



KHAZANAH
NASIONAL



BUILDING TRUE VALUE

THE KHAZANAH REPORT 2013



The Khazanah Report 2013 outlines the goals, strategies and vision embraced by Khazanah Nasional Berhad (Khazanah) in our role as the strategic investment fund of the Government of Malaysia.

Khazanah is a Malay word of Arabic origin, meaning "treasure". The same word can also be found in many other languages and carries the same meaning. The name Khazanah Nasional, meaning "national treasure", and the design of Khazanah's logo, which draws inspiration from the cembul, a traditional Malay jewellery box, represent the organisation's role as one of the trustees of the nation's commercial assets. The criss-cross of lines represents our investments across multiple sectors and geographies, and highlights our role as a catalyst for new and strategic ventures. Seen as a whole, the logo embodies the holistic role Khazanah plays as the strategic investment fund of the Government.

In conjunction with our 20th year of operations, the report also provides insights and anecdotes from personalities who have been involved with Khazanah at different times since 1994, ranging from former chairmen, board members and managing directors, to former and current employees. In addition, the report features information on our key activities over the period.

The 20-year theme is also reflected on the cover of this report. The collage of images reflects the activities of Khazanah and its core companies over the past two decades, with the number "20" highlighting this milestone. The cover also features our 20-year commemorative logo.

Overall, the graphic design of the cover symbolises the collaborative efforts we undertake in partnership with our stakeholders to build true value for the nation and its people.

This report is available online at www.khazanah.com.my



KHAZANAH
NASIONAL

20

Years
Building True Value



“Tiada Gunung Tinggi
Yang Tidak Dapat Didaki,
Tiada Lurah Dalam Yang
Tidak Dapat Dituruni”

is a Malay saying that literally means, “there is no mountain so tall that cannot be scaled, no valley so deep that cannot be descended”. The simple message resonates strongly with us at Khazanah, that in the pursuit of a goal, there is no effort too daunting or challenge too great, as long as there is strong commitment and determination to succeed.

This year, Khazanah marks its 20th year of operations. Since 1994, we have faced many challenges and charted new paths in our endeavour to help build true value for Malaysia. Together with many others tasked with driving the country's development forward, Khazanah has sought to play its role to the fullest, undertaking a broad array of initiatives to generate commercial returns and develop strategic advantages for the nation.

The milestones we have achieved in the journey thus far stand as a record and testament of the strong efforts by everyone involved, including the people at Khazanah, working hand-in-hand with our stakeholders within the spheres of government, private and public sectors. Each has contributed to the collective work spanning two decades, from building the foundations that Khazanah stands upon today, to the many initiatives that we have embarked on till the present day.

In our 20th year, we remain committed and determined in doing our part to fulfill the nation-building responsibility we share with others. As Khazanah moves onward, we will continue to apply our hearts, minds and strengths to the greater national effort of transforming Malaysia into a developed nation with a high-income, sustainable and inclusive economy.

OUR NATION'S PROGRESS IS BUILT UPON THE STRONG FOUNDATIONS STRENGTHENED BY THE WISDOM AND VISION OF OUR LEADERS

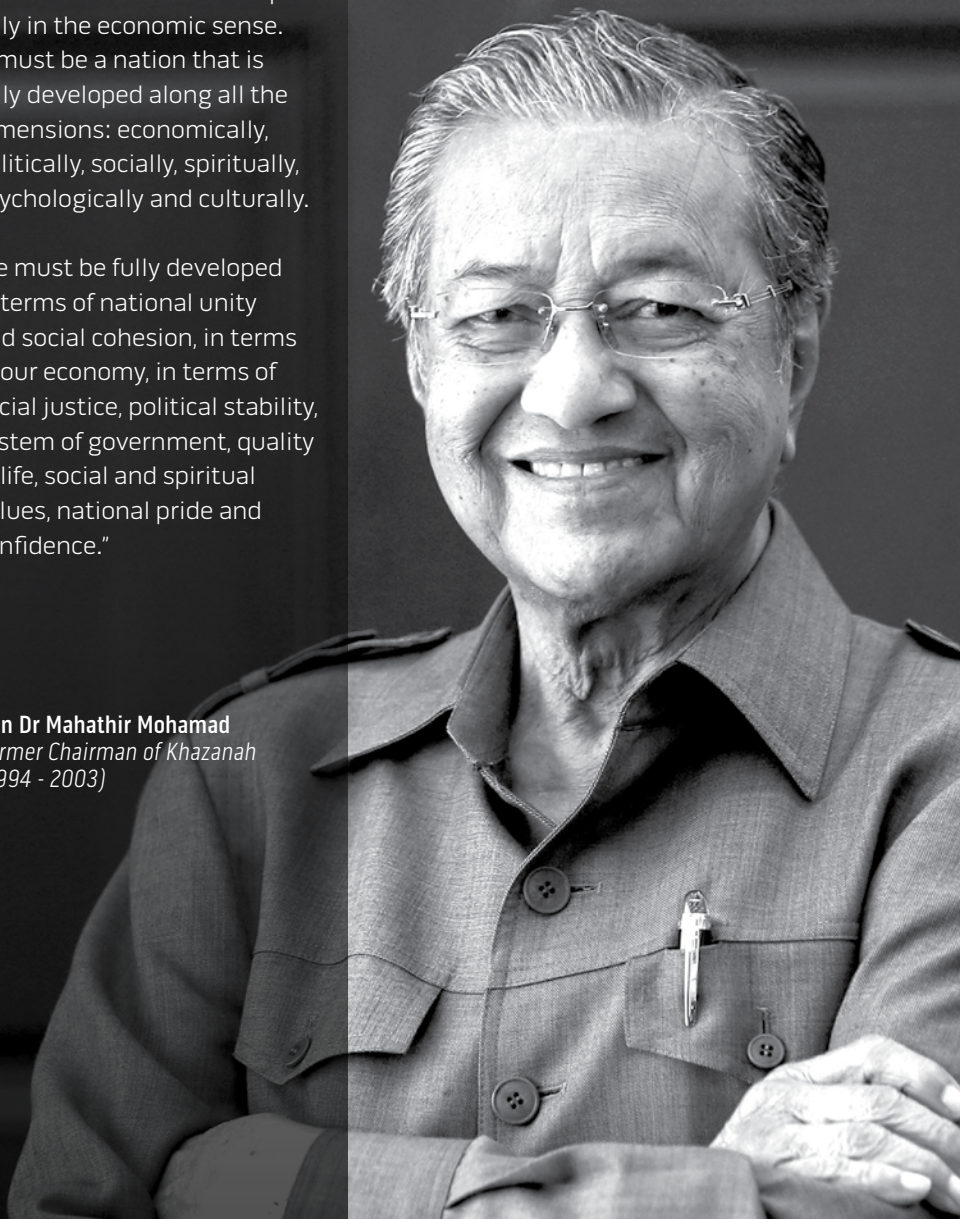


Malaysia should not be developed

only in the economic sense. It must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally.

We must be fully developed in terms of national unity and social cohesion, in terms of our economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence."

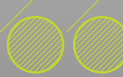
Tun Dr Mahathir Mohamad
Former Chairman of Khazanah
(1994 - 2003)



The quote is an excerpt from Tun Dr Mahathir's seminal speech, The Way Forward, at the Malaysian Business Council in 1991. The speech laid out the policy directions and principles of Malaysia's Vision 2020, through which the country would become a socially progressive and economically developed nation by 2020.

Since its inception, Khazanah has been guided by the leadership of the Prime Minister of Malaysia in his capacity as the Chairman of the Board of Directors, beginning with Tun Dr Mahathir Mohamad from 1994 to 2003, followed by Tun Abdullah Ahmad Badawi from 2003 to 2009, and Dato' Sri Mohd Najib Tun Abdul Razak from 2009 to the present day.



 Decisive action requires nothing less than a remaking of Malaysia Incorporated... Ultimately, we want to create a new generation of corporate stewards for the new Malaysia Incorporated: professional managers with a strong focus on high performance and superior value creation... The Government would like to see Khazanah emerge as one of the biggest and most dynamic investment houses in the region... stronger, more nimble and able to create more value."

Tun Abdullah Ahmad Badawi
Former Chairman of Khazanah
(2003 - 2009)

The quote is an excerpt from Tun Abdullah's speech at the Seminar on Culture of High Performance for Government-Linked Companies (GLC) in 2004. The speech mapped out measures for the remaking of Malaysia Inc, led by the restructuring of Khazanah and the transformation of GLCs into high-performing entities to drive the Malaysian economy forward.

TABLE OF CONTENTS

INTRODUCTION

Who We Are and Our Mandate	2
Our Journey Thus Far	6
2013 In Review	8

■ AN OVERVIEW OF AN INSTITUTION

Chairman's Message	12
Our Governance and Accountability Framework	16
Board of Directors	17
Message from the Managing Director	18
Strategic Planning Group	24

■ FINANCIAL REVIEW

Financial Highlights	30
Independent Auditor's Report	36
Selected Financial Indicators	37
Capital and Liability Management and Islamic Finance	40

■ CREATING TRUE VALUE THROUGH OUR INVESTMENTS

20 Years of Investments for the Future	44
Investing in Growth and Development	46
Empowering Our Companies	50
Driving Performance and Charting New Paths	52
Investment Holding Structure	54
Building a Regional Footprint	64
Transforming Government-Linked Companies	66

■ DELIVERING BENEFITS TO STAKEHOLDERS

Sharing Gains with Stakeholders	72
Supporting National Transformation	76
Being a Responsible Corporate Citizen	78
Selected Highlights of Corporate Responsibility Initiatives in 2013	82
Case Study: Restructuring a Conglomerate	86
Case Study: Building a Regional Healthcare Platform	93
Case Study: Inclusivity - A Key Component of Value Distribution	100


■ BUILDING AN INSTITUTION

Khazanah as a Learning Organisation	108
Our People, Our Values	110

Khazanah started operations in 1994

That's how it started...

KHAZANAH 20 YEARS

 The idea of establishing Khazanah started in the Treasury. There was a unit within the Finance Division that took care of government-owned corporations. We felt in 1993 that the time had come for these Government investments to be managed in a more focused and professional manner. The idea was that we, at the Ministry of Finance, should establish an external corporate entity, which is autonomous and self-governing. We commissioned studies about the national wealth funds around the region and the world to get some ideas on what kind of corporation it should be. That's how it started. I would say that it was basically a staff-driven effort. But as we progressed, we noticed that there was political support for the idea, so when the time came for the report to be submitted to the Cabinet, we had no problem at all, and Khazanah was established quite fluidly."

Tan Sri Mohd Sheriff Mohd Kassim
Former Managing Director, Khazanah Nasional Berhad (1994 - 2003)



WHO WE ARE

KHAZANAH NASIONAL BERHAD IS THE STRATEGIC INVESTMENT FUND OF THE GOVERNMENT OF MALAYSIA

Khazanah is entrusted to hold and manage the commercial assets of the Government, and to undertake strategic investments on behalf of the nation. We are involved in strategic sectors such as power, telecommunications, banking, healthcare, aviation, and property development, amongst others. The key listed companies in our portfolio include Axiata Group Berhad, CIMB Group Holdings Berhad, Tenaga Nasional Berhad, IHH Healthcare Berhad, UEM Group Berhad, Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad, and Malaysian Airline System Berhad.

We play a catalytic role in driving various strategic industries and national initiatives in Malaysia, nurturing their development with the objective of pursuing Malaysia's long-term economic interests. We also drive shareholder value creation, heighten efficiency gains, and enhance corporate governance in companies controlled by the Government, commonly known as Government-Linked Companies, or GLCs, in our capacity as the Secretariat to the Putrajaya Committee on GLC High Performance (PCG).

Khazanah was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company and commenced operations a year later. Except for one share owned by the Federal Land Commissioner, all the share capital of Khazanah is owned by the Minister of Finance Incorporated, a body incorporated pursuant to the Minister of Finance (Incorporation) Act 1957.

In 2004, Khazanah went through a strategic revamp and was given its current mandate. Tan Sri Dato' Azman Hj Mokhtar, the current Managing Director of Khazanah, was appointed to the position in that year. He reports to a nine-member Board of Directors chaired by Malaysia's Prime Minister and Minister of Finance, Dato' Sri Mohd Najib Tun Hj Abdul Razak.

A modest beginning...

KHAZANAH 20 YEARS

 We started with very little money. Our paid-up capital was essentially the asset that was injected by the Government. We in turn issued the Government shares, to represent their equity in the companies such as Telekom Malaysia, Tenaga Nasional Berhad and others. In return, Khazanah issued shares to them at par value. Our mandate was different. We were very low profile and concentrated on domestic investments."

Datuk Anwar Aji
Former Managing Director (2003 - 2004)



Khazanah received a new mandate

The start of a new mandate...

