includes countries like Myanmar or Cambodia, with initial strategic relationships leading to the formation of third party funds.

The type of strategy pursued by a manager operating in Southeast Asia will typically be driven by the profile of the manager. Often the bigger regional (or in some instances, global) funds would seek to employ a strategy centred around generating operational value in larger companies through buyout transactions. Other smaller, country focused managers tend to invest in the management of smaller growth companies as minority investors, as the sellers are not keen to sell the majority of their business and relinquish control.

Consequently, these investors tend to have less scope for extensive operational expertise. By number, the majority of managers operating in Southeast Asia would fit into the latter category. Although minority investing is often passive and does not generally allow managers to apply the full extent of their value-add toolkit, private equity managers can still use minority investing as a way to unlock value and create attractive returns.

Underdeveloped public markets in many of the Southeast Asian markets mean private equity is the only route of access to certain sectors, many of which are the sectors most aligned to economic growth. Certain sectors are growing more quickly than the overall GDP growth of the country, which alone is typically faster than the average developed countries' GDP growth. Given the increasing competition in the region, particularly in certain sectors like fast moving consumer goods, healthcare and telecommunications, securing access to these attractive industries and companies at reasonable valuations is a critical element of the private equity skill-set that we believe investors should focus on in Southeast Asia.

Turning our attention to individual countries, managers operating in Thailand and Vietnam have struggled to successfully navigate the challenging market environment over time. The Indonesian and Malaysian markets are more developed with a proven history of private equity activity. In Singapore the emphasis tends to be on regional funds that focus on Asia Pacific or ASEAN deals, and appear to be of reasonable quality, although country focused funds are often less experienced and resourced relative to some Southeast Asian peers. On a relative basis across Southeast Asia, our experience is that the talent pool of private equity professionals in Singapore, Malaysia and Indonesia are deeper than the other ASEAN countries, given the longer history of PE activity.

## SPECIFIC CHALLENGES WHEN CONDUCTING DUE DILIGENCE IN SOUTHEAST ASIA

When selecting a manager in Southeast Asia, the investor is presented with challenges in selecting from managers with a limited track record, sometimes shifting strategies, as well as having to assess teams spread out across multiple geographies. There are few managers with a lengthy, proven track record, unlike in the developed markets where most managers have raised multiple funds - some as far back as during the 1980's. This means a manager's ability to articulate its competitive advantages to potential investors becomes even more important as it has limited past deals to use as evidence of its approach. Even if past track record is available, deciphering this information can be difficult in a region like Southeast Asia where the number of fully exited deals is limited. As such, investors often need to make a judgment based on very little information.

Another noteworthy challenge with some of the smaller, boutique managers is the "soft risk" associated with their inability to raise sufficient capital to finance their infrastructure. Similarly, a new team which has been put together from various different groups, can also cause a problem when conducting due diligence, as they have neither proven their ability to work together as a team nor is there clarity on the actual process to be adopted.

The items noted above highlight why private equity due diligence in Southeast Asia can be a challenging experience. In the case of Ekuinas' Outsourced Programme Tranche II, the goal was to identify private equity managers who can invest in mid-sized Malaysian companies as a way to create the next-generation of market leaders in Malaysia. This can be a transformative exercise if executed effectively using private equity as a financial tool to achieve a better economic model for the country as a whole. If successful, the Outsourced Programme can also help to develop a vibrant private equity industry in Malaysia, as well as shaping the direction of the industry by allowing the managers to be influenced by global

best practices and ultimately becoming competitive on a global scale. Other investors beyond Ekuinas can also benefit from an increase in the number of managers who offer a compelling and well-aligned private equity proposition in Malaysia.

### Conclusion

Private equity investing is a complex process, which requires a constant balancing act between opinion and fact. To an untrained eye, many private equity managers in an introductory meeting can come across as very similar to one another. Past track record is not a sufficient measure of the likelihood of future success – it is better for identifying questions as opposed to providing answers. As such, the key to successful private equity due diligence is to use qualitative and quantitative factors to identify managers with a clear and sustainable competitive advantage, operating in a market with attractive tailwinds. In Southeast Asia, there are few managers who can point to sufficient evidence around their competitive advantage due to the relative immaturity of the market. Therefore, there is increased "manager selection risk" in an asset class already characterised by a significant dispersion of returns. However, the manager universe in Southeast Asia is maturing fast and investors have been increasingly comfortable in recent years to invest with managers in the region. Many sophisticated investors believe the market offers an opportunity set which is supported by attractive macroeconomic and capital market fundamentals. We believe that an increasingly mature and skilled group of managers operating in the market will accelerate this development going forward. Having had the pleasure of partnering with Ekuinas in recent years, we are confident that it will continue to foster the Malaysian private equity industry which will in turn create broader benefits across the economy.

### Contributed by:

*So Yeun Lim at Towers Watson*

**TOWERS WATSON** 

### ABOUT TOWERS WATSON INVESTMENT

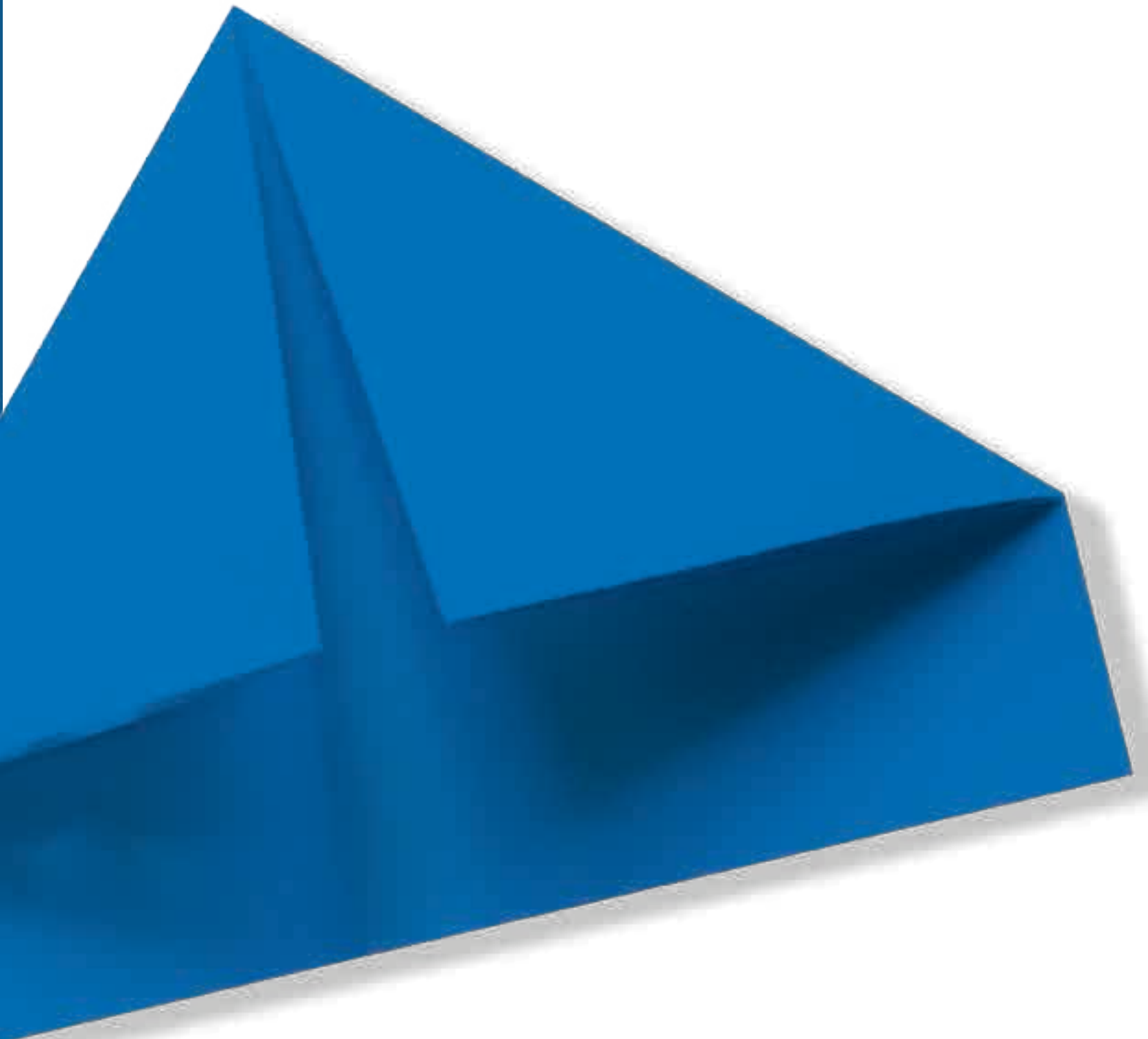
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# NURTURING POTENTIAL

Through our Private Equity investment approach, portfolio companies benefit from the management and financial expertise that we bring to the table towards a mutual goal of realising the companies' latent potential



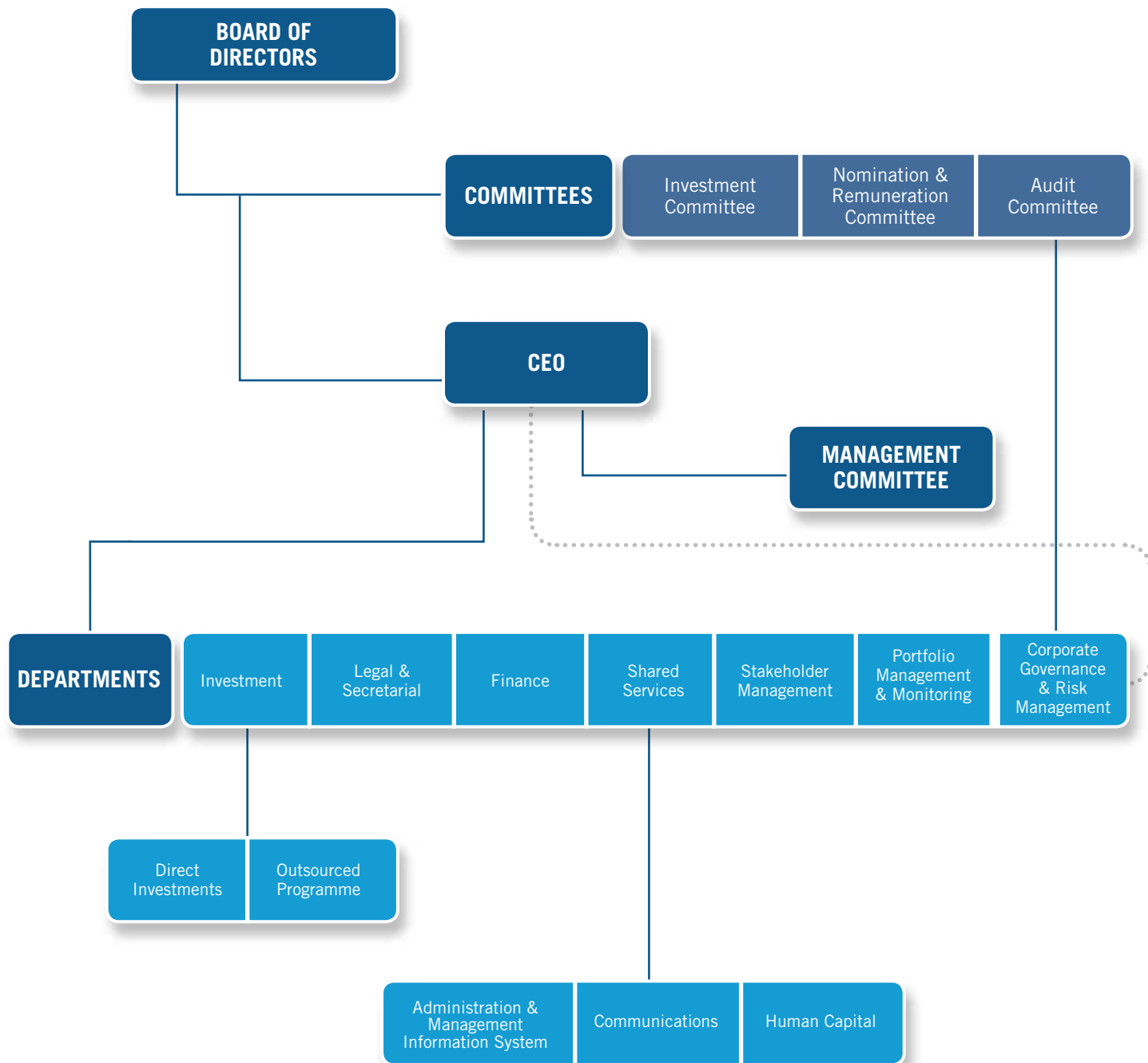




# LEADERSHIP

- Organisation Structure
- Board of Directors
- Senior Management
- Other Management
- Investment Team

# ORGANISATION STRUCTURE



# BOARD OF DIRECTORS

Raja Tan Sri Dato' Seri Arshad 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.

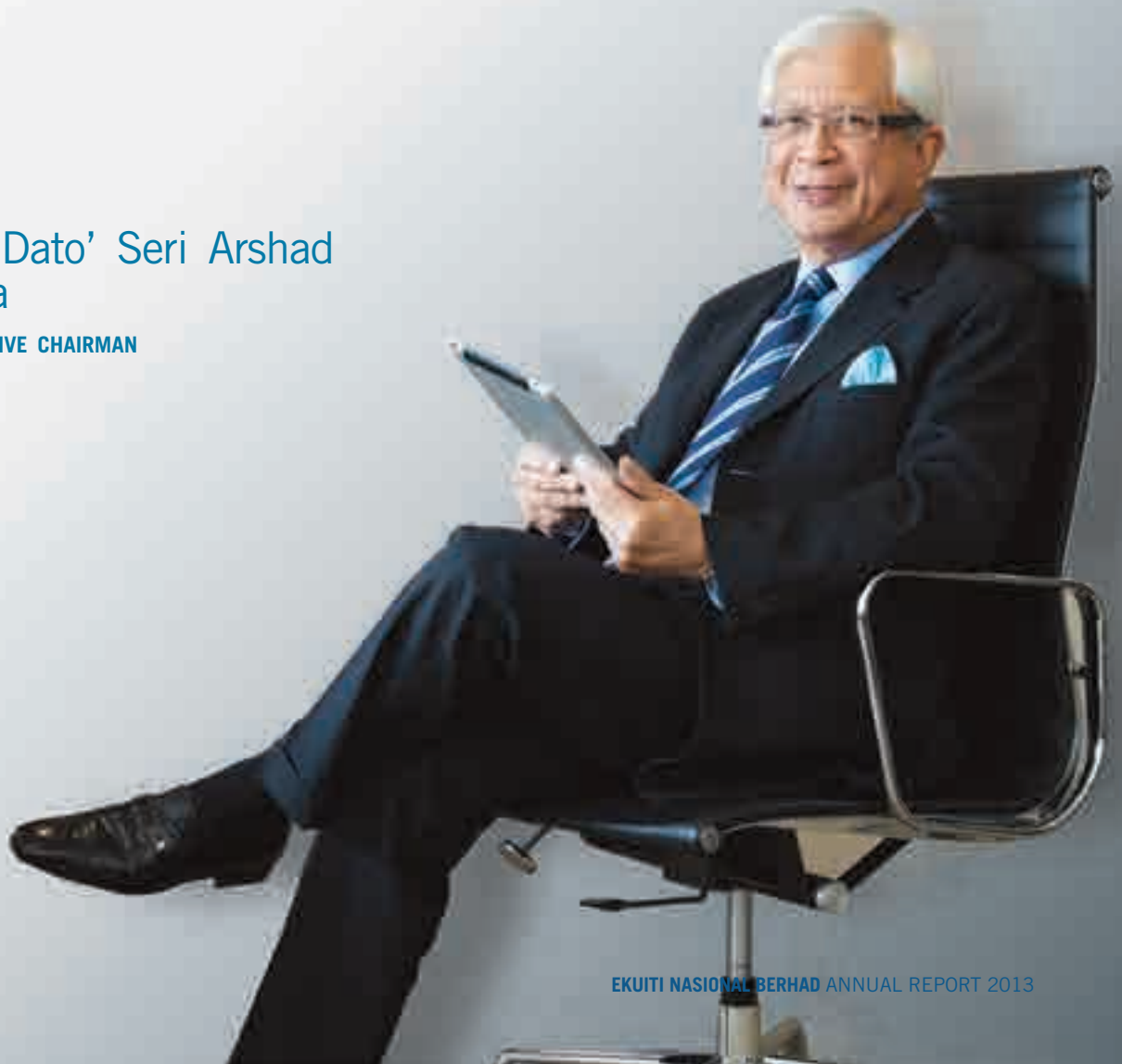
Currently, Raja Tan Sri Arshad also holds the following positions; Chairman of Maxis Berhad, and Director of Khazanah Nasional Berhad and ACR Capital Holdings. He is also the Chairman of Yayasan Raja Muda Selangor and Chairman of Yayasan Amir, as well as a member of the Board of Trustees for Yayasan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

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

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

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

**INDEPENDENT NON-EXECUTIVE CHAIRMAN**





Dato' Abdul Rahman 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 holds an MA in Economics from Cambridge University, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He is currently also an Independent Director of Malaysian Resources Corporation Berhad (MRCB), Axiata Group Berhad (Axiata) and M+S Pte Ltd, a joint venture property company of Khazanah Nasional Berhad and Temasek Holdings (Private) Limited.

## Dato' Abdul Rahman Ahmad

**DIRECTOR AND CHIEF EXECUTIVE OFFICER**



# BOARD OF DIRECTORS

Tan Sri Dato' Seri Mohamed Jawhar Hassan 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 and is a Commission member of the Securities Commission Malaysia.

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; thereafter he assumed the posts of Director General and Chief Executive Officer.

Tan Sri Dato' Seri Mohamed Jawhar is also a Member of the Economic Council Working Group and the Advisory Panel of the Malaysian Anti-Corruption Commission. He is the Chairman of the 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).



Tan Sri Dato' Seri Mohamed  
Jawhar Hassan

**INDEPENDENT NON-EXECUTIVE DIRECTOR**



Tan Sri Mohamed Azman 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 Symphony Life Berhad, a listed property group. He also sits on the boards of Khazanah Nasional Berhad and AIA Group Limited. Tan Sri Azman serves as a member of The Capital Market Advisory Group of the Securities Commission and as a council member of Malaysian Financial Reporting Foundation (FRF). He is a director of Sepang International Circuit Sdn. Bhd. and Chairman of the Motorsports Association of Malaysia.

Prior to venturing in business, Tan Sri 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 until its closure in 2002.

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.

## Tan Sri Mohamed Azman Yahya

**INDEPENDENT NON-EXECUTIVE DIRECTOR**



# BOARD OF DIRECTORS

Datuk Dr Rahamat Bivi Yusoff joined as a 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 later served in 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 Energy Commission. Before assuming her current post, she was the Deputy Secretary-General of Treasury, MOF in charge of System and Control Division.

Datuk Dr Rahamat is also a member of the Board of Directors in other agencies such as Malaysia Thailand Joint Authority (MTJA), Federal Land Development Authority (FELDA), Malaysia Deposit Insurance Corporation (PIDM) and MRT Corporation Sdn. Bhd. She is also a council member of Iskandar Regional Development Authority (IRDA), Sabah Economic Development & Investment Authority (SEDIA), Sarawak Corridor of Renewable Energy (RECODA) and East Cost Economic Region Development Council (ECERDC).

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 Dr Rahamat Bivi Yusoff

**NON-EXECUTIVE DIRECTOR**





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

She started her career in the Government as Assistant Director, Social Services Section, EPU before holding various positions in the Ministry of Federal Territory, Klang Valley Planning Unit, INTAN, Ministry of Domestic Trade and Consumer Affairs and Ministry of Energy, Communications and Multimedia. In 2003, she served in EPU as Director, Distribution Section and was promoted to Deputy Director General I in 2005. Datuk Noriyah was appointed as the Director General in 2009 and retired in October 2011.

She is also currently the Co-Chairperson of the Malaysia-Thailand Joint Authority and also a Board member of the Malaysian Investment Development Authority (MIDA), Zecon Medicare Sdn Bhd and Prokhas Sdn. Bhd.

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

## Datuk Noriyah Ahmad

INDEPENDENT NON-EXECUTIVE DIRECTOR



# SENIOR MANAGEMENT



**ABDUL RAHMAN AHMAD**  
Chief Executive Officer

Abdul Rahman's profile is presented on page 47.



**SYED YASIR ARAFAT SYED ABD KADIR**  
Managing Partner, Investment

Syed Yasir Arafat is the Managing Partner, Investment, at Ekuinas and a member of the Investment Committee and Management Committee. Yasir currently oversees the Investment Team at Ekuinas and leads the Company's portfolio investments in the oil & gas (O&G) and services sectors.

He was previously the Country Manager (ING Wholesale Banking) overseeing both ING Corporate Advisory (Malaysia) Sdn Bhd and ING Bank (Labuan) operations in Malaysia. He was with ING Corporate Advisory (Malaysia) Sdn Bhd for 9 years, starting as VP Corporate Finance specialising in areas of mergers and acquisitions, equity and equity-linked fund raising, debt fund raising and financial advisory for some of Malaysia's leading companies in banking, plantations, automotive, telecommunications and property, among others.

Prior to that, Yasir was attached to United Overseas Bank (Malaysia) Berhad, 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.



### **MAZHAIKUL JAMALUDIN**

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

Mazhairul Jamaludin is the Chief Financial Officer (CFO) and Senior Director, Investment/Outsourcing of Ekuinas as well as a member of the Investment Committee and Management Committee. Mazhairul heads Ekuinas' Outsourced Programme and is one of the Senior Directors in charge of Ekuinas' education portfolio. As CFO, Mazhairul is also primarily responsible for financial management, portfolio reporting and treasury. He also sits on several Investment Committees and Advisory Boards of Ekuinas' Outsourced Fund Managers.

Mazhairul was previously the Financial Controller and Senior Vice President, Commercial Services, MultiChannel TV, at ASTRO, a Malaysian cross-media group with significant presence in DTH (Direct-to-Home) TV Services, commercial radio and TV programming.

Prior to that, he was Vice President of Financial Accounting and Management Reporting at Celcom, one of the country's premier mobile telecommunication companies, and has also served Arthur Andersen and Ernst & Young.

Mazhairul received 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 (MIA).



### **NIK JOHAAN NIK HASHIM**

**Senior Director, Investment/Stakeholder Management**

Nik Johaan Nik Hashim is Senior Director, Investment/Stakeholder Management at Ekuinas and a member of the Investment Committee and Management Committee. Nik Johaan is one of the Senior Directors jointly in charge of Ekuinas' food & beverage (F&B) and services investments. He also leads the Stakeholder Management function in Ekuinas.

Prior to joining Ekuinas, Nik Johaan was at CIMB Investment Bank for over 18 years 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 has a Master's degree in International Banking & Financial Services from the University of Reading, United Kingdom.

# SENIOR MANAGEMENT



**AMIL IZHAM HAMZAH**  
Senior Director, Investment

Amil Izham Hamzah is Senior Director, Investment at Ekuinas and a member of the Investment Committee and Management Committee. Amil is one of the Senior Directors jointly in charge of Ekuinas' education and food & beverage (F&B) portfolios.

Amil was formerly the Group Chief Financial Officer of Media Prima Berhad (MPB) responsible for financial reporting, treasury, debt restructuring, mergers and acquisitions, and investor relations. Prior to that, Amil Izham was previously attached to PricewaterhouseCoopers, Kuala Lumpur; Petronas and Deloitte Touche Tohmatsu in Perth, Australia.

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



**SURIDAH JALALUDDIN**  
Senior Director, Investment/Shared Services

Suridah Jalaluddin is Senior Director, Investment/Shared Services at Ekuinas and is currently the alternate director to Dato' Abdul Rahman Ahmad on the board of portfolio company Alliance Cosmetics Group. Suridah oversees all shared services functions covering the areas of human capital, administration, management information system (MIS), communications and corporate social responsibility (CSR).

Suridah was formerly the CEO of ntv7, a popular urban television station of Media Prima Berhad (MPB), following the sale of her own media company Big Tree Outdoor Sdn Bhd to MPB. 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.





*Seated from left to right:*

- Sharifah Noralina Syed Yassin  
**Director, Portfolio Management and Monitoring,  
Human Resource**
- Roselinda Hashim  
**Chief Legal Counsel and Director, Investment**
- Norhafizah Md Shariff  
**Director, Finance**
- Kathy Wong  
**Director, Shared Services**

*Standing from left to right:*

- Heng Khim Hui  
**Director, Portfolio Management and Monitoring,  
Value Creation and Operations**
- Aimi Aziz  
**Director, Communications**
- Noramly Bachok  
**Head, Corporate Governance & Risk Management**

# INVESTMENT TEAM



*Seated from left to right:*

- Rizal Mohd Zin  
**Director, Investment / CEO's Office**

- Ziad Hafiz Abd Razak  
**Associate Director, Outsourcing**

*Standing from left to right:*

- Howard Soh Soon Hu'ang  
**Associate Director, Investment**

- Mohd Irwan Ahmad Mustafa  
**Associate Director, Investment**



## OTHER INVESTMENT PROFESSIONALS

*Seated from left to right:*

- Haslina Ali
- Mohamed Omar Fateh Mohamed
- Tengku Mohamed Hafiz Safiyuddeen
- Wong Pai Sent

*Standing from left to right:*

- Tengku Adrinna Shahaz Tengku Azman
- Teo Wei Min
- Ahmad Faez Mohd Soffi
- Mohd Afiq Mohd Fozi
- Addeno Abdul Rasyid
- Salahuddin Khairuddin
- Mohammad Bazil Razif
- Wafiy Abdul Aziz
- Nadhra Iman Ahmad Fauzi



# OPERATIONS & PERFORMANCE

- Investment Performance Review
- Portfolio Companies

# INVESTMENT PERFORMANCE REVIEW

## A. DIRECT INVESTMENTS – OVERALL REVIEW

### 1. Fund Overview

Ekuias Direct (Tranche I) Fund was established in 2010 with a commitment of RM1.0 billion and was fully deployed by the third quarter of 2012. Ekuias Direct (Tranche II) Fund was launched immediately after, following a similar theme as its predecessor fund.

Fund Name	Ekuias Direct (Tranche I) Fund	Ekuias Direct (Tranche II) Fund
Vintage Year	2010	2012
Status	Fully deployed	Investing
Capital Committed	RM1.0 billion	RM1.0 billion
Term	5 + 2 years	
Investment Period	3 to 5 years	
Legal Form & Structure	One Fund Manager and One Investor	
Geographical Focus	Malaysia	
Investment Focus	Buy-Out and Growth Capital Fund	
Industry Focus	Education, Oil & Gas, FMCG, Retail & Leisure, Healthcare and Services	

### 2. Investment Activities

Three direct investments amounting to RM121.1 million were completed during the financial year ended 31 December 2013 (FY2013), bringing total committed investment by Ekuias to RM1.6 billion. These comprised a new investment in PrimaBaguz Sdn Bhd, a manufacturer of premium halal processed meat, and two follow-on investments in Integrated Food Group Sdn Bhd (IFG) and ILMU Education Group Berhad (ILMU) involving the acquisition of additional stake and injection of new capital into Cosmo Restaurants Sdn Bhd, the Malaysian franchisee for BURGER KING®, and a majority stake in APIIT Lanka Pvt Ltd, a leading private tertiary education provider in Sri Lanka respectively.

*Exhibit 1: Direct Investment Activities for FY2013*

RM million Portfolio Company	Sector	Stake	Committed Investment	Committed Investment by Others	Total Economic Capital Deployed
1 PrimaBaguz Sdn Bhd (PrimaBaguz)	Food Manufacturing	100.0%	40.0	–	40.0
2 Cosmo Restaurants Sdn Bhd (BKM)	Retail-F&B	20.9%	48.8	–	48.8
3 Asia Pacific Institute of Information Technology Lanka Pvt Ltd (APIIT Lanka)	Education	76.5%	32.3	–	32.3
<b>Total for the year</b>			<b>121.1</b>	<b>–</b>	<b>121.1</b>

# INVESTMENT PERFORMANCE REVIEW

Through these investments, the Direct Investment Funds have facilitated an economic capital deployment to date amounting to RM1.8 billion, positively impacting the Malaysian economy.