KHAZANAH 20 YEARS

Khazanah's new mandate was based on a policy direction and framework that the Government set for us at the time. The process of defining and refining the framework and therefore giving flesh to the mandate involved much iteration, discussion and engagement with internal and external stakeholders at multiple levels. The core principle driving the process and which underpins the mandate is ultimately that our efforts are always for the country, always for the people, and this has evidently remained embedded in the Khazanah psyche till this day. The many things that Khazanah has brought to fruition, such as its strong financial performance and the strengthening of the GLCs, are collectively the outcome of doing the right thing and adhering to these principles.*

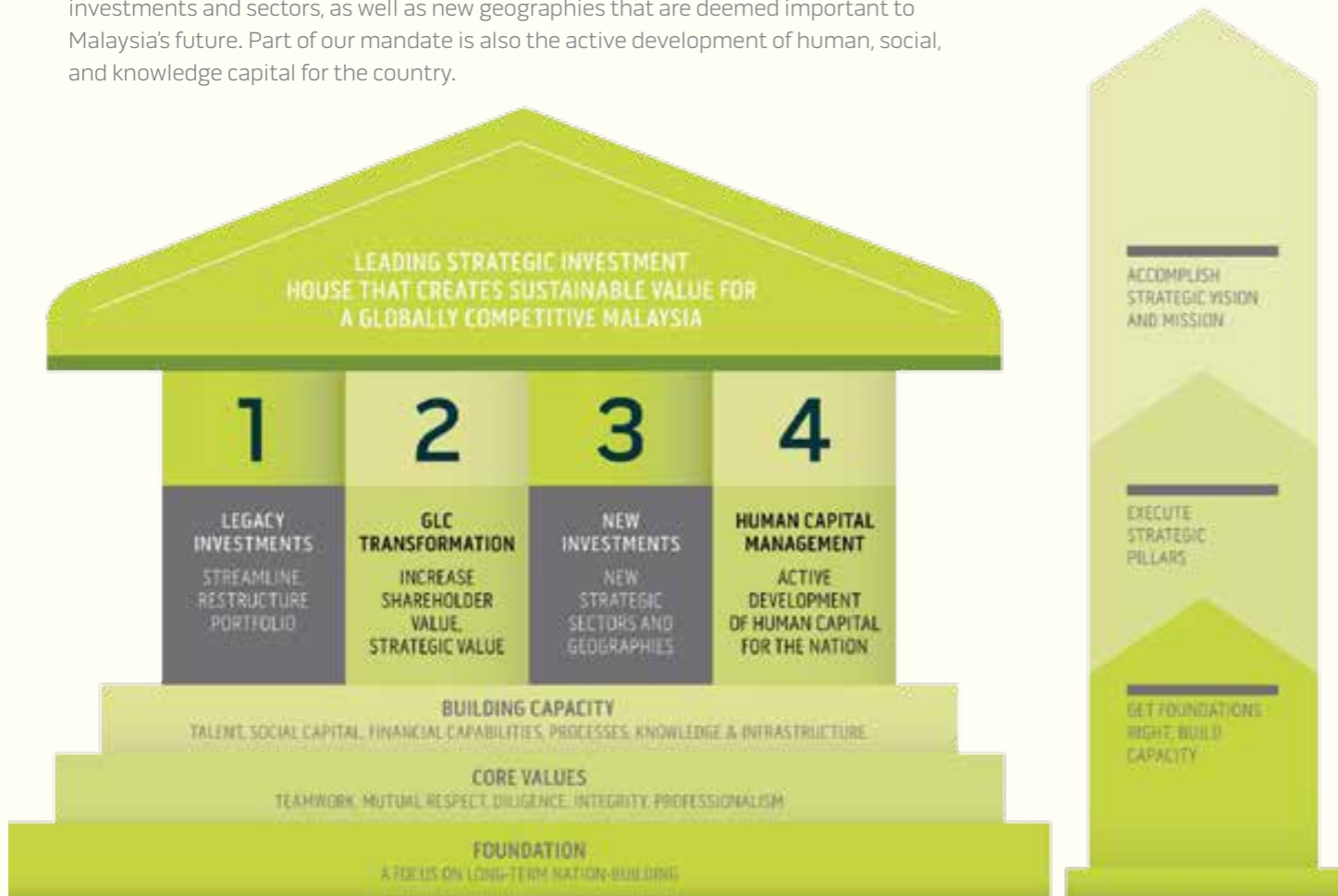


Dr Farid Mohamed Sani
Former Director, Investments (2004-2012)
Dr Farid was one of the pioneer employees involved in the Khazanah revamp that began in 2004, and had been instrumental in helping to implement the new mandate. Dr Farid was also a Special Officer to the Managing Director.

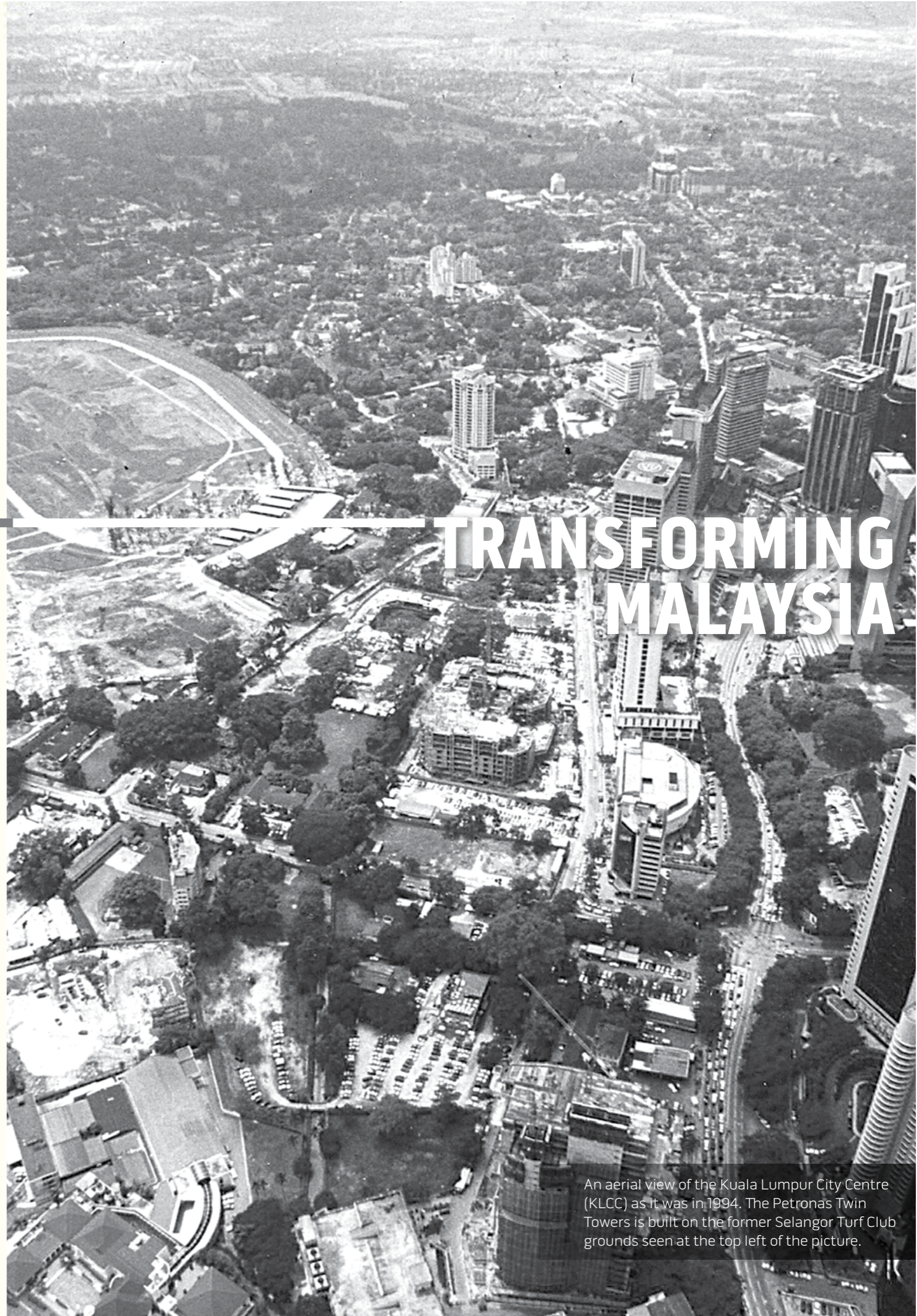
OUR MANDATE

Khazanah's vision is to be the leading strategic investment house, creating sustainable value and cultivating a high-performance culture for a globally competitive Malaysia.

We have a proactive investment style, which includes the management of our existing investments and the GLC Transformation Programme. We seek new economy investments and sectors, as well as new geographies that are deemed important to Malaysia's future. Part of our mandate is also the active development of human, social, and knowledge capital for the country.



This illustration encapsulates Khazanah's mandate, with the roof representing our vision, supported by four pillars that define our work and are anchored on our core foundations.



TRANSFORMING MALAYSIA

An aerial view of the Kuala Lumpur City Centre (KLCC) as it was in 1994. The Petronas Twin Towers is built on the former Selangor Turf Club grounds seen at the top left of the picture.

OUR JOURNEY THUS FAR

Since it began operations in 1994, Khazanah has embarked on a broad array of activities, driven by the financial and strategic imperatives underpinning its mandate. These activities include both investment and non-investment initiatives, which combined seek to generate commercial returns, develop strategic advantages, and build capacity for the nation.

3 September 1993: Khazanah was incorporated

Entered into conditional agreement for the sale of HICOM Holdings Berhad for RM1.72b

AIRPORTS
Transfer of Malaysia Airports Bhd and STLR Sdn Bhd to Khazanah from Ministry of Finance Incorporated

Joint venture (JV) with US-based MEMC Electronic Materials Inc to manufacture silicon wafers

EON
RM417.1m divestment of EON Berhad shares

JV arrangement with Bank Industri Malaysia and Wafer Technology Sdn Bhd

Acquired 40% equity in Putrajaya Holdings to undertake development of Putrajaya

New equity injected into:

- MCIC Holding Sdn Bhd
- Motosikal dan Enjin Nasional Bhd (MODENAS)
- Usahasama Proton-DRB Sdn Bhd
- MEASAT Broadcast Network System Sdn Bhd
- MEMC Kulim Electronic Material Sdn Bhd
- Lang Display Technology Sdn Bhd

Launched maiden issue of RM1b zero coupon benchmark bonds

New equity investments made in:

- YTL Power International Bhd
- MEC Bhd
- Bakun Hydroelectric Corporate Bhd
- Malaysia Central Fibreglass Sdn Bhd
- Northern Utility Resources Sdn Bhd

Acquired 40% equity in Pelabuhan Tanjung Pelepas and 18.1% in Bank Bumiputra

Issued four bonds totalling RM3.8b

Acquired 10% equity in Megasteel Sdn Bhd

Played a catalytic role by focusing on new technology investments

Issued four bonds totalling RM4.1b

RHB
Acquired 30% and 5% equity in RHB Bank Bhd and Malayan Banking Bhd, respectively

Divestment of Bank Bumiputra Malaysia Berhad (BBMB) to Commerce Asset Holding Bhd (CAHB)

Bank Muamalat
Bank Muamalat was established by merging the Islamic assets of both banks, BBMB and CAHB

Bumiputra Commerce
Bumiputra-Commerce Bank Berhad came into operation in September

Issued two bonds totalling RM2b

Invested 30% in Time dotCom to facilitate entry of strategic partners

Completed the divestment of Bumiputra Merchant Bank Bhd

UEM
Syarikat Danasaham Sdn Bhd, a wholly-owned subsidiary of Khazanah acquired United Engineers (M) Berhad (UEM)
See case study on page 86

malaysia airlines
Widespread Asset Unbundling (WAU) - financial restructuring of assets and liabilities

PLUS
Listing of PLUS Expressways Berhad (PEB)

Malaysia's fifth Prime Minister, Tun Abdullah Badawi became the second Chairman of Khazanah

Dato' Anwar Aji was appointed the second Managing Director of Khazanah

Tan Sri Dato' Azman Hj Mokhtar was appointed the third Managing Director of Khazanah

The start of Khazanah's strategic revamp. Khazanah received a new mandate from the Government to be an active shareholder and to drive the transformation of Government-Linked Companies (GLCs)

PLUS
PLUS exchangeable bond - Khazanah issued its first exchangeable bond

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004



Khazanah moved to its new headquarters at the Petronas Twin Towers from Putra World Trade Centre



GLC Transformation (GLCT) Programme launched



Blue Book on Intensifying Performance Management launched, the first of the "coloured books" series that serves as guidelines on best practises for GLCs

Khazanah made its first wave of overseas investments in Indonesia, China, India and Saudi Arabia, expanding its investment footprint into the region



Khazanah was tasked to conduct a feasibility study on the development of a special economic zone in south Johor, now known as Iskandar Malaysia



Khazanah subscribed to 17% equity of XL, Indonesia, for USD234m during its initial public offering (IPO)



Iskandar Malaysia launched by His Royal Highness Almarhum Sultan Mahmud Iskandar Alhaj Idris Sultan Ismail al-Khalidi, the late Sultan of Johor



Investment in Pantai Holdings Berhad paved the way for Khazanah's strategic investment in healthcare
See case study on page 93



Telekom Malaysia Berhad (TM) exchangeable sukuk, the first ever shariah-compliant exchangeable sukuk issued by Khazanah



Completion of CIMB's takeover of Southern Bank, positioning the former as a major player in the local banking sector



Yayasan Khazanah was established to provide scholarships to outstanding students to pursue studies at leading universities around the world



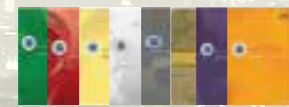
Annual Khazanah Megatrends Forum held for the first time, bringing together thought leaders and leading personalities in exploring ideas on how emerging megatrends shape the world's business and government policies



PINTAR Foundation school adoption programme launched, with participation from GLCs in improving educational outcomes of students in under-served communities, mainly in rural areas



Graduate Employability Enhancement Programme (GREEN) launched



Various GLCT Programme Transformation Manuals, or coloured books, launched



First Middle Eastern investment in Medini, the first large-scale international investment in Iskandar Malaysia

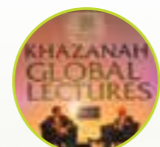
Khazanah Koridor Utara (KKU) Office was established to enhance Khazanah's developmental efforts in the Northern Corridor Economic Region



PLUS exchangeable sukuk issued by Khazanah, the largest equity-linked sukuk, attracting highest ever subscription



RHB divested to streamline Khazanah's investments in the financial sector



Khazanah Merdeka Series comprising Khazanah Global Lectures, Khazanah Megatrends Forum and Khazanah National Development Seminar was held, featuring former Prime Minister, Tun Abdullah Ahmad Badawi and three Nobel Prize winners — former United Nations Secretary, General Kofi Annan; Grameen Bank founder, Dr Muhammad Yunus; and economist Professor Joseph E Stiglitz



White Book on Creating Value Through Regulatory Management launched



TM-TMI demerged to unlock the potential of Khazanah's holdings in the telecommunications sector creating a platform that later became Axiata, a regional telco player



UEM underwent major restructuring, which resulted in the IPO of UEM Land



Time dotCom restructuring, involving a pioneering earn-out structure for local entrepreneurs



Parkson exchangeable sukuk issued by Khazanah, the first sukuk to offer investors exposure to China's retail consumption growth



Bank Lippo-Bank Niaga merger, which consolidated Khazanah's Indonesian banking assets under CIMB, creating the sixth-largest bank in Indonesia

China and India offices established, extending Khazanah's footprint into two of the world's largest economies



Khazanah Global Lectures continued, with lectures by Carlos Ghosn, Chairman and CEO of both Nissan and Renault, and Dr A.P.J. Abdul Kalam, former President of India



Malaysia's High-Speed Broadband (HSBB) project commenced, involving a public-private partnership between TM and the Government to build a national HSBB network



White Book on Creating Value Through Regulatory Management launched



Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak became the third Chairman of Khazanah



Teluk Datai master development plan launched, a strategic investment in the leisure and tourism sector in Langkawi



Yayasan Sejahtera launched, a social initiative under the auspices of the Putrajaya Committee on GLC High Performance (PCG) and Khazanah, focusing on addressing extreme poverty in rural areas



Khazanah Global Lectures by Dr Manmohan Singh, Prime Minister of India



Graduate Employability Management Scheme (GEMS) launched to enhance graduate employability in Malaysia



Khazanah Global Lectures by Sir John Bond, former Chairman of Vodafone Group Plc



Khazanah Sentral Office, Khazanah's satellite office in KL Sentral opened



New Economic Model (NEM) launched by Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak



IHH Healthcare Berhad (IHH) incorporated, another key development in Khazanah's healthcare portfolio



General offer for Parkway Pantai Holdings, resulting in the takeover of Parkway by Khazanah



Malaysia-Singapore Points of Agreement (POA) settlement, a landmark agreement between Malaysia and Singapore that paved the way for greater strategic and economic collaboration including in Iskandar Malaysia

Inaugural Singapore Dollar (SGD) sukuk issued by Khazanah, the largest sukuk in Singapore



Yayasan Amir launched, a public-private partnership initiative for improving school performance and education outcomes in Malaysia via the Trust School Programme



Teach For Malaysia launched, a Khazanah-supported programme that involves a two-year fellowship for Malaysian graduates and young professionals to teach in selected high-need schools nationwide



Announcement of Khazanah-Temasek joint investments to undertake projects in Iskandar Malaysia and Singapore, which saw the establishment of M+S Pte Ltd owned 60:40 by Khazanah and Temasek (Pte) Ltd, respectively, and Pulau Indah Ventures Sdn Bhd, a 50:50 joint venture between Khazanah and Temasek

Inaugural Renminbi (RMB) sukuk launched by Khazanah, the world's first RMB offshore sukuk



MAS-AirAsia share swap and launch of Comprehensive Collaboration Framework



Mitsui invested in IHH, a strategic partnership that further strengthened Khazanah's positioning within the healthcare industry



UEM Land and Sunrise merger, making UEM Land the largest property developer in Malaysia



Iskandar Malaysia reached five-year milestone, with significant progress on the ground



Strategic divestment of Pos Malaysia Berhad, the national postal company



Khazanah Global Lectures by Mary Robinson, former President of Ireland



GLC Open Day held to enhance public awareness of the roles played by GLCs



GLC Townhall with Prime Minister in conjunction with the 24th PCG meeting



Khazanah and IHH acquired 75% equity in Turkish healthcare provider, Acibadem



Reversal of MAS-AirAsia Khazanah share swap



The USD1.5b IPO was the third largest in Malaysia at the time it was launched



Khazanah-Sunway JV completed purchase of Medini Zone F for an integrated commercial and residential development project



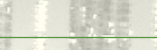
LEGOLAND® Malaysia launched, a catalytic development in Iskandar Malaysia



Acquired 8.9% stake in John Keells, one of Sri Lanka's largest conglomerates listed on the Colombo Stock Exchange

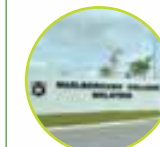


UEM Land JV with Ascendas for the development of an eco-friendly technology park in Nusajaya, Johor



KidZania Kuala Lumpur launched by Deputy Prime Minister, Tan Sri Dato' Muhyiddin Yassin. The educational indoor theme park is a development involving Khazanah subsidiary, Themed Attractions and Resorts Sdn Bhd

USD357.8m Parkson exchangeable sukuk issued, the first sukuk to be priced at negative yield



Marlborough College opened in Iskandar Malaysia



Exercise to take PLUS private completed. The RM33b transaction was the largest corporate exercise in Malaysian history.



RM1.29b divestment of national car manufacturer Proton Holdings Berhad completed



IHH listing, making it the third biggest IPO in the world at the time



Cruyff Court Iskandar launched, the first of two Cruyff Courts in Malaysia



KidZania Kuala Lumpur launched by Deputy Prime Minister, Tan Sri Dato' Muhyiddin Yassin. The educational indoor theme park is a development involving Khazanah subsidiary, Themed Attractions and Resorts Sdn Bhd





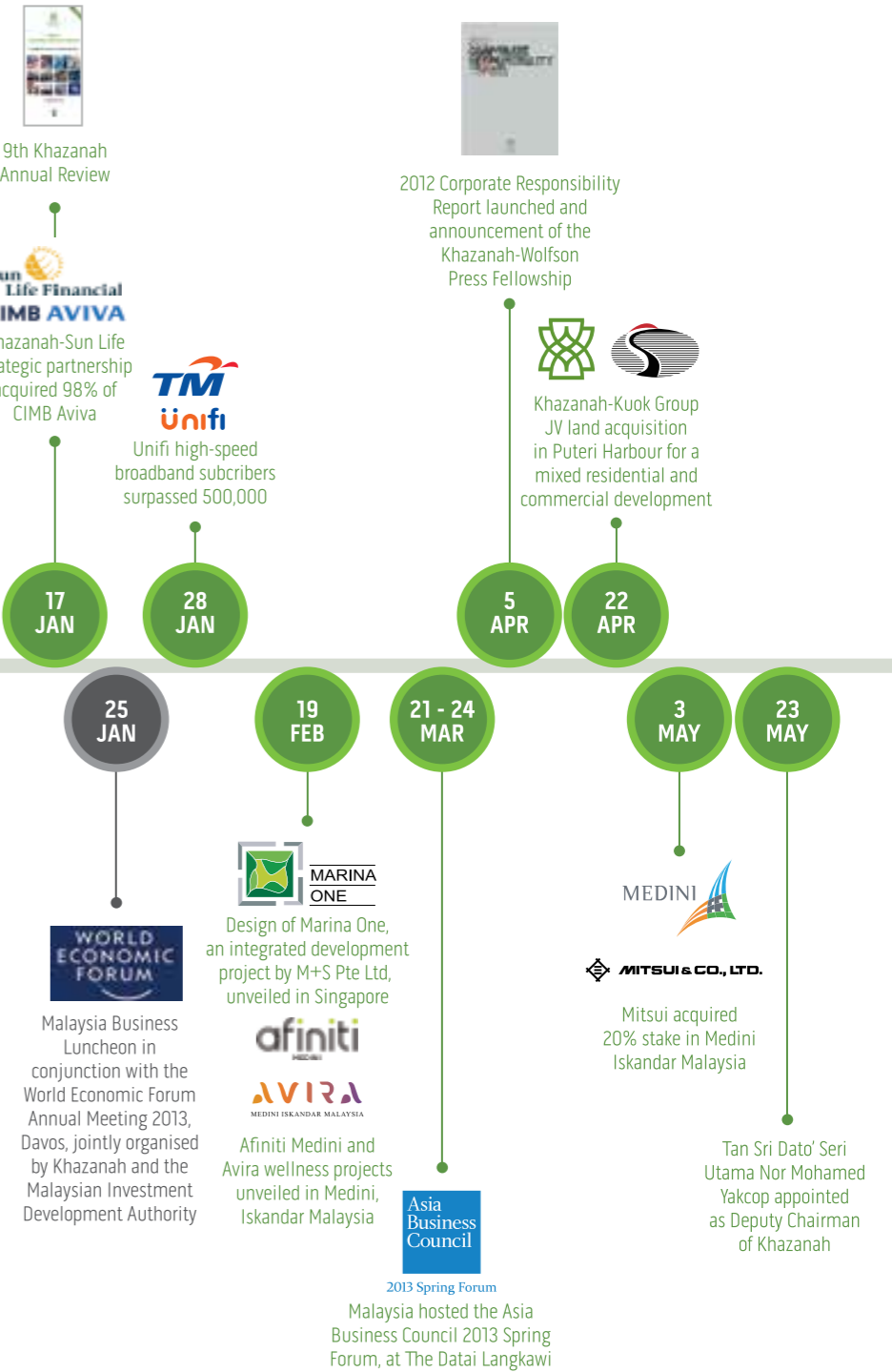
INTO A FULLY DEVELOPED NATION

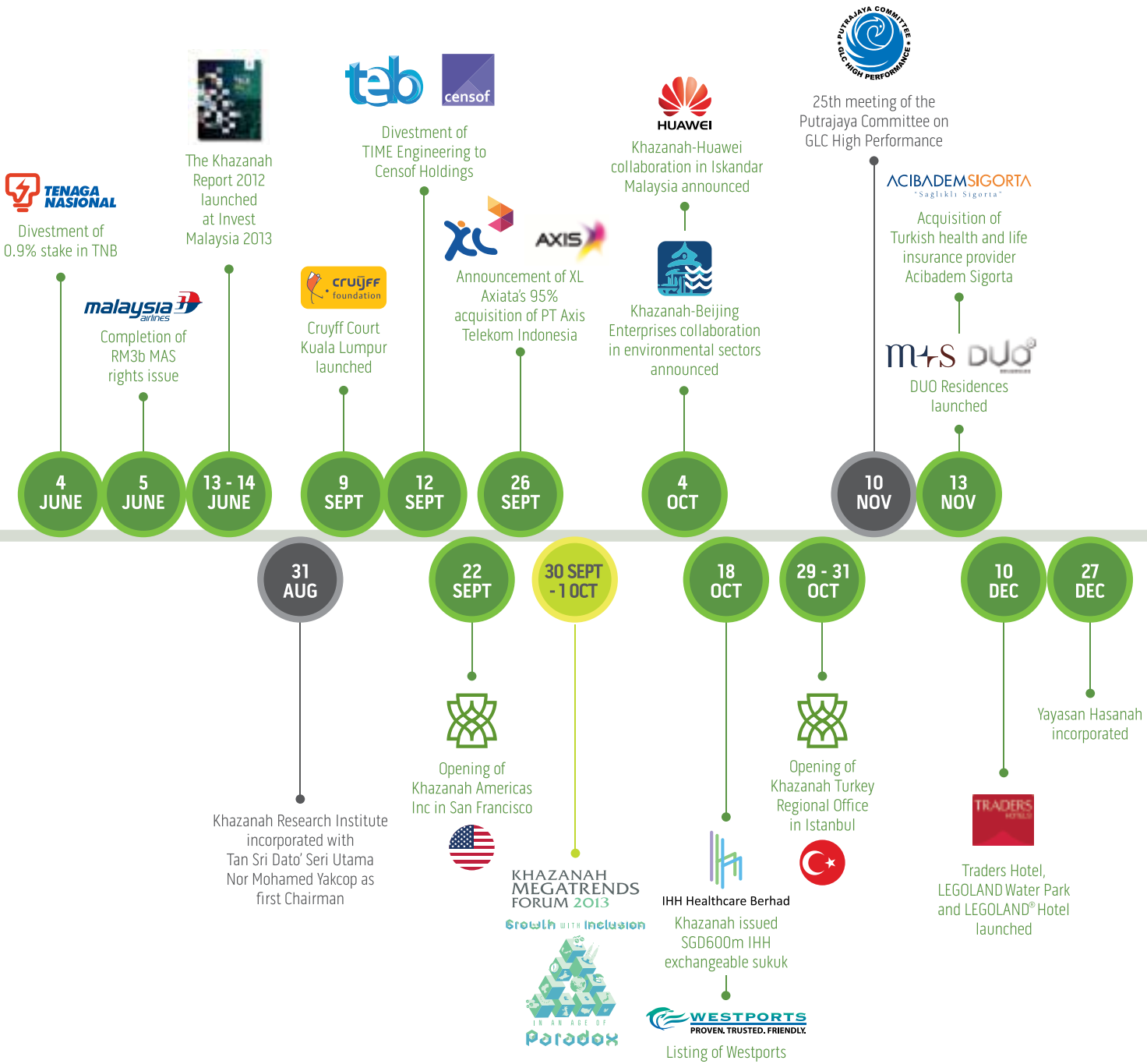
KLCC in 2013. Khazanah's head office is located in Tower 2 of the iconic Petronas Twin Towers.