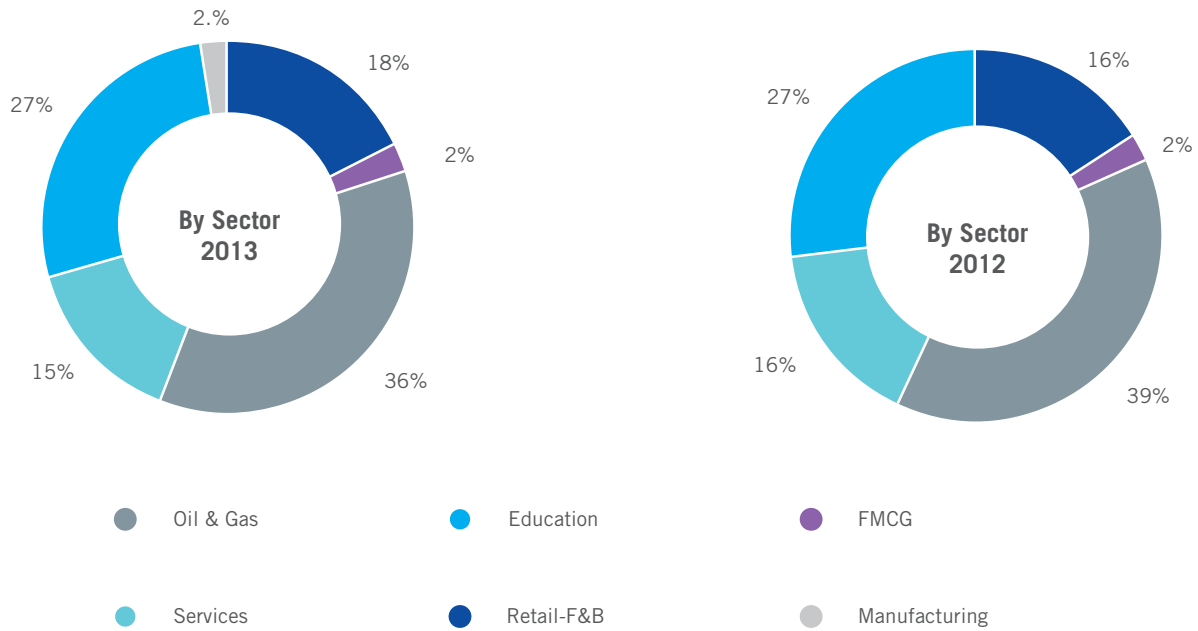
**Exhibit 2: Total Direct Investments as at 31 December 2013**

RM million Portfolio Company	Sector	Stake	Committed Investment	Committed Investment by Others	Total Economic Capital Deployed
<b>Ekuias Direct (Tranche I) Fund</b>					
1 Alliance Cosmetics Group (ACG)	FMCG	20.0%	39.9	119.6	159.5
2 Tanjung Offshore Berhad (TOB)	Oil & Gas	24.0%	99.8	–	99.8
3 Konsortium Logistik Berhad (KLB)	Services	61.6%	241.0	–	241.0
4 Asia Pacific Education Group (APIIT)	Education	51.0%	102.0	–	102.0
5 Cosmo Restaurants Sdn Bhd (BKM)	Retail-F&B	74.1%	68.2	–	68.2
6 Lyndarahim Ventures Sdn Bhd (SF)	Retail-F&B	90.0%	30.0	–	30.0
7 Revenue Valley Group (RV)	Retail-F&B	85.8%	64.6	–	64.6
8 Cosmopoint Group (Cosmopoint)	Education	90.0%	246.0	–	246.0
9 UNITAR International University (UNITAR)	Education	90.0%	58.5	2.5	61.0
10 Icon Offshore Berhad (Icon)	Oil & Gas	70.7%	308.2	–	308.2
<b>Total Investment Undertaken Tranche I</b>			<b>1,258.2</b>	<b>122.1</b>	<b>1,380.3</b>
<b>Ekuias Direct (Tranche II) Fund</b>					
1 Burger King Singapore Pte Ltd (BKS)	Retail-F&B	100.0%	78.2	–	78.2
2 Icon Offshore Berhad (Icon)	Oil & Gas	17.4%	175.9	–	175.9
3 PrimaBaguz Sdn Bhd (PrimaBaguz)	Food Manufacturing	100.0%	40.0	–	40.0
4 Cosmo Restaurants Sdn Bhd (BKM)	Retail - F&B	20.9%	48.8	–	48.8
5 Asia Pacific Institute of Information Technology Lanka Pvt Ltd (APIIT Lanka)	Education	76.5%	32.3	–	32.3
<b>Total Investment Undertaken Tranche II</b>			<b>375.2</b>	<b>-</b>	<b>375.2</b>
<b>Cumulative Total Investment Undertaken</b>			<b>1,633.4</b>	<b>122.1</b>	<b>1,755.5</b>

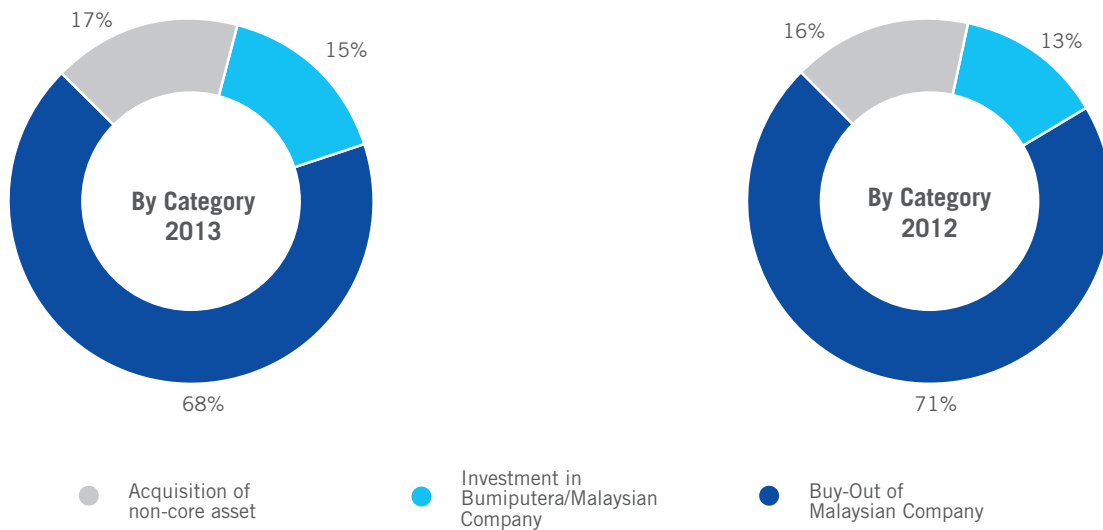
The committed investments undertaken up to end of FY2013 had the following characteristics:

- Overall to-date, Ekuias has invested in five out of six core sectors identified, namely Fast Moving Consumer Goods (FMCG), Education, Oil & Gas (O&G), Services and Retail-F&B, as well as in Food Manufacturing.
- The bulk of the investments undertaken are in the O&G industry in particular the Offshore Support Vessel (OSV) sector through Icon Offshore Berhad, the Education industry through four leading education groups namely APIIT Education Group, Cosmopoint Group, UNITAR International University and APIIT Lanka, and the Retail-F&B sector through investments in leading brands such as BURGER KING®, San Francisco Coffee, Manhattan Fish Market, Tony Roma's and Popeye's Singapore.

- Three core sectors namely O&G, Education and Retail-F&B represent 80% (2012: 81%) of the total investments undertaken.

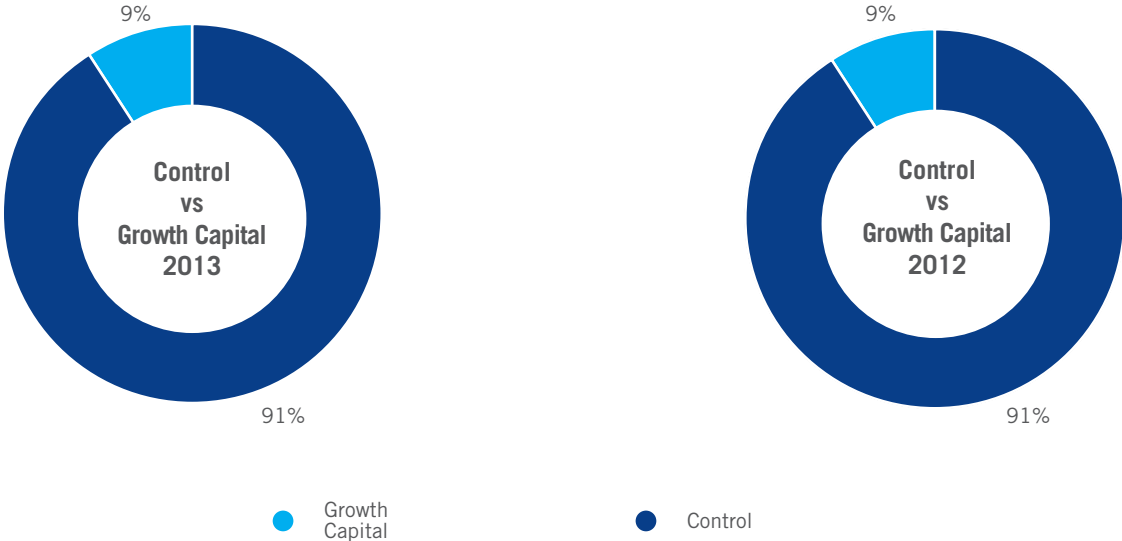


- The investments fall under all three (3) categories of investments that have been identified by Ekuinas, namely growth capital investment in high potential Bumiputera/Malaysian companies to help accelerate growth, buy-out of Malaysian companies and acquisition of non-core assets from GLCs, PLCs, MNCs or Trust Foundations.



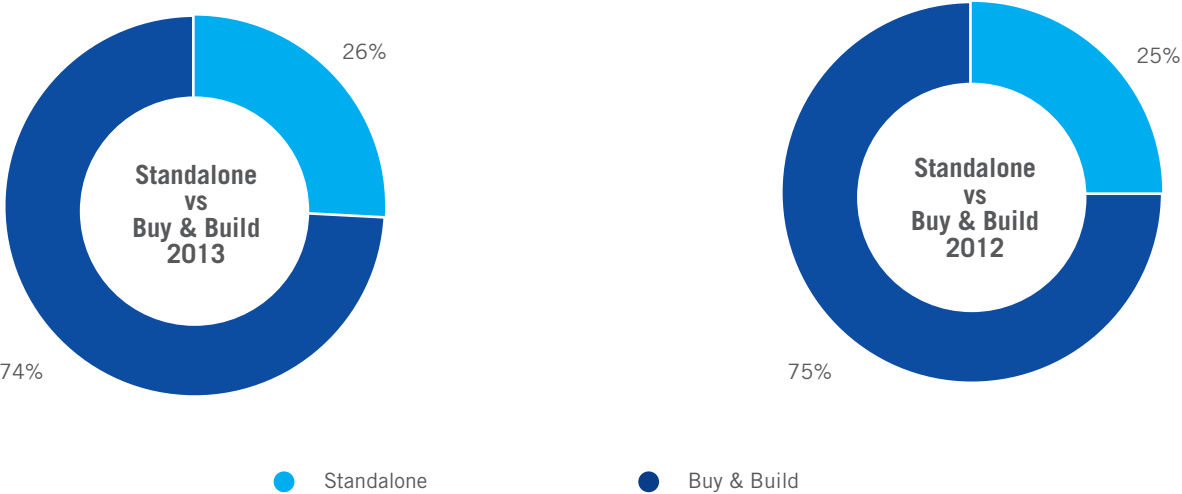
# INVESTMENT PERFORMANCE REVIEW

- The investments undertaken to date are skewed towards buy-outs where Ekuinas acquired controlling stakes in companies to back capable and experienced entrepreneurs and professional managers as they sought the necessary support to transform their businesses. This also helped facilitate consolidation between complementary portfolio companies as part of Ekuinas' strategy to create transformative investments.



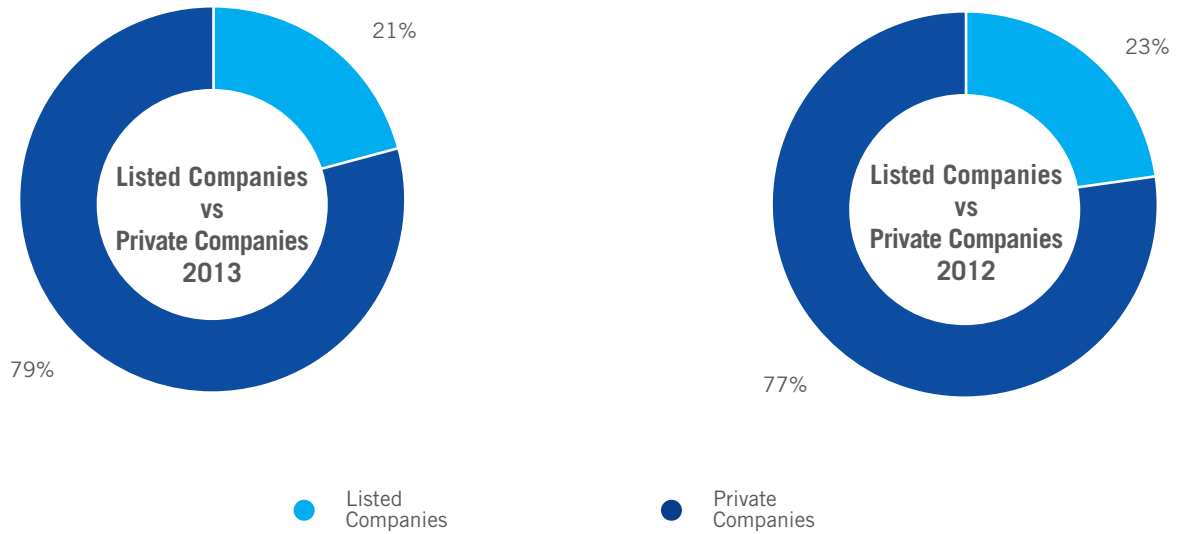
- The committed investments undertaken to date are more focused towards what private equity terms as “Buy and Build” strategy where Ekuinas identified complementary companies that can be suitably consolidated under one larger group with the potential of being market leading companies of the future.

To date, more than 74% (2012: 75%) of the total portfolio is represented by investments pursued under this strategy.





- All three investments for the year were in private companies. This increased the ratio of investments in private companies to 79% of the total portfolio, with the balance being in listed companies.



# INVESTMENT PERFORMANCE REVIEW

## 3. Divestment Activity

During the year, Ekuinas divested its entire equity interest of 61.6% in Konsortium Logistik Bhd (KLB) to KL Airport Services Sdn Bhd (KLAS), a wholly owned subsidiary of DRB-HICOM Berhad (DRB-HICOM), at RM1.55 per KLB share for a total cash consideration of RM241.0 million. The sales price received by Ekuinas translates to 11% premium over KLB's historical weighted share price of RM1.04 and represents 2.1 times of KLB's net tangible assets as at 30 June 2013.

Based on gross sale proceeds received and after including the accumulated dividends that Ekuinas already received throughout its ownership of KLB, the KLB investment has generated an IRR of 19.4% p.a or 1.5 times of Ekuinas' invested capital.

KLB marks the first major exit for Ekuinas, as it moves into the phase of crystallising its portfolio investments after four years in operation.

### Exhibit 3: Total Divestments as at 31 December 2013

RM million Portfolio Company	Year of Divestment	Stake	Committed Investment RM million	Total Realisation RM million	Gross IRR%	Money Multiple
Konsortium Logistik Berhad	2013	61.6%	241.0	347.4	19.4%	1.5x
Tanjung Offshore Berhad*	2012	24.0%	99.8	62.0	-19.2%	0.6x

\* The divestment of Tanjung Offshore Berhad forms part of Ekuinas' restructuring of its O&G portfolio as it reinvested the proceeds into additional investment in Icon Offshore.

Through its investment in KLB, Ekuinas has successfully enhanced Bumiputera equity by RM403.2 million or 1.7 times of Ekuinas' invested capital, including generating equity gain to KLB's Management and employees of RM4.7 million through the employee share option scheme created. At Ekuinas' exit, KLB employed 1,415 employees, out of which 91% were Bumiputeras, representing an increase of 25% since Ekuinas' entry.

The divestment of KLB is in line with Ekuinas' mandate as a private equity firm, to exit from its investment after creating value. Under Ekuinas' ownership, KLB had successfully executed its value creation plans of unlocking its balance sheet and expanding its operations into new areas such as O&G and FMCG. The sale to DRB-HICOM will enable KLB to transform into one of the largest integrated logistics players in Malaysia given the synergies offered by the DRB-HICOM group, a Bumiputera conglomerate, and also provide continuity in terms of Bumiputera ownership.

### Exhibit 4: Social Objective Performance of KLB – Equity Value

RM million Portfolio Company	Bumiputera Equity		Value Created	
	Increase in Bumiputera Equity Value	Multiple of Ekuinas' Invested Capital	Economic Value Created	Multiple of Ekuinas' Invested Capital
Equity Value	403.2	1.7x	712.6	3.0x

### Exhibit 5: Social Objective Performance of KLB – Management and Employees

RM million Portfolio Company	Bumiputera Headcount	Total Headcount	% of Bumiputera to Total	% Increase in Bumiputera Headcount from Ex Ante
Management	18	26	69	50
Employees	1,293	1,415	91	25

#### 4. Portfolio Companies' Performance

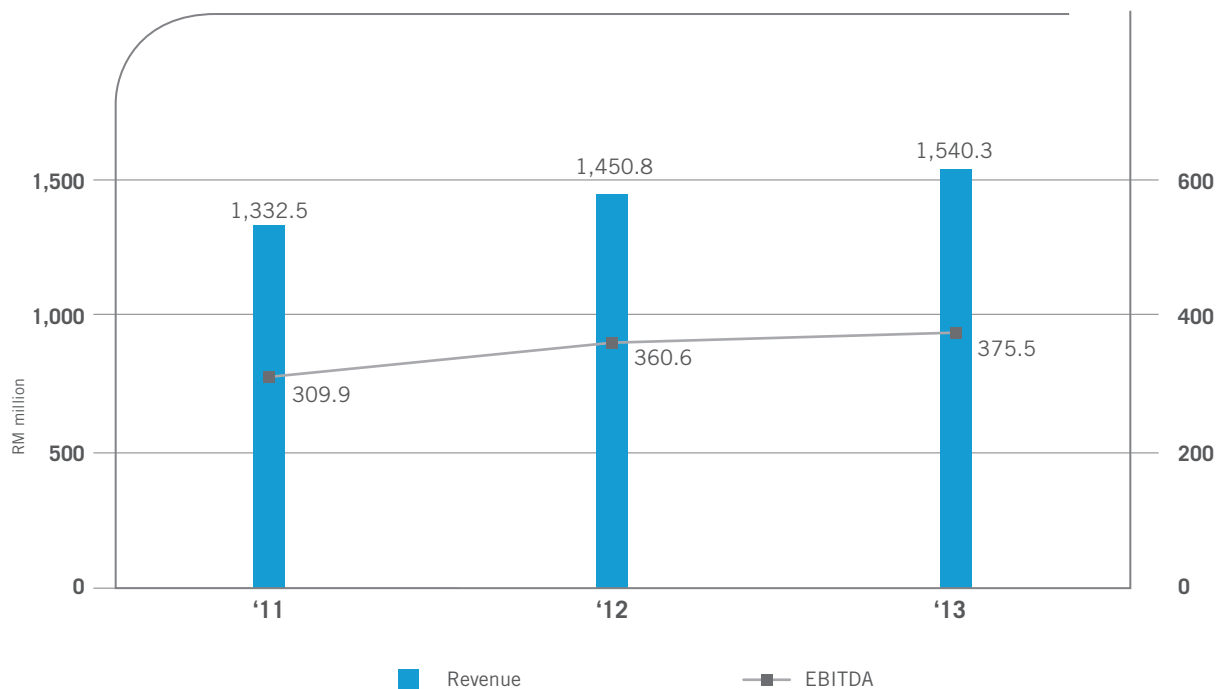
On a combined portfolio basis, Ekuinas' portfolio companies recorded a collective revenue growth of 6.2% to reach RM1.5 billion and with earnings before interest, tax, depreciation and amortisation (EBITDA) growing strongly by 4.1% to RM375.5 million. This is driven mainly by strong sales growth recorded by the F&B and O&G portfolio companies.

**Exhibit 6: Portfolio Companies' Performance – Combined Revenue and EBITDA**

	Combined Revenue (RM million)			Combined EBITDA (RM million) <sup>1</sup>		
	2013	2012	% Growth	2013	2012	% Growth
Combined Portfolio Companies	1,540.3	1,450.8	6.2%	375.5	360.6	4.1%

<sup>1</sup> EBITDA figures exclude any non-recurring and exceptional items

**Exhibit 7: Portfolio Companies' Performance – Combined Revenue and EBITDA**



*This represents proforma consolidated figures for all existing portfolio companies as if they were under Ekuinas' ownership throughout the years.*

# INVESTMENT PERFORMANCE REVIEW

## B. EKUINAS DIRECT (TRANCHE I) FUND

Fund Net Assets Value (NAV) as at 31 December 2013

	2012 RM Million	Movement RM Million	2013 RM Million
<b>A. Capital Commitment</b>	1,000.0	–	1,000.0
<b>B. Capital Called</b>	1,119.4	(39.4)	1,080.0
<b>C. Capital Reinvested</b>	87.2	78.8	166.0
<b>D. Total Capital Contributed (B+C)</b>	1,206.6	39.4	1,246.0
<b>E. Debt Drawdown (Amortised Cost)</b>	110.9	(70.9)	40.0
<b>F. Total Capital Invested (D+E)</b>	1,317.5	(31.5)	1,286.0
<b>Plus increases to Net Assets Value:</b>			
Dividend Income	123.6	(80.5)	43.1
Net Unrealised Gain on Fair Value of Investments	293.2	265.6	558.8
Realised (Loss)/Gain from Divestment	(37.8)	106.4	68.6
Interest Expenses	(10.4)	(4.2)	(14.6)
<b>Total Gross Portfolio Return</b>	<b>368.6</b>	<b>287.3</b>	<b>655.9</b>
Organisational Expenses	(131.5)	(83.1)	(214.6)
Capital Distributions to Limited Partners (C+H)*	(87.2)	(376.1)	(463.3)
<b>Net Increase/(Decrease) in Net Assets Value</b>	<b>149.9</b>	<b>(171.9)</b>	<b>(22.0)</b>
<b>G. Net Assets Value</b>	<b>1,467.4</b>	<b>(203.4)</b>	<b>1,264.0</b>
<b>Net Assets Value made up of:</b>			
Investments - at cost	1,143.4	(241.0)	902.4
Net Unrealised Gain on Fair Value of Investments	293.2	265.6	558.8
<b>Investments carried at Fair Value</b>	<b>1,436.6</b>	<b>24.6</b>	<b>1,461.2</b>
Plus: Cash Balance	77.8	(41.4)	36.4
Plus: Working Capital	(35.0)	(198.6)	(233.6)
Plus: Uncalled Capital	(12.0)	12.0	–
<b>Equals Net Assets Value</b>	<b>1,467.4</b>	<b>(203.4)</b>	<b>1,264.0</b>
<b>Net Assets Value</b>	<b>1,467.4</b>	<b>(203.4)</b>	<b>1,264.0</b>
<b>H. Capital Distributed</b>	–	297.3	297.3
<b>I. Total Net Assets Value plus Distributed Capital (G+H)</b>	<b>1,467.4</b>	<b>93.9</b>	<b>1,561.3</b>
<b>Gross IRR</b>	<b>27.5%</b>		<b>25.5%</b>
<b>Net IRR (before carried interest)</b>	<b>20.6%</b>		<b>20.4%</b>

\* Includes deemed distributions for reinvested capital.

The Fund was fully invested in 2012. During the financial year under review, capital call was only made for management fees with other fund expenses funded via investment proceeds, bringing total cumulative capital invested to RM1.3 billion as at end of financial year.

The Fund also had its first major divestment with the sale of KLB for a total cash consideration of RM241.0 million. Together with accumulated dividends received throughout ownership of KLB, the divestment in total recorded a realised gain of RM106.4 million.

Overall, the Fund continued to deliver strong returns during the year with gross portfolio return of RM655.9 million, out of which RM111.7 million or 17.0% is already realised through dividend income and divestments. This translates to a commendable gross annualised IRR of 25.5% and a net IRR of 20.4%, after deducting management fees payable to Ekuinas.

The Fund's net assets value as at year end stood at RM1.3 billion. This includes total completed investments, the original cost of which amounted to RM902.4 million, being carried at a collective fair value of RM1.5 billion, reflecting the enhanced value of the investments made after taking into account the estimated current market value of these assets.

**Exhibit 8: Ekuinas Direct (Tranche I) Fund Portfolio Performance as at 31 December 2013**

Company	Stake %	Cost of Investment <sup>2</sup> RM million	Gross Portfolio Return RM million	Total Portfolio Value RM million	IRR %
<b>Investments:</b>			Dividend income 43.1	1,558.3	Gross IRR 25.5%
ACG	20.0	39.9	Increase in fair value 558.8		
APIIT	51.0	102.0	Gain on divestment 68.6		
Cosmopoint	90.0	246.0	Interest expenses (14.6)		
UNITAR	90.0	58.5	<b>655.9</b>		Net IRR 20.4%
SF	90.0	15.0			
BKM	74.1	68.2			
RV	85.8	64.6			
Icon	70.7	308.2			
		<b>902.4</b>			
<b>Divestments:</b>					
TOB	24.0	99.8			
KLB	61.6	241.0			
		<b>340.8</b>			

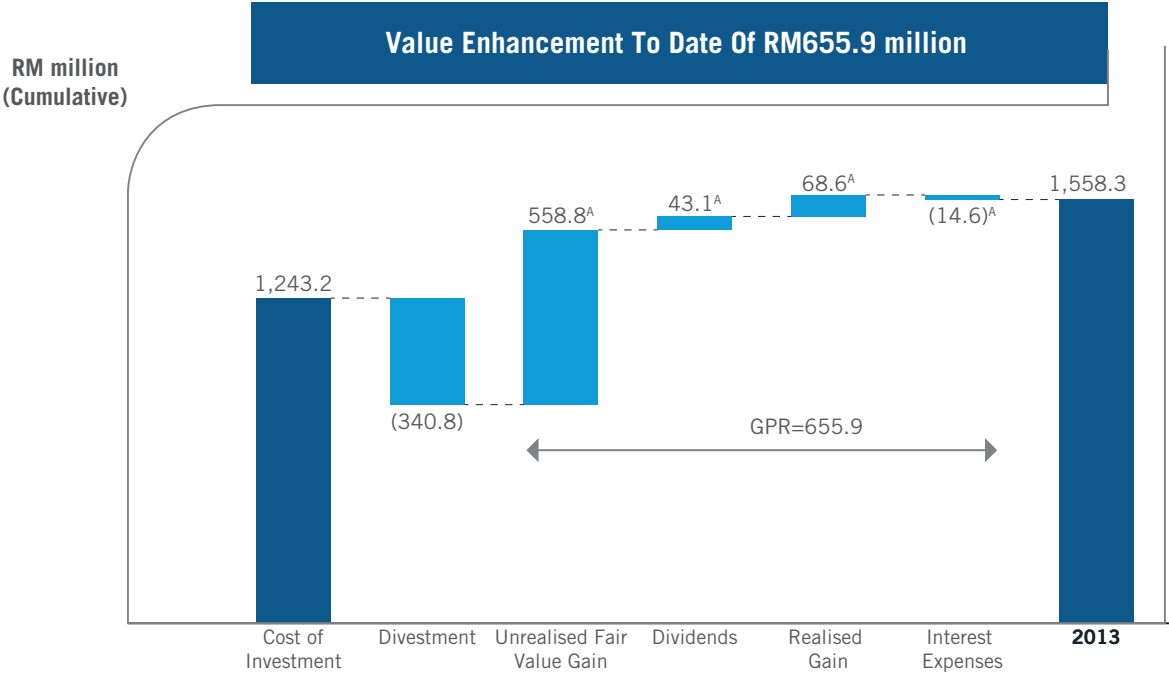
<sup>2</sup> Cost of investment represents amount of committed investment

On a total cumulative basis, the Fund has recorded gross portfolio return of RM655.9 million since inception. This is predominantly driven by the increase in unrealised fair value of investments of RM558.8 million, realised income from dividends of RM43.1 million, net realised gain on divestments of RM68.6 million less interest expenses incurred.

The significant increase in fair value of portfolio investments can be further attributed to market multiple expansions and increase in operational profits generated by the portfolio companies since acquisition, driven by the successful execution of the value creation plans.

# INVESTMENT PERFORMANCE REVIEW

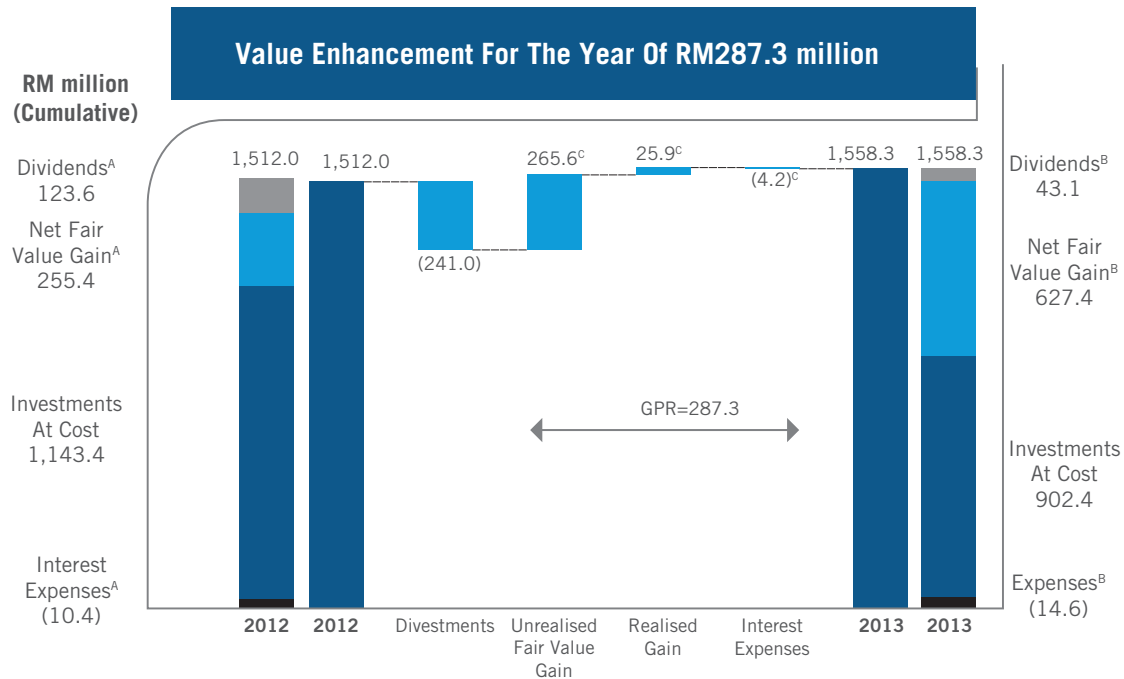
Exhibit 9: Ekuinas Direct (Tranche I) Fund Accumulated Portfolio Value<sup>3</sup> Enhancement



<sup>A</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2013 of RM655.9 million

<sup>3</sup> Portfolio value is derived based on completed investments at cost plus the Gross Portfolio Return

Exhibit 10: Ekuinas Direct (Tranche I) Fund Portfolio Value<sup>4</sup> Movement as at 31 December 2013



<sup>A</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2012 of RM368.6 million

<sup>B</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2013 of RM655.9 million

<sup>C</sup> These numbers combined make up to value enhancement for the year of RM287.3 million

In terms of the composition profile, the growth in portfolio value for the year of RM46.3 million to RM1.6 billion has been primarily driven by the gross portfolio return achieved of RM287.3 million, less divestment amount of RM241.0 million.

The value enhancement achieved is further attributable to the increase in unrealised fair value of investments of RM265.6 million, net realised income of RM25.9 million from dividend and divestments, which were then partially offset by fund expenses incurred.

<sup>4</sup> Portfolio value is derived based on completed investments at cost plus the Gross Portfolio Return

# INVESTMENT PERFORMANCE REVIEW

## C. EKUINAS DIRECT (TRANCHE II) FUND

Fund Net Assets Value (NAV) as at 31 December 2013

	2012 RM million	Movement RM million	2013 RM million
<b>A. Capital Commitment</b>	<b>1,000.0</b>	–	<b>1,000.0</b>
<b>B. Capital Called</b>	<b>90.0</b>	<b>124.3</b>	<b>214.3</b>
<b>C. Capital Reinvested</b>	–	–	–
<b>D. Total Capital Contributed (B+C)</b>	<b>90.0</b>	<b>124.3</b>	<b>214.3</b>
<b>E. Debt Drawdown (Amortised Cost)</b>	–	–	–
<b>F. Total Capital Invested (D+E)</b>	<b>90.0</b>	<b>124.3</b>	<b>214.3</b>
<b>Plus increases to Net Assets Value:</b>			
Dividend Income	–	–	–
Net Unrealised Gain on Fair Value of Investments	22.5	107.6	130.1
Realised Gain/(Loss) from Divestment	–	–	–
Interest Income	4.5	(1.6)	2.9
<b>Total Gross Portfolio Return</b>	<b>27.0</b>	<b>106.0</b>	<b>133.0</b>
Organisational Expenses	(10.2)	(35.1)	(20.3)
Capital Distributions to Limited Partners (C+H)*	–	–	–
<b>Net Increase in Net Assets Value</b>	<b>16.8</b>	<b>70.9</b>	<b>87.7</b>
<b>G. Net Assets Value</b>	<b>106.8</b>	<b>195.2</b>	<b>302.0</b>
<b>Net Assets Value made up of:</b>			
Investments - at cost	88.4	151.6	240.0
Net Unrealised Gain on Fair Value of Investments	22.5	107.6	130.1
<b>Investments carried at Fair Value</b>	<b>110.9</b>	<b>259.2</b>	<b>370.1</b>
Plus: Cash Balance	–	1.5	1.5
Plus: Working Capital	(4.1)	(65.5)	(69.6)
Plus: Uncalled Capital	–	–	–
<b>Equals Net Assets Value</b>	<b>106.8</b>	<b>195.2</b>	<b>302.0</b>
<b>Net Assets Value</b>	<b>106.8</b>	<b>195.2</b>	<b>302.0</b>
<b>H. Capital Distributed</b>	–	–	–
<b>I. Total Net Assets Value plus Distributed Capital (G+H)</b>	<b>106.8</b>	<b>195.2</b>	<b>302.0</b>
<b>Gross IRR</b>	<b>95.8%</b>		<b>68.9%</b>
<b>Net IRR (before carried interest)</b>	<b>83.1%</b>		<b>50.4%</b>

\* Includes deemed distributions for reinvested capital.