2013 IN REVIEW

2013 saw several key transactions that further underlined our role as a strategic investment fund. These include corporate exercises and strategic divestments to support national development objectives, acquisitions to tap into new growth areas and launch of catalytic projects.

- Key Khazanah-related transactions and events
- National initiatives
- Knowledge initiatives





Source: Khazanah compilation





MERDEKA DAY

Every 31 August since 1957, Malaysians have celebrated our Independence Day, a joyful occasion when all *rakyat*, irrespective of racial origins, ethnicities, religious beliefs, young and old come together to share this happy occasion when a nation was born.

AN OVERVIEW OF AN INSTITUTION

01

Since 1994, Khazanah has played its role in supporting the country's aspiration to become a developed nation by 2020. Over the last 20 years, the organisation has seen through many strategic investments to help bring about competitive advantages for Malaysia. Today, we continue to grow as an institution, underpinned by a robust governance and accountability framework. Khazanah's Board of Directors, led by our Chairman, Dato' Sri Mohd Najib Tun Hj Abdul Razak, guides the efforts of our management and our people in executing our mandate.

Chairman's Message **12**

Our Governance and Accountability Framework **16**

Board of Directors **17**

Message from the Managing Director **18**

Strategic Planning Group **24**

MALAYSIA DAY

Malaysia Day is celebrated on 16 September when Malaya was joined by Sabah and Sarawak in 1963 to form Malaysia. This spirit of unity continues to endure as Malaysia progresses into the new century.

CHAIRMAN'S MESSAGE

MALAYSIA CONTINUES TO FACE INCREASING CHALLENGES IN THE COMING YEARS, AS GLOBALISATION AND A BORDERLESS ECONOMY BECOME A REALITY

The New Economic Model (NEM) introduced in 2010 was designed to transform the Malaysian economy by facilitating more foreign inward investments and boost domestic demand to propel the country towards a high-income nation status. The economic fundamentals of the country are sound, but we must constantly re-invent ourselves to be relevant in the global economy. We need all Malaysians to have a meaningful stake in our transformation plan. The energy and cooperation from all stakeholders are important, as we all work together towards making Malaysia a developed nation where every Malaysian can benefit from sustainable economic growth.

The old ways, tested and true for decades of economic prosperity are not a permanent template for continued success in the future. 2013 was marred by adverse geopolitical episodes and an uncertain business environment, which further demonstrates the need to stay the course and continue to build resiliency into Malaysia's economy so we can withstand any external shocks. As a nation, we have much still to do as we inch closer to 2020. We also want to ensure Malaysia integrates seamlessly into the global economy, which is rapidly changing and to take advantage of our prime geographical location bridging the East and the West.

As the strategic investment fund of the Government of Malaysia, Khazanah has navigated the challenging global and domestic conditions and grown its investment portfolio steadily since it received the new mandate in 2004. Khazanah continues to closely support Malaysia's economic transformation plan. For the transformation plan to succeed, Government-Linked Companies (GLCs) will be a key barometer of success in the near future, as we get closer to 2020. The G-20 continue to make significant progress not just as national, but increasingly as regional champions.



Dato' Sri Mohd Najib addressing the Asia Business Council 2013 Spring Forum delegates at Sri Perdana, Putrajaya



**DATO' SRI
MOHD NAJIB
TUN HJ ABDUL RAZAK**
*Chairman
Khazanah Nasional Berhad*



1994 1995 1996 1997 1998 1999 2000 2001 2002 2003



Khazanah, in its capacity as secretariat to the Putrajaya Committee on GLC High Performance (PCG), is the steward of the GLC Transformation (GLCT) Programme, which started in 2005. The programme acts as an important conduit to help the country realise co-investments with the private sector while Khazanah continues to pursue high value New Economy Investments (NEIs), consistent with the objectives of the NEM.



2014 is a special year in the history of Khazanah as it celebrates its 20th anniversary. Khazanah began operations in 1994 with the objective of optimising commercial returns to the Government and to play a role as a catalyst in developing strategic and high technology projects to boost Malaysia's economy in the 1990s.

The Government then felt that some of the strategic assets controlled by the Ministry of Finance would be better managed if they were held by a corporate entity, subjected to more rigour and exposure to the commercial market. Hence, Khazanah was established.



In its first 10 years of existence, Khazanah played an important role in monitoring investments held by GLCs and acquiring strategic stakes in certain important sectors such as finance, wafer fabrication, property, auto and electrical. It was, by no means,

A Dato' Sri Mohd Najib at the Khazanah Hari Raya Open House 2013
B During the Asia Business Council 2013 Spring Forum in Putrajaya
C At the Khazanah year-end Board Retreat 2013 held at Traders Hotel in Johor
D Officially launching the LEGOLAND® Malaysia Resort in December 2013





**KHAZANAH
HAS NAVIGATED
CHALLENGING
GLOBAL AND
DOMESTIC
CONDITIONS
AND GROWN ITS
INVESTMENT
PORTFOLIO STEADILY
SINCE IT RECEIVED
THE NEW MANDATE
IN 2004**

a quiet period in Khazanah's history, when the company played a pivotal, yet understated, role in the development of the economy. Khazanah was also a significant player in helping to revive some of the troubled corporations impacted by the Asian financial crisis in 1997.

Khazanah's work continued, but at an accelerated pace, in the second ten years from 2004, with the development of a diversified investment portfolio spanning not just Malaysia, but also key markets including China, India, Turkey, Indonesia, Singapore and the Americas. The opportunities for Malaysia at the domestic, regional and global economic stage are clear and apparent, but we must decisively take steps to capitalise on them so as to continue to deliver benefits and improve the quality of life for all Malaysians.

As Chairman of Khazanah, I would like to take this opportunity to thank everyone connected with this organisation for everything they continue to do every day to strengthen the company, so that value is continuously being unlocked for the benefit of all rakyat. The dedication of Khazanah staff, past and present, has contributed greatly to the progress of the organisation over the last 20 years. I also wish to extend a special note of thanks to all my fellow Board members for their collective wisdom and insights, which have greatly benefited the company.

There is a lot to do still, as we continue to forge ahead in our journey to grow Malaysia's economy, but with hard work and determination, we stand a high chance of success. From the early days of a 30-strong team to approximately 470 staff now, the journey of growth and value creation has been fulfilling. The 20-year milestone is a proud achievement for us, but it is not the time to be complacent. Looking forward to the next 20 years, I am certain Khazanah will insyaAllah continue to perform its mandated role with a high degree of professionalism and integrity.

Thank you.

Dato' Sri Mohd Najib
Chairman
Khazanah Nasional Berhad



OUR GOVERNANCE AND ACCOUNTABILITY FRAMEWORK

WE ARE GUIDED BY A FRAMEWORK THAT ESTABLISHES A CLEAR RESPONSIBILITY, AUTHORITY AND GOVERNANCE STRUCTURE

Khazanah upholds rigorous standards of transparency and accountability. We are guided by a governance and accountability framework that establishes a clear responsibility, authority and governance structure for the ongoing oversight of our operations. This is strengthened by internal systems and controls in the form of policies, procedures and guidelines on matters ranging from risk management and investment approvals to corporate values and ethical standards.

We make appropriate disclosures of our performance and operations, be they required by law and the relevant authorities or voluntary dissemination of information to our stakeholders, including the public, across a variety of platforms and forums. We are audited by the Auditor-General's Office, through the Ministry of Finance, and are answerable to the Malaysian Parliament, where we have appeared before the Public Accounts Committee. We submit our audited financial statements to the Companies Commission of Malaysia every year. We provide comprehensive information through our official website and publications released annually including The Khazanah Report, Khazanah Corporate Responsibility Report and Government-Linked Companies Transformation (GLCT) Programme Progress Review.

Additionally, we do an annual outreach programme to brief a wide stakeholder group including the press, analysts and fund managers, government agencies, parliamentarians and civil society organisations.

We operate within the framework of a clearly defined mandate that is aligned with the national development objectives of the Government. Our mandate guides our investment and operational approach, ensuring that it is consistent with the objectives set by our shareholder.

Khazanah taps into international capital markets from time to time, and in the process our security and financial investments are rated. To this end, we provide adequate and frequent disclosure of our financial position through rating agencies and market participants. We comply with statutory public disclosure requirements concerning our investments, divestments, and capital-raising exercises. We also disclose financial data to our shareholder (Minister of Finance, Inc), Bank Negara Malaysia, and the Department of Statistics on a regular basis.

We are governed by a Board of Directors comprising representatives from the Government and the corporate sector with diverse professional backgrounds and expertise. Dato' Sri Mohd Najib Tun Hj Abdul Razak, the Prime Minister of Malaysia and Minister of Finance, is the Chairman of our Board.

The Board meets regularly and is ultimately accountable and responsible for the overall governance and performance of Khazanah. A Board Charter sets out the roles and responsibilities of the Board in overseeing the management of Khazanah.

The Board is assisted by two subcommittees – the Executive Committee (EXCO) and the Audit and Risk Committee (ARC). The four-member EXCO comprises three Non-Executive Directors and an Executive Director, while the ARC consists of three Independent Directors.

Our Governance and Risk Management Framework serves as a guide for the effective management of risks, and to inculcate and embed a culture of good corporate governance and risk management throughout Khazanah. The framework comprises a *Risk Management Policy, Schedule of Matters for the Board, Limits of Authority applicable to the Management, Code of Conduct and Procedures* that defines ethical business practice, and policies, processes and procedures to guide our employees.

BOARD OF DIRECTORS

Dato' Sri Mohd Najib
Tun Hj Abdul Razak
appointed as
Khazanah Chairman

DATO' SRI MOHD NAJIB TUN HJ ABDUL RAZAK

Chairman

Dato' Sri Mohd Najib is the current Prime Minister of Malaysia and Minister of Finance. He previously held various ministerial posts including Minister of Culture, Youth and Sports, Minister of Defence, and Minister of Education, as well as Deputy Prime Minister from 2004 to 2009. Dato' Sri Mohd Najib also served as the Chief Minister of Pahang from 1982 to 1986.



From Left To Right: Tan Sri Andrew Sheng, Tan Sri Mohamed Azman Yahya, Tan Sri Dato' Azman Hj Mokhtar, Tan Sri Dato' Seri Utama Nor Mohamed Yakcop, Dato' Sri Mohd Najib Tun Hj Abdul Razak, Dato' Seri Ahmad Husni Hanadzlah, Tan Sri Md Nor Yusof, Dato' Mohammed Azlan Hashim, Raja Tan Sri Dato' Seri Arshad Raja Tun Uda

TAN SRI DATO' SERI UTAMA NOR MOHAMED YAKCOP

Deputy Chairman and EXCO Chairman

Tan Sri Nor was formerly Minister in the Prime Minister's Department in charge of the Economic Planning Unit. He had also previously served as Minister of Finance II and Special Economic Adviser to the Prime Minister, and spent over 30 years with Malaysia's central bank, Bank Negara in various capacities.

DATO' SERI AHMAD HUSNI HANADZLAH

Dato' Seri Ahmad Husni is the current Minister of Finance II. He was formerly Deputy Minister of Finance I and Deputy Minister of International Trade and Industry. Dato' Seri Ahmad Husni has extensive corporate sector experience and has also served at several state government-linked agencies.

TAN SRI MD NOR YUSOF

EXCO member

Tan Sri Md Nor Yusof is the Chairman of CIMB Group and Malaysian Airline System Berhad, and sits on various boards, including Pelaburan Hartanah Berhad and Malaysian Agrifood Corporation Berhad. He sits on the Board of Trustee of Yayasan Khazanah and was formerly the Executive Chairman of the Securities Commission and Adviser to the Minister of Finance.

TAN SRI MOHAMED AZMAN YAHYA

ARC member

Tan Sri Azman Yahya is the founder and Group Chief Executive of Symphony House Berhad, and Executive Chairman of Bolton Berhad. He also sits on the boards of Ekuiti Nasional Berhad and several Khazanah investee companies. He was formerly the Chief Executive of Danaharta and Chairman of the Corporate Debt Restructuring Committee.

DATO' MOHAMMED AZLAN HASHIM

EXCO member

Dato' Mohammed Azlan is chairman and board member of several public listed companies and Government-related organisations. Dato' Mohammed Azlan was formerly Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad, and Executive Chairman of Bursa Malaysia Berhad.