The Fund continued to steadily increase momentum with three (3) new investments during the year. A total capital amount of RM124.3 million was called mainly for investments in Primabaguz Sdn Bhd, Cosmo Restaurants Sdn Bhd and APIIT Lanka Pvt Ltd., and for management expenses, bringing total cumulative capital called to RM214.3 million as at the end of the financial year.

For the year ended 2013, the Fund successfully achieved gross portfolio return of RM133.0 million, which translates to a gross annualised IRR of 68.9%. After netting off management fees payable to Ekuinas, the Fund delivered a commendable annualised net IRR of 50.4%. These returns are lower than those recorded in 2012 which were skewed by the short investment period.

Accordingly, the Fund's net assets value as at year end rose from RM106.8 million to RM302.0 million. This includes total completed investments, the original cost of which amounted to RM240.0 million, being carried at a collective fair value of RM370.1 million, reflecting the enhanced value of investments made after taking into account the estimated current market value of these assets.

**Exhibit 11: Ekuinas Direct (Tranche II) Fund Portfolio Performance as at 31 December 2013**

Company	Stake %	Cost of Investment <sup>5</sup> RM million	Gross Portfolio Return RM million	Total Portfolio Value RM million	IRR %
<b>Investments:</b>			Increase in fair value 130.1	373.0	Gross IRR 68.9%
BKS	100.0	25.1	Interest Income 2.9		Net IRR 50.4%
Icon	17.4	127.8			
PrimaBaguz	100.0	40.0			
APIIT Lanka	76.5	20.3			
BKM	20.9	26.8			
<b>Total</b>		<b>240.0</b>	<b>133.0</b>		

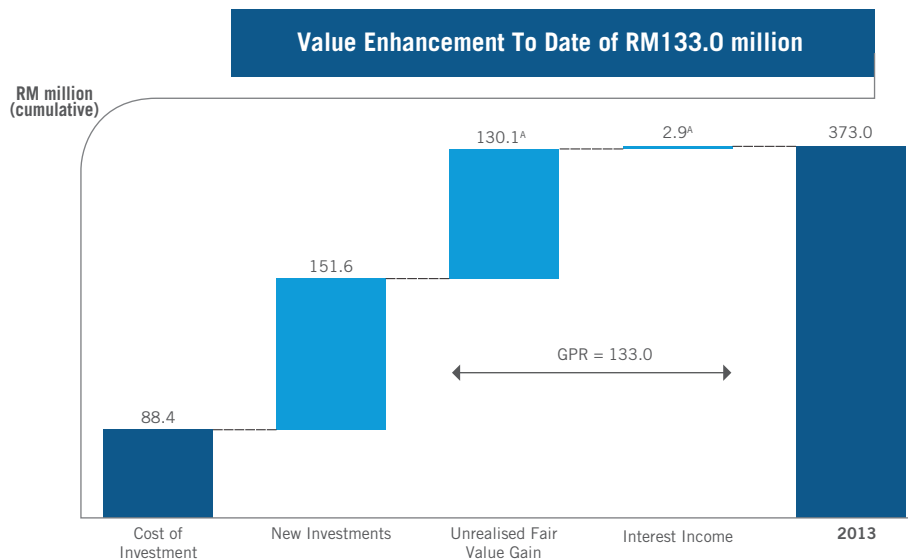
<sup>5</sup> Cost of investment represents amount of committed investment

On a total cumulative basis, the Fund has recorded value enhancement of RM133.0 million since inception. This is predominantly driven by the increase in unrealised fair value of investments of RM130.1 million and interest income of RM2.9 million.

The significant increase in fair value of portfolio investments can be further attributed to market multiple expansions and increase in operational profits generated by the portfolio companies since acquisition, driven by the successful execution of the value creation plans.

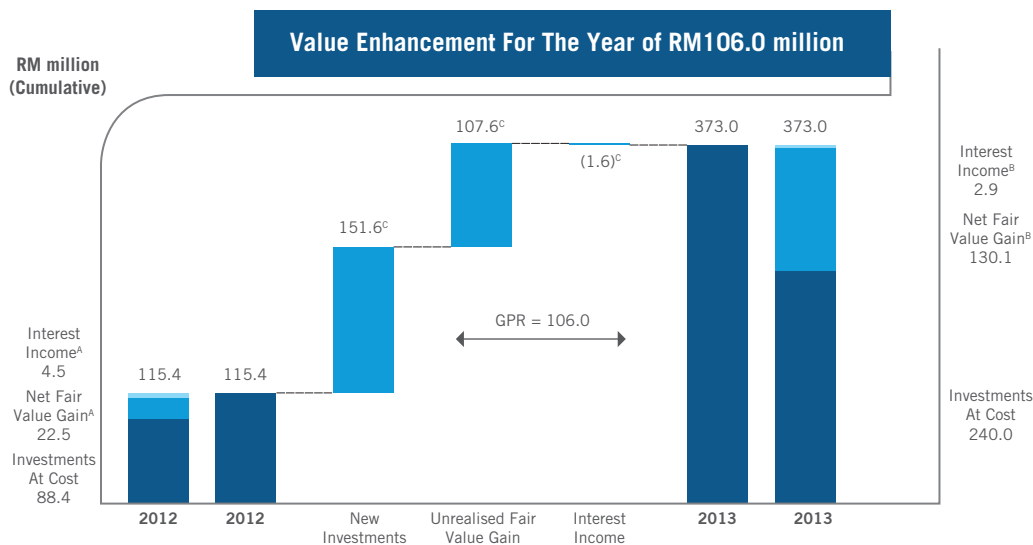
# INVESTMENT PERFORMANCE REVIEW

**Exhibit 12: Ekuinas Direct (Tranche II) Fund Accumulated Portfolio Value<sup>6</sup> Enhancement**



<sup>A</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2013 of RM133.0 million

**Exhibit 13: Ekuinas Direct (Tranche II) Fund Portfolio Value<sup>6</sup> Movement as at 31 December 2013**



<sup>A</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2012 of RM27.0 million

<sup>B</sup> These numbers combined make up to cumulative Gross Portfolio Return for 2013 of RM133.0 million

<sup>C</sup> These numbers combined make up to value enhancement for the year of RM106.0 million

In terms of the composition profile, the growth in portfolio value for the year of RM257.6 million to RM373.0 million has been primarily driven by new investments of RM151.6 million and the net increase in unrealised fair value of investments amounting to RM107.6 million.

<sup>6</sup> Portfolio value is derived based on completed investments at cost plus the Gross Portfolio Return

## D. OUTSOURCED PROGRAMME

### 1. Fund Overview

The Outsourced Programme had an eventful year in 2013, with the launch of Ekuinas Outsourced (Tranche II) Fund with a total commitment of RM240.0 million from Ekuinas. Following a rigorous independent selection process, a new outsourced fund manager (OFM), Asiasons Private Equity, was appointed as a private equity (PE) manager under Tranche I of the Programme whilst four other Bumiputera and Malaysian PE firms were selected as the private equity managers under Tranche II, namely TAEI Partners, RM Capital Partners, Tuas Capital Partners and CMS Opus Private Equity.

Fund Name	Ekuinas Outsourced (Tranche I) Fund	Ekuinas Outsourced (Tranche II) Fund
Vintage Year	2011	2013
Status	Investing	
Term	6 + 1 years	7 + 1 years
Investment Period	3 to 6 years	3 to 7 years
Capital Committed		
Ekuinas	RM400.0 million	RM240.0 million
Other LPs	RM151.9 million	RM135.1 million
Total	RM551.9 million	RM375.1 million
OFM	1) Navis Capital Partners 2) CIMB Private Equity 3) Asiasons Private Equity	1) TAEI Partners 2) RM Capital Partners 3) Tuas Capital Partners 4) CMS Opus Private Equity
Geographical Focus	Malaysian	
Investment Focus	Minority Stake Growth Capital Fund	
Industry Focus	General except for Ekuinas' Negative Investment List	

# INVESTMENT PERFORMANCE REVIEW

## 2. Profiles of Appointed OFMs

### NAVIS

**OFM** : Navis Capital Partners  
**Fund Name** : Navis Malaysia Growth Opportunities Fund I, L.P.  
**Fund Size** : RM301.9 million

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 US\$3.0 billion in capital commitments.

### CIMB

**OFM** : CIMB Private Equity  
**Fund Name** : CIMB National Equity Fund Ltd. P.  
**Fund Size** : RM125.0 million

CIMB Group is a large diversified banking group. Within CIMB Group, the principal investment team GSSI (Group Strategy and Strategic Investments) invests and manages part of the bank's shareholder funds. As part of those investment strategies, CIMB has been a key partner of many of the emerging Asian funds. GSSI currently oversees US\$1.5 billion invested in principal investment strategies. This includes proprietary investment activities where the principal investment team invests in other financial service related businesses, and the private equity strategies where the bank sponsors private equity joint ventures, and invests in third party funds. CIMB has fund teams focusing on infrastructure, private equity and real estate strategies throughout the Asia Pacific region.



ASIASONS | 亞昇投資集團

**OFM** : Asiasons Private Equity  
**Fund Name** : Asiasons Harimau Fund L.P.  
**Fund Size** : RM125.0 million

Asiasons Group is an Alternative Asset Investment and Management Group focused on Private Equity opportunities in the Consumer Sector in South East Asia. The Asiasons team combines Investment and Operational Experience across 4 countries namely Malaysia, Singapore, Thailand and Indonesia with proven success in identifying and managing growth-oriented investment opportunities and engineering cross-border transactions in the region. Asiasons combines an in-house Consumer Platform covering branding & marketing, digital strategy, licensing & merchandising, visitor experience enhancement, and, media competencies led by a multiple award winning creative director for its value added proposition for portfolio companies.



**OFM** : Tael Partners  
**Fund Name** : Tael Tijari (OFM) L.P.  
**Fund Size** : RM101.0 million

A leading Southeast Asian investment management firm that succeeds in being a value and growth partner to the region's businesses and corporations. Through various conventional and Islamic funds, the firm currently has approximately US\$900.0 million of assets under management, with its investor base made up of institutional investors from the ASEAN, European and the Middle East regions. Tael Partners has a strong regional presence and focuses on a diverse range of sectors including O&G support services and products, education, consumer, utilities and infrastructure, real estate, shipping & logistics, and mining & resources.

**RM CAPITAL PARTNERS**

**OFM** : RM Capital Partners  
**Fund Name** : RMCP One Sdn Bhd  
**Fund Size** : RM109.1 million

RMCP was founded in July 2011 by a team of investment professionals from Ethos Capital Sdn Bhd, where it managed a RM215.0 million private equity fund. The firm's fund, RMCP One Sdn Bhd, will invest in Malaysian companies in several focus sectors namely O&G, FMCG, retail, education and healthcare. RMCP's value creation strategies include strategic redirection, governance engineering, operational excellence and business network among others.



**OFM** : Tuas Capital Partners  
**Fund Name** : Tuas Capital Partners Malaysia Growth Fund I L.P.  
**Fund Size** : RM85.0 million

A private equity group established in 2012 by a proven team with deep roots in Southeast Asian markets and diversified pedigrees in asset management, private equity and investment banking. Tuas accelerates and supports businesses' growth by tapping into its multi-layered linkages in Southeast Asia and greater Asia; and by supplementing entrepreneurs' strategic capabilities through the aptitude of the Tuas team and its institutional partners - the KAF Group, with its diversified financial services offerings, and Evia Capital Partners, a well-established private equity player.



**OFM** : CMS Opus Private Equity  
**Fund Name** : COPE Opportunities 3 Sdn Bhd  
**Fund Size** : RM80.0 million

COPE was established in 2005 by experienced Private Equity (PE) professionals who have been in the regional private equity space since 1997. Given COPE's unique expertise, the company is being entrusted to manage several PE funds invested by prominent institutional investors. It is one of few Principal run PE firms that adopt Shariah-compliant investment principles. COPE together with its sister company, Opus Asset Management Sdn Bhd, currently has RM3.0 billion in total AUM.

# INVESTMENT PERFORMANCE REVIEW

## 3. Investment Activities

During the year, six new investments were undertaken through the Outsourced Programme. These involved investments by Navis Malaysia Growth Opportunities Fund I in Strateq Sdn Bhd, HG Power Transmission Sdn Bhd and Brickfields Asia College, investment in Macrokiosk Sdn Bhd by CIMB National Equity Fund, COPE Opportunities 3 Fund's investment in STX Precision Corporation Sdn Bhd and investment by RMCP One Sdn Bhd in Consobiz Ventures Sdn Bhd.

**Exhibit 14: Outsourced Programme Investment Activities for 2013**

RM million Portfolio Company	Sector	Committed Investment by OFMs			Other Co-Investors	Total Economic Capital Deployed
		Ekuinas' Committed Capital	Other LPs	Total OFMs		
<b>Ekuinas Outsourced (Tranche I) Fund</b>						
1 Strateq Sdn Bhd	Services	22.6	14.4	37.0	–	37.0
2 HG Power Transmission Sdn Bhd	Services	27.0	11.9	38.9	–	38.9
3 Brickfields Asia College	Education	34.7	15.3	50.0	–	50.0
4 Macrokiosk Bhd	Services	21.1	13.3	34.4	–	34.4
<b>Total Investment Undertaken for Tranche I (A)</b>		<b>105.4</b>	<b>54.9</b>	<b>160.3</b>	<b>–</b>	<b>160.3</b>
<b>Ekuinas Outsourced (Tranche II) Fund</b>						
1 STX Precision Corp Sdn Bhd	Services	12.0	4.0	16.0	19.0	35.0
2 Consobiz Ventures Sdn Bhd	FMCG	8.3	6.7	15.0	–	15.0
<b>Total Investment Undertaken for Tranche II (B)</b>		<b>20.3</b>	<b>10.7</b>	<b>31.0</b>	<b>19.0</b>	<b>50.0</b>
<b>Total for the year (C) = (A) + (B)</b>		<b>125.7</b>	<b>65.6</b>	<b>191.3</b>	<b>19.0</b>	<b>210.3</b>

Through these investments, Ekuinas Outsourced Tranche I and II Funds committed a total of RM199.8 million and, together with third party private capital, facilitated total committed investments of RM645.0 million into the Malaysian economy.



*Exhibit 15: Total Outsourced Programme Investments as at 31 December 2013*

RM million Portfolio Company	Sector	Committed Investment by OFMs			Other Co-Investors	Total Economic Capital Deployed
		Ekuinas' Committed Capital	Other LPs	Total OFMs		
<b>Ekuinas Outsourced (Tranche I) Fund</b>						
1. Atelier Asia Sdn Bhd	FMCG	11.8	5.2	17.0	–	17.0
2. MCAT Box Office Sdn Bhd	Retail & Leisure	17.4	3.6	21.0	119.7	140.7
3. SEG International Bhd	Education	44.9	17.6	62.5	214.5	277.0
4. Strateq Sdn Bhd	Services	22.6	14.4	37.0	–	37.0
5. HG Power Transmission Sdn Bhd	Services	27.0	11.9	38.9	–	38.9
6. Brickfield Asia College	Education	34.7	15.3	50.0	–	50.0
7. Macroiosk Bhd	Services	21.1	13.3	34.4	–	34.4
<b>Total Investment Undertaken Tranche I</b>		<b>179.5</b>	<b>81.3</b>	<b>260.8</b>	<b>334.2</b>	<b>595.0</b>
<b>Ekuinas Outsourced (Tranche II) Fund</b>						
1 STX Precision Corp Sdn Bhd	Services	12.0	4.0	16.0	19.0	35.0
2 Consobiz Ventures Sdn Bhd	FMCG	8.3	6.7	15.0	–	15.0
<b>Total Investment Undertaken Tranche II</b>		<b>20.3</b>	<b>10.7</b>	<b>31.0</b>	<b>19.0</b>	<b>50.0</b>
<b>Cumulative Total Investment Undertaken</b>		<b>199.8</b>	<b>92.0</b>	<b>291.8</b>	<b>353.2</b>	<b>645.0</b>

# INVESTMENT PERFORMANCE REVIEW

## E. EKUINAS OUTSOURCED (TRANCHE I) FUND

Fund Net Assets Value (NAV) as at 31 December 2013

	2012 RM million	Movement RM million	2013 RM million
<b>A. Capital Commitment</b>	400.0	–	400.0
<b>B. Capital Called</b>	93.9	116.0	209.9
<b>C. Capital Reinvested</b>	–	–	–
<b>D. Total Capital Contributed (B+C)</b>	93.9	116.0	209.9
<b>E. Debt Drawdown (Amortised Cost)</b>	–	–	–
<b>F. Total Capital Invested (D+E)</b>	93.9	116.0	209.9
<b>Plus increases to Net Assets Value:</b>			
Dividend Income	–	–	–
Net Unrealised (Loss)/Gain on Fair Value of Investments	(16.2)	30.8	14.6
Realised Loss from Divestment	(2.1)	–	(2.1)
Interest Expenses	–	–	–
<b>Total Gross Portfolio Return</b>	<b>(18.3)</b>	<b>30.8</b>	<b>12.5</b>
Organisational Expenses	(4.2)	(2.0)	(6.2)
Capital Distributions to Limited Partners (C+H)*	–	–	–
<b>Net (Decrease)/Increase in Net Assets Value</b>	<b>(22.5)</b>	<b>28.8</b>	<b>6.3</b>
<b>G. Net Assets Value</b>	<b>71.4</b>	<b>144.8</b>	<b>216.2</b>
<b>Net Assets Value made up of:</b>			
Investments - at cost	87.6	114.0	201.6
Net Unrealised (Loss)/Gain on Fair Value of Investments	(16.2)	30.8	14.6
<b>Investments carried at Fair Value</b>	<b>71.4</b>	<b>144.8</b>	<b>216.2</b>
Plus: Cash Balance	–	–	–
Plus: Working Capital	–	–	–
Plus: Uncalled Capital	–	–	–
<b>Equals Net Assets Value</b>	<b>71.4</b>	<b>144.8</b>	<b>216.2</b>
<b>Net Assets Value</b>	<b>71.4</b>	<b>144.8</b>	<b>216.2</b>
<b>H. Capital Distributed</b>	–	–	–
<b>I. Total Net Assets Value plus Distributed Capital (G+H)</b>	<b>71.4</b>	<b>144.8</b>	<b>216.2</b>
<b>Gross IRR</b>	<b>-35.3%</b>		<b>5.0%</b>
<b>Net IRR (before carried interest)</b>	<b>-38.4%</b>		<b>2.4%</b>

\* Includes deemed distributions for reinvested capital.

Ekuinas Outsourced (Tranche I) Fund undertook four new investments during the year. A total capital amount of RM116.0 million was called for investments in Strateq Sdn Bhd, HG Power Transmission Sdn Bhd, Brickfields Asia College and Macroiosk Sdn Bhd, as well as for management fees, bringing total cumulative capital called to RM209.9 million as at the end of the financial year.

Accordingly, net assets value recorded a growth to RM216.2 million in 2013 from RM71.4 million. This translates to a gross IRR of 5.0% and a net IRR of 2.4%, after deducting management fees payable to Ekuinas.



## F. EKUINAS OUTSOURCED (TRANCHE II) FUND

Fund Net Assets Value (NAV) as at 31 December 2013

	2012 RM million	Movement RM million	2013 RM million
<b>A. Capital Commitment</b>	–	240.0	240.0
<b>B. Capital Called</b>	–	18.3	18.3
<b>C. Capital Reinvested</b>	–	–	–
<b>D. Total Capital Contributed (B+C)</b>	–	18.3	18.3
<b>E. Debt Drawdown (Amortised Cost)</b>	–	–	–
<b>F. Total Capital Invested (D+E)</b>	–	18.3	18.3
<b>Plus increases to Net Assets Value:</b>			
Dividend Income	–	–	–
Net Unrealised Gain on Fair Value of Investments	–	–	–
Realised Gain/(Loss) from Divestment	–	–	–
Interest Expenses	–	–	–
<b>Total Gross Portfolio Return</b>	–	–	–
Organisational Expenses	–	(1.2)	(1.2)
Capital Distributions to Limited Partners (C+H)*	–	–	–
<b>Net Decrease in Net Assets Value</b>	–	(1.2)	(1.2)
<b>G. Net Assets Value</b>	–	17.1	17.1
<b>Net Assets Value made up of:</b>			
Investments - at cost	–	17.1	17.1
Net Unrealised Gain/(Loss) on Fair Value of Investments	–	–	–
<b>Investments carried at Fair Value</b>	–	17.1	17.1
Plus: Cash Balance	–	–	–
Plus: Working Capital	–	–	–
Plus: Uncalled Capital	–	–	–
<b>Equals Net Assets Value</b>	–	17.1	17.1
<b>Net Assets Value</b>	–	17.1	17.1
<b>H. Capital Distributed</b>	–	–	–
<b>I. Total Net Assets Value plus Distributed Capital (G+H)</b>	–	17.1	17.1
<b>Gross IRR</b>	–		N/A
<b>Net IRR (before carried interest)</b>	–		N/A

\* Includes deemed distributions for reinvested capital.

The fund had an encouraging start following its launch, with two investments made during the year. Out of the RM240.0 million of Ekuinas' capital committed for the Fund, RM18.3 million capital was invested up to year-end in STX Precision Corporation Sdn Bhd and Consobiz Ventures Sdn Bhd, as well as for management fees. As the Fund is still at its early stage of investment, the fund performance will not be meaningful as it will be skewed by management fees and expenses incurred, which are significant at the early stage.

# INVESTMENT PERFORMANCE REVIEW

## SOCIAL OBJECTIVE PERFORMANCE

During the period under review, Ekuinas continued to make solid progress in terms of delivering on 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 both direct and outsourced investments undertaken up to the date of this Annual Report, Ekuinas has successfully facilitated an increase of RM2.8 billion in Bumiputera equity value, or a multiple of 1.7 times the total capital invested by the Company. This increase from RM1.9 billion in 2012 further validates the effectiveness of Ekuinas' role in using private equity model as a tool to increase Bumiputera economic participation through the creation of Malaysia's next generation of leading companies.

Concurrently, Ekuinas' investments to date has successfully facilitated an increase in total economic value for all shareholders from RM2.4 billion in 2012 to RM4.1 billion or 2.5 times the total capital invested by Ekuinas, reflecting the positive impact of Ekuinas' investments to all Malaysians.

**Exhibit 16: Bumiputera Equity Value and Total Economic Value**

Total for Portfolio Companies RM Million	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
<b>2013</b>	<b>1,367.2</b>	<b>3,010.6</b>	<b>2,838.2</b>	<b>1.7x</b>	<b>2,893.3</b>	<b>4,874.5</b>	<b>4,087.5</b>	<b>2.5x</b>
2012	1,278.5	2,106.3	1,944.1	1.4x	2,732.2	3,356.6	2,394.1	1.7x

Further, the fifteen portfolio companies and nine companies under our Outsourced Fund Managers as at 31 December 2013, collectively provide gainful employment for a total of 9,336 personnel of which 56.4% are Bumiputeras.

Ekuinas' portfolio companies also currently employ a pool of 201 managers, out of which 40.8% 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.

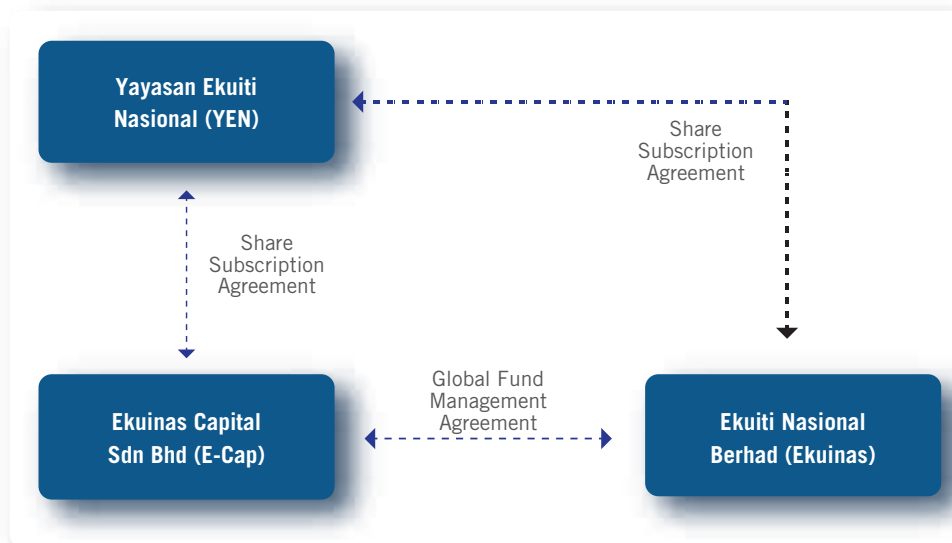
**Exhibit 17: Portfolio Companies – Management and Employees**

	Bumiputera Headcount	Total Headcount	% Bumiputera to Total	% Increase in Bumiputera Headcount from Ex Ante
<b>2013</b>				
Management	82	201	40.8%	12.3%
Employees	5,265	9,336	56.4%	17.1%
<b>2012</b>				
Management	67	144	46.5%	8.1%
Employees	4,865	7,749	62.8%	11.5%

### EKUITI NASIONAL BERHAD – FUND MANAGEMENT COMPANY

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

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



For the financial year ended 31 December 2013, Ekuias earned a management fee of RM42.9 million for managing Ekuias Capital funds, which are the Ekuias Direct (Tranche I) Fund, Ekuias Direct (Tranche II) Fund, Ekuias Outsourced (Tranche I) Fund and Ekuias Outsourced (Tranche II) Fund. This resulted in a profit after tax (PAT) of RM14.6 million after operating expenditure (OPEX) amounting to RM33.8 million, against a PAT of RM6.1 million after OPEX amounting to RM24.8 million posted in the previous financial year.

The OPEX incurred was related mainly to salary, occupancy, transactions and capacity building costs as well as corporate social responsibility costs. This translates to OPEX to Funds under Management (FuM) ratio of 1.3%, which is comparable to, if not better than, benchmarks set by other government investment agencies and private equity firms.

**Exhibit 18: Ekuiti Nasional Berhad – Financial Highlights**

Ekuiti Nasional Berhad (Fund Management Company)	2013 RM million	2012 RM million
Total Funds under Management (FuM)	2,640.0	2,400.0
Operating Expenditure (OPEX)	33.8	24.8
Profit After Tax (PAT)	14.6	6.1
Ratio of OPEX to FuM	1.3%	1.0%



# PORTFOLIO COMPANIES



**ALLIANCE COSMETICS GROUP**

- 1. Ng Chee Eng  
Chief Executive Officer

**APIIT EDUCATION GROUP**

- 1. Datuk Dr Parmjit Singh  
Chief Executive Officer  
APIIT Education Group
- 2. Mohd Helmy Norman  
Chief Financial Officer  
APIIT Education Group
- 3. Mohamad Kamal Nawawi  
Deputy Vice Chancellor  
Asia Pacific University of Technology  
and Innovation (APU)
- 3. Dr Athula Pitigala Arachchi  
Chief Executive Officer  
APIIT Lanka

**BURGER KING**

- 1. Ahmad Fariz Hassan  
Chief Operating Officer  
Burger King Malaysia
- 2. Wong Shyang Jiuu  
General Manager  
Burger King Singapore

**COSMOPOINT GROUP**

- 1. Hizwani Hassan  
Chief Executive Officer  
Cosmopoint Group of Companies
- 2. Izz Al-Din Maslan  
Chief Executive  
Cosmopoint Group of Colleges

**ICON OFFSHORE BERHAD**

- 1. Dr Jamal Yusof  
Chief Executive Officer
- 2. Captain Hassan Ali  
Deputy Chief Executive Officer
- 3. Haji Rahman Yusof  
Chief Operating Officer
- 4. Zaleha Abdul Hamid  
Chief Financial Officer

**PRIMABAGUZ**

- 1. Wong Kok Heng  
Chief Executive Officer
- 2. Yusmaleni Idrus  
Financial Controller

**REVENUE VALLEY GROUP**

- 1. George Ang  
Chief Executive Officer

**SAN FRANCISCO COFFEE**

- 1. Koo Sue San  
General Manager
- 2. Rashdan Othman  
Director of Operations
- 3. Nik Azwaa Azmi  
Head of Marketing
- 4. Nabil Alwi  
Head of Business Development

**UNITAR INTERNATIONAL UNIVERSITY**

- 1. Wan Ahmad Saifuddin Wan Ahmad Radzi  
Chief Executive Officer
- 2. Muhammad Lukman Musa  
Chief Operating Officer and  
Chief Financial Officer



# ALLIANCE COSMETICS GROUP



### Transaction Details

<b>Investment Type</b>	Majority investment in a strong Malaysian company
<b>Sector</b>	Fast Moving Consumer Goods (FMCG)
<b>Acquisition Date</b>	Jan 2010
<b>Capital Invested</b>	RM39.9 million
<b>Ownership</b>	Effective 20.0%
<b>Co-Investor</b>	Navis Capital Partners
<b>Co-Investment Amount</b>	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

	<b>2013 Unaudited (Index)</b>	<b>2012 Audited (Index)</b>	<b>Growth %</b>
Revenue	<b>105.8</b>	100.0	5.8%
EBITDA before EI	<b>106.5</b>	100.0	6.5%

*EI: Extraordinary items*

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

- ACG revenue grew by 5.8% due to higher sales from all countries, especially with strong performance in Malaysia.
- EBITDA increased 6.5%, driven by better performance in Singapore and Malaysia.
- ACG performed well in its core markets of Malaysia and Singapore, and expansion in Indonesia shows an improvement after cleaning up returns from discontinued distributors.



# ILMU EDUCATION GROUP





### Transaction Details

	APIIT Education Group	Cosmopoint Group	UNITAR International University	APIIT Lanka
<b>Investment type</b>	Buy-out of a non-core asset from PLC	Majority investment in a strong Malaysian company	Majority investment in a strong Malaysian company	Buy-out of a non-core asset from PLC
<b>Acquisition date</b>	Feb 2011	Mar 2012	May 2012	Dec 2013
<b>Capital invested</b>	RM102.0 million	RM246.0 million	RM58.5 million	RM20.3 million
<b>Ownership</b>	51.0%	90.0%	90.0%	76.5%

### Company Description

<b>APIIT Education Group</b>	Leading education provider with presence in primary, secondary and tertiary levels, with award-winning Asia Pacific University of Technology & Innovation (APU) specialising in providing high quality tertiary level education for Technology, Engineering and Business courses to local and foreign students numbering more than 11,000. The Asia Pacific Smart Schools offer private K12 education across both international and local syllabus to more than 1,500 students.
<b>Cosmopoint Group</b>	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 approximately 6,500 students in its campuses nationwide.
<b>UNITAR International University</b>	UNITAR was established in 1997, and represents one of the first Private Higher Educational Institutions in the country. In addition to its main campus located in Petaling Jaya, Selangor, UNITAR collaborates with nine (9) Independent Regional Centres across the country with enrolment of more than 8,000 students across 60 academic programmes.
<b>APIIT Lanka</b>	Leading higher education institute in Sri Lanka, offering high quality diploma and international degree programmes locally with student enrolment of approximately 1,100. The school generates high quality graduates in Computing, Business and Law by providing innovative teaching techniques and premium facilities.

### Investment Rationale

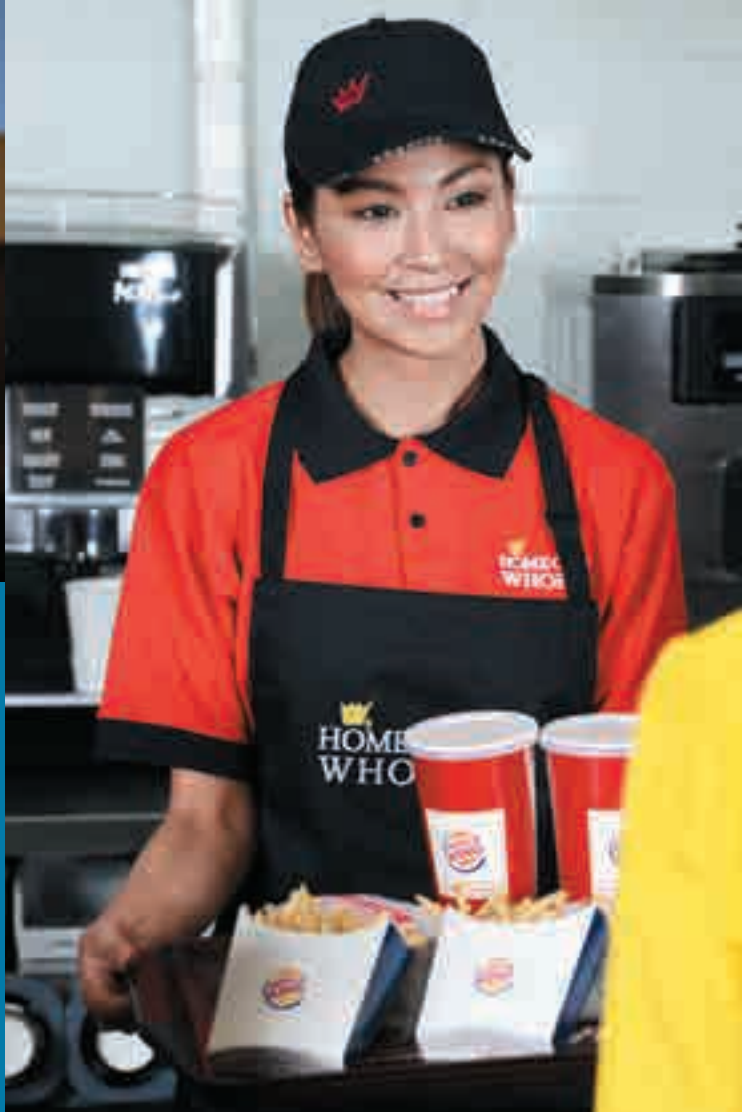
- Sizeable industry with strong growth potential.
- Education groups that have solid performance track record.
- Consolidation play to build one of Malaysia's largest education groups.

### Financial Highlights

	2013 Unaudited RM million	2012 Audited RM million	Growth %
Revenue	296.2	317.7	-6.8%
EBITDA before EI	86.5	105.9	-18.4%
Number of students	28,000	28,728	-2.5%

EI: Extraordinary items

- Revenue declined by 6.8% mainly due to a drop in student numbers predominantly at Cosmopoint Group and lower recruitment of foreign students caused by delays in visa approvals. Consequently, this has resulted in a decline of EBITDA by 18.4% due to the high operating expenses.
- To enhance student experience and academic environment, UNITAR moved into its new campus in Kelana Jaya in October 2013. Investments for APU and Cosmopoint new campuses are also under way.
- Moving forward, ILMU will further strengthen its revenue base by increasing its student recruitment, mainly by increasing its penetration into the local student market, exploring new international markets to boost its foreign student intake and the potential introduction of more academic programmes and strategic partnerships with reputable institutions.



# INTEGRATED FOOD GROUP



### Transaction Details

	<b>Cosmo Restaurants Sdn Bhd</b>	<b>Lyndarahim Ventures Sdn Bhd</b>	<b>Revenue Valley Sdn Bhd</b>	<b>Burger King Singapore Pte Ltd</b>
<b>Investment type</b>	Growth capital investment in a Malaysian company	Growth capital investment in a Bumiputera company	Majority investment in a strong Malaysian company	Buy-out of a non-core asset from MNC
<b>Acquisition date</b>	Sept 2011	Sept 2011	Jan 2012	Sept 2012
<b>Capital invested</b>	RM95.0 million	RM15.0 million	RM64.6 million	RM25.1 million
<b>Ownership</b>	95.0%	90.0%	85.8%	100%

### Company Description

<b>Cosmo Restaurants Sdn Bhd</b>	Cosmo Restaurants Sdn Bhd 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 45 outlets throughout Malaysia.
<b>Lyndarahim Ventures Sdn Bhd</b>	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. There are 29 San Francisco Coffee outlets to date around the Klang Valley.
<b>Revenue Valley Sdn Bhd</b>	A Malaysian-based investment holding company which owns Manhattan Fish Market, Tony Roma's franchise for Malaysia and Popeyes franchise in Singapore and Malaysia. The Revenue Valley group operates a total of 58 outlets across the three brands.
<b>Burger King Singapore Pte Ltd</b>	Burger King Singapore Pte Ltd, was established in 1982 and holds the exclusive local franchise with development rights for the BURGER KING® brand in Singapore. Currently, the company operates 41 outlets in Singapore.

### Investment Rationale

- Investment in strong global brands and established locally developed brands.
- Investment in F&B industry, driven by growth in consumer spending.
- Platform in building one of the largest Bumiputera F&B Groups.
- Immediate regional presence with outlet operations in Malaysia, Singapore and Thailand.
- Experienced management team and opportunity to develop young professional managers.

### Financial Highlights

	<b>2013 Unaudited RM million</b>	<b>2012 Audited RM million</b>	<b>Growth %</b>
Revenue	<b>420.0</b>	381.3	10.1%
EBITDA before EI	<b>6.3</b>	(1.1)	683.1%
Number of outlets	<b>173</b>	145	19.3%

EI: Extraordinary items

- IFG recorded strong growth in revenue of 10.1% from the five brands under its stable, driven by increased same store sales growth and increased number of outlets. Consequently, all companies under IFG combined achieved positive EBITDA, indicating positive turnaround.
- Some of the brands such as BURGER KING® remain at an early gestation period with continued investments in branding, affecting profitability in the short term.
- However, considerable progress is being made especially at the Revenue Valley Group, which is already profitable. IFG is hopeful to deliver improved performance going forward.



**ICON**OFFSHORE

# ICON OFFSHORE BERHAD



### Transaction Details

<b>Investment Type</b>	Majority investment in a strong Malaysian company
<b>Sector</b>	Oil & Gas
<b>Acquisition Date</b>	20 November 2012, merger of TKS and Omni
<b>Capital Invested</b>	RM484.1 million
<b>Ownership</b>	88.0%

### Company Description

Icon Offshore Berhad is a merger of Tanjung Kapal Services Sdn Bhd (TKS) and Omni Petromaritime Sdn Bhd (Omni) which was completed on 20 November 2012. The enlarged entity, which is now the third largest offshore support vessel (OSV) group in Malaysia, owns a portfolio of 32 vessels operating in Malaysia, Thailand and Qatar.

### Investment Rationale

- Strong track record of delivering growth.
- Platform for building one of the largest local OSV players.

### Financial Highlights

	<b>2013 Unaudited RM million</b>	<b>2012 Audited RM million</b>	<b>Growth %</b>
Revenue	<b>334.9</b>	291.7	14.8%
PAT (normalised)	<b>89.6</b>	64.8	38.2%

- Revenue increased by 14.8% due to higher utilisation rate of vessels as well as contribution from six new vessels during the year.
- Normalised profit grew significantly by 38.2% attributed by the higher revenue and effective cost management.
- The group continues to expand with the acquisition of new vessels and investment in talent through the establishment of its own Maritime Training Centre.



**PRIMA**<sup>TM</sup>  
*Baguz*

**PRIMABAGUZ**



### Transaction Details

<b>Investment Type</b>	Buy-out investment in a strong Malaysian company
<b>Sector</b>	Food Manufacturing
<b>Acquisition Date</b>	27 November 2013
<b>Capital Invested</b>	RM40.0 million
<b>Ownership</b>	100%

### Company Description

PrimaBaguz is involved in the manufacturing and distribution of premium halal meat-based products such as sausages, cold cuts, ready-to-eat products and sauces. The Company supplies its products to Quick Service Restaurants (QSR), hotels, restaurants and caterers (HORECA) and wholesalers.

### Investment Rationale

- Favourable industry environment as Malaysia has high meat consumption.
- Unique position as supplier of premium halal processed meat with market leading margin.
- Potential synergies with Ekuinas' F&B group, IFG.

### Financial Highlights

	<b>2013 Unaudited RM million</b>	<b>2012 Audited RM million</b>	<b>Growth %</b>
Revenue	<b>63.6</b>	56.5	12.4%
EBITDA before EI	<b>10.7</b>	7.5	42.2%

*EI: Extraordinary items*

- Revenue growth of 12.4% was mainly driven by the increase in sales volume from key clients of QSR and HORECA segments.
- EBITDA increased by 42.2% due to the increase in sales volume as well as effective cost management.

# OUTSOURCED PROGRAMME

## OUTSOURCED FUND MANAGER: NAVIS CAPITAL PARTNERS

**NAVIS**

### Transaction Details

Company : ATELIER ASIA SDN BHD  
Sector : Fast Moving Consumer Good (FMCG)  
Acquisition Date : March 2011  
Committed Capital  
Contribution by Ekuinas : RM11.8 million



### Transaction Details

Company : MCAT BOX OFFICE SDN BHD  
Sector : Retail and Leisure  
Acquisition Date : March 2012  
Committed Capital  
Contribution by Ekuinas : RM17.4 million



### Transaction Details

Company : SEG INTERNATIONAL BERHAD  
Sector : Education  
Acquisition Date : March 2012  
Committed Capital  
Contribution by Ekuinas : RM44.9 million



### Transaction Details

Company : STRATEQ SDN BHD  
Sector : Services  
Acquisition Date : March 2013  
Committed Capital  
Contribution by Ekuinas : RM22.6 million



### Transaction Details

Company : HG POWER TRANSMISSION SDN BHD  
Sector : Services  
Acquisition Date : May 2013  
Committed Capital  
Contribution by Ekuinas : RM27.0 million



### Transaction Details

Company : BRICKFIELDS ASIA COLLEGE  
Sector : Education  
Acquisition Date : November 2013  
Committed Capital  
Contribution by Ekuinas : RM34.7 million





**OUTSOURCED FUND MANAGER: CIMB PRIVATE EQUITY**



**Transaction Details**

Company : MACROKIOSK BERHAD  
 Sector : Services  
 Acquisition Date : July 2013  
 Committed Capital  
 Contribution by Ekuinas : RM21.1 million

**OUTSOURCED FUND MANAGER: CMS OPUS PRIVATE EQUITY**



**Transaction Details**

Company : STX PRECISION CORPORATION SDN BHD  
 Sector : Manufacturing  
 Acquisition Date : December 2013  
 Committed Capital  
 Contribution by Ekuinas : RM12.0 million



**OUTSOURCED FUND MANAGER: RM CAPITAL PARTNERS**



**Transaction Details**

Company : CONSOBIZ VENTURES SDN BHD  
 Sector : Fast Moving Consumer Good (FMCG)  
 Acquisition Date : December 2013  
 Committed Capital  
 Contribution by Ekuinas : RM8.3 million

# FULFILLING MANDATES

We are deeply committed to achieving both the financial and social objectives which will ensure Ekuinas fulfills the mandate that has been given





# CORPORATE SOCIAL RESPONSIBILITY

- Ekuinas CSR Framework
- MASE Program for Ekuinas CSR Entrepreneur Capacity Building Initiative by The Boston Consulting Group (BCG)



# EKUINAS CSR FRAMEWORK

## OVERVIEW

As a private equity firm established by the Government of Malaysia to specifically grow Bumiputera economic participation through our private equity investment approach, Ekuinas' operating model in itself already has a social objective. Nevertheless, the team realises that there are many groups in society which would benefit further from our support and assistance.

Aside from striving to achieve Ekuinas' social objectives of multiplying corporate equity ownership, increasing the pool of capable entrepreneurs and professional managers, providing more employment opportunities and improving the supply chain, we have allocated some funds to support entrepreneur development programmes as well as initiatives which enhance education and learning in the community.

Nevertheless, in an attempt to introduce a corporate social responsibility (CSR) programme which is aligned to our mandate, the Ekuinas Corporate Social Responsibility (CSR) Framework was recently formalised and provided a platform for various activities throughout FY2013.



### Establishing Ekuinas' Corporate Social Responsibility (CSR) Framework – Moving Forward Responsibly

Ekuinas developed a strategic and structured approach to address its corporate social responsibility (CSR) activities by creating a framework that incorporates the organisation's core values to address the requirements of its key stakeholders. The objective of the CSR Framework is to empower both the Bumiputera entrepreneur community through capacity building and the Malaysian public through philanthropic activities, which would catalyse educational improvements, enhance the lives of the poor and disadvantaged, and the empowerment of practitioners in the arts and culture field.

The Board of Directors at Ekuinas had approved the framework and guidelines in 2012 and emphasised the importance for all CSR activities and actions to reflect our core business agenda, create strategic value and generate sustainable and positive impact to businesses and society. The activities must start small and be scalable, and in addition be undertaken by employees on a voluntary basis to encourage the spirit of altruism amongst all Ekuinas employees.

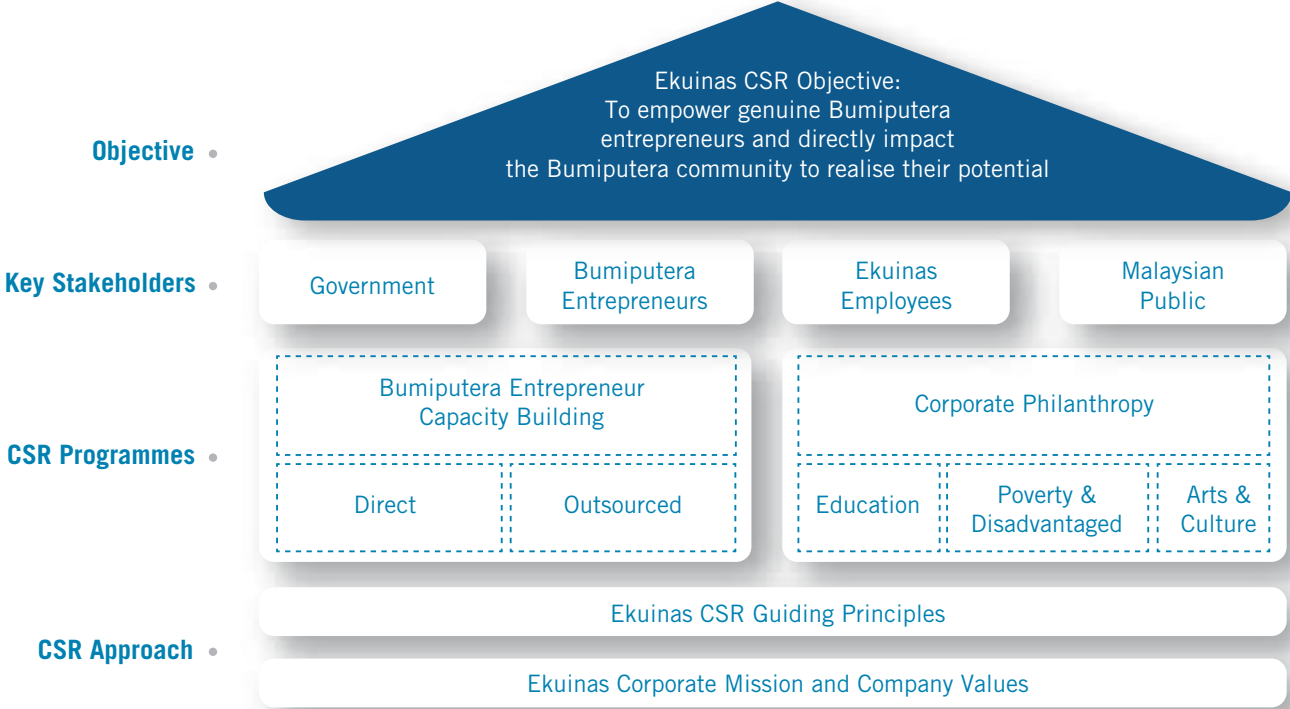
For the year under review, the main focus of Ekuinas CSR activities was on Entrepreneur Capacity Building, through mentoring and introducing better practices to small business enterprises that form the bulk of the entrepreneurial ecosystem. Since 95% of all businesses are categorised as small to medium enterprises, out of which 77% are micro companies and 20% are small companies<sup>1</sup>, it is crucial to the Malaysian economy that support is provided for the small business enterprises.



<sup>1</sup> SME Census 2011 Malaysia; SME Masterplan 2012-2020

# EKUINAS CSR FRAMEWORK

*Exhibit 1: Ekuinas CSR Framework*



Ekuinas also focused on education; providing scholarship opportunities for students and to further develop young Malaysian graduates through professional development and work experience in Ekuinas’ portfolio companies.

The selection of each of the CSR initiatives adheres to these Guiding Principles:

*Exhibit 2: Ekuinas CSR Guiding Principles*

- 1 Reflect our core business and agenda
- 2 Create sustainable impact
- 3 (Be) Structured and focused
- 4 Start small and stay realistic
- 5 (Be) Scalable and expandable
- 6 Engage our passion



## OVERVIEW OF THE ENTREPRENEUR CAPACITY BUILDING INITIATIVE

In April 2013, Ekuinas collaborated with the Boston Consulting Group (BCG) to undertake a joint CSR project to benefit the development of Micro and Small Enterprises (MASE). The project revolved around the development of MASE Diagnostic Health Check and Action Plan tools to help identify the challenges faced by Micro and Small Enterprises. A team of seven people volunteered for the project from both organisations and it took two months for the team to develop the MASE programme. (BCG's article on the MASE Programme is presented on pages 112-120 of this report)

After testing the tool with several businesses, the Ekuinas and BCG team selected Habibah Enterprise as a pilot mentoring and capacity building project. In upholding Ekuinas' corporate governance principles, the team together with the Corporate Governance and Risk Management (CGRM) team also developed a comprehensive Standard Operating Procedures (SOP) document and outlined the CSR Policy framework covering the process flow, documentations and approval structure.

# Bibah Songket

***Pilot Project – Bibah Songket***

Habibah Enterprise, or better known as Bibah Songket, was chosen as the pilot company for the CSR programme as the business was aligned with Ekuinas' CSR objective and guiding principles. The criteria for which it was chosen include being a Bumiputera company, having a broad meaningful impact to the community and a sustainable business with solvable business problems, as well as passionate people. The key highlight for Bibah Songket is that the business is crucial in preserving the Malay heritage of producing traditional authentic Terengganu songket, where the traditional production process is still being maintained in her factory. The business is also vital for the surrounding community in Terengganu where twenty local female weavers are under Bibah's employment, some of whom are single mothers and young adults.

Bibah Songket was founded in 1982 by Puan Hajjah Habibah Zikri who is actively involved in running the daily business operations with her family members. The company is involved in the whole supply chain of songket from designing, production, to marketing and distribution. It has a strong reputation in the Malaysian market for producing exclusive and high quality *samping*, *sarong*, home decorations, artwork, shawls and accessories. Apart from the workshop located in Marang, Terengganu, Bibah Songket has recently opened a showroom in Shah Alam to cater to its major customer base in the Klang Valley.

# EKUINAS CSR FRAMEWORK



Results from the MASE Diagnostic Health Check indicated that the three main business challenges faced by Bibah Songket were: inconsistent sales leading to volatile cashflow, poor distribution, and lack of marketing. Subsequently, a MASE Action Plan was developed to address these challenges and a holistic approach undertaken to address Bibah Songket’s business issues.

*Exhibit 3: Strengths and challenges of Bibah Songket*







A team of three people volunteered on a full time basis to work on the project supported by other Ekuinas employees in various departments such as Legal and Communications. Over four months, the team focused on strengthening Bibah Songket's sales and marketing issues by building their customer base and distribution network, creating a practical and realistic inventory system, increasing publicity and awareness, and investing in an upgraded website as well as developing merchandising and point of sale materials. In addition, a basic Business Plan was developed for Puan Habibah and her daughter with specific recommendations on how they could better manage the company's inventory and pricing strategy. Active mentoring in different areas of the business was also provided throughout the four-month period to all family members, where we believed we could make a difference in overcoming barriers to success.

The newly-established Ekuinas CSR Investment Committee approved a budget allocation of RM250,000 to assist Bibah Songket in getting a new financial system, upgrading marketing and PR materials, as well as employee training. This project is expected to be completed by the end of Q1 2014 when the initiatives are expected to achieve an increase in sales by an average of 5% – 10% on a monthly basis, and subsequently provide consistency in its cashflow management.

Going forward, the Capacity Building Programme by Ekuinas hopes to identify three (3) small businesses a year to mentor and support them in maximising their business potential. Participants will be able to access a range of development opportunities from Ekuinas – from entrepreneurial education, human resources, marketing, finance and accounting, as well as general legal advice.

***Exhibit 4: Criteria for evaluating companies for Ekuinas CSR Entrepreneur Capacity Building Programme***

- 1 Past three years, financial statement (audited)
- 2 Interview slot with the key employees – for Diagnostic Tool
- 3 Organisation structure
- 4 Information on product offering and process flow
- 5 Past funding sources – any grants etc received for the business
- 6 Other information from time to time on confidential basis

# EKUINAS CSR FRAMEWORK

## EMPHASIS ON EMPOWERMENT IN EDUCATION

At Ekuinas, our mandate is to create Malaysia's next generation of leading companies whilst promoting equitable and sustainable Bumiputera economic participation and we believe that one of the ways to achieve this goal is through investing in education and human capital. These are the two main pillars that form the foundation on which Malaysians would be able to realise their full potential.

In terms of our investment focus, the education sector is also one of Ekuinas' target sectors which has to date received a total of RM438.8 million in total committed capital. Ekuinas' education portfolio, which is now grouped under a special investment holding company known as ILMU Education Group, consists of leading educational institutions namely Asia Pacific University of Technology and Innovation (APU) and its group of companies in Malaysia, as well as APIIT Lanka, a reputable private education provider in Sri Lanka, Cosmopoint group consisting of Kuala Lumpur Metropolitan University College (KLMUC) and Cosmopoint International College of Technology (CICT), and UNITAR International University (UNITAR).

Ekuinas focuses on empowering young talents through education by making significant investments in Ekuinas-led initiatives through our Ekuinas Portfolio Company Graduate Trainee Programme (EPCGTP) and providing scholarships to deserving students at our portfolio company, the Cosmopoint Group, as well as extending support to programmes organised by other organisations including Yayasan Peneraju Pendidikan Bumiputera.





### The Ekuinas Portfolio Company Graduate Trainee Programme (EPCGTP)

The Ekuinas Portfolio Company Graduate Trainee Programme (EPCGTP) is a one-year programme designed to provide Malaysian graduates from local universities an opportunity to learn and develop professional skills in order to improve their employability and economic circumstances.

The pilot programme (Batch 1) was launched in 2012 where nine graduates were shortlisted and placed at three different portfolio companies and also in Ekuinas. All participants received focused attention in terms of their developmental requirements and at the end of the training period, a study was conducted with all of them to identify and understand the gaps and requirements of local graduates.

Upon completion of the programme, four were employed by Ekuinas' portfolio companies while four accepted employment offers from external parties. With a better understanding on the needs of these graduates, the 2013 programme was enhanced in terms of training, personal development and technical skills.

### EPCGTP Batch 2 enrolled for 2013

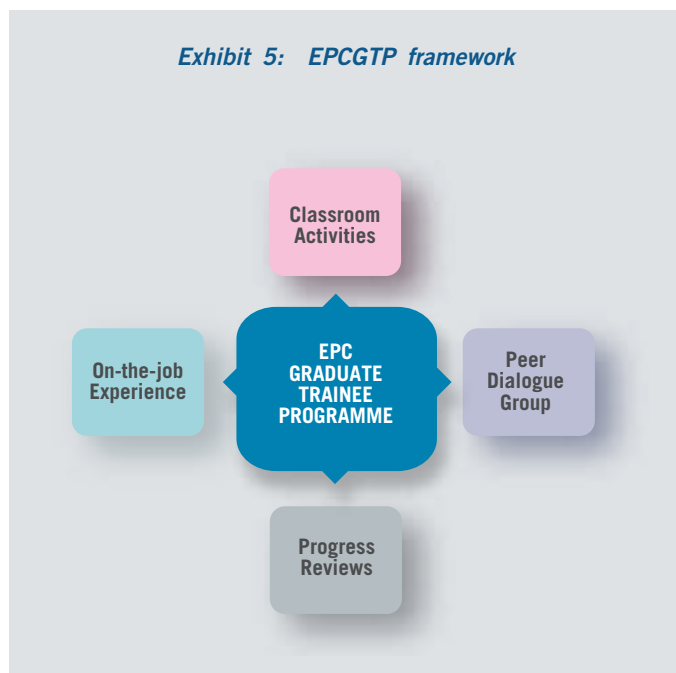
For enrolment of the second batch, graduates from low to middle income families were invited to apply for the one year programme that offered on the job experience, personal leadership development, English and Communication enhancement plus other technical skills required when entering the work force.

Launched in April, the 2013 programme received 1500 applications from which 80 were shortlisted for the Assessment Centre level. The exhaustive selection process which involved group chat sessions and case study presentations included various portfolio companies participating in the selection process.

Subsequently, 23 graduates were identified and placements were done in seven portfolio companies across various industries by June 2013, namely Burger King, San Francisco Coffee, Tony Romas, Manhattan Fish Market, Alliance Cosmetics Group, Icon Offshore Berhad and Cosmopoint/KLMUC.

### Programme Structure

The EPCGTP framework consists of four main components as shown in the diagram below – Classroom Activities, On-the-job Experience, Progress Reviews and Peer Dialogue Group.



**Classroom Activities** provided formal training in English, communication and presentation, basic computer skills, entrepreneurship, as well as leadership and personal development. An English and Communication tutor was appointed to enhance the trainees' proficiency in Business English, as poor command of English was identified as a key weakness of local graduates. Classes were initially conducted fortnightly but the frequency was later increased to weekly classes due to the participants' request to achieve greater proficiency.

The second module of the framework emphasised **on-the-job coaching and mentoring** of the trainees throughout the year. Detailed sessions were conducted every quarter to understand their development as well as to provide feedback to them in terms of work and behaviour.

**Progress Reviews** were also done on a quarterly basis with the trainees' supervisors and human resource departments of individual portfolio companies. These would review the trainees' performance and development for the preceding three months at the portfolio company, with the aim of giving the participants realistic work developmental goals.

The graduate trainees also learned to improve themselves through **peer dialogue groups** where they were able to share and learn from one another.

# EKUINAS CSR FRAMEWORK



Six months into the programme, the participants gathered for an offsite team building event at Alam Rimba, Janda Baik, where activities were designed around building personal leadership. The first motivational speaker invited to address the group and grace the programme was Ahmad Izham Omar, CEO of Television Networks, Media Prima Berhad who spoke on his life experience and how his passion for the entertainment industry was harnessed towards “Making a Difference” – the topic of his presentation.

The final phase of the EPCGTP allows for the consultants to prepare the participants with resume writing techniques and extensive interview practice to ensure that they are well equipped for the next stage of their career to obtain employment in organisations of their choice.

For us at Ekuinas, the success of the EPCGTP is measured by the employability rate of these trainees. By the end of the programme, if the trainees are employed by the organisations of their choice, we will have achieved our goal of developing Bumiputera talents through this human capital development initiative.





**JOIN 2014**  
**EKUINAS PORTFOLIO COMPANY GRADUATE TRAINEE PROGRAMME**

IFG is looking for graduates with a strong academic background and a passion for the F&B industry to join our Graduate Trainee Programme (GTP).

The GTP provides a platform for promising graduates to gain hands-on experience in the F&B industry, while also developing their leadership and communication skills.

Realise your potential with us. Gain a variety of placements across our various business units. You'll be part of the team that shapes the future of Ekuinas.

**Why Should You Apply for GTP?**

The GTP is a structured, hands-on programme that allows you to learn and grow in a real-world setting. You'll be part of the team that shapes the future of Ekuinas.

We are now accepting applications for our highly competitive and challenging Graduate Trainee Programme. Successful candidates will receive a variety of placements:

- Retail Management
- Food & Beverage Management
- Culinary Arts & Pastry
- Retail & Customer Service
- Food & Beverage Management
- Retail & Customer Service
- Hospitality

**What are the requirements?**

We are looking for graduates who are currently in their final year of study with the following qualifications:

- Bachelor's Degree in Business Management, Marketing, Communications, Management, or related fields
- Bachelor's Degree in Hospitality
- Bachelor's Degree in Culinary Arts
- Bachelor's Degree in Retail Management
- Bachelor's Degree in Food & Beverage Management

**Our new intake starts in June 2014**  
 for both of our programmes!

**How To Apply?**

1. Visit our website: [www.ekuinas.com.my](http://www.ekuinas.com.my)

2. Apply online via our website

3. Email your resume to: [hr@ekuinas.com.my](mailto:hr@ekuinas.com.my)

4. Shortlisted candidates will be invited for an interview.

5. Successful candidates will receive a letter of appointment.

6. The programme will start in June 2014.

7. For more information, please contact us at [603-2023-2000](tel:603-2023-2000).

Looking for graduates with a strong academic background and a passion for the F&B industry to join our Graduate Trainee Programme (GTP).