RAJA TAN SRI DATO' SERI ARSHAD RAJA TUN UDA

Chairman of ARC

Raja Tan Sri Arshad is the Chairman of Maxis Berhad, Ekuiti Nasional Berhad, ACB Retakaful SEA Berhad, Asia Capital Reinsurance Malaysia Sdn Bhd and Yayasan Raja Muda Selangor. He was formerly the Executive Chairman and Senior Partner of PricewaterhouseCoopers Malaysia for 18 years.

TAN SRI ANDREW SHENG

ARC member

Tan Sri Andrew is the Chief Adviser to the China Banking Regulatory Commission and a Board member of Qatar Financial Centre Regulatory Authority. He is also the President of Fung Global Institute. His previous senior appointments include Chairman of the Securities and Futures Commission of Hong Kong, Deputy Chief Executive of Hong Kong Monetary Authority, and Chief Economist and Assistant Governor of Bank Negara Malaysia.

TAN SRI DATO' AZMAN HJ MOKHTAR

EXCO member

Tan Sri Azman Mokhtar is the Managing Director of Khazanah and chairs and sits on the boards of several key Khazanah investee companies. He is also the co-founder and former Managing Director of BinaFikir Sdn Bhd, and was previously Director and Head of Research at Salomon Smith Barney and Union Bank of Switzerland in Malaysia.

MESSAGE FROM THE MANAGING DIRECTOR

Welcome to The Khazanah Report 2013 (TKR2013). This is the second year that we are publishing The Khazanah Report, after last year's inaugural issue. We hope the report will once again fulfil its prime objective as a conduit to provide comprehensive updates on Khazanah's operations, activities and performance, in the form of an informative, accessible and handy reference for all our stakeholders.

THIS YEAR IS A SIGNIFICANT MILESTONE AS WE CELEBRATE OUR 20 YEARS SINCE WE BEGAN OPERATIONS IN AUGUST 1994

While TKR2013 will give readers an insight into our activities last year, the report also has another equally important task, which is to provide a record of our journey over the last two decades.

A portrait of Tan Sri Dato' Azman Hj Mokhtar, the Managing Director of Khazanah Nasional Berhad. He is a middle-aged man with grey hair, wearing glasses, a dark pinstriped suit, a light blue shirt, and a patterned tie. He is smiling and has his hands clasped in front of him. A red circular graphic is overlaid on the bottom left of his portrait, containing his name and title.

**TAN SRI DATO'
AZMAN HJ MOKHTAR**
*Managing Director
Khazanah Nasional Berhad*



Khazanah was established during Malaysia's ongoing economic growth in the 1990s. Our overarching rallying cry of "Building True Value", in retrospect, remains true from the early years of our operations till the present day. Building True Value remains the fundamental principle, which drives us in all that we do and as contained in my message in TKR2012, it continues to be our aspirational goal and a promise to the 30 million Malaysians who are our most important stakeholders. The commemorative logo with the words "20 Years – Building True Value", which adorns the cover of this report, is a solemn reminder of Khazanah's continuous efforts to fulfil its mandate to the nation.

We have tried to give clarity and perspective to the past 20 years by speaking to a cross-section of the people who have shaped and contributed to the growth of Khazanah since 1994, and their words and insights are captured and sprinkled throughout TKR2013. They include past Chairmen, YAB Tun Dr Mahathir Mohamed and YAB Tun Abdullah Ahmad Badawi, former Chairmen of Khazanah's Executive Committee, past Managing Directors, and former

and current employees. Together with detailed timelines of significant transactions and events, we hope to provide readers with a comprehensive record of Khazanah's milestones that can serve as a testament to our contribution to nation-building.

Just like last year's report, we have included three new case studies that we hope provide a deeper understanding of critical Khazanah milestones. The studies highlight the role that Khazanah played in the restructuring of the Renong-UEM group following the financial crisis in the late 1990s; our investments in healthcare since 2005, which culminated in the successful listing of IHH Healthcare Berhad in 2012; and an overview of how Khazanah attempts to ensure the inclusivity component is integrated into our investment activities.

When Khazanah commenced operations 20 years ago, our stated objective was two-pronged: to optimise returns from the companies that we held on behalf of the Government and to act as a catalyst in developing strategic and high technology projects that would enhance the Malaysian economy.



A Tan Sri Dato' Azman at the Khazanah Annual Review briefing to stakeholders **B** At the Khazanah year-end Board Retreat 2013 held at Traders Hotel in Johor **C** At the Khazanah Megatrends Forum 2013

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003



A Tenaga Nasional Berhad's power plant in Manjung, Perak **B** Menara TM in Kuala Lumpur

The Government established Khazanah as an entity separate from the civil service structure to enable it to play a more professional and market-friendly custodial role in managing the country's strategic investments such as Tenaga Nasional Berhad and Telekom Malaysia Berhad.

Beyond this, Khazanah was also tasked with identifying potential investments, which could leverage on the country's existing capabilities, build local capacities in new strategic areas and stimulate the growth of higher value-added economic activities. These included investments in electronics and semiconductors, automotive, infrastructure, and financial sectors.

In the 1990s, Khazanah was also involved in corporate exercises to encourage the development of local financial sector offerings, including undertaking the issuance of benchmark bonds to help develop the Ringgit bond market, and playing a catalytic role in the local venture capital market by participating in funds established to promote the growth of the technology sector. What is significant to note is that while being strictly anchored in commercial discipline, the strategic developmental thrust of our investment approach remains a key component of our mandate till today.

In 2004, the Government gave Khazanah a refreshed mandate, which was characterised by an active investment style with a focus on active performance management, regionalisation, opening new sectoral and geographic frontiers, and developing human capital, all underpinned by the dual objective of achieving both financial and strategic or economic returns. On the domestic front, Khazanah drove efforts towards high-performance and value creation by our investee companies; a key initiative in this regard is the 10-year Government-Linked Companies (GLC) Transformation Programme, which was announced in 2004.

We are thankful that, by and large, we have been able to contribute to the transformation of our key companies in sectors such as banking, telecommunications, infrastructure, utilities and airports. We have also made considerable

inroads into New Economy areas such as healthcare, leisure and tourism, insurance, creative industries, life sciences and technology. Iskandar Malaysia, which was initiated by Khazanah in 2006, is another prime example of a major development that encapsulates Khazanah's dual commercial and strategic mandate.

As part of our ongoing transformation, the change in mandate in 2004 saw a major thrust to expand our regional and international investment footprint. Today, as much as 35% of the value of our portfolio is attributable to our overseas investments and we have now established four overseas offices in Beijing, Mumbai, San Francisco and Istanbul. Our approach overseas is closely tied with the regionalisation drive of the GLCs and in this regard, we collaborate with our investee companies to identify and take advantage of opportunities that can bring strategic returns to the country.

 WITH THAT IN MIND, KHAZANAH CONTINUES TO EVOLVE INTO A KNOWLEDGE-BASED LEARNING ORGANISATION, AS WELL AS STEADILY BUILDING UP OUR CAPABILITIES IN THE CORPORATE RESPONSIBILITY (CR) PLATFORM, TWO AREAS WHERE THERE HAVE BEEN SIGNIFICANT WORK DONE IN 2013.

In addition to the three pillars of our core investment activities in our mandate, there is also a fourth core pillar, which is the development of human capital and related capabilities such as knowledge development and corporate responsibility (CR) activity. In this regard, I am pleased to note that Khazanah has grown from a modest 30-strong team to more than 470 today, in line with our expanded roles and responsibilities since 2004. We are striving to build a durable and resilient organisation capable of meeting new challenges head on.

With that in mind, Khazanah continues to evolve into a knowledge-based learning organisation, as well as steadily building up our capabilities in the CR platform, two areas where there have been significant work done in 2013. Last year, two important milestones were recorded; the establishment of the Khazanah Research Institute and the incorporation of Yayasan Hasanah, an endowment that moving forward, will encompass all our CR activities.

Over the period of the 10 years since the start of the Khazanah revamp in May 2004, we have demonstrated steady progress in our financial strategic performance. The value of our portfolio as measured by our Net Worth Adjusted (NWA), has increased threefold, from RM33.3 billion in May 2004 to RM103.5 billion as at 31 December 2013. This translates to a compounded annual growth rate of 12.5% per annum since 2004. In US dollar terms,



Tan Sri Dato' Azman at the Asia Business Council 2013 Spring Forum at The Datai Langkawi

the Compounded Annual Growth Rate (CAGR) is even higher for that period at 14.2 %. For the last year 2013, NWA rose RM16.6 billion or 19.1% from 31 December 2012. The growth year-on-year outperformed FBM KLCI total returns of 14.4%. It also compares favourably against regional indices such as the Singapore Straits Times Index (7.3%), Hong Kong Hang Seng Index (14.3%) and MSCI Asia ex-Japan (10.8%).

In terms of contribution, NWA growth was primarily driven by Telekom Malaysia Berhad, Axiata Group Berhad, UEM Group Berhad, Tenaga Nasional Berhad, CIMB Group Berhad, and the healthcare sector. Realisable Asset Value (RAV) increased 164.8% or RM84 billion from RM50.9 billion in May 2004 to RM135.1 billion as at 31 December 2013. The RAV as at 31 December was a new high, rising 11.1% from RM121.5 billion as at 31 December 2012.

Total revenue for the year ended 31 December 2013 amounted to RM7.6 billion, comprising dividend income of RM6.6 billion, with divestment gains and other income amounting to more than RM1 billion. Proforma company profit before tax amounted to RM3.1 billion (2012: RM2.1 billion).

Over the past 10 years, between 2004 and 2013, we made 109 investments worth RM58.1 billion and 61 divestments valued at RM37.2 billion. This brought in gains on divestments of RM16.4 billion. In 2013 alone, we made a total of 14 investments amounting to RM6.7 billion, and six divestments for a gain of RM682 million. The cumulative profit before taxation (PBT), taxes paid and dividends declared over this period were RM19.1 billion, RM1.2 billion and RM6.5 billion, respectively. This is 3.8 times, 2.8 times and 21.3 times, respectively, the PBT, taxes paid and dividends declared over the preceding 10 years from 1994 to 2003.

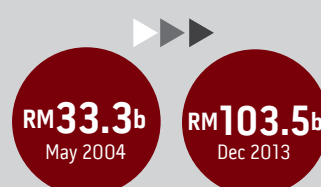
2013 also saw us continuing to drive the GLC Transformation Programme, through our role as the Secretariat to the Putrajaya Committee on GLC High Performance (PCG), as well as support for key national initiatives under the National Transformation Programme.

These initiatives underline the value creation that we undertake as part of our mandate. Equally important, if not more so, is sharing the returns with stakeholders through our value distribution role.

In addition to the multi-fold increase in dividends and taxes that Khazanah has distributed in the last 10 years, our portfolio companies have also, thankfully, been able to progress with both value creation and then value distribution. For example, the seven Khazanah-linked companies, also known as the K-7, under the GLC Transformation Programme have paid a total of RM23 billion in taxes and RM38 billion in dividends over the period from 2004 to 2012, of which RM26 billion was paid to Malaysian Government-linked entities such as Employees Provident Fund,

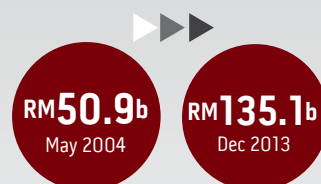
NET WORTH ADJUSTED (NWA)

The value for our portfolio as measured by NWA has increased threefold



REALISABLE ASSET VALUE (RAV)

The RAV as at 31 December was a new high, rising 11.1% from RM121.5 billion as at 31 December 2012



Tan Sri Dato' Azman and Johan Cruyff at an event for children with special needs at Cruyff Court Kuala Lumpur in Brickfields





Permodalan Nasional Berhad and Kumpulan Wang Persaraan.

Our CR initiatives also represent an important value distribution channel. Since 2006, Khazanah has spent RM335 million on CR initiatives, out of which RM80.5 million was in 2013. Last year, we made an important step to deepen and expand our CR through the incorporation of Yayasan Hasanah. The strategic approach of this foundation is to support and empower communities, encourage social inclusivity and improve local environments.

Yayasan Hasanah will consolidate and expand our existing CR work in five core areas, namely education, community development, environment, arts, heritage and culture, and knowledge. The foundation will focus on working with local partners because we believe in strengthening local capacities and community ownership to ensure the sustainability of the initiatives. We also aim to demonstrate and measure the social and environmental impact of the foundation's activities, which is largely focused on assisting the lower income segments of society.

Alhamdulillah, we are thankful of the steady progress achieved over the last 20 years since our establishment, and the 10 years of our transformation and revamp. However, we realise that we need to further build capacity and institutionalise, in order to stand the best chance of continuing to build value across all fronts, and to support the broader national development agenda. We will stay the course as long-term investors and continue to support our investee companies while seeking opportunities in existing and new markets.

A key milestone in the near future will be the graduation of the GLC Transformation Programme in 2015. Some GLCs are already becoming regional champions, and it is important that all stay the course in implementing the various initiatives under the programme. As Khazanah reaches out further beyond Malaysia's borders, we will leverage on our regional offices as bases to deepen and broaden coverage of those respective geographies, while continuing to invest in initiatives that deliver long-term strategic benefits to the nation.

RM58.1b
worth of investments made since 2004

20 years is a fairly long time, almost a generation. But 20 years is also a short duration in so far as we build an institution capable of playing a pivotal and catalytic role in the ongoing and evolving development of Malaysia, and indeed in the communities where we invest and therefore, where we serve. In that regard, we see this 20-year milestone as both an acknowledgement and recognition of the progress made to date, but also as an affirmation of the commitment of what we further need to do. Alhamdulillah, for the last 20 years, but also in many respects as an institution we have only just begun. InsyaAllah.

On that note, it gives me great honour to express our appreciation to all who have contributed towards enabling us to meet the multiple challenges and record the many achievements throughout our two decades: our former Chairmen, Tun Dr Mahathir Mohamed and Tun Abdullah Ahmad Badawi, our Chairman and Prime Minister, YAB Dato' Sri Mohd Najib Tun Razak and Board of Directors whose leadership and guidance have been instrumental in our progress; our former Executive Committee Chairmen and managing directors whose stewardship have led Khazanah to where it is today; the many people who have served the nation and continue to do so through Khazanah, whether they are existing employees or those who have left us; our business partners, suppliers and customers; and finally, the people of Malaysia, our ultimate stakeholders.

Thank you.

Tan Sri Dato' Azman Hj. Mokhtar
Managing Director
Khazanah Nasional Berhad
2 June 2014

STRATEGIC PLANNING GROUP

AS OF 1 MAY 2014

WE DRAW ON THE BROAD EXPERIENCE AND CAPABILITIES OF OUR PEOPLE FOR THE WORK THAT WE DO

The Strategic Planning Group (SPG) represents a team of approximately 90 senior members of staff of Khazanah from Senior Vice Presidents to Executive Directors. The SPG is a diverse group of individuals from a broad range of industries and areas of specialisation, bringing to Khazanah a wealth of knowledge and experience.

The SPG, which includes the Senior Leadership Team (SLT), help to collectively ensure the implementation and delivery of our strategic and commercial objectives, based on the direction from our Board, and in line with our mandate.

Khazanah has the means to accomplish big tasks...

KHAZANAH 20 YEARS

Most importantly, Khazanah has the means to accomplish big tasks. It can get the resources and the people to do it. The talent that Khazanah has means they don't relish doing nothing. All they want is to get into the thick of the action and come up with impactful solutions."

Dr Nungsari Ahmad Radhi
Former Executive Director
Khazanah Research & Investment Strategy
(2007 - 2013)
Dr Nungsari was instrumental in driving Khazanah's evolution into a Learning Organisation
(See page 108)



SENIOR LEADERSHIP TEAM



TAN SRI DATO' AZMAN HJ MOKHTAR
Managing Director
The team is led by Tan Sri Dato' Azman Hj Mokhtar, who has served as Managing Director since his initial appointment to the post in June 2004.



DATUK GANEN SARVANANTHAN
Head of Investments (until 31 January 2014)
Executive Director, Managing Director's Office (1 February 2014 - 31 April 2014)
Ganen joined Khazanah in 2004 and was the Head of Investments until 31 January 2014. Prior to joining Khazanah, Ganen was Director, Equity Capital Markets at UBS in Hong Kong, and prior to that with the bank's Investment Banking/Corporate Finance departments in London, Singapore, and Hong Kong.



JOSEPH DOMINIC SILVA
Executive Director, Investments and Head of Investments (from 1 February 2014)
Dominic joined Khazanah in 2008 after 18 years in the banking sector, 12 of which were with ABN AMRO in several regional and international capacities. Prior to that, Dominic worked with a major Japanese group's corporate finance division in Asia.

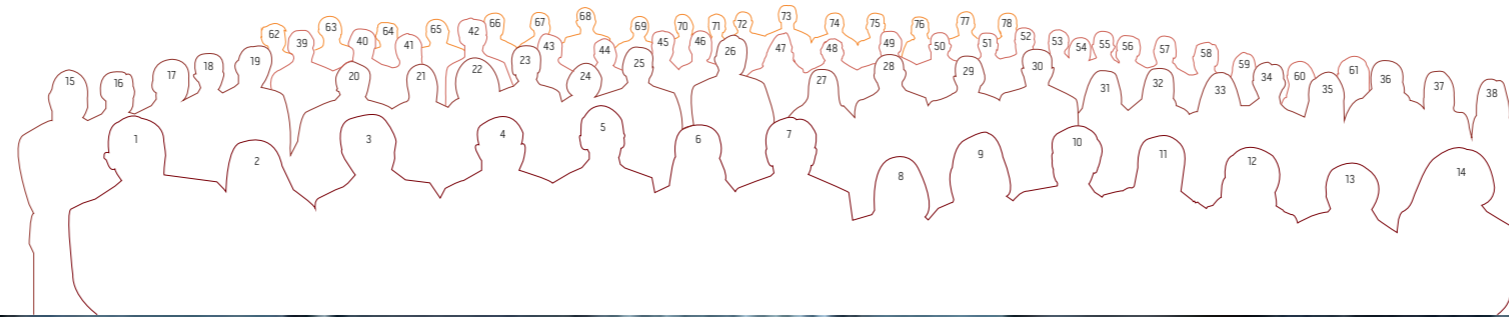


BEN CHAN
Executive Director, Investments
Ben joined Khazanah in 2005. Ben was previously Director of Research at several investment houses in Malaysia, covering Malaysia and Singapore. Previously, he was head of China research with Cazenove & Co and ING Barings, based in Hong Kong.



DATO' NOORAZMAN ABD AZIZ
Executive Director, Investments
Dato' Noorazman joined Khazanah in 2010 from Fajr Capital Ltd based in Dubai, where he was the Managing Director. Prior to that, Dato' Noorazman held a succession of international banking and finance positions, including with Citigroup, Bank Islam, Kuala Lumpur Stock Exchange and Labuan Offshore Financial Services Authority.

STRATEGIC PLANNING GROUP



Legend

- CSS: Corporate & Support Services
- KRIS: Khazanah Research & Investment Strategy
- MDO: Managing Director's Office
- SHCM: Strategic Human Capital Management



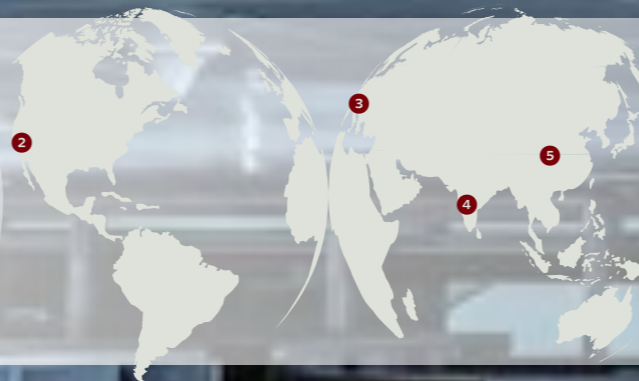
- | | | | | | | | | | |
|--|---|---|---|---|---|---|---|---|--|
| 1 Mohamed Nasri Sallehuddin
<i>Director, CSS</i> | 2 Azizah Hanum Hj Md Tamat
<i>Director, CSS</i> | 3 Mohd Raslan Md Sharif
<i>Senior Vice President, MDO</i> | 4 Mohd Izani Ashari
<i>Executive Director, MDO</i> | 5 Mohammad Hisham Abdul Halim
<i>Senior Vice President, MDO</i> | 6 Elakumari Kantilal
<i>Director, Investments</i> | 7 Dato' Jezilee M Ramli
<i>Director, MDO</i> | 8 Enita Azlina Osman
<i>Senior Vice President, Investments</i> | 9 Jasmine Kwan Chiew Yan
<i>Senior Vice President, MDO</i> | 10 Pang Hee Min
<i>Director, Investments</i> |
| 21 Erma Surianee Malek
<i>Senior Vice President, Finance</i> | 22 Aida Ang Siew Ting
<i>Senior Vice President, Finance</i> | 23 Leong Soon Kong
<i>Senior Vice President, Investments</i> | 24 Stephanie Saw Ai Lin
<i>Director, Investments</i> | 25 Selvendran Katheerayson
<i>Director, Investments</i> | 26 Tan Sri Dato' Azman Hj. Mokhtar
<i>Managing Director</i> | 27 Shareen Shariza Abdul Ghani
<i>Director, MDO</i> | 28 Aminnudin Rezal Jaafar
<i>Senior Vice President, MDO</i> | 29 Mohammad Razip Mohammad Zin
<i>Senior Vice President, SHCM</i> | 30 Roseman Hassan
<i>Senior Vice President, CSS</i> |
| 41 Effizal Faiz Zulkifly
<i>Senior Vice President, Investments</i> | 42 Dato' Charon Wardini Mokhzani
<i>Executive Director, MDO</i> | 43 Mohd Asuki Abas
<i>Senior Vice President, MDO</i> | 44 Mohamed Ridzuan Mohamed
<i>Director, KRIS</i> | 45 Ahmad Khairul Razi Ismail
<i>Senior Vice President, MDO</i> | 46 Zain Azmir Zain Azahari
<i>Director, Investments</i> | 47 Wong Shu Hsien
<i>Director, Investments</i> | 48 K. Gopalan a/I V.P Govinda Pathiyar
<i>Senior Vice President, KRIS</i> | 49 Hamdan Abdul Majeed
<i>Director, KRIS</i> | 50 Jiv Sammanthan
<i>Executive Director, MDO</i> |
| 61 Suhana Dewi Selamat
<i>Director, Investments</i> | 62 Eric Hong Kang Wei
<i>Senior Vice President, Investments</i> | 63 Erika Mushtarina Bin Mat Ariffin
<i>Senior Vice President, Investments</i> | 64 Hisham Hamdan
<i>Executive Director, Investments</i> | 65 Amran Hafiz Affudin
<i>Director, Investments</i> | 66 Tan Sze Meng
<i>Senior Vice President, MDO</i> | 67 Chee Kok Lim
<i>Director, MDO</i> | 68 Yap Kheng Han
<i>Director, Investments</i> | 69 Mohd Izani Ghani
<i>Executive Director, Finance</i> | 70 Kenneth Shen
<i>Executive Director, Investments</i> |

- | | | | | | | | | | |
|--|---|---|----------------------------------|--|--|---|--------------------------|--|--|
| Khazanah Americas Inc:
(from left to right) | 79 Shahril Ibrahim
<i>Director, Investments</i> | 80 Sundhiraj Sharma
<i>Senior Vice President, Investments</i> | Khazanah Turkey Regional Office: | 81 Abang Rahmat Shobra Yusuf
<i>Senior Vice President, Investments</i> | 82 Al-Azmy Azizi
<i>Senior Vice President, Investments</i> | 83 Zafer Sonmez
<i>Senior Vice President, Investments</i> | Khazanah India Advisory: | 84 Pushkar Jauhari
<i>Senior Vice President, Investments</i> | 85 Babar Ali Khan
<i>Director, Investments</i> |
|--|---|---|----------------------------------|--|--|---|--------------------------|--|--|

2 Khazanah Americas Inc, San Francisco



3 Khazanah Turkey Regional Office, Istanbul



4 Khazanah India Advisory, Mumbai



5 Khazanah Beijing Representative Office



- 11 **Aileen Buang**
Senior Vice President, MDO
- 12 **Suria Ab Rahman**
Director, SHCM
- 13 **Melinda Omar**
Senior Vice President, SHCM
- 14 **Rohayati Othman**
Director, MDO
- 15 **Dato' Noorzman Abd Aziz**
Executive Director, Investments
- 16 **Mohd Shahazwan Harris**
Executive Director, Investments
- 17 **Hafizuddin Sulaiman**
Director, Finance
- 18 **Irwan Shahrin Ismail**
Senior Vice President, CSS
- 19 **Imran Aejaz Ahmad**
Director, KRIS
- 20 **Ahmad Farouk Mohamed**
Executive Director, MDO
- 31 **Siti Safinah Salleh**
Senior Vice President, MDO
- 32 **Zaida Khalida Shaari**
Executive Director, Investments
- 33 **Quek Pei Lynn**
Director, Investments
- 34 **Goh Keat Siang**
Senior Vice President, Investments
- 35 **Saidatul Atikah Osman**
Senior Vice President, CSS
- 36 **Shahira Ahmed Bazari**
Director, MDO
- 37 **Loh Tzu Anne**
Director, Investments
- 38 **Faridah Bakar Ali**
Director, Finance
- 39 **Ramana Rajalingam**
Senior Vice President, MDO
- 40 **Khoo Lay Seng**
Senior Vice President, Investments
- 51 **Joseph Dominic Silva**
Executive Director, Investments
- 52 **Nik Rizal Kamil
Nik Ibrahim Kamil**
Director, Investments
- 53 **Ong King How**
Director, Investments
- 54 **Jamilah Hashim**
Director, CSS
- 55 **Hisham Zainal Mokhtar**
Director, Investments
- 56 **Wong Wai Seng**
Senior Vice President, Investments
- 57 **Datuk Ganen Sarvananthan**
Executive Director, Investments
- 58 **Idham Ismail**
Director, Investments
- 59 **May Quah Bee Fong**
Director, Investments
- 60 **Serena Tan Mei Shwen**
Director, Investments
- 71 **Iwan Rashman Gulamoydeen**
Senior Vice President, CSS
- 72 **Mohd Fuad Ahmad**
Senior Vice President, MDO
- 73 **Mohd Johari Rahmat**
Senior Vice President, Investments
- 74 **Kamarul Bahrein Sharif**
Director, SHCM
Yayasan Khazanah
- 75 **Wan Ab Aziz Ariffin**
Director, MDO
- 76 **Mohamed Rozani Mohamed Osman**
Senior Vice President, Finance
- 77 **Shamsuddin Abdul Jalil**
Senior Vice President, CSS
- 78 **Tengku Dato' Sri Azmil
Zahrudin Raja Abdul Aziz**
Executive Director, Investments

- Beijing Representative Office:
- 86 **Lim Kooi June**
Senior Vice President, Investments
- 87 **Ben Chan Wei Beng**
Executive Director, Investments
- 88 **Bryan Lim Tsin Lin**
Director, Investments
- 89 **Stanley Ooi Kok Leong**
Senior Vice President, Investments



TENGGU DATO' SRI AZMIL ZAHRUDDIN RAJA ABDUL AZIZ

Executive Director, Investments
Tengku Azmil joined Khazanah in 2011 from Malaysian Airline System Berhad where he was Managing Director and Chief Executive Officer. Prior to that, he was Managing Director and Chief Executive Officer of Penerbangan Malaysia Berhad. He has also worked at PricewaterhouseCoopers in London and Hong Kong.