**F&B MANAGEMENT TRAINEE PROGRAMME**

**We are looking for**  
 graduates who are currently in their final year of study with the following qualifications:

- Bachelor's Degree in Business Management, Marketing, Communications, Management, or related fields
- Bachelor's Degree in Hospitality
- Bachelor's Degree in Culinary Arts
- Bachelor's Degree in Retail Management
- Bachelor's Degree in Food & Beverage Management

**IFG**  
 11th Floor, Wisma Ekuinas  
 No. 1, Jalan 15/55, Medan Warisan  
 40150 Teluk Anson, Kuala Lumpur, Malaysia  
 Email: [hr@ekuinas.com.my](mailto:hr@ekuinas.com.my)

### Plans for 2014

Feedback from the current batch of trainees indicate that the current programme has been successful and beneficial. All development and training programmes received positive feedback and a wish for more.

Going forward, to ensure continued success of the programme, Ekuinas is separating the programme into two targeted approaches:

- EPCGTP (Batch 3)** targeting degree holders from local universities with business background; and
- F&B Management Trainee Programme (FMT)** targeting Diploma holders from local universities with culinary arts, food service, retail management and other F&B related backgrounds.

The target intake for both programmes, which will be in June 2014, has been increased to fifty graduate trainees to be placed at our portfolio companies. The shortlisting criteria remain the same, with the primary focus still on empowering students from low income families.

# EKUINAS CSR FRAMEWORK

## Ekuinas – Cosmopoint Group Education Fund

At Ekuinas, we believe that all segments of the community must be given better access to education and tutoring at all stages and levels of learning. Our portfolio company, the Cosmopoint Group consisting of Kuala Lumpur Metropolitan University College (KLMUC) and Cosmopoint International College of Technology (CICT), has provided access to further education for those who may not otherwise have had the opportunity to do so, for instance, those from less privileged backgrounds in terms of household income and academic performance. Some students from this group find it challenging to achieve good results at the tertiary education level.

In line with Ekuinas' theme of REALISING POTENTIAL, the Company has together with the Cosmopoint Group proposed three types of financial support schemes with specific aims for the target groups. **Dana Sara Diri** would encourage them to continue studying and assist them in meeting their daily living expenses, **Dana Potensi** would offer a second chance to return for those who have opted to cut short their studies, and **Dana Bestari** is to offer reward and recognition to the outstanding students from both institutions.

Over 800 students have been identified as scholarship recipients under the three schemes, which together amount to RM1.8 million.

## Yayasan Peneraju Pendidikan Bumiputera (YPPB)

Reaching out to a wider audience outside our investment portfolio, Ekuinas has also extended support to Yayasan Peneraju Pendidikan Bumiputera (YPPB) for the past three consecutive years.

Ekuinas supports YPPB, which was established under the Government's Bumiputera Economic Transformation Roadmap, in its mission to increase the quality, quantity, and relevance of Bumiputera talents to lead Malaysia to a high income nation status through academic and vocational education.

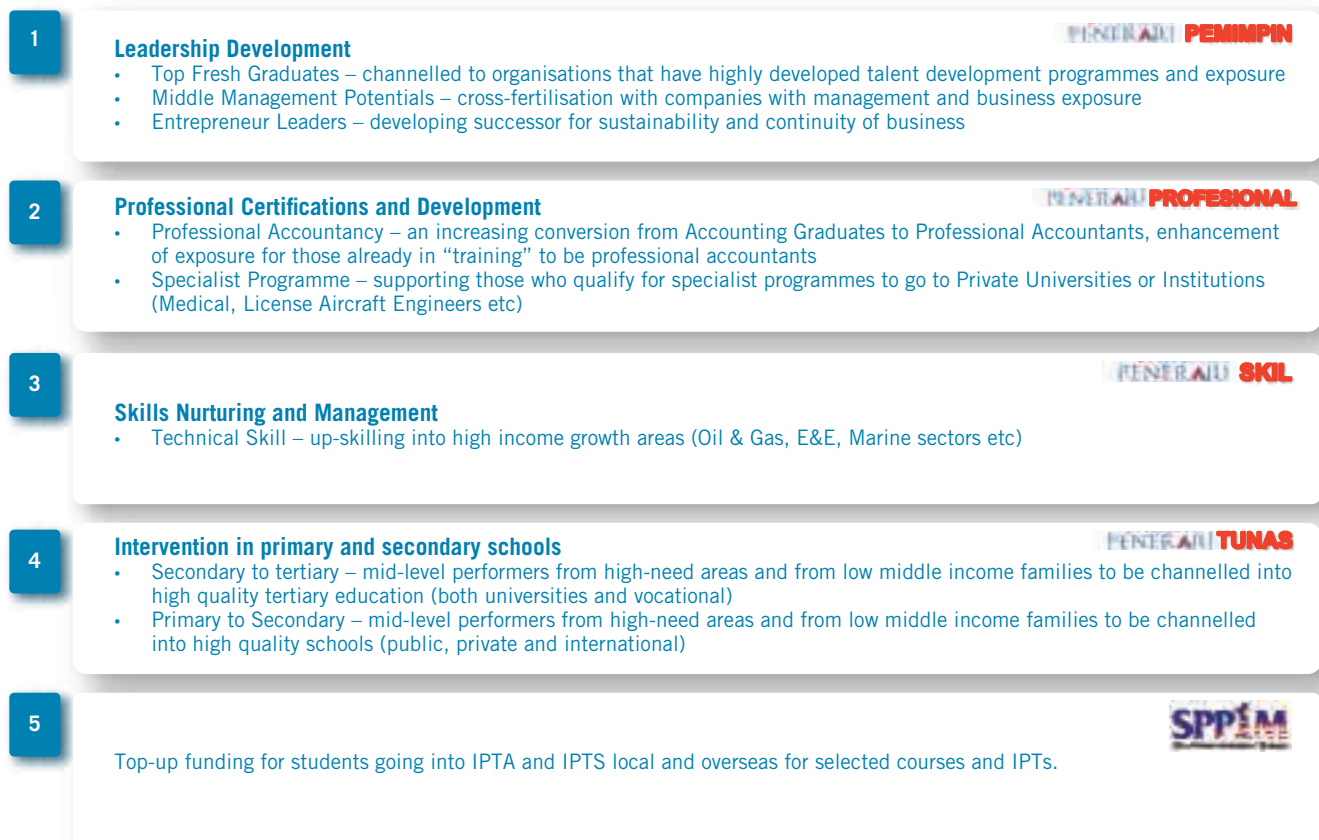
The organisation manages various programmes from identifying mid-level performers to accelerate their progress in primary and secondary schools, and up-skilling technical capabilities of human capital to cater to the increasing demand for talents in high potential areas of oil and gas, electrical and electronics, marine and others. Apart from financial support, the organisation also looks at fulfilling its promise to the beneficiaries (or scholars) through its supplementary Nurture and Develop programme where not only technical knowledge is imparted, but living skills too.





YPPB also offers financial support for Bumiputera talents to pursue professional certification in accounting and specialist programmes such as licenced aircraft engineers, while also helping to build the capacity of entrepreneurs, middle management and fresh graduates through leadership development programmes. The different programmes are as captured in the diagram below.

### Exhibit 6: PenerajuEdu Intervention Programmes



Our contribution to selected programmes managed by YPPB has been complementary with our goals to improve educational opportunities to the Malaysian community, but more importantly, it is needs-based and focused on those facing difficult livelihoods.

EkuiNAS has thus far contributed RM1 million, to be used for the sponsorship of students at selected institutions owned by EkuiNAS' ILMU Education Group. So far, YPPB has enrolled its students at UNITAR International University (UNITAR) and Asia Pacific University of Technology and Innovation (APU), as well as other Malaysian institutions of higher learning.

According to YPPB's half-year report presented to EkuiNAS in October 2013, approximately RM500,000 from the RM1 million allocation has been utilised to fund a total of 40 students enrolled in foundation and degree programmes under organisation's Tunas Potensi 1 and Tunas Potensi 2 initiatives. The 30 students placed at APU have a keen interest in information technology (IT) and are thriving in the various IT-related courses offered at the institution, while the 10 students at UNITAR have opted for education-related programmes, which are among the university's most popular courses.

# EKUINAS CSR FRAMEWORK

## PHILANTHROPIC DONATIONS TO OTHERS IN THE COMMUNITY

Besides channeling funds to educational programmes, Ekuinas is also committed to supporting various organisations and non-governmental organisations (NGOs) that help enhance the lives of the disadvantaged.

In 2013, Ekuinas supported various events organised by our portfolio companies as well as those by external parties.

At BURGER KING®'s annual contribution to orphans this year, the company chose to host 30 orphans for a Hari Raya feast at its Kota Bharu outlet, during which it also offered employment to the eldest sibling of five orphans who were latterly left destitute upon the demise of their parents.

The company prides itself in a comprehensive training and development programme which aims to offer young people in the community an opportunity to embark on an exciting career with good career development prospects in the fast-paced domestic F&B sector.

Also continuing to receive Ekuinas support during the year were the Private Equity industry association, Malaysian Venture Capital and Private Equity Association (MVCA), as well as other government agencies and NGOs which have similar objectives in promoting entrepreneur development.

At the same time, Ekuinas also extended support for charity programmes and fundraising efforts organised by media organisations, action groups and concerned citizens meant to provide care and assistance for low income families, HIV+ children, orphans, single mothers and the destitute.







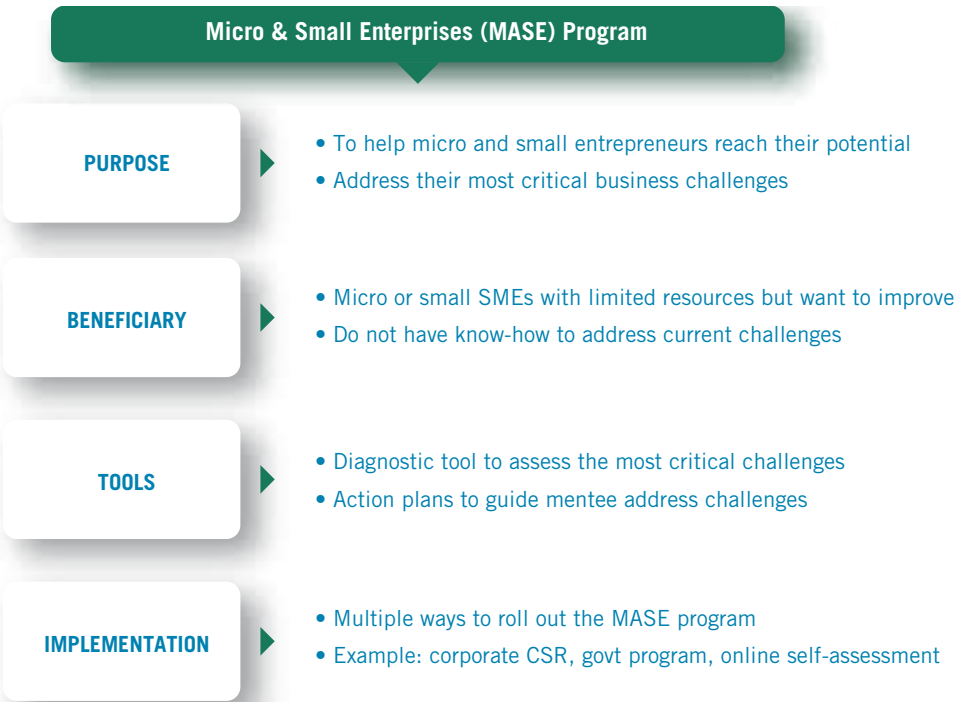
# MASE PROGRAM FOR EKUINAS CSR ENTREPRENEUR CAPACITY BUILDING INITIATIVE BY THE BOSTON CONSULTING GROUP (BCG)

## WHAT IS MASE?

The Micro and Small Enterprise (MASE) program is a mentorship program designed to support micro and small enterprises in Malaysia. The program brings together experienced business owners and professionals to mentor promising micro and small entrepreneurs within a structured environment, using innovative tools to help struggling entrepreneurs reach their full potential.

The objective of the program is to identify the most critical business challenges faced by participating entrepreneurs and address the issues in a structured manner, leveraging the mentor-mentee relationship outlined in MASE.

*Exhibit 1: Summary of the MASE program*



Two major tools have been developed to achieve the program objectives of MASE:

- 1) Diagnostic Health Check: a simple questionnaire designed to identify the most critical business challenges faced by micro and small entrepreneurs e.g. declining customer base, uncompetitive pricing, inadequate marketing etc; and
- 2) Action Plans: a set of framework-based solution guides created to address typical business challenges faced by micro and small enterprises, including planning and monitoring templates to manage the solution implementation.

### WHY WAS MASE DEVELOPED?

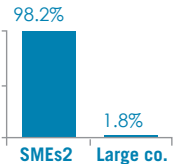
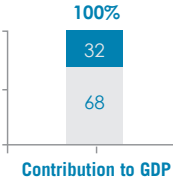


Micro and small enterprises play an enormous role in Malaysia, making up an estimated 95% of private businesses, and responsible for nearly a third of Gross Domestic Product (GDP). Unfortunately, these entrepreneurs also face very high failure rates. Some of the major challenges they face include lack of marketing knowledge and limited access to financing, among many other issues.

In 2013, Ekuinas and BCG joined forces to tackle this problem. The partnership was spurred by the desire of both organisations to make meaningful contributions to the Malaysian economy by supporting a critical but overlooked business group. BCG supports a local social impact cause each year. Last year marked BCG's 50th anniversary and to celebrate, the company wanted to support a special cause. Micro and small entrepreneurs are the heartbeat of the Malaysian economy. Helping this group to become self-sufficient was a worthy challenge. BCG dedicated a team on a pro bono basis to work jointly with Ekuinas to develop a solution.

*Exhibit 2: Challenges of SMEs in Malaysia*

#### SMEs are critical to Malaysian economy...

#### ... but they need our help

<p>98% of all businesses are SMEs<sup>1</sup></p>		<p><b>Access to finance</b></p>	<ul style="list-style-type: none"> <li>• 29% indicate this as main obstacle to growth &amp; innovation</li> </ul>
<p>Contributing 32% to GDP</p>		<p><b>Product</b></p>	<ul style="list-style-type: none"> <li>• &lt; 10% of SMEs innovate on their branding, design and packaging</li> </ul>
<p>Employing 59% of private sector</p>		<p><b>Hiring staff</b></p>	<ul style="list-style-type: none"> <li>• 62% find it difficult to hire staff</li> <li>• 74% provide little/ no staff</li> </ul>
<p>However, productivity is 1/4th of Singapore SMEs</p>		<p><b>Use of IT &amp; technology</b></p>	<ul style="list-style-type: none"> <li>• Only 28% use e-Commerce</li> <li>• 46% have no company website</li> </ul>

<sup>1</sup> SME Census 2011 Malaysia; SME Masterplan 2012-2020

# MASE PROGRAM FOR EKUINAS CSR ENTREPRENEUR CAPACITY BUILDING INITIATIVE BY THE BOSTON CONSULTING GROUP (BCG)

To test the concept, the team conducted a pilot program with five entrepreneurs, using the results to continuously refine the program. The candidates included a cobbler, a souvenir retailer, a traditional craftsman, a travel agency and a Malaysian textile artisan.

*Exhibit 3: Micro and small enterprises that participated in the pilot program*

Name	BIBAH SONGKET	TANOTI	ISHMAEL	GADIS MANIS	AL QUDS
Type	Intermediate	Intermediate	Basic	Intermediate	Advanced
Industry	Handicraft	Handicraft	Service	Retail	Travel
Products	Songkets	Songkets	Shoe repair	Souvenirs & gifts	Tours, flights

## WHO ARE THE INTENDED BENEFICIARIES?

Target beneficiaries of the MASE program are micro and small entrepreneurs with a promising business model that is potentially scalable. They can range from rural farmers to craftmakers and shopkeepers.

There are four main criteria for entrepreneurs to qualify for this program:

- 1) **Size:** limited to micro or small enterprises;
- 2) **Ambition:** willingness to improve their business, including making difficult tradeoffs e.g. implement standardised processes, reduce cost structure, employ marketing strategies to grow customer base, etc
- 3) **Need:** clear necessity for fundamental support

- 4) **Attitude:** open-minded and willing to work closely with mentor and program facilitators to diagnose and implement the recommended solutions. Moreover, willingness to give back to the MASE program by mentoring other entrepreneurs in similar circumstances.

## HOW DOES IT WORK?

The mentorship program is administered in two major steps:

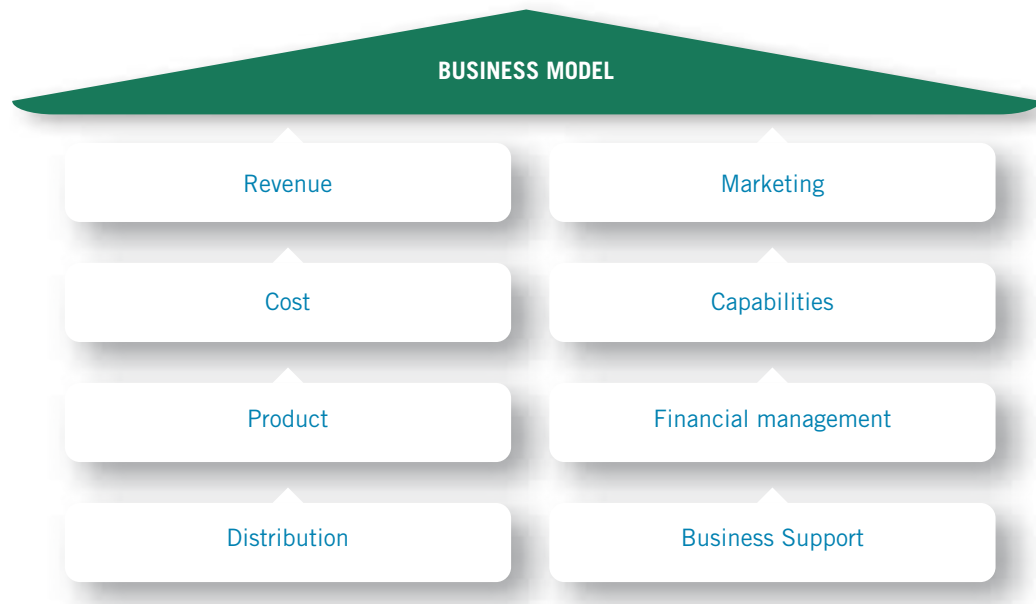
- 1) Diagnostic Health Check to identify the top three critical challenges; and
- 2) Creation of specific action plans to address the major challenges that are identified.

**1. Diagnostic Health Check**

The mentor begins by understanding the fundamentals of the mentee’s industry, either through personal experience or discussions with people familiar with that industry. The mentor then meets with the mentee to conduct the MASE Diagnostic Health Check and identify their most critical challenges.

The Health Check was developed through in-depth analysis of SME business plans and case studies, including input from successful micro and small entrepreneurs. It was further refined to incorporate practical experience from local micro and small enterprises that participated in the pilot program. Based on this comprehensive analysis, the team created a framework that captures the major issues faced by micro and small enterprises within nine business functions and activities.

*Exhibit 4: Diagnostic Framework*



The MASE Diagnostic framework is a short questionnaire that tests nine business functions and activities covering 19 potential challenges in total. Each challenge is further tested using five easy questions that require simple “yes” or “no” responses from the mentee. The more “yes” responses indicate the severity of the challenge.

# MASE PROGRAM FOR EKUINAS CSR ENTREPRENEUR CAPACITY BUILDING INITIATIVE BY THE BOSTON CONSULTING GROUP (BCG)

In essence, without the mentee's awareness of which particular challenge is being tested for, the mentor runs the mentee through the entire questionnaire. This methodology was designed to reduce the mentee's personal bias on what the issues are in the business, to ensure a fresh and objective perspective. The questionnaire usually takes about 1-2 hours to complete.

*Exhibit 5: MASE Diagnostic Health Check questionnaire*

## Example of business model hypothesis

**Business Model**

**1 Do you have business model challenges?**

Yes / No

My business is often losing money

The market for my products is shrinking

It is very difficult to grow my sales

I am finding it difficult to attract new customers

I cannot decrease my costs much further

Total number of "Yes"

**4 Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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- 1 Hypothesis to be tested
- 2 Specific questions to test the hypothesis
- 3 Tallying of the answers
- 4 Space to write comments



## Hypothesis-driven questions to test business issues

**Revenue**

**Do you need to change prices to increase revenue?**

Yes / No

Compared to my direct competitors my sales are low

I find it difficult to sell more products to the same customers

I price my products on a cost-plus model (cost + profit margin)

For similar products, my prices are different from my competitors

My products are distinctive enough from my competitors to justify a higher price

Total number of "Yes"

**4 Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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**Cost**

**Do you need to reduce your variable costs?**

Yes / No

My profit margins are low

It's difficult to increase prices

My material or direct labour costs are too high

Utilities and other direct cost to make each product is too high

There is a potential to reduce variable costs without affecting my product quality

Total number of "Yes"

**4 Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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## Hypothesis-driven questions to test business issues (cont'd)

### Product

**Product**

**Do you need to carry different quality of products?**

Yes / No

- My customers seek higher or lower quality products than what I carry
- My customers typically buy these different quality products from my competitors
- I am technically able to produce higher/lower quality products that customers want
- The market for these different quality products is larger
- I have the capability to serve this market profitably

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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### Distribution

**Distribution**

**Do you need to change your location?**

Yes / No

- My customer base is not large enough
- Customers find my location inconvenient or difficult to find
- My competitors at better locations have more customers
- It is important for me to be located near my customers
- It is feasible to move to a new location (flexible lease and low moving cost)

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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### Marketing

**Marketing**

**Do you need to create or improve your brand?**

Yes / No

- My products are not the cheapest in the market so brand is important for me
- I don't dedicate enough time to establish or strengthen my brand
- My products have unique selling points but many customers are not aware of it
- Competitors with stronger brands have more customers and charge higher prices
- I often have to discount my products to attract customers

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

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### Capabilities

**Capabilities**

**Do you need to improve managerial capabilities?**

Yes / No

- I don't spend time on a monthly basis on business planning
- There are no written management roles and responsibility guidelines
- I find it difficult to delegate responsibilities to my employees
- Employees are not clear on who the right decision maker is for certain issues
- I find it difficult to motivate my employees

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

The BOSTON CONSULTING GROUP

### Financial Management

**Financial Management**

**Do you need to learn how to access financing?**

Yes / No

- I have a profitable business and would like to grow it
- I don't have the cash needed to finance growth
- I am not aware of the different ways to access money to grow my business
- I don't understand what typical investors look for in a business before investing
- I don't know what banks typically require before giving loans

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

The BOSTON CONSULTING GROUP

### Business Support

**Support**

**Do you need better business processes?**

Yes / No

- I don't have written processes for my business
- If I don't come to work, my employees will have difficulty running the business
- I don't have written job descriptions for my employees
- My employees routinely come to me for simple decisions
- Standard processes can improve efficiency and lower my costs

Total number of "Yes"

**Additional comments**  
(Please ask interviewee to describe these challenges in the context of the business if he/she has answered "yes" to three or more questions)

The BOSTON CONSULTING GROUP

# MASE PROGRAM FOR EKUINAS CSR ENTREPRENEUR CAPACITY BUILDING INITIATIVE BY THE BOSTON CONSULTING GROUP (BCG)

The mentor concludes the questionnaire by tallying up the results and identifying three of the most critical challenges based on the number of “yes” responses per question.

*Exhibit 6: Example of diagnostic results from a pilot program participant*

Business model	
• Do you have business model challenges <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>	
Can you increase revenues	Is there room to improve marketing
• Do you need to change prices to increase revenue <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>	• Do you need to create or improve your brand <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>
• Do you need to increase volume to raise revenue <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>	• Do you need to do more marketing <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>
Can you reduce costs	Do you need to improve capabilities
• Do you need to reduce your fixed costs <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>	• Do you need to improve managerial capabilities <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>
• Do you need to reduce your variable costs <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>	• Do you need to improve employee capabilities <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">0</span>
Do you have product portfolio issues	Do you need to improve financial management
• Do you need to change your product range <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">1</span>	• Do you need to improve financial management <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">0</span>
• Do you need to carry different quality of products <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">0</span>	• Do you need to learn how to access financing <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">1</span>
Do you need new distribution channels	Do you need to improve business support
• Do you need to improve your location <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span>	• Do you need better systems <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">1</span>
• Do you need to improve your distribution channels <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">4</span>	• Do you need better business processes <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span>





## 2. Action Plans

Upon identifying the three critical challenges in the mentee's business, the mentor analyses the issues to determine the root cause. He reflects on the conversations he had with the mentee, consults the framework-based action plans in the MASE program, and incorporates his own business and industry experience to formulate a practical solution for each of the three critical challenges. The final solution is developed collaboratively with the mentee to ensure buy-in. To articulate the solution for each challenge in an easy-to-follow format, the following templates have been created:

**Exhibit 7: Resources created for MASE Action Plans**



## WHAT DO WE HOPE TO ACHIEVE?

The MASE program was created to support micro and small enterprises to reach their full potential. In a highly volatile and competitive business environment many micro and small enterprises with good products and services often face business challenges they are not equipped to address. Although micro and small enterprises constitute 95% of all business in Malaysia, the level of resources and support available to this group today is disproportionately low.

The MASE program aims to fill this gap by creating a support network – connecting micro and small enterprises with experienced mentors to improve their probability of success. Both the mentor and the mentee are given access to innovative tools that were created specifically to address the business challenges of micro and small enterprises.

The positive feedback received from entrepreneurs who participated in the pilot program is early indication that MASE has the potential to achieve its goals. By receiving an objective evaluation of the most critical challenges in their business and practical solutions to improve the situation, the entrepreneurs are not only given a chance to make their businesses more sustainable, but also to grow and contribute further to the Malaysian economy.

Contributed by the BCG Team:

- Ms Nor Azah Razali, Partner and Managing Director
- Mr Palash Ahmed, Project Leader
- Ms Amy Zheng
- Mr Subhen Jeyaindran



### BCG SOUTH EAST ASIA

#### ABOUT BCG:

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises.

Our customised approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organisation. This ensures that our clients achieve sustainable competitive advantage, build more capable organisations, and secure lasting results. Founded in 1963, BCG is a private company with 79 offices in 44 countries. For more information, please visit [bcg.com](http://bcg.com).



# GOVERNANCE

- Statement on Corporate Governance
  - Statement on Risk Management and Internal Control
  - Audit Committee Report
  - Disclosure Policy
- 

# 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 Securities Berhad (Bursa Malaysia) or the Malaysian Code on 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 2012) as well as EkuiNAS' Disclosure Policy and include the Statement on Corporate Governance, Statement on Risk Management and Internal Control, and Audit Committee Report.

These statements, where applicable, have all been prepared in adherence to the Bursa Malaysia Listing Requirements and the Malaysian Code on Corporate Governance (Revised 2012) and will hopefully 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, who are indirectly, the ultimate shareholders of the Company. However, for the purpose of this report, we have categorised directors who are currently not in government service (and have not been in service for the last two years), as Independent Directors, being independent of the Management and free from any business or other relationship which could interfere with the exercise of independent judgement. All of the other directors outside this definition are accordingly deemed as Non-Independent Directors.

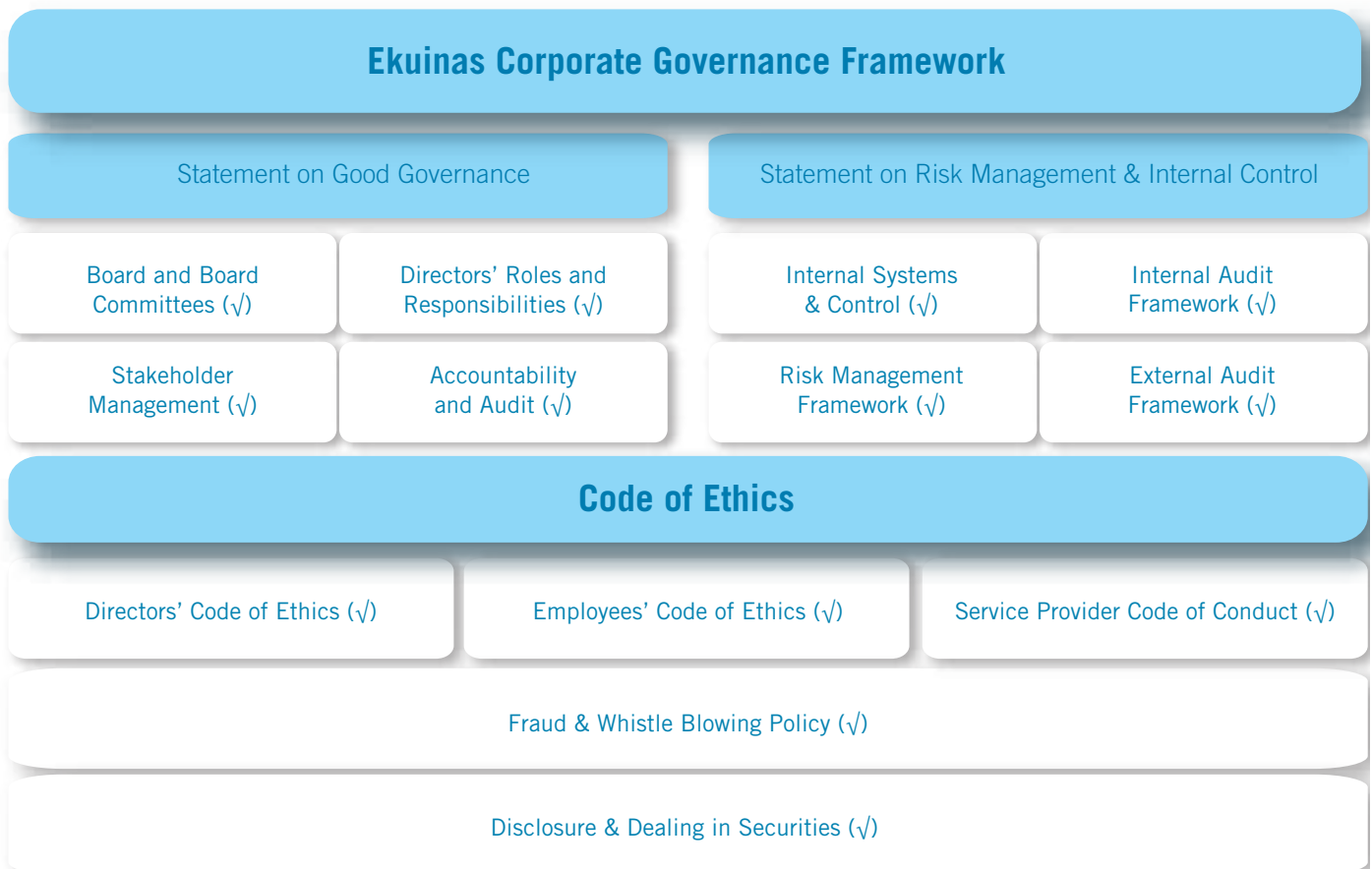
## EKUINAS CORPORATE GOVERNANCE FRAMEWORK

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 the Ekuinas Corporate Governance Framework at the Company level while advocating good governance practices within that Framework to all portfolio companies.