HISHAM HAMDAN
Executive Director, Investments and Head of Khazanah Research & Investment Strategy (KRIS) (since 1 September 2013)

Hisham joined Khazanah in 2011 from Sime Darby Berhad, where he served in various senior capacities, covering strategy and business development, healthcare, energy & utilities, and China. Hisham also has significant prior experience in equity research and investment banking.



KENNETH SHEN
Executive Director, Investments
Ken joined Khazanah in 2011 from Qatar Investment Authority (QIA) where he held several senior positions, including Adviser to the Chief Executive Officer and member of the Board of Qatar Holding LLC. Prior to QIA, Ken was with Salomon Brothers in Hong Kong and Lehman Brothers in New York.



SHAHAZWAN HARRIS
Executive Director, Investments
Shahazwan joined Khazanah in 2005. Prior to Khazanah, Shahazwan was with PA Consulting and Boston Consulting Group covering primarily the energy, infrastructure, and government sectors; and Tenaga Nasional Berhad.



ZAIDA KHALIDA SHAARI
Executive Director, Investments
Zaida joined Khazanah in January 2007. Previously, she was Company Secretary and Head of Legal at Permodalan Nasional Berhad, after spending several years in legal practice.



MOHD IZANI GHANI
Executive Director, Finance and Chief Financial Officer
Izani joined Khazanah in March 2005 and was appointed Chief Financial Officer in May 2010. Prior to joining Khazanah, Izani was with Putrajaya Holdings Sdn Bhd and Renong Group.



JIV SAMMANTHAN
Executive Director, Managing Director's Office and Head of Managing Director's Office
Jiv joined Khazanah in 2010. He was previously a Partner at PricewaterhouseCoopers, where he spent 18 years based in London and later in Kuala Lumpur.



MOHD IZANI ASHARI
Executive Director, Managing Director's Office and Head of Special Projects Office
Izani joined Khazanah in 2009 and is responsible for leading Khazanah's work on the GLC Transformation Programme. Izani spent a considerable number of years with large multinationals and corporations, including Shell, Maybank, Sime Darby, Petronas and Malaysian Airline System Berhad.



AHMAD FAROUK MOHAMMED
Executive Director, Managing Director's Office and Head of Strategic Management Unit
Farouk joined Khazanah in 2006 after spending a number of years with a strategic advisory firm in Kuala Lumpur. He started his risk analysis work in London before returning to Kuala Lumpur to assume a role at an actuarial consultancy firm.



DATO' CHARON MOKHZANI
Executive Director, Managing Director's Office
Dato' Charon joined Khazanah in November 2013. He is also the current Managing Director of the Khazanah Research Institute. Previously he was the Deputy Chief Executive Officer, Investment Banking, CIMB Group and Chief Executive Officer of CIMB Investment Bank. Prior to that he was the Managing Partner of Messrs. Zaid Ibrahim & Co.



ROHAYATI OTHMAN
Director, Managing Director's Office and Chief Risk Officer
Rohayati joined Khazanah in 2009. She was previously with Barclays Capital, Arthur Andersen and KPMG in London.

We would like to express our gratitude to the following former Senior Leadership Team members for their contribution to Khazanah:

DATO' MOHAMMAD ZAINAL SHAARI
Executive Director, Managing Director's Office and Chief Operating Officer (until February 2013)

DR NUNGSARI AHMAD RADHI
Executive Director and Head of KRIS (until September 2013)

DATUK GANEN SARVANANTHAN
Head of Investments (until 31 January 2014) Executive Director, Managing Director's Office (1 February 2014 – 31 April 2014)

We would also like to welcome to the Senior Leadership Team:
AHMAD ZULQARNAIN ONN
Executive Director, Investments (joined 2 May 2014)
Zul has over 18 years in both the banking and corporate sectors, including tenures with UBS Warburg, Pengurusan Danaharta Nasional Berhad, CIMB Group and Symphony Group.



MINISTRY OF FINANCE BUILDING, 1994
The Ministry of Finance complex in Jalan Duta, Kuala Lumpur was completed in 1978 after construction began in 1974. It housed most of the ministry's agencies before they moved to Putrajaya in 2002. Except for one share, all the share capital of Khazanah is otherwise wholly owned by the Minister of Finance, Inc.

FINANCIAL REVIEW

02

We recognise the importance of strong financial capability and sustainable financial growth as vital towards fulfilling our strategic and commercial roles.

MINISTRY OF FINANCE BUILDING, 2013

The Ministry of Finance is now located at the country's administrative capital Putrajaya. It is a 12-storey building housing many departments that make up the Ministry of Finance including Royal Customs and Excise Department, Department of Valuation and Property Services, Department of the National Accountant of Malaysia and the Inland Revenue Board. The building was completed in August 2002.

Financial Highlights **30**

Independent Auditor's Report **36**

Selected Financial Indicators **37**

Capital and Liability Management
and Islamic Finance **40**

FINANCIAL HIGHLIGHTS

OUR COMMERCIAL AND STRATEGIC MANDATE IS SUPPORTED THROUGH A STRONG FINANCIAL CAPABILITY AND SUSTAINABLE FINANCIAL GROWTH

Among the many financial indicators, two numbers stand out in tracking and assessing our financial performance over the years — realisable asset value (RAV) and net worth adjusted (NWA).

Our RAV, which represents the total value of all of our investments on a marked-to-market basis, has grown at an annual compounded growth rate of 10.7%, from RM50.9 billion in 2004 when we received our new mandate, to RM135.1 billion as at 31 December 2013.

Correspondingly, the measure of value created in our portfolio is the NWA, which strips out liabilities as well as net transfers to the Government. For 2013, NWA increased by 19.1%, or RM16.6 billion, from the previous year. This corresponds to a compounded growth of 12.5% per annum, from a starting value of RM33.3 billion in 2004 to end the 2013 financial year at RM103.5 billion. This solid growth was achieved through the sustained strong performance of our investee companies and the appreciation in

value of other investments.

We prepare and file audited financial statements with the Companies Commission of Malaysia every year. For the 2013 financial year, we managed to register a profit before tax of RM3.1 billion and declared a total dividend of RM650 million. Since we started our operations in 1994, we have declared a cumulative total of RM6.5 billion in dividends to the Government.

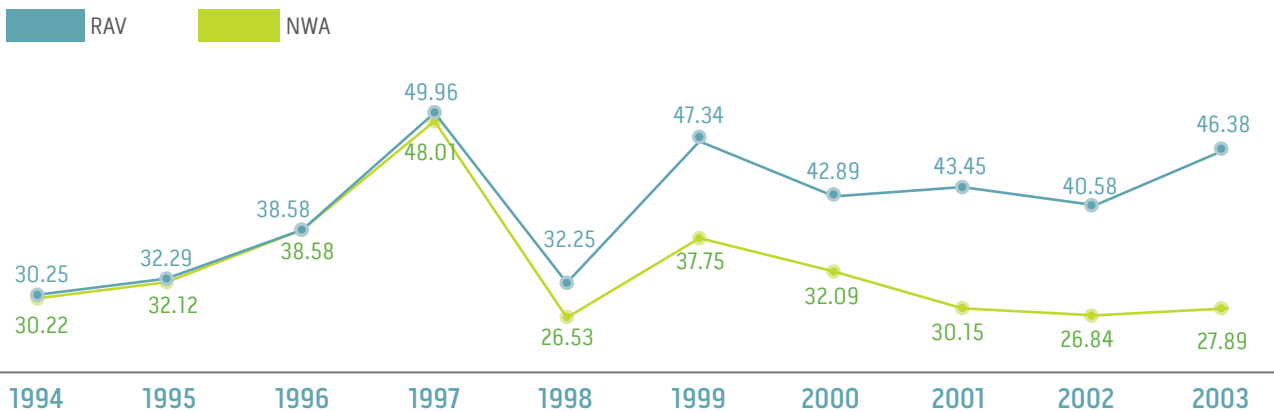
Our capital position has remained strong throughout the years, whether in regard to our asset cover, which currently stands at 3.7x; our net gearing ratio, which is now at 1.0x; or to the quality of our balance sheet. The improvements in our key financial ratio indicators have been achieved within the parameters set out by our asset liability management framework.

We have a strong capital structure provided by a combination of shareholders' funds, which have increased from RM2.8 billion in 1994 to RM29 billion in 2013, and a tightly-controlled liabilities account of RM37.0 billion. This enables us to meet future opportunities and satisfies the requirements of our various stakeholders, including the Government, rating agencies, and capital markets.

RAV and NWA (Rmb)

Movement in RAV and NWA (1994 to 2003)

Since 2006, NWA has been the primary mode of measuring the correct transfer of equity to and from our shareholders so as to reflect Khazanah's net value position. RAV meanwhile has been used since 2004; it represents the total value of all our investments. Prior to 2004, Khazanah operated under a different mandate in its first 10 years, during which it acted primarily as the custodian of the Government's commercial holdings.



Source: Khazanah analysis

The funding requirements were immense...



The Finance division is the core support team for the Investments team. Back in 2005, Khazanah was about to grow its domestic and cross border investments. The funding requirements were immense, and we do not get any significant infusion of capital from the Government. We had to be innovative in order to meet our needs. Hence, Islamic finance became the main platform for us to raise capital."

KHAZANAH 20 YEARS



Mohd Izani Ghani
Chief Financial Officer

RM

135.1

b

Realisable Asset Value (RAV)
(as at 31 December 2013)

RM

103.5

b

Net Worth Adjusted (NWA)
(as at 31 December 2013)

RAV: Realisable Asset Value, defined as total assets in the portfolio on a marked-to-market basis
NWA: Net Worth Adjusted, defined as RAV less total liabilities and adjusted to measure value created

RAV (RMb)

Movement in RAV (2004 to 2013)

		Year-on-Year Change
31 DEC 2013	135.1	11.2%
31 DEC 2012	121.5	12.3%
31 DEC 2011	108.2	-3.9%
31 DEC 2010	112.6	23.5%
31 DEC 2009	91.2	34.3%
31 DEC 2008	67.9	-22.0%
31 DEC 2007	87.1	11.3%
31 DEC 2006	78.2	22.7%
31 DEC 2005	63.7	-2.4%
31 DEC 2004	65.3	28.2%
14 MAY 2004	50.9	

KEY PORTFOLIO AND OTHER INDICATORS

As at 31 Dec	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
RAV (RMm)	135,114	121,466	108,194	112,624	91,224	67,908	87,071	78,212	63,731	65,323
NWA (RMm)	103,513	86,901	69,957	75,223	53,770	31,955	63,611	51,437	40,549	46,868
Shareholders' Funds (RMm)	29,387	26,980	25,625	21,409	17,638	17,139	17,866	13,041	12,244	13,202
RAV / Liabilities (x)	3.70	3.29	2.85	2.92	2.39	1.86	3.62	2.91	2.74	3.53
Number of Employees	476	419	411	373	320	296	256	203	126	53
Number of Offices	7	5	5	5	5	4	2	1	1	1

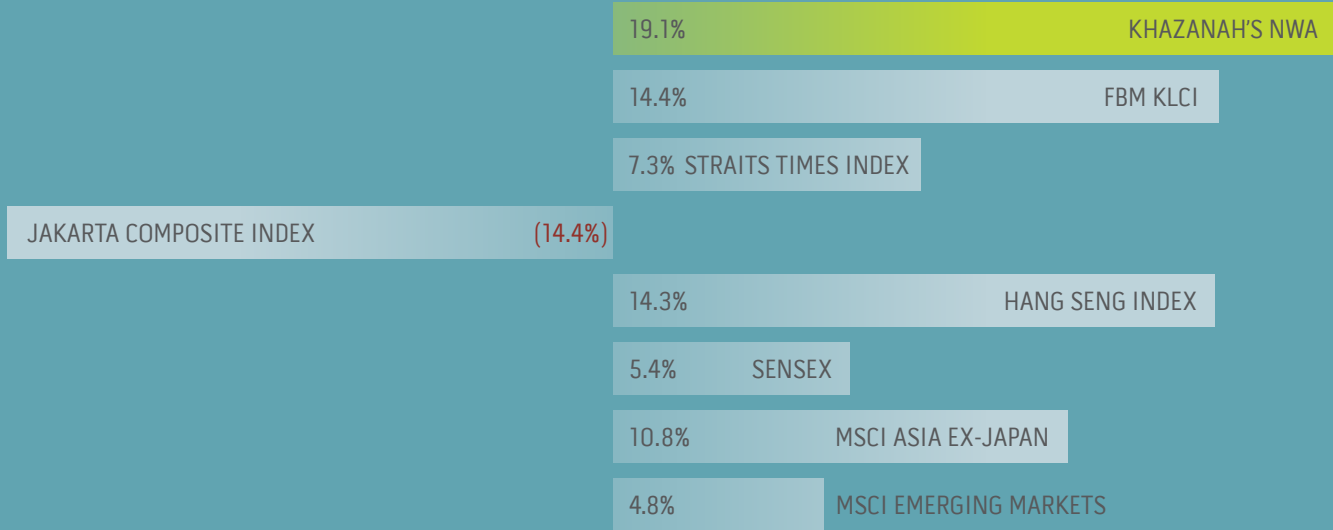
NWA (RMb)