A pragmatic corporate governance framework has been developed, approved by the Board and adopted by Ekuinas based on the following principles:

- i. To promote greater transparency, accountability and responsiveness;
- ii. To reinforce long term value creation and strike a balance between risks and returns; and
- iii. To encourage innovation and entrepreneurship within the Company through efficient oversight and risk management framework.



**Note:**

(✓) Completed and approved by the Board

# STATEMENT ON CORPORATE GOVERNANCE

Ekuiнас acknowledges the critical roles played by the Board members and the Management to formulate and determine Ekuiнас' direction and operations. Ekuiнас is led and managed by experienced and skilful Board members with varied backgrounds ranging from the Government and private sectors and who are essential for the overall strategic direction of Ekuiнас.

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

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

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

This statement provides a description on how Ekuiнас has applied the key principles and recommendations of good practices in line with the Malaysian Code on Corporate Governance (Revised 2012) (the Code) and other requirements such as:

- i. Bursa Malaysia's Main Market Listing Requirements (MMLR);
- ii. Corporate Governance Guide: Towards Boardroom Excellence (CG Guide) issued by Bursa Malaysia Berhad; and
- iii. Corporate Governance Blueprint by Securities Commission.

## BOARD RESPONSIBILITIES AND LIMITS OF AUTHORITY

Ekuiнас has established the Limits of Authority which reserve full decision-making powers to the Board on specific matters such as:

- i. The acquisitions and disposal of investments;
- ii. The Company's annual plan, budget and strategy;
- iii. Key policies, procedures and delegation of authorities; and
- iv. Changes to Senior and Executive Management.

The Limits of Authority also stipulate the delegated authorities and approval limits for key decisions, operating and capital expenditures and the procurement of goods and services. 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.

The adopted Board/Governance Charter sets out the key values, principles and ethos of Ekuiнас. In this regard, the Board/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.

## 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:-

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

The 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 and their salient Terms of Reference (TOR) are provided below:-

a. Audit Committee

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

*Chairman:*

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda

*Members:*

Tan Sri Dato' Seri Mohamed Jawhar Hassan  
Datuk Noriyah Ahmad

Further details on the TOR and summary of activities of the Audit Committee during the financial year are set out on pages 148 to 150 of this Annual Report.

b. 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 Hassan

*Members:*

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda  
Tan Sri 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 131.

**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;
- to assess the size and composition of the Board to facilitate nomination of Board candidates; and
- to assist the Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, the committees of the Board and the individual director on an annual basis.

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

- to determine and recommend to the Board the framework or broad policy for the remuneration package of the Company's Chief Executive Officer (CEO), and such other members of the Management as it is designated to consider;
- to establish a formal and transparent procedure for developing 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

# STATEMENT ON CORPORATE GOVERNANCE

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

## e. Meetings

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

## Summary of Activities in 2013

During the financial year ended 31 December 2013, the NRC undertook a number of key activities as listed below:

- Review and approval of the Succession Planning Report;
- Assessment of the Independent Directors;
- Considered and made recommendation to the Board on the achievement of Ekuinas Key Performance Indicators (KPI), Bonus Payout and Merit Increment for FY2012; and
- Review of Proposed KPI Framework for the FY2013.

## c. Investment Committee

The Investment Committee is made up of members of the Senior Management of the Company and one Independent Non-Executive Director. This structure is 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 key responsibilities and functions of the Investment Committee include:

- approving for recommendation all investment and divestment decisions made by Ekuinas;
- approving all decisions pertaining to the management of all investments made by Ekuinas; and
- review of the quality and reliability of all financial information in respect of all investments.

d. CSR Investment Committee

The CSR Investment Committee (CIC), which is chaired by an Independent Non-Executive Director and consists of the Senior Management, was established in 2013 to ensure independent assessment and good governance during disbursement of funds for the Bumiputera Entrepreneur Capacity Building programme, which is an investment oriented CSR programme under the overall CSR framework. Details of the CSR framework and activities are set out on page 98 to 120 of the Annual Report.

The key responsibilities and functions of the CIC include:

- appointing the Process Owner(s) for the programme;
- approving budgetary proposal for any project under the programme, overall implementation as well as reviewing the effectiveness of the programme; and
- reviewing and approving the programme's annual plan which must be within the overall budget approved by the Board.

e. Risk Management Committee

The Risk Management Committee (RMC), which is chaired by the CEO and consists of the Senior Management, was established in 2011 to assist the Board in discharging its functions with regard to risk management issues of Ekuinas. While the risks reported do not purport to represent every business risk faced by Ekuinas, the objective of the risk reporting is to identify major business risks and outline key steps taken to mitigate these risks involving Ekuinas as an organisation as well as its portfolio companies.

## CODE OF CONDUCT

Ekuinas has adopted the Directors' Code of Ethics for all the Directors of Ekuinas which are based on principles of sincerity, integrity, responsibility and corporate social responsibility. The adoption of the Directors' Code of Ethics formalises the ethical values throughout the Company and ensures its compliance.

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

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

# STATEMENT ON CORPORATE GOVERNANCE

## Employees' Code of Ethics and Service Provider Code of Conduct

The Employees' Code of Ethics and Service Provider Code of Conduct has been formalised and adopted for the employees and Ekuinas' service providers to encourage high standards of conduct that are associated with ethical business practices. These policies provide guidance on the standards of behaviour expected of all employees and business partners and expressly state the consequences for violations which may include termination of employment/service and dismissal.

## Anti-Fraud and Whistleblowing Policy

To reinforce the culture of good business ethics and governance across the Company, a whistleblowing policy was introduced which provides employees with an accessible avenue to report in good faith any suspected wrongdoing. This includes suspected fraud, misappropriation of assets, sexual harassment, criminal breach of trust, corruption, questionable or improper accounting, misuse of confidential information and acts or omissions which are deemed to be against the interest of the Company, breaches of laws, regulations or public policies, breaches of any Company policies and the Employees' Code of Conduct or deliberate concealment of any of the said matters. This policy addresses the Company's commitment to integrity and ethical behaviour by helping to foster and maintain an environment where employees can act appropriately without fear of punishment.

## ACCESS TO INFORMATION AND INDEPENDENT ADVICE

To assist the Board in discharging its duties, the Management furnishes comprehensive investment and financial reports on a regular basis. As a practice, Management endeavours to forward the meeting agenda together with a set of Board papers containing information relevant to the matters deliberated at the Board meeting 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, the following:

- i. Minutes of meetings of the previous Board;
- ii. Minutes of meetings of all previous Committee meetings of the Board;

- iii. Report on Matters Arising;
- iv. Report on matters requiring the Board's deliberation and approval;
- v. Quarterly financial report and report on investment performance of the Company; and
- vi. 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 where necessary to ensure they are appraised on key business, operational, corporate, legal and industry matters.

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.

## 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), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. None of the independent directors has exceeded the cumulative term of nine (9) years of service.

The current structure of the Board and integrity of the individual Directors ensure that no single individual or group dominates the decision-making process. Two-thirds of the Board members are Independent Non-Executive Directors, exceeding the one-third requirement as set out in the Code and the Main Listing Requirements, reflecting the commitment of the Board to maintain a strong representation of independent Directors on the Board as well as to ensure objectivity on all issues deliberated.

The Board is led by active and experienced Board members with diverse 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 Board is of the view that the above size would be the optimum size for the Board to function effectively, taking into consideration the scale of the Company's operations.

#### Appointments to the Board and Re-election of Directors

The size and composition of the Board are reviewed from time to time by the Nomination and Remuneration Committee (NRC), which seeks to ensure that the size of the Board is conducive for 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.

The NRC 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 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.

The NRC's membership is purely Non-Executive and Independent Directors. Details on the scope and functions of the NRC can be found on page 125 to 127 in the Statement on Corporate Governance.

#### 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 2013, with categorisation into appropriate components are as follows:-

Remuneration (RM)	Executive Director	Non-Executive Directors
Fees	-	RM315,000
Allowances and other benefits	-	RM88,500
Salary and other remuneration		
• Salary and other emoluments	RM987,840	
• Variable bonus	RM419,760	
• EPF contribution	RM238,061	

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

Range of remuneration (RM)	Executive Director	Non-Executive Directors
RM50,000 – RM100,000		5
RM1,500,000 – RM1,650,000	1	

# STATEMENT ON CORPORATE GOVERNANCE

## MAINTAINING AN INDEPENDENT, STRONG AND EFFECTIVE BOARD

Performance evaluation of the Board provides an effective avenue to assess not only the independent directors but also the Board's overall performance. It also brings to light improvement areas and remedial actions on the Board's administration and process. The latest formal evaluation was conducted on the Board's performance in 2012.

The Company has adopted the **Board Effectiveness Evaluation (BEE)** methodology which focuses on, among others:

- i. Board performance evaluation – responsibilities, composition, administration and process, conduct, interaction and communication, Chairman and CEO effectiveness;
- ii. Individual Board Committee performance evaluation – structure and processes, accountabilities and responsibilities, Committee Chairmen effectiveness; and
- iii. Benchmarking of the Board's evaluation results against peers for additional insights on Board strengths and issues.

The BEE involved completion of questionnaires by all Board members on the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees, namely the Audit Committee, the Nomination and Remuneration Committee and the Investment Committee.

To ensure integrity and independence of the appraisal process, PwC Advisory Services was engaged as an Independent Adviser to facilitate the evaluation process, tabulate and report the results of the evaluation to the Chairman. A summarised report was also presented to the Board.

In addition, the Board, through the NRC, conducted during the financial year independence assessments on all Independent Directors. The independence assessment criteria are guided by the definition of "independent director" as prescribed by Bursa Malaysia MMLR. Moreover, all Directors also submit an annual declaration of compliance to the Directors' Code of Ethics.

### Independence and Balance of Power

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.

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 acting in Ekuinas' best interest.

They 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.

Profiles of the Board members are highlighted on pages 46 to 51 of this Annual Report.

## 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 the senior management of portfolio companies for discussion on strategic matters, performance or any issues relating to specific business areas.

The schedule for the board meetings is communicated to all members before the start of each financial year to plan and secure the time commitment from all the Directors.

### Attendance at Board and Board Committee Meetings

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

Name of Director	Board	AC	NRC	IC
	No. of Meetings Attended			
Raja Tan Sri Dato' Seri Arshad Raja Tun Uda	6 out of 6	5 out of 5	1 out of 1	-
Tan Sri Dato' Seri Mohamed Jawhar Hassan	6 out of 6	5 out of 5	1 out of 1	-
Tan Sri Mohamed Azman Yahya	6 out of 6	-	0 out of 1	5 out of 5
Datuk Dr. Rahamat Bivi Yusoff	3 out of 6	-	-	-
Datuk Noriyah Ahmad	6 out of 6	5 out of 5	-	-
Dato' Abdul Rahman Ahmad	6 out of 6	-	-	5 out of 5

#### Notes

1. AC – Audit Committee
2. NRC – Nomination and Remuneration Committee
3. IC – Investment Committee

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

### 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.

The development and training programmes attended by the Directors as well as their participation as speakers at local and international conventions on topics relevant to their roles during the financial year ended 31 December 2013 are set out on pages 132 to 134 of the Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

## Training Programmes Attended by Directors for the Financial Year Ended 31 December 2013

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

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Leadership practices for building an agile and sustainable talent pool	Ramon Chelva – PwC Organised by Maxis Berhad	25 February 2013
Leadership Reflection	Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz – Bank Negara Malaysia	30 April 2013
Leadership, Health & Wellness	Dato' Venugopal Balchand – Pantai Health Center  Organised by ICLIF Leadership & Governance Center	
Educators as the Catalyst Transformation Learning	Various Speakers – Organised by Yayasan Amir	24 - 26 August 2013
Entertainment & Media Outlook 2013/2014	Michael Graham – PwC Organised by Maxis Berhad	24 September 2013
The Future is Here – Engaging the New Malaysian	Sajith Sivanandan – Google Malaysia Organised by Maxis Berhad	24 September 2013
Trust Schools & Visible Learning	Professor John Hattie – University of Melbourne Organised by Yayasan Amir	28 September 2013
Khazanah Megatrends Forum	Various Speakers Organised by Khazanah Nasional Berhad	30 September – 1 October 2013
SME Business Conference	Various Speakers Organised by Maxis Berhad and SME Publication Malaysia	2 October 2013

## Tan Sri Dato' Seri Mohamed Jawhar Hassan

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Seminar on Directors Duties, Regulatory Updates, Governance for Director of PLC's	Affin Bank	29 January 2013
ASIC Annual Forum 2013	Securities Commission	24 March 2013
Training and Development by MPB – Leadership Series by Dr Pawan Agrawal, CEO Mumbai Dabbawalas	Media Prima Berhad	1 April 2013
Affin Investment Conference Series: Malaysia at Crossroads – Where to from here?	Affin Bank	18 April 2013
Seminar Pencegahan Wang Haram & Pembiayaan Keganasan (AML/CFT) 2013	Financial Institution Director's Education programme (FIDE)	25 April 2013
Special Dialogue & Presentation Session on ASEAN Corporate Governance Scorecard 2013	MSWG	13 June 2013
MPB BOD Training – The Creative Economy – How People Make Money from Ideas by John Howkin	Media Prima Berhad	20 June 2013
Affin Investment Conference Series 2013: "The Way Forward – Towards Sustainable Economic Growth & Competitiveness"	Affin Bank	2 July 2013
11th NEAT Annual Conference	ISIS Malaysia	26 – 27 August 2013
WCMC Conference	Securities Commission	22 October 2013

## Tan Sri Mohamed Azman Yahya

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Guest speaker for Westports Sdn Bhd Management Development Lecture Series	Westports Sdn Bhd	28 May 2013
Khazanah Mid Year Retreat 2013 & Khazanah's Strategic Planning Group: Talk by Tan Sri Dato' Seri Nor Mohamed Yakcop entitled 19 Going On 20, What Kind of Khazanah is Required to Reach 2020?	Khazanah Nasional Berhad	7 June 2013
South East Asian Motorsports Business Forum 2013, SIC	Sepang International Circuit Sdn Bhd	10 October 2013
Luncheon Talk by Tan Sri Andrew Sheng on Global Economic Outlook, Khazanah	Khazanah Nasional Berhad	10 December 2013
Talk on the implementation and impact of the Personal Data Protection Act 2010 (PDPA), Symphony Life Berhad	Symphony Life Berhad	17 December 2013

# STATEMENT ON CORPORATE GOVERNANCE

## Datuk Dr. Rahamat Bivi Yusoff

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Consultation Meeting of the Malaysia-Thailand Joint Authority (MTJA) and 101st Board Meeting of the Malaysia-Thailand Joint Authority (MTJA), Thailand	Malaysia-Thailand Joint Authority	1 - 2 March 2013
Sidang Kemuncak BIMP-EAGA ke-9 dan Sidang Kemuncak IMT-GT ke-7, Brunei	BIMP-EAGA, IMT-GT Brunei	23 - 26 April 2013
Launch of the Multidimensional Poverty Peer Network, University of Oxford	University of Oxford	6 - 7 June 2013
Intergovernmental Group of Experts on Competition Law and Policy, Geneva, Switzerland	Malaysia Competition Commission	8 - 12 July 2013
Malaysia-Thailand Joint Authority (MTJA), Thailand	Malaysia-Thailand Joint Authority	21 September 2013
2013 Poverty Reduction and Development Forum and Regional Urban Policy Exchange, Beijing, China	United Nations Development Programme	17 - 19 October 2013
Mesyuarat Ketua-Ketua Kerajaan Komanwel (CHOGM), Colombo, Sri Lanka	Ministry of Foreign Affairs, Malaysia	14 - 17 November 2013

## Datuk Noriyah Ahmad

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Financial Language in the Boardroom	Malaysian Directors Academy (MINDA)	21 - 22 May 2013

## Dato' Abdul Rahman Ahmad

Title of Seminar/Workshop/Course	Presenter/Organiser	Date
Mastering Financial Negotiations	Euromoney Training	14 - 15 March 2013
Effective Corporate Mergers & Acquisitions – From Complexity To Execution Excellence	Malaysian Alliance Of Corporate Directors	8 October 2013





## **INTEGRITY IN 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.

The Audit Committee also meets with the external auditors without the presence of Management, and this is a forum at which the external auditors may raise, among other matters, any concern they may have on the compliance aspect of the financial statements.

The Board considers that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

## **INDEPENDENCE OF 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 best practice requirements.

The Board is aware of the potential conflict of interest situation that may arise if the Company's external auditors are engaged to provide other non-audit services to the Company. To mitigate this risk, the external auditors have provided a written confirmation that they have reviewed the non-audit services provided to the Company during the year, and that to the best of the external auditor's knowledge, the non-audit services did not impair the independence of the external auditors. The Company's Annual Report also discloses fees received by the external auditors for non-audit work.

## **MANAGEMENT OF RISKS AND INTERNAL CONTROL**

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

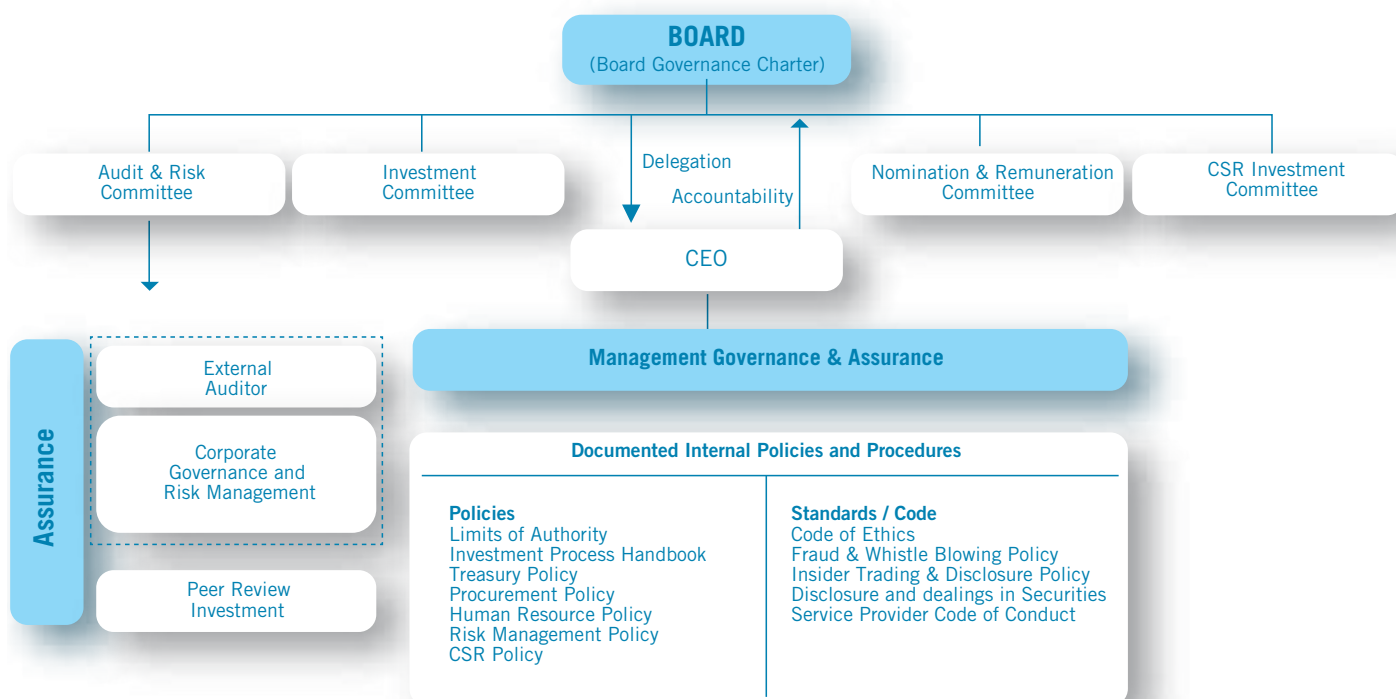
The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Company, is set out on page 138 to 146 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

## Internal Audit Function

The Board empowers Management to achieve business objectives within the boundaries of business ethics and high standards of good governance. The Corporate Governance and Risk Management Department (CGRM), which also operates as an in-house internal audit function, has a direct reporting line to the Audit Committee, which underscores the Company's commitment to ensure the integrity of its governance framework.

The reporting structure of CGRM function is as illustrated below:



## CORPORATE DISCLOSURE POLICIES AND PROCEDURES

Ekuias has developed and adopted disclosure guidelines, which 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. The details of the disclosure policy and framework are set out on pages 152 to 153 of the Annual Report.

As part of the disclosure policy, the Company has disclosed appropriate related party transactions in the financial statements. Details of the current related party transactions

entered into by the Company and its related entities during the financial year ended 31 December 2013 are set out in the Ekuias Annual Report 2013 – Portfolio Reporting and Financial Statements as below:

- i. Ekuiti Nasional Berhad – pages 37-39;
- ii. E-Cap (Internal) One Sdn Bhd – pages 73-75;
- iii. E-Cap (Internal) Two Sdn Bhd – pages 107-109;
- iv. E-Cap (External) One Sdn Bhd – page 135; and
- v. E-Cap (External) Two Sdn Bhd – pages 160-161.

A report by the Audit Committee is provided on page 147 of this Annual Report.

## RELATIONSHIP WITH STAKEHOLDERS

In fulfilling its role and objectives as a government-linked private equity fund management company, Ekuinas deals with a wide 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 their concerns and expectations, and this enables the Company to respond appropriately.

### 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.

### Annual Report

In addition to making media announcements, the Company also provides 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 key principles set out in the Bursa Malaysia MMLR (as far as this is applicable) and the Code.

### Company Website

Other than press releases and announcements, the Company utilises its website as the main communication channel for the Company to disseminate information to the stakeholders and general public. This includes establishing a dedicated section for corporate governance and providing information such as the disclosure policy, annual report, press releases, announcements and other corporate information.

The Company is committed to ensure that the general public have convenient access to the information via its website [www.ekuinas.com.my](http://www.ekuinas.com.my).

Any query regarding Ekuinas may be conveyed to:

### Communications Team

Telephone number : 03-77107171  
Facsimile number : 03-77107173  
E-mail address : [info@ekuinas.com.my](mailto:info@ekuinas.com.my)

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 13 March 2014.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (the Board) is pleased to present this Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of Bursa Malaysia's Main Market Listing Requirements (MMLR). This is to promote good corporate governance and best practices, notwithstanding the fact that the MMLR is not applicable to the Company.

To prepare this Statement, the Board has been guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by The Institute of Internal Auditors Malaysia with the endorsement of Bursa Malaysia.

## RESPONSIBILITY

The Board, in discharging its responsibilities, is fully committed to maintaining a sound risk management and 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 and not absolute assurance against material losses, fraud, misstatements or breaches of laws or regulations.

The Audit Committee (AC) is established by the Board with the principal responsibilities for risk management and internal control oversight; which is assisted by the Risk Management Committee (RMC) to perform its duties.

The Board has also formalised an on-going process for identifying, evaluating and managing significant risks faced by the Company. This is embedded in our Corporate Governance Framework which includes the Risk Management Framework and Policy, the Internal Audit Charter and the Internal Systems and Controls Framework.

The CEO and Senior Management play an integral role in assisting the Board with 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.

## Adequacy of Risk Management and Internal Control System

The Board has been assured by the CEO and CFO that the Company's risk management and internal control systems are operating adequately and effectively in all material aspects for the financial year under review and up to the date of approval of this Statement.

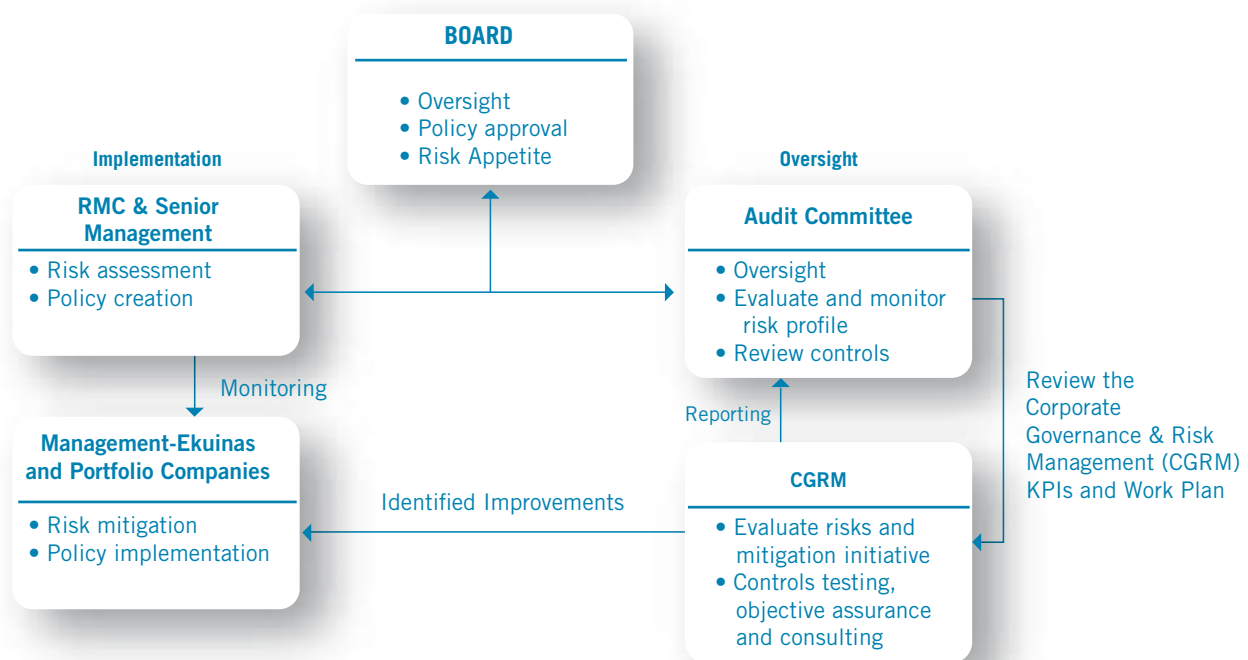
## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

The risk management and internal control system and structure is summarised as follows:



### Audit Committee (AC)

The Board, through the AC, oversees all of the risk management and internal control activities within the Company. Amongst the principal responsibilities of the AC are to ensure the Risk Management Framework is soundly implemented, evaluate risk exposures and review internal control issues highlighted by the Corporate Governance & Risk Management (CGRM) department, the Management, and the external auditors; and review the CGRM functions and work plan. The CGRM department, which maintains the internal audit function for the Company reports directly to the AC.

The AC is wholly comprised of Independent Non-Executive 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.

### Risk Management Committee (RMC)

The RMC, which is chaired by the CEO and consists of the Senior Management, was established in 2011 to assist the Board in discharging its functions with regard to the risk management. While the risk reporting is not purporting to represent every business risk faced by Ekuinas, the objective of the risk reporting is to identify major business risks and outline key steps to mitigate these risks involving Ekuinas as an organisation as well as its portfolio companies.

All major risks identified are individually assessed and ranked according to their potential impact and likelihood of occurrence in accordance with the Company Risk Rating Framework as per the approved Ekuinas Risk Management Policy.

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

- review and recommend risk management policy and reports for approval by the AC and the Board;
- monitor the risk exposure of the Company and portfolio companies and recommend actions where necessary;
- review on a quarterly basis the overall performance of the portfolio companies, initiatives undertaken and major business risks; and
- review any significant risks and exposures that exist and assess the initiatives undertaken by the Management and Portfolio companies to mitigate the risks.

In line with the above responsibilities, four (4) RMC meetings were held throughout the financial year 2013. The resulting quarterly Risk Management reports were presented and approved by the AC and the Board.

## Corporate Governance and Risk Management (CGRM) Department

The role of CGRM is to assist the AC and the Management of the Company in the effective discharge of their responsibilities by establishing cost-effective internal controls, assessing risks, recommending measures to mitigate those risks and assuring proper governance process. As an integral part of this process, CGRM will furnish the AC with independent analyses, appraisals, counsel and information on the activities they review.

The key activities undertaken by CGRM that add value to the Company and Portfolio Companies are as follows:-

- **Reviewing Objectives and Activities**  
Review the operational activities and ensure the principal objectives are aligned to the overall business objectives.

- **Evaluating Risk**  
Identify all auditable activities and relevant risk factors, and assess their significance.
- **Confirming Financial and Non-Financial Information**  
Research and gather information that is competent, factual and complete.
- **Analysing Operations**  
Analyse and examine current operations to assess its effectiveness and, if relevant, to make requisite recommendations.
- **Providing Assurance on Compliance**  
Provide assurance on compliance to statutory requirements, laws, company policies and guidelines.
- **Recommending Internal Controls**  
Recommend appropriate controls to overcome deficiencies and enhance operations.
- **Assuring Safeguards**  
Evaluate procedures in place to safeguard company assets.
- **Consulting and Facilitating**  
Assist in establishing a proper risk management framework, assessing risks and monitoring the effectiveness of the risk management programme and ensuring the adequacy of the internal control system.
- **Ad hoc and Special Assignments**  
Carrying out investigations and ad hoc reviews requested by the Management and/or the Audit Committee.

The CGRM Annual Plan and KPIs are reviewed and approved by the AC and the Board, and the results of audits are communicated and reported periodically to the Management and the AC.

## RISK MANAGEMENT AND INTERNAL CONTROL ACTIVITIES

### Risk 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 risks. These four risks are not exhaustive and the investment risks are considered the most critical business risks within the Company.



Strategic risks which include external environment, market and industry, regulatory and stakeholder management are managed through regular and ongoing monitoring of key economic indicators, industry outlook and regulatory developments as well as periodic engagement and update with the Government. Adoption and implementation of the Disclosure, Stakeholder Management and Communication Policies are also part of the risk mitigation plan for strategic risks.

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 would be 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 risks 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 the key investment criteria where the priority sectors are identified based on a transparent screening approach. This framework has been adopted in all investment processes and potential investment transactions.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Investment Framework also incorporates risk management with a rigorous review of risks for all strategic and specific proposal or transactions to ensure risks are identified, analysed, prioritised and managed in a consistent manner.

All investments are subject to thorough scrutiny to ensure that they are in line with the Company’s strategic focus, 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 Reporting

The Risk Management Framework sets out the basis of Ekuinas’ approach to risk management, linking to the strategic and organisation objectives and integration into the Company’s business processes. The Risk Management Report includes an assessment of risk, an evaluation of the effectiveness of the controls in place and the requirements for further controls to mitigate the risks for the Company and all Portfolio Companies. The key elements of the process are:

RISK ASSESSMENT APPROACH		
CONTEXT	FREQUENCY	PROCESS
Ekuinas	Quarterly Update	Quarterly Risk Reporting
Portfolio Companies	Quarterly Update	Quarterly Risk Reporting
Investment Proposals	As Required	Investment Proposal procedures

To ensure review of key risks and mitigating steps for the Company and portfolio companies at RMC meetings and subsequent presentation to the AC and the Board.

To ensure key risks are identified and appropriate risk management activities are performed on an as required basis for all investment proposals.

### 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:-

- Board Committees**

To promote corporate governance and transparency, in addition to the Board, the Company has established the Audit Committee, Nomination and Remuneration Committee and Investment Committee. These Board Committees are established to assist the Board in providing independent oversight of the Company’s management with responsibilities and authorities clearly set out in their respective terms of reference.

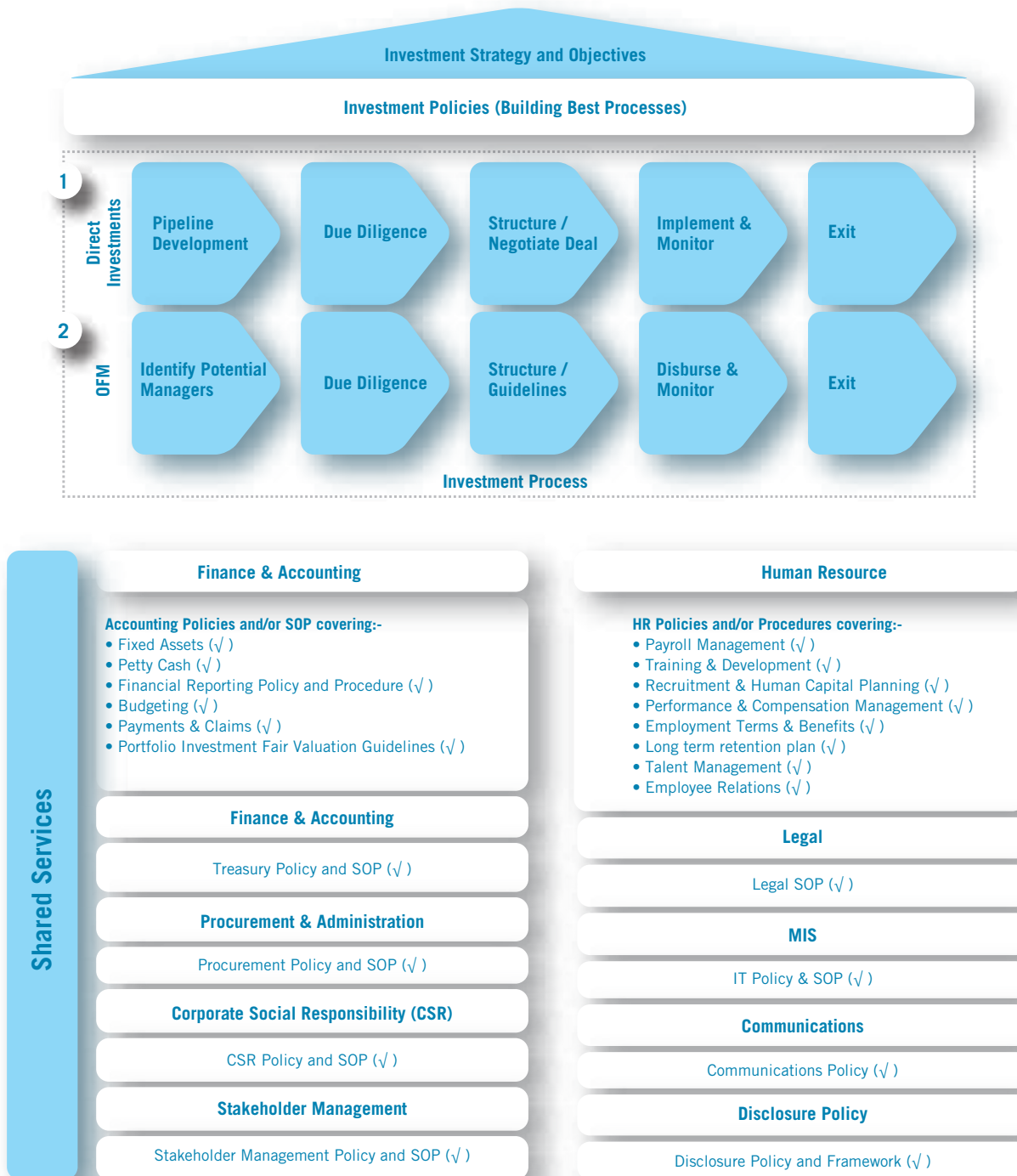
- Policies and Standard Operating Procedures (SOP) Framework**

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 Direct Investments, Outsourced Programme, Finance, Human Resources, Information Technology (IT), Procurement, Legal, Stakeholder Management, Corporate Social Responsibility (CSR) and other key policies and procedures. The SOP Framework for the Company is as illustrated below:



## THE POLICY AND SOP FRAMEWORK

Aligned to the Ekuinas Operating Model



Note :  
(✓) Completed and approved for adoption

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Code of Ethics**

The Board and Senior Management set the tone at the top for corporate behaviour and corporate governance. The Code of Ethics has been formalised and adopted for the Directors and Employees to encourage 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.

- **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 is not limited to termination and preclusion from proposing any work for Ekuinas for a pre-determined period.

- **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. The list of the documented Human Resources SOP is as follows:

- Employment Terms & Benefits;
- Payroll Management;
- Performance & Compensation Management;
- Employee Relations;
- Training & Development;
- Recruitment; and
- Performance and Compensation Management.

- **Information and Communication Technology (ICT)**

Amongst the key components of the SOP Framework is the ICT Policy and Procedure. This is formulated to ensure adequate management control and smooth operations of the Company's ICT matters and also to safeguard the ICT resources, database and information. The guiding principles for the ICT Policy and Procedures are as follows:

- ICT Management and User Policy;
- Security Management;
- E-mail Policy;
- Internet Policy;
- Business Continuity and Recovery Policy;
- ICT Asset Management Policy;
- Change Management Policy;
- Incident Management; and
- ICT Communication Management.

- **Budgeting process**

All departments within the Company are required to prepare budgets annually towards an overall budget and plan that will 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.

- **Financial Reporting Policy and Portfolio Investment Fair Valuation Guidelines**

Amongst the key components of the SOP & Policy Framework are the Financial Reporting Policy and Procedures and Portfolio Investment Fair Valuation Guidelines, which are formulated to ensure adequate management control and smooth operations in the Company's Finance activities. The objective of the SOPs are to ensure that the Company's financial reporting complies with the accounting and regulatory requirement and to ensure valuation is performed as per generally acceptable valuation principles as well as recommendations as stated under the "International Private Equity and Venture Capital Valuation Guidelines" (IPEV Guidelines).

- **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. A list is circulated on a regular basis to all employees highlighting the listed securities that employees are restricted from investing.

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

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

- **Performance Management**

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

- **Training and Development Framework**

It is the Company's policy to train employees at all levels so that they are 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.

- **Corporate Social Responsibility (CSR) Policy and Framework**

The CSR Policy and Framework has been formalised to ensure proper governance of all CSR activities undertaken by the Company according to the guiding principles and framework as approved by the Board.

The Policy serves the following purpose:-

- i. To document the Board and Management's commitment and their expectations of employees' responsibilities while implementing the Company's CSR activities;
- ii. To provide decision-making guidelines for the selection of CSR initiatives; and
- iii. To ensure the Company's CSR activities adequately fulfill the intended objectives and intentions.

In addition, a CSR Investment Committee (CIC) was set up to ensure independent assessment and good governance during the disbursement of funds for the Bumiputera Entrepreneur Capacity Building Programme.

- **Investment Controls**

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Disclosure Policy and Framework**

EkuiNAS' disclosure guidelines were developed based on several industry guidelines including those outlined in the Walker Guidelines Monitoring Group 2007, a private equity monitoring group on transparency and disclosure, following a comprehensive study of disclosures provided by leading private equity companies, sovereign wealth funds and hedge funds around the world. The details of the disclosure policy and framework are set out on pages 152 to 153 of the Annual Report.

## **Review of the Statement by External Auditors**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the year ended 31 December 2013.

Based on the procedures performed, they have reported to the Board that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is factually inaccurate.

Their limited assurance review was performed in accordance with the Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

## **CONCLUSION**

For the financial year under review, based on inquiry, information and assurance provided, the Board is of the view that the risk management and internal control system within the Company is sound and sufficient to safeguard the interests of its stakeholders. There will be continual focus on measures to protect and enhance stakeholders' value and business sustainability.

**This statement is made in accordance with a resolution of the Board of Directors dated 13 March 2014.**

# AUDIT COMMITTEE REPORT

The Board of Directors of Ekuinas is pleased to present the report on the Audit Committee (AC) for the financial year ended 31 December 2013.

## Composition and Attendance of the Audit Committee

The Audit Committee was established in 2010 in line with the Code and Bursa Malaysia MMLR. The Audit Committee members were appointed from amongst the Company's Board members and fulfill the following requirements:-

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

The composition of the Audit Committee and the record of their attendance are as follows:-

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 out of 5	100
Tan Sri Dato' Seri Mohamed Jawhar Hassan	Independent Non-Executive Director	5 out of 5	100
Datuk Noriyah Ahmad	Independent Non-Executive Director	5 out of 5	100

## Meetings of the Audit Committee

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

The CEO, Managing Partner of Investment, CFO, Head of CGRM and external auditor's representatives attend the meetings as and when appropriate. The Audit Committee has also conducted a meeting with the external auditor without the presence of management during the Audit Committee meeting on 6 March 2013 and 19 September 2013.

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

## Objectives

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

# AUDIT COMMITTEE REPORT

## 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.
- 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.

## Authority

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

## 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;
- 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);
- to obtain independent professional or other advice; and
- 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 CFO and the Head 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 external 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.
- 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;
  - 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
  - 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; 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.

## 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.

# AUDIT COMMITTEE REPORT

## 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,
  - 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.
- 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 report presented by the Risk Management Committee on 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 Corporate Governance and Statement on Risk Management and Internal Control prior to their inclusion in the Company's Annual Report;
- Review of and deliberation on 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
- Review and consideration of ad hoc and special reviews conducted by CGRM arising from special requests from Management/Audit Committee.

## 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;

## Internal Audit Function

The Company has an in-house internal audit function which is carried out by the CGRM department. The CGRM Department reports to the Audit Committee and administratively to the CEO. The function has adopted a Corporate Governance 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, and facilitated the risk review and documentation of Ekuinas risk reporting to the RMC and Audit Committee.

CGRM also engages with the management of Portfolio Companies to advocate implementation of good governance

and best practices. Among the key governance initiatives undertaken together with the management of Portfolio Companies are the review and update of the limits of authority for approval and adoption, assisting in the setting up of in-house internal audit unit in the Portfolio Companies (where applicable) and assisting them in various controls and governance improvement initiatives where necessary.

The summary of the key governance initiatives carried out at the portfolio companies post Ekuinas acquisitions are highlighted below.

Portfolio Companies	Limits of Authority (LOA)	EXCO and BOD	Corporate Governance Framework	SOP Framework	In House Internal Audit/ Compliance	Risk Management Policy and Framework	Review Papers Pre Audit Committee/ EXCO Meeting	Process Improvements Review
	✓	✓	ongoing	✓	✓	ongoing	—	✓
	✓	✓	✓	ongoing	✓	ongoing	✓	✓
	✓	✓	✓	ongoing	✓	✓	✓	ongoing
	✓	✓	ongoing	ongoing	—	ongoing	ongoing	—
	✓	✓	✓	✓	✓	✓	✓	—
	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓	ongoing	ongoing	ongoing	ongoing	✓	✓
	✓	✓	ongoing	ongoing	ongoing	ongoing	✓	✓
	✓	✓	ongoing	ongoing	ongoing	ongoing	✓	✓
	✓	✓	—	ongoing	—	—	—	ongoing

CGRM also participated in the due diligence exercise for proposed acquisitions or 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.

All internal audit functions during the year were conducted by CGRM Department. 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 13 March 2014.**

# DISCLOSURE POLICY

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

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

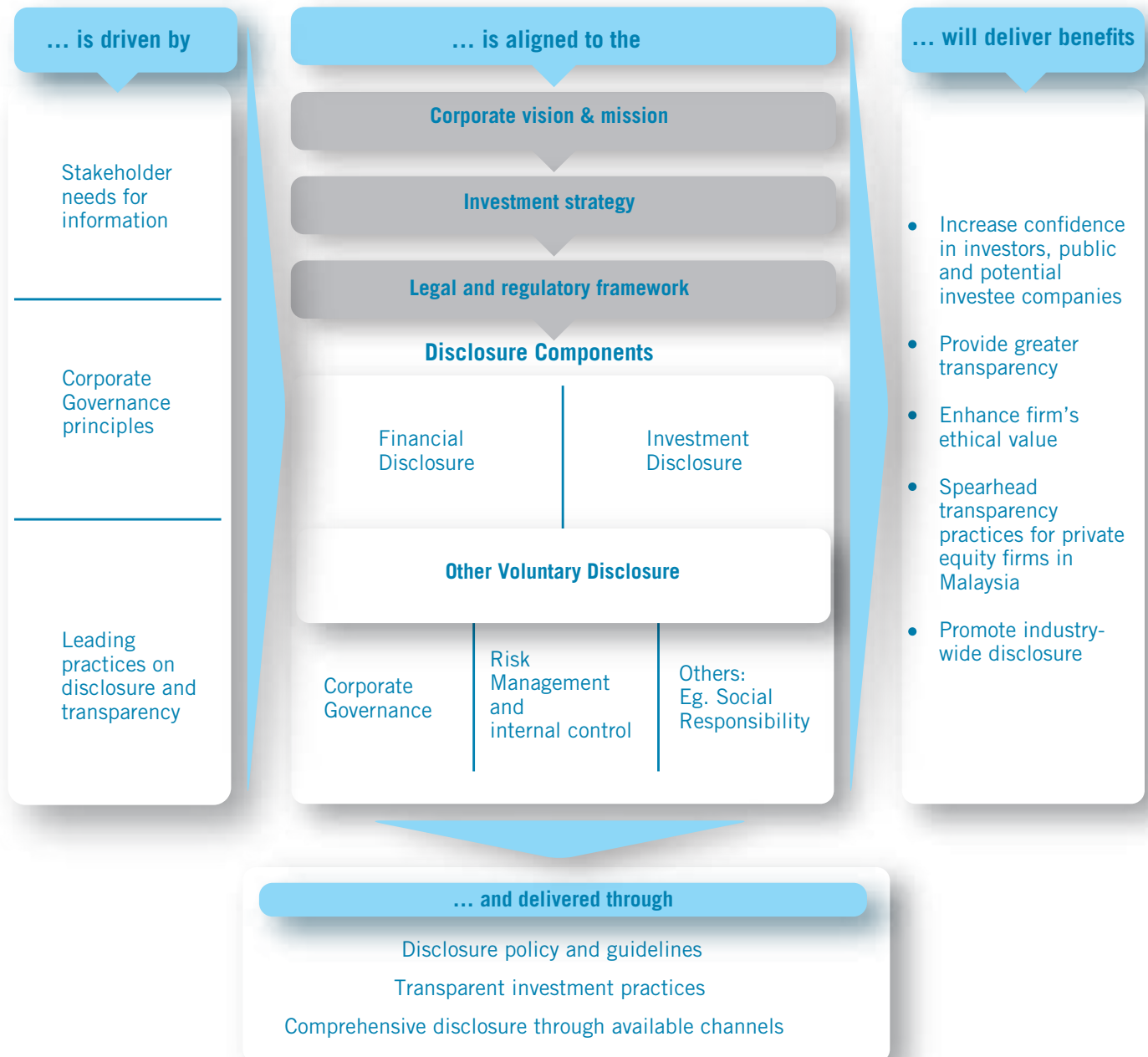
The disclosures ranged from providing minimum information such as contact details and basic information on company websites, to the average provision of strategies and objectives, acquisitions and disposals, as well as portfolio performance. The benchmarks for Ekuinas were, however, organisations such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

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

Our key guiding principles on disclosure are:

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

## EKUINAS' DISCLOSURE FRAMEWORK

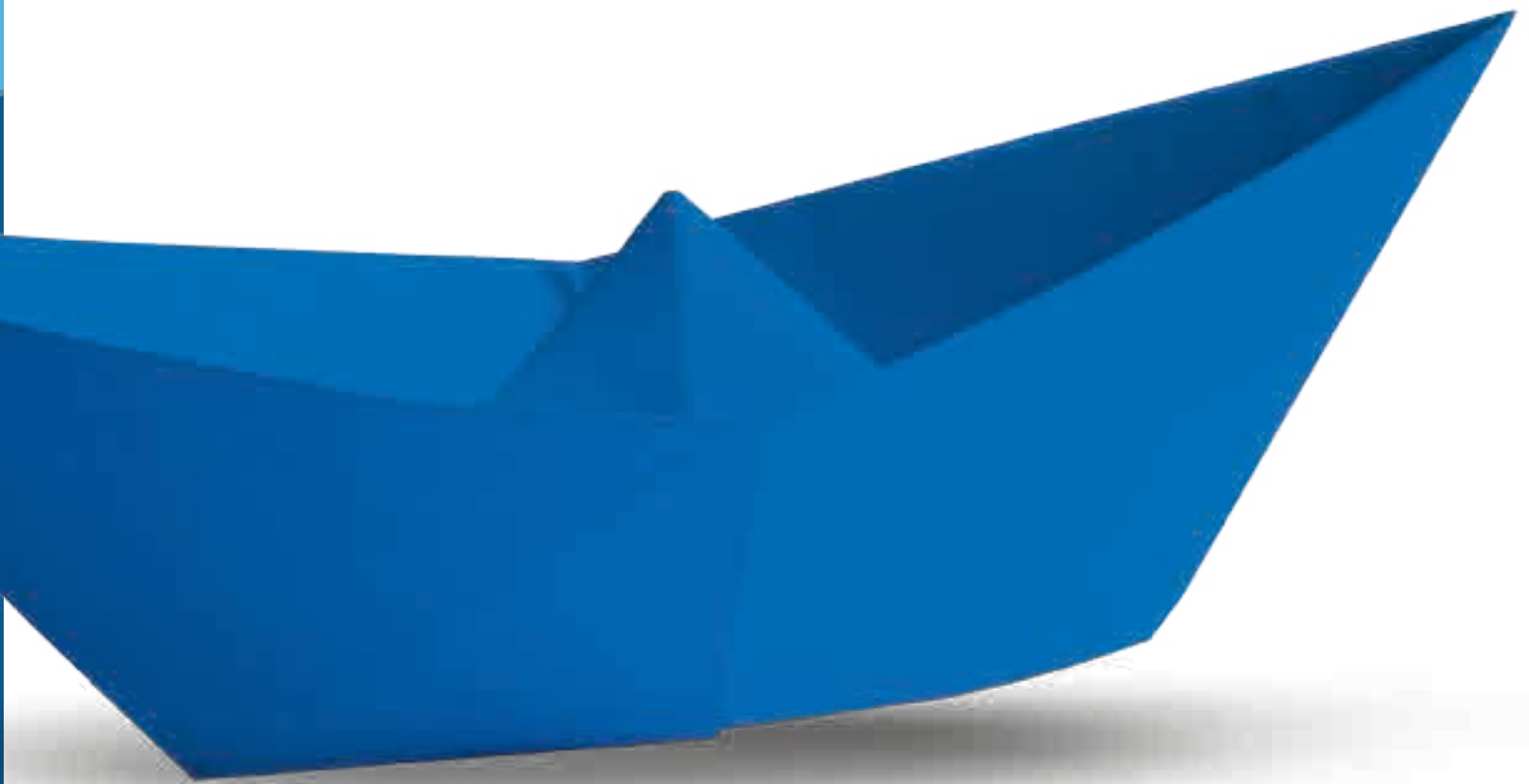




# DELIVERING RESULTS

Our high performance culture drives us to constantly exceed expectations and to deliver beyond the ordinary





# 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. 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 Bumiputera equity interest.

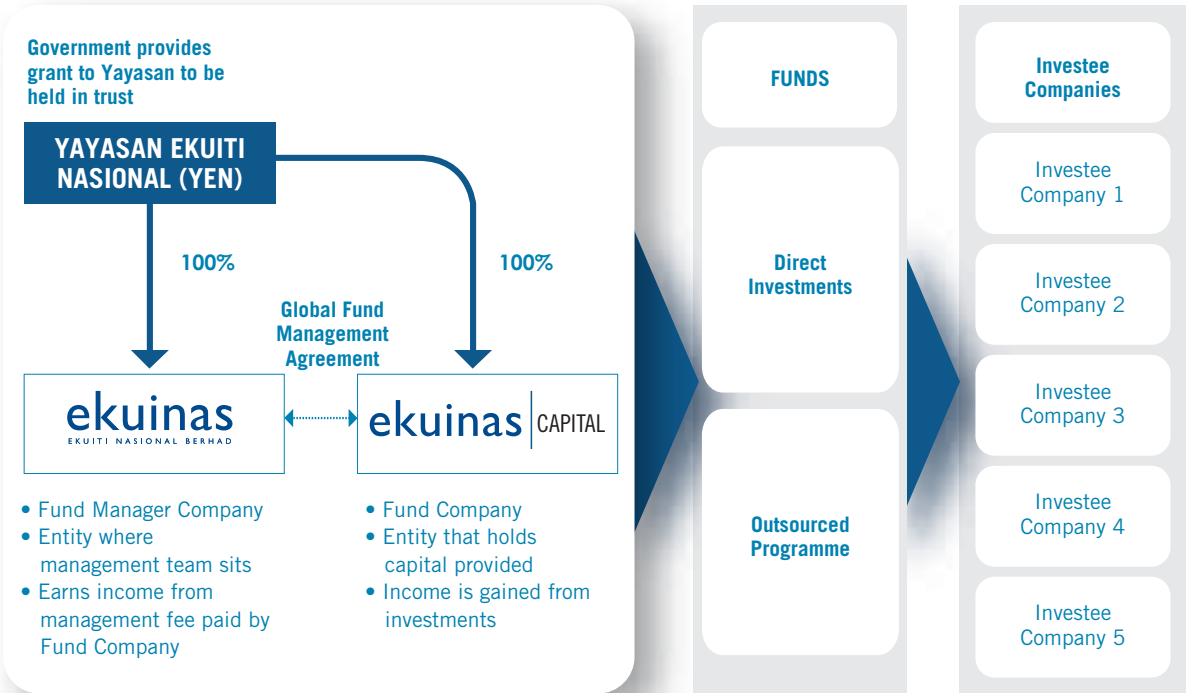
The funds held under YEN are directed into Ekuinas Capital Sdn Bhd, also known as Ekuinas Capital, which serves as the designated fund capital company. Ekuinas functions as the private equity company managing these funds and the operating entity where the management team resides.

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*



**YAYASAN EKUITI NASIONAL: BOARD OF TRUSTEES****YAB Dato' Sri Mohd Najib  
bin Tun Haji Abdul Razak**Prime Minister and Minister  
of Finance**YAB Tan Sri Dato' Haji Muhyiddin  
bin Mohd Yassin**Deputy Prime Minister and  
Minister of Education**YB Dato' Sri Mustapa  
bin Mohamed**Minister of International  
Trade and Industry**YB Dato' Seri Haji Ahmad Husni  
bin Mohamad Hanadzlah**

Minister of Finance (II)

**YB Senator Dato' Sri Abdul Wahid  
bin Omar**Minister in the Prime  
Minister's Department**YBhg Tan Sri Dr Mohd Irwan Serigar  
bin Abdullah**Secretary General to the  
Treasury/Ministry of Finance**YBhg Datuk Dr Rahamat Binti  
Yusoff**Director General,  
Economic Planning Unit, Prime Minister's Department

# CORPORATE PROFILE

## OBJECTIVES

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

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

As a government-linked private equity company, EkuiNAS also has a social objective, which is to enhance equitable Bumiputera economic participation in the Malaysian economy, in accordance with the mandate given by the Government. To ensure the results are sustainable, the Company is committed to pursuing its goals in a market-friendly, merit-based and transparent manner.

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

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

## GOVERNANCE

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

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

## EKUINAS' 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. More information on the policies can be found on page 143.

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



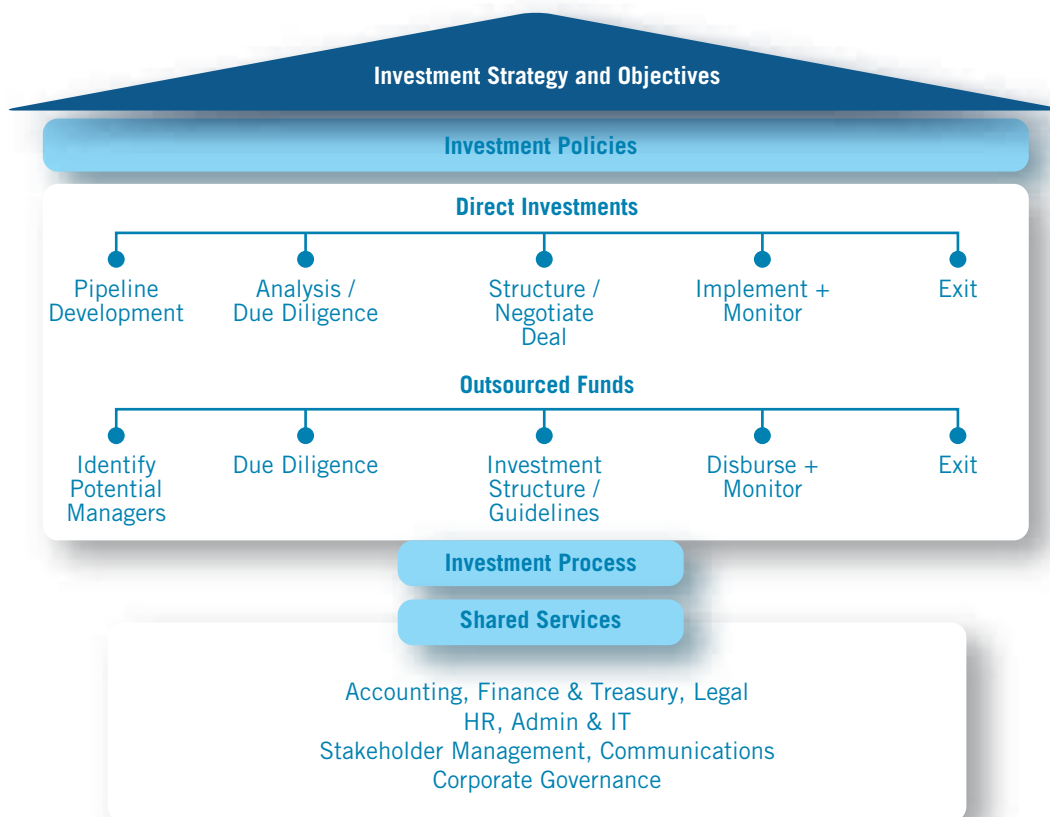


The RM5 billion allocated under the 9th and 10th Malaysia Plans will be invested in three funds over five years for both the Direct Investments and Outsourced Programme. In 2010, RM1 billion was allocated for Direct Investments and RM400 million for the Outsourced Programme. In 2012, the second funds for both Direct Investments and Outsourced Programme were established with RM1.0 billion and RM300.0 million respectively.

### INVESTMENT FOCUS

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, Private Equity (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.

*Exhibit 3: The Ekuinas Operating Model*



# CORPORATE PROFILE

Exhibit 4: Fund Overview

	Direct Investments		Outsourced Programme	
	Fund I	Fund II	Fund I	Fund II
Vintage Year	2010	2012	2011	2013
Capital Committed	RM1.0 billion	RM1.0 billion	RM400.0 million	RM240.0 million
Term	5 + 2 years	5 + 2 years	6 + 1 years	7 + 1 years
Investment Period	3 to 5 years	3 to 5 years	3 to 6 years	3 to 7 years
Investment Focus	Malaysia Buy-Out, Growth Capital		Malaysia Growth Capital	
Sector Priorities	Oil & Gas, Education, Fast Moving Consumer Goods, Retail & Leisure, Healthcare, Services			
Status	Fully deployed	Investing	Investing	Investing

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. Through its Outsourced Programme, Ekuinas assumes a developmental role to support local PE players by appointing them as Outsourced Fund Managers to invest on Ekuinas’ behalf.

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.

The Ekuinas PE model encapsulates:

**Private Equity (PE) standard practice**

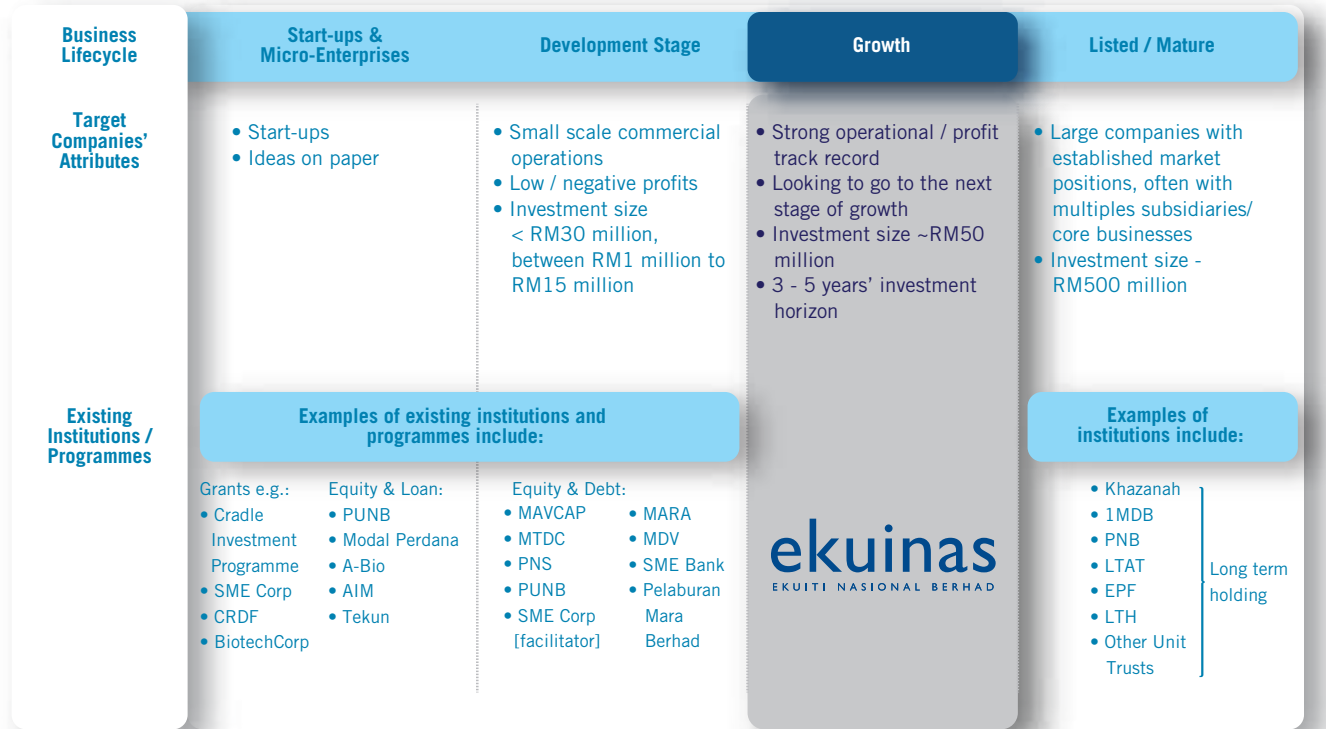
- Investing in high potential companies
- Growing the companies aggressively to create value
- Exiting when the companies have grown to become industry leaders

**Based on the principles of:**

- Market-friendly
- Merit-based
- Transparent
- Best practices

**Exhibit 5: Ekuinas' Investment Focus**

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

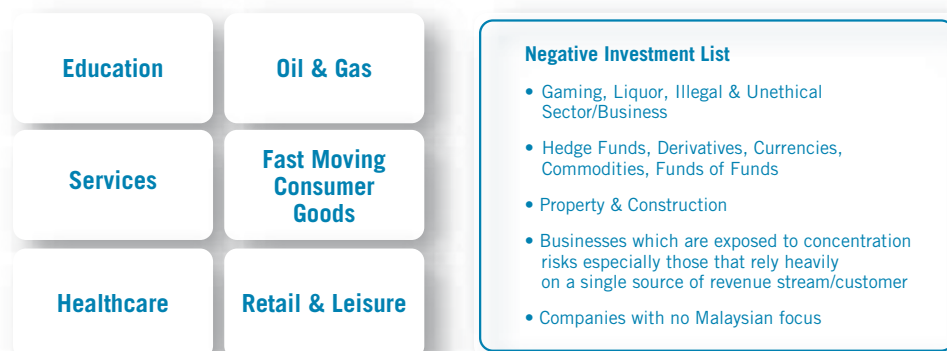


**TARGET SECTORS**

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

The Company will not, however, invest in gaming, liquor, or other illegal/unethical activities; hedge funds, derivatives or commodities; property and construction; and companies which do not contribute to the Malaysia economy.

**Exhibit 6: Ekuinas Target Sectors**



# CORPORATE PROFILE

## TYPES OF INVESTMENTS

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

*TYPE 1 – growth capital investment in Malaysian 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), multi-national companies (MNCs) or Trust foundations.*

*Exhibit 7: Types of Investments*

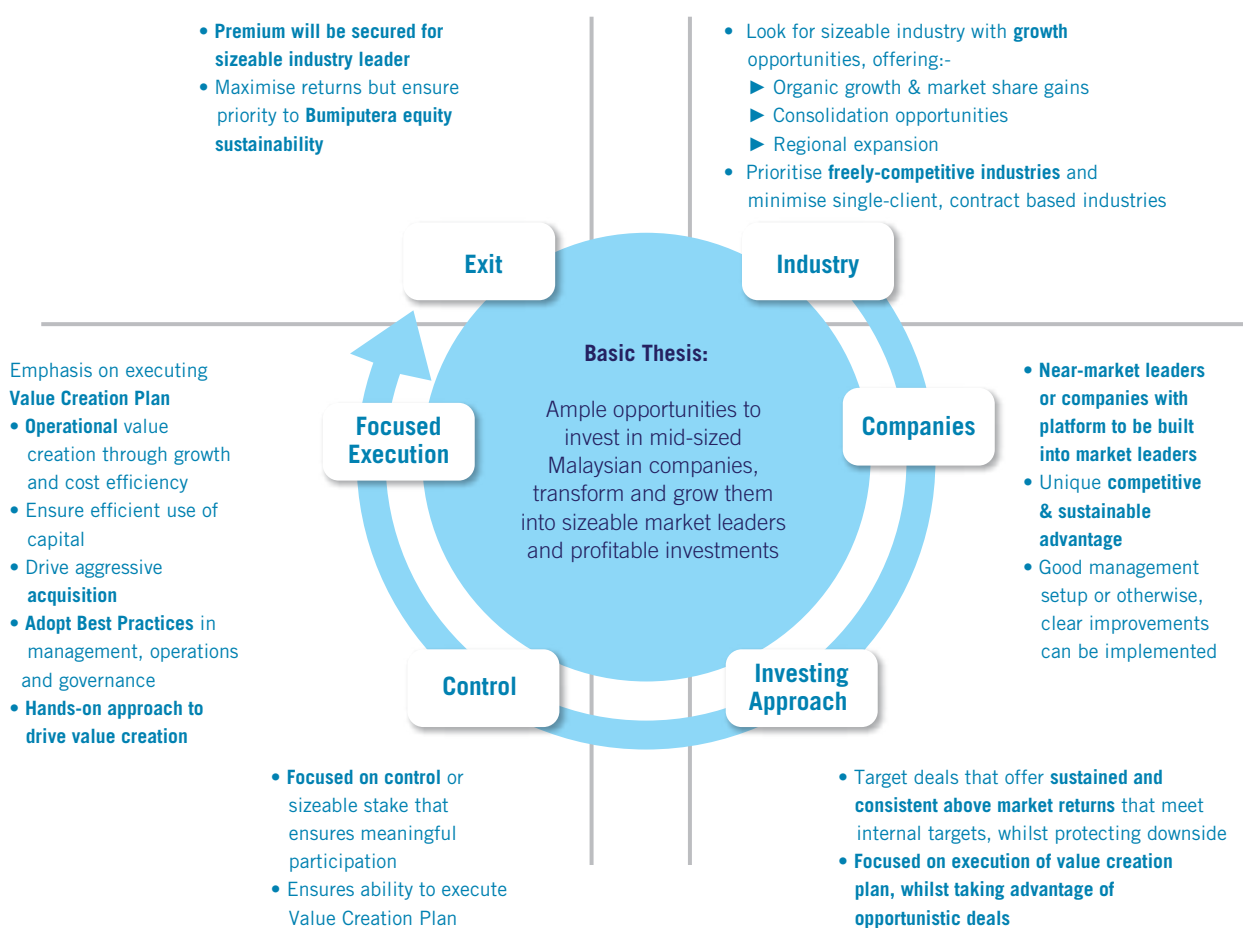
TYPE 1	TYPE 2	TYPE 3
<p>Growth Capital Investment in Malaysian Companies to Accelerate Growth</p>  <p>EkuiNAS backs existing successful companies to accelerate their growth further through inorganic means</p>	<p>Majority Investments in Strong Malaysian Companies</p>  <p>EkuiNAS undertakes buy-outs of Companies and works with targeted professionals / entrepreneurs</p>	<p>Buy-Outs of Non-Core Assets of GLC/PLC/MNC/Trust Foundations</p>  <p>EkuiNAS backs targeted professionals in acquiring businesses that they can run as owner-managers</p>

\* Tanjung Offshore Berhad and Konsortium Logistik Berhad were divested in 2012 and 2013 respectively.

## INVESTMENT STRATEGY

Ekuinas aims 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 and apply the same process of value creation in other deserving companies. Depicted below are the key elements of our investment strategy.

*Exhibit 8: Investment Thesis*



# CORPORATE PROFILE

## INVESTMENT FRAMEWORK

Ekuias undertakes its investments via two simultaneous operations:

- Direct Investments – where Ekuias directly undertakes investments and focuses on larger deal sizes. These normally involve controlling or sizeable equity stakes to enable active participation and value creation for the companies and all stakeholders.
- Outsourced Programme – where Ekuias undertakes investments through third party private equity firms appointed as fund managers. The Outsourced Fund Managers (OFMs) are responsible to raise additional external capital and manage the investments.

To avoid overlap, each investment operation has a different focus as outlined in Exhibit 9 below.

*Exhibit 9: Investment Focus for each Operating Model*



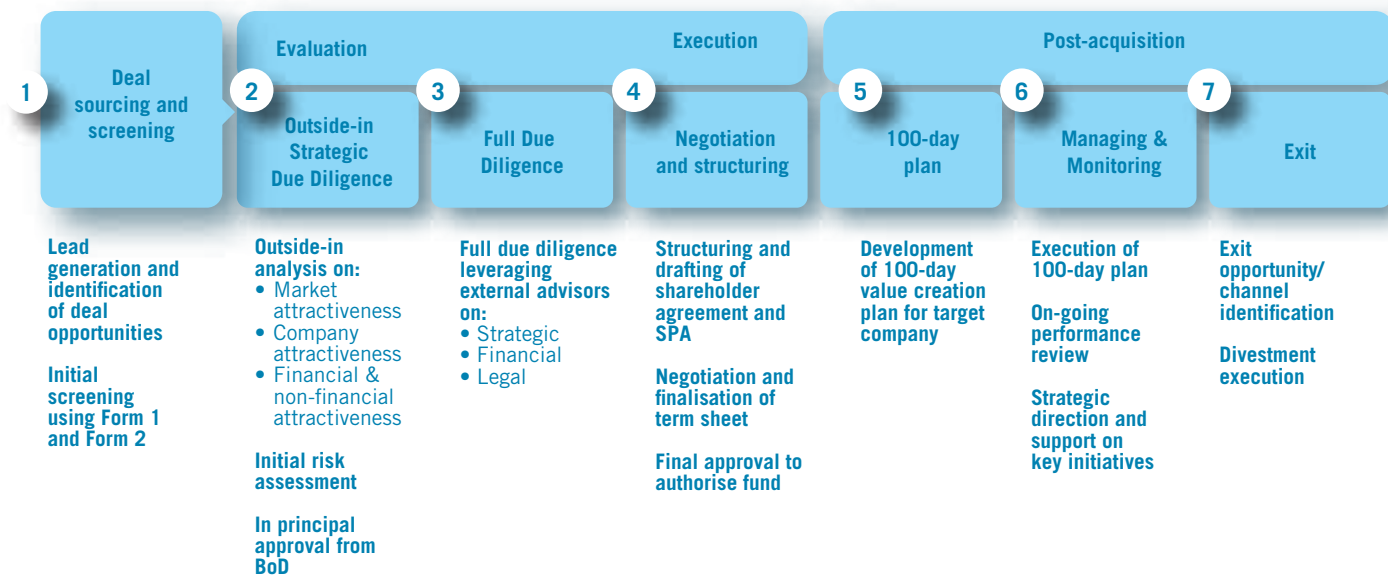
## DIRECT INVESTMENTS

Ekuinas' Direct Investment activities undergo several key processes from the **initial stage** of identifying potential investments; to the **final stage** of recommendation to the Investment Committee and the Board of Directors; up until after the acquisition is completed.

To drive the implementation of the various VCPs, the Portfolio Management and Monitoring (PMM) team works together with the investment team and portfolio companies' management specifically in areas of Finance, Human Capital, Processes and Management Information Systems.

In addition, Ekuinas will work together with the investee company to create a Value Creation Plan (VCP) which is then implemented post acquisition. The objective of the VCP is, inter alia, to help the company grow and improve in various aspects of its business in the aim of taking the company to the next level.

*Exhibit 10: Key Processes for Direct Investments*



# CORPORATE PROFILE

## OUTSOURCED PROGRAMME

To complement Direct Investment activities, Ekuinas also operates the Outsourced Programme with the objective of successfully developing and managing third party Outsourced Fund Managers (OFMs) who undertake investments on Ekuinas' behalf.

The Outsourced Programme not only supports the achievement of Ekuinas' financial and qualitative targets but also enables Ekuinas to contribute towards the development of the Malaysian PE industry. The framework and guidelines of the Programme are as presented in Exhibit 11 below.

*Exhibit 11: Outsourced Programme - Framework and Guidelines*

<b>Financial Targets</b>	Same as Direct Investment <ul style="list-style-type: none"> <li>• 12% IRR p.a. as a minimum target</li> <li>• 20% IRR p.a. aspirational target</li> </ul>	<b>Sector Focus</b>	Open to all sectors or theme outside the negative investment list:- <ul style="list-style-type: none"> <li>• Gaming, liquor, property, construction</li> <li>• Companies with no Malaysian participation</li> </ul>
<b>Social Targets</b>	Given limited control, focus on increasing: <ul style="list-style-type: none"> <li>• Equity ownership</li> <li>• Senior Management</li> <li>• Employment</li> </ul> <i>Delivery incentivised by way of offering higher profit share if targets achieved</i>	<b>Equity Stake</b>	<ul style="list-style-type: none"> <li>• Focus on providing growth capital and taking up minority stake to support existing entrepreneurs/companies</li> </ul>

### Other Key Outsourced Investment Guidelines

Fund Size	Investment Size	External Capital	Investment Period	Company Growth Stage	Compensation	Exits
<ul style="list-style-type: none"> <li>• Range between <b>RM120 million to RM250 million</b> to facilitate sufficient deal sizes</li> </ul>	<ul style="list-style-type: none"> <li>• Prefer between <b>RM15 million to RM50 million</b></li> <li>• Must not be less than RM15 million</li> <li>• Must not exceed 20-25% of Fund Size</li> </ul>	<ul style="list-style-type: none"> <li>• OFM must raise at least <b>20%</b> of Fund from external third party investors</li> </ul>	<ul style="list-style-type: none"> <li>• 3 to 6 years to facilitate value creation</li> <li>• No investment less than 1 year or exceed 7 years</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on growth companies</li> <li>• No startups or developmental stage</li> </ul>	<ul style="list-style-type: none"> <li>• Ekuinas commits to paying industry level management fee and profit share to ensure performance</li> </ul>	<ul style="list-style-type: none"> <li>• Open to all avenues including listing and trade sale</li> </ul>



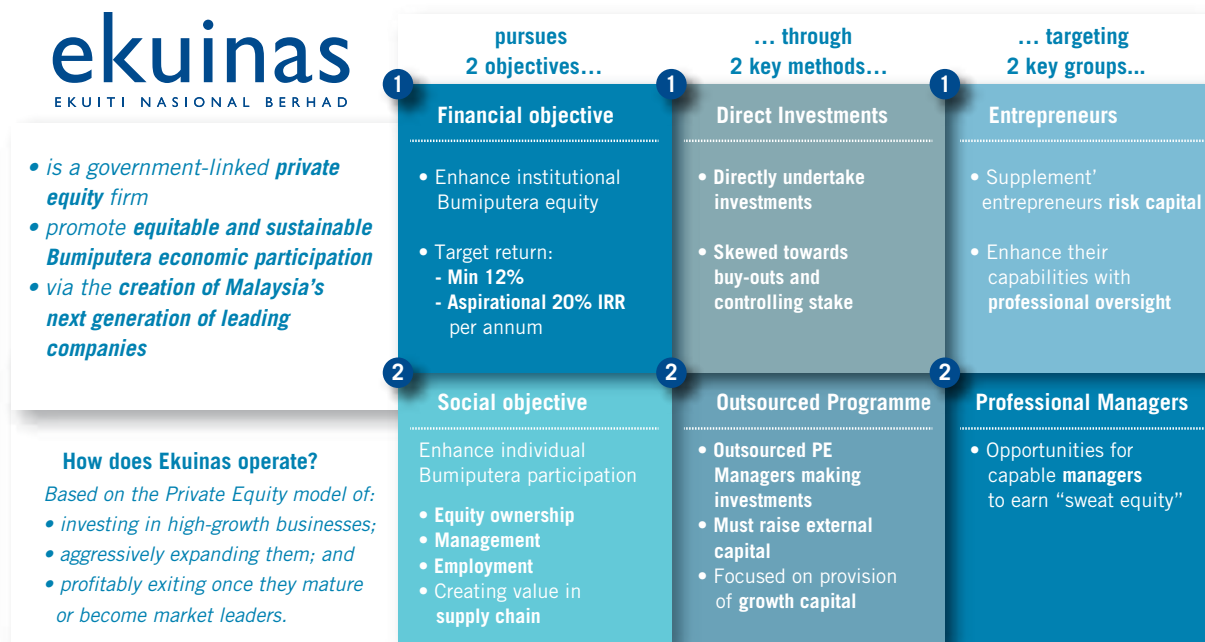
Five key evaluation dimensions were used in the selection of the OFMs. These are shown below.

**Exhibit 12: Key Dimensions used in OFM selection process**

<b>1</b> Firm track record	<ul style="list-style-type: none"> <li>• Reputation within the Malaysian private equity industry</li> <li>• Solid financial performance</li> <li>• Successful value creation in portfolio companies</li> </ul>
<b>2</b> Investment team experience	<ul style="list-style-type: none"> <li>• Strong senior management team with ability to generate healthy deal flow</li> <li>• Relevant buy-side experience and track record (e.g execution and portfolio management)</li> <li>• Expertise in relevant deal type, sectors and geography</li> </ul>
<b>3</b> Robust investment process	<ul style="list-style-type: none"> <li>• Documented investment management process and compliance track-record</li> <li>• Robust decision-making process, governance and risk management framework</li> <li>• Strong support team</li> </ul>
<b>4</b> Fund raising ability	<ul style="list-style-type: none"> <li>• Fund raising track record</li> <li>• Potential to raise at least 20% required third-party capital</li> <li>• Establish plan for external third party fund raising</li> </ul>
<b>5</b> Fit with Request For Proposal (RFP) requirements and guidelines	<ul style="list-style-type: none"> <li>• Alignment with investment strategy, fund structure and governance</li> </ul>

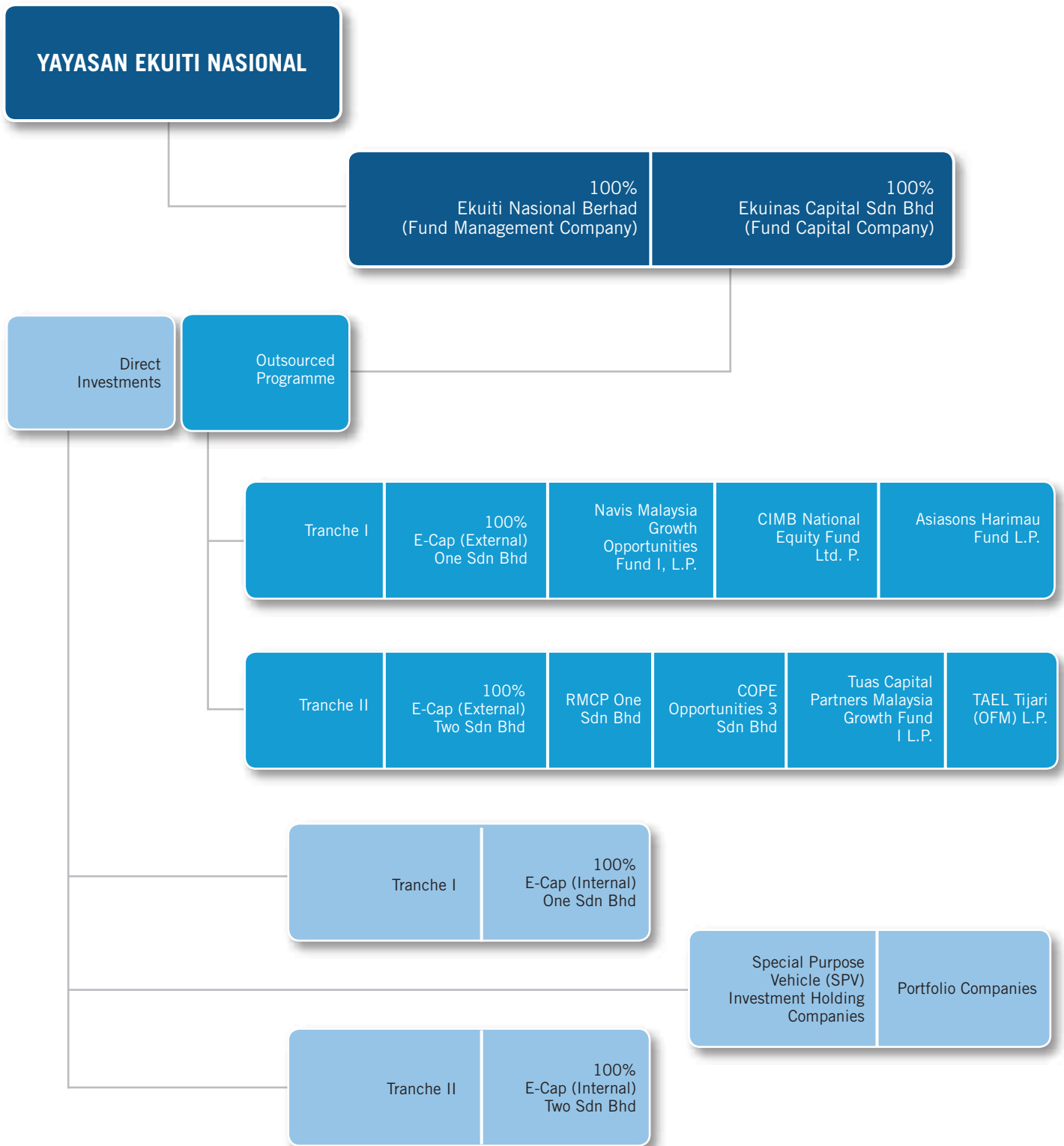
**SUMMARY**

In summary, Ekuinas is a government-linked private equity firm which pursues its objectives in a manner that is market-friendly, merit-based and transparent to ensure that the impact is sustainable over the long term.



**Objectives to be pursued in a manner that is market-friendly, merit based, transparent and ensures that the impact is sustainable over the long term**

# CORPORATE STRUCTURE



## BOARD OF DIRECTORS

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

## BOARD COMMITTEES

### Audit Committee

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

### Nomination & Remuneration Committee

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

### Investment Committee

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

### CSR Investment Committee (CIC)

Datuk Noriyah binti Ahmad (*Chairman*)  
Dato' Abdul Rahman Ahmad  
(*alternately Syed Yasir Arafat Syed Abd Kadir or Mazhairul Jamaludin*)  
Suridah Jalaluddin  
Nik Johaan Nik Hashim

## 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  
Tingkat 12, 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, Investment/Outsourcing*

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

Amil Izham Hamzah  
*Senior Director, Investment*

Suridah Jalaluddin  
*Senior Director, Investment/Shared Services*

# CORPORATE MILESTONES

## 2009

### June

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

### September

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

### December

Ekuinas received the first RM100 million of RM500 million allocated under the 9th Malaysia Plan.

### January

Commencement of Tranche I for Direct Investments with RM1 billion.

### February

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

First investment: Alliance Cosmetics Group.

### June

Second investment: Tanjung Offshore Berhad.

### July

Appointment of Outsourced Fund Managers for Tranche I of the Outsourced Programme.

### October

Third investment: Konsortium Logistik Berhad.

### November

Fourth investment: APIIT Education Group.

## 2010

## 2011

### February

The first RM300 million fund allocation by the Government for the year was received.

### March

Commencement of Tranche I for the Outsourced Programme with a total fund size of RM543 million.

Navis Capital Partners, one of the outsourced fund managers (OFMs), undertook the first investment via Navis Malaysia Growth Opportunities Fund I, L.P. (MGO Fund) in Atelier Asia Sdn Bhd, a fast growing distributor and retailer of popular brands in the lifestyle apparel and baby-care segments.

### April

Announcement of Ekuinas' FY2010 results by the Prime Minister, YAB Dato' Sri Mohd Najib bin Tun Haji Razak:-

- Gross Portfolio Return: RM54.5 million
- Gross Internal Rate of Return: 53.1%, annualised net IRR 24.3%
- Increase in Bumiputera equity value by RM483.2 million or 1.3 times the capital invested by Ekuinas at RM380.6 million;
- Increase in Total Shareholders' Value of RM582.1 million or 1.5 times of Ekuinas' invested capital.

### August

An additional RM300 million was received, completing the fund allocated of RM600 million for the year by the Government.

### September

Fifth and sixth investments: BURGER KING® and San Francisco Coffee.

### December

Seventh investment: Revenue Valley Group comprising Manhattan Fish Market, Popeyes and Tony Roma's.

### Eighth investment:

Cosmopoint Group comprising Kuala Lumpur Metropolitan University College and Cosmopoint International College of Technology.

**January**

Ekuinas commenced the selection process for Tranche II of its Outsourced Programme.

**March**

Ekuinas received fund allocation of RM300 million from the Government.

**April**

Announcement of FY2011 results by the Minister in the Prime Minister's Department, YB Tan Sri Nor Mohamed bin Yakcop:-

- Gross Portfolio Return: RM174.1 million
- Gross Internal Rate of Return (IRR): 35.1%, annualised net IRR: 23.2%
- Increase in Bumiputera equity value by RM806.5 million or 1.4 times the capital invested by Ekuinas at RM577.7 million;
- Increase in Total Shareholders' Value of RM986.2 million or 1.7 times of Ekuinas' invested capital.

The Navis Malaysia Growth Opportunities Fund I, L.P. (MGO Fund) managed by Navis Capital Partners under Ekuinas' Outsourced Programme, undertook two minority co-investments in MCAT Box Office Sdn Bhd (MBO), the third largest cinema chain operator in Malaysia and SEG International Berhad (SEGi), one of the largest private education groups for an investment of RM21.0 million and RM61.6 million respectively.

**May**

Ninth investment: Unitar Capital Sdn Bhd, the owner and operator of University of Management and Technology (UMTECH), for RM58.5 million. UMTECH is now known as UNITAR International University.

# 2012

**June**

Ekuinas received the additional fund allocation of RM400 million for 2012 from the Government.

**July**

10th investment: Tanjung Kapal Services Sdn Bhd

**September**

11th investment: OMNI Petromaritime Sdn Bhd (OMNI)

12th investment: Burger King Singapore Pte Ltd

**October**

Ekuinas' Senior Management team had a closed door session with the Board of Trustees of Yayasan Ekuiti Nasional (YEN), the trust foundation which owns Ekuinas Capital, to present the company's half year progress report.

Ekuinas launched its second tranche for Direct Investments with a total fund allocation of RM1 billion.

**November**

Ekuinas undertook a strategic restructuring of its O&G portfolio to fully focus on the offshore support vessels (OSV) market. This involves the maiden divestment of Ekuinas' minority stake in Tanjung Offshore Berhad (TOB) with proceeds reinvested through the acquisition of additional stake in Tanjung Kapal Services Sdn Bhd (TKS).

Ekuinas announced the strategic consolidation of its two OSV companies, TKS and OMNI, to create one of Malaysia's largest OSV groups. Under the merger exercise, the two companies became wholly-owned subsidiaries of the renamed OSV investment holding company, Icon Offshore Berhad. The launching of Icon Offshore Berhad was officiated by YB Tan Sri Nor Mohamed bin Yakcop, the then Minister in the Prime Minister's Department.

# GLOSSARY OF COMMON TERMS IN PRIVATE EQUITY

## Buy-Out (Also known as MBO-LBO-MBI-BIMBO)

Buy-out funds enable the current operating management and investors to acquire or to purchase a significant shareholding in the company they manage. The private equity firm usually gains control of a majority of a target company's equity when a buy-out occurs.

## "Buy and Build" Strategy

A strategy to support active, organic growth of portfolio companies through add-on acquisitions.

## Bolt-on Investment (Also known as Follow-on Investment)

An investment via an existing portfolio company into a business, usually in the same industry, that presents strategic value.

## Co-investment

A co-investment is a minority investment made alongside another private equity investor. It is a passive, non-controlling investment, as the private equity firm involved will typically exercise control and perform monitoring functions.

## Commitment

The specified sum of capital that has been agreed to a private equity fund. The sum of commitments to a private equity fund equals the total size of the fund.

## Committed Investment

The specified amount of capital that has been committed for investment in a portfolio company.

## Drawdown

The actual act of transferring capital that has been committed to the fund for undertaking an investment.

## Emerging Markets

Funds that invest in equity or debt of emerging markets that tend to have higher inflation and volatile growth.

## Fund of Funds

A financial instrument that invests in a number of private equity partnerships. Ekuinas' Outsourced Programme is a fund of funds where Ekuinas' capital is pooled together with capital raised by third party private equity fund managers that have been appointed to invest on its behalf.

## General Partner (GP)

The General Partner (GP) is in charge of managing a private equity fund's portfolio and earns a management fee.

## Growth Capital

Growth capital refers to funds used to accelerate the growth of a company or used for business expansion.

## Limited Partner (LP)

Institutions or high-net-worth individuals/sophisticated investors that contribute capital to a private equity fund. In Ekuinas' case, the LP is Yayasan Ekuiti Nasional/the Government of Malaysia.

## Management Fees

Management fees during the investment period are almost invariably calculated as a percentage fee applied to the commitments made by the LP to the fund. The primary determinant of the workload for the GP is the search for potential investments, and this is driven by the size of total commitments to the fund, and not the actual amount invested at this stage in the fund's lifetime.

## Net Internal Rate of Return (IRR) %

The net IRR earned by an LP to date after fees and carry. The internal rate of return is based upon the realised cash flows and the valuation of the remaining interest in the partnership. IRR is an estimated figure, given that it relies upon not only cash flows but also the valuation of unrealised assets.

## Portfolio Companies/Investee Companies

A portfolio company or an investee company is a company or entity in which a private equity fund invests. All of the companies currently backed by a private equity firm can be spoken of as being under the firm's portfolio.

## Public-Private Partnerships (PPP)

Contractual agreements between public bodies, local authorities or central government, and private companies to deliver a public, social or economic infrastructure project.

## Sector Focused

A fund that invests solely in businesses that operate in a particular industry or sector of the economy.

## Venture Capital

Venture capital is a type of private equity investment that provides capital to new or growing businesses. Venture funds invest in start-up firms and small businesses with perceived, long-term growth potential.

Based on some definitions on [www.preqin.com](http://www.preqin.com) and accepted internal uses at Ekuinas

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**Icon Offshore Berhad**

Level 12A, East Wing, The Icon  
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Revenue Valley Sdn Bhd /  
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# ACKNOWLEDGEMENTS

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1. **Bain & Co.** for contributing their article "Malaysian Private Equity Outlook" to give our readers a brief overview of the PE industry in Malaysia and the region, as presented on pages 34 to 37. We would like to thank, in particular, Mr Suvir Varma, Partner at the Southeast Asia office who leads Bain's Private Equity practice across Asia Pacific, Mr Usman Akhtar, Principal in Private Equity practice, Southeast Asia office and Ms Johanne Dessard, Asia Pacific practice area manager for Private Equity;
2. **Towers Watson Investment** for their services during the selection of outsourced fund managers for Ekuinas' Tranche II of the Outsourced Programme and also for contributing an article on "Selecting private equity managers in Southeast Asia" on pages 38 to 41 of this report. Special thanks to Mr Paul Colwell, Senior Investment Consultant, Chair of Asia Portfolio Construction Group, Ms So Yeun Lim, Investment Consultant, Private Markets Manager Research, Richard Tan, Head of Private Markets, Asia and Mark Calnan, Global Head of Private Equity for making this possible; and
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# SUBMISSION OF BUSINESS PROPOSALS

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.

- ▶ Does your company focus on activities other than gaming, liquor, illegal, unethical activities, property, construction or hedge funds/commodities trading?
- ▶ Is your company already established and has a track record of at least 1 - 3 years?
- ▶ Does your company possess significant growth potential?
- ▶ Do your company's financial metrics support Ekuinas' investment of >RM30 million?
- ▶ Are you prepared to have a business partner that will have active participation in your company?

If you have answered YES to all the questions above, we welcome you to submit your business proposal. Please see the checklist below.

## INFORMATION CHECKLIST

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

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

Please submit your business proposal to:

**Investment Department**  
**Ekuiti Nasional Berhad**  
**Level 13, Surian Tower**  
**No. 1 Jalan PJU 7/3**  
**Mutiara Damansara**  
**47810 Petaling Jaya, Selangor**

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