Movement in NWA (2004 to 2013)

		Year-on-Year Change
31 DEC 2013	103.5	19.1%
31 DEC 2012	86.9	24.2%
31 DEC 2011	70.0	-7.0%
31 DEC 2010	75.2	39.9%
31 DEC 2009	53.8	68.3%
31 DEC 2008	32.0	-49.8%
31 DEC 2007	63.6	23.7%
31 DEC 2006	51.4	26.9%
31 DEC 2005	40.5	-13.5%
31 DEC 2004	46.9	40.9%
14 MAY 2004	33.3	

PORTFOLIO RELATIVE PERFORMANCE

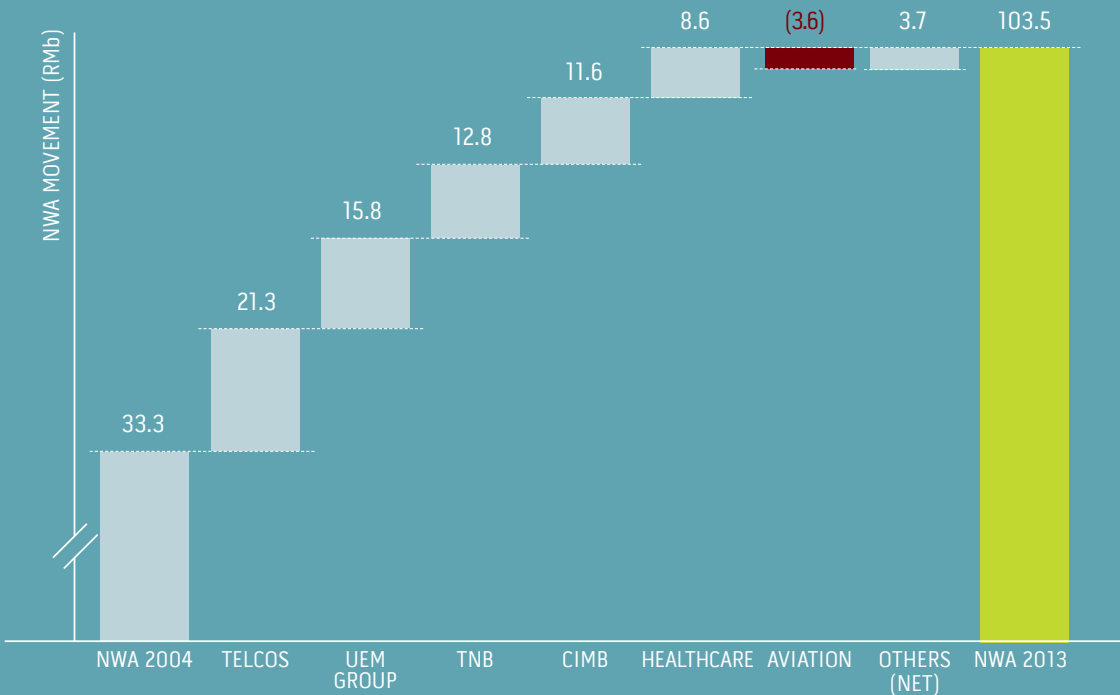
Performance Against Major Reference Asian Markets



Note: In RM terms | Source: Bloomberg; Khazanah analysis

PORTFOLIO MOVEMENT ANALYSIS

NWA Movement since May 2004



Note: In RM terms | Source: Bloomberg; Khazanah analysis

TOTAL SHAREHOLDER RETURNS

from 14 May 2004 to 31 Dec 2013

Total Shareholder Returns (TSR) is a measure of a company's performance that accounts for appreciation in share price as well as the dividends paid to shareholders. From 14 May 2004 to 31 December 2013, G-20 and K-7 delivered a TSR of 13.8% p.a. and 14.0% p.a. respectively, compared with the FBM KLCI TSR of 13.9% p.a.



..... G-20 KLCI — K-7

Source: Bloomberg; Khazanah analysis

FBM KLCI – FTSE Bursa Malaysia Kuala Lumpur Composite Index
 K-7 Index – FTSE index of K-7 companies
 G-20 Index – FTSE index of G-20 companies

	CAGR*
G-20 Index	13.8%
FBM KLCI	13.9%
K-7 Index	14.0%

*Compounded annual growth rate for the period 14 May 2004 to 31 December 2013

G-20 and K-7 TSR are broadly in-line with KLCI performance

AGGREGATE EARNINGS

(RMb)

Aggregate earnings have increased for G-20 by RM15.7 billion (CAGR 11.1% p.a.) and for K-7 by RM7.5 billion (CAGR 10.5% p.a.) from 2004 to 2013



Source: Bloomberg; Khazanah analysis

K-7 — comprise Khazanah investee GLCs within the scope of GLC Transformation (GLCT) Programme, namely Axiata Group Berhad, CIMB Group Holdings Berhad, Malaysia Airports Holdings Berhad, Malaysian Airline System Berhad, Telekom Malaysia Berhad, Tenaga Nasional Berhad and UEM Group Berhad

G-20 — comprise the K-7 plus non-Khazanah investee GLCs within the scope of GLCT, namely Affin Holdings Berhad, BIMB Holdings Berhad, Boustead Holdings Berhad, Chemical Company of Malaysia Berhad, Malayan Banking Berhad, Malaysia Building Society Berhad, Malaysian Resources Corporation Berhad, Sime Darby Berhad, TH Plantations Berhad and UMW Holdings Berhad

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF KHAZANAH NASIONAL BERHAD

(Incorporated in Malaysia)

The accompanying summary financial information set out on pages 37 to 39, which comprises the summary balance sheets as at 31 December 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997, 1996, 1995 and 1994, the summary income statements for the years then ended, and related notes, are derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997, 1996, 1995 and 1994. We expressed an unqualified audit opinion on those financial statements in our reports for the respective years. Those financial statements, and the summary financial information, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial information does not contain all the disclosures required by Malaysia Financial Reporting Standards applied in the preparation of the audited financial statements of Khazanah Nasional Berhad. Reading the summary financial information, therefore, is not a substitute for reading the audited financial statements of Khazanah Nasional Berhad.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL INFORMATION

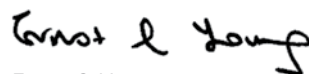
Management is responsible for the preparation of the summary financial information in accordance with the basis described on pages 37 and 38.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial information, based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

OPINION

In our opinion, the summary financial information derived from the audited financial statements of Khazanah Nasional Berhad and the management accounts for the years ended 31 December 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997, 1996, 1995 and 1994 are consistent, in all material respects, with those audited financial statements and the management accounts.



Ernst & Young
1 April 2014
Kuala Lumpur

SELECTED FINANCIAL INDICATORS

INCOME STATEMENTS (RM million)

For the years ended 31 December

	2013	2012
Revenue	7,685	5,324
Profit / (loss) before taxation	3,128	2,077
Taxation	53	(187)
Net profit / (loss) for the year	3,181	1,889
Dividends declared		
- Ordinary dividend	(650)	(650)
- Special dividend	-	(350)
Net profit / (loss) for the year after dividends	2,531	889

BALANCE SHEETS (RM million)

As at 31 December

	2013	2012
Current assets	4,451	7,784
Non-current assets	61,497	56,571
Total assets	65,948	64,355
Current liabilities	6,894	7,731
Non-current liabilities	29,667	29,644
Total liabilities (see Note A)	36,561	37,375
Share capital	8,444	8,444
Share premium	3,840	3,840
Retained profits	15,616	13,084
Other reserves	1,487	1,612
Shareholders' fund	29,387	26,980
Total equity and liabilities	65,948	64,355

Note A - Included in total liabilities are borrowings as follows:

BORROWINGS (RM million)

As at 31 December

	2013	2012
Khazanah's Government-guaranteed bonds	13,430	12,128
Other bonds and notes	14,734	16,106
Term loans	3,310	5,754
Exchangeable sukuk	2,127	1,292
Commercial paper	-	-
Revolving credit facilities	-	917
	33,601	36,198

The above income statements and balance sheets are derived from Khazanah's Proforma Financial Statements, which refers to consolidation of the financial statements of Khazanah (Company) and its Special Purpose Vehicles (SPVs). These SPVs are wholly-owned subsidiaries of Khazanah, which have been set up to actively hold investments or as funding vehicles of the Company.

SELECTED FINANCIAL INDICATORS

INCOME STATEMENTS (RM million)

For the years ended 31 December

	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	9,445	6,237	3,594	5,087	7,683	2,269	2,267	3,395
Profit / (loss) before taxation	5,342	2,081	791	127	5,110	1,014	(831)	282
Taxation	(66)	(28)	25	(350)	(195)	(225)	(126)	(73)
Net profit / (loss) of the year	5,276	2,053	816	(223)	4,915	790	(957)	209
Dividends declared								
- Ordinary Dividend	(500)	(500)	(100)	(100)	(1,000)	(100)	(30)	(30)
- Special Dividend	(2,500)	-	-	-	-	-	-	-
Net profit / (loss) for the year after dividends	2,276	1,553	716	(323)	3,915	690	(987)	179

BALANCE SHEETS (RM million)

As at 31 December

	2011	2010	2009	2008	2007	2006	2005	2004
Current assets	8,795	3,381	4,656	6,871	3,225	6,817	4,822	4,031
Non-current assets	56,377	56,050	50,883	46,560	38,758	33,605	31,136	26,104
Total assets	65,172	59,431	55,539	53,431	41,983	40,422	35,959	30,134
Current liabilities	9,352	6,852	7,900	8,002	5,813	10,116	7,634	760
Non-current liabilities	30,195	31,170	30,001	28,290	18,304	17,265	16,081	16,172
Total liabilities (see Note A)	39,547	38,022	37,901	36,292	24,116	27,381	23,715	16,932
Share capital	8,444	5,444	5,444	5,444	5,444	5,404	5,404	5,404
Share premium	3,840	3,840	3,840	3,840	3,840	3,300	3,300	3,300
Retained profits	12,194	10,016	8,553	7,837	8,060	4,245	3,511	4,498
Other reserves	1,147	2,108	(199)	18	522	92	29	-
Shareholders' funds	25,625	21,409	17,638	17,139	17,866	13,041	12,244	13,202
Total equity and liabilities	65,172	59,431	55,539	53,431	41,983	40,422	35,959	30,134

Note A - Included in total liabilities are borrowings as follows:

BORROWINGS (RM million)

As at 31 December

	2011	2010	2009	2008	2007	2006	2005	2004
Khazanah's Government-guaranteed bonds	8,833	8,442	8,313	7,452	7,943	8,106	8,994	7,738
Other bonds and notes	18,240	14,151	9,600	7,312	6,969	4,963	1,177	915
Term loans	6,052	6,064	8,821	8,545	1,600	6,900	9,227	8,069
Exchangeable sukuk	1,889	6,117	7,815	8,528	6,149	3,604	1,568	-
Commercial paper	-	-	-	489	-	994	-	-
Revolving credit facilities	952	1,613	2,699	3,460	-	2,118	1,885	-
	35,966	36,387	37,247	35,786	22,661	26,685	22,851	16,722

The above income statements and balance sheets are derived from Khazanah's Proforma Financial Statements, which refers to consolidation of the financial statements of Khazanah (Company) and its Special Purpose Vehicles (SPVs). These SPVs are wholly-owned subsidiaries of Khazanah, which have been set up to actively hold investments or as funding vehicles of the Company.

2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
1,131	1,478	982	1,408	2,884	752	499	1,855	757	106
(1,385)	153	278	374	2,189	271	449	1,850	752	105
(111)	(46)	(81)	53	(97)	4	(134)	-	29	(29)
(1,496)	107	197	427	2,092	275	315	1,850	782	76
(30)	(30)	-	(60)	(185)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(1,526)	77	197	367	1,907	275	315	1,850	782	76

2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
4,699	2,851	6,621	5,904	3,097	1,487	2,499	2,301	1,101	216
21,509	20,110	15,787	13,782	14,950	10,621	5,536	3,470	2,993	2,609
26,208	22,961	22,408	19,686	18,047	12,107	8,035	5,772	4,095	2,824
6,923	4,232	5,507	3,045	2,030	16	138	1	174	29
11,903	9,820	8,069	8,006	7,750	5,730	1,812	-	-	-
18,825	14,052	13,576	11,051	9,780	5,747	1,950	1	174	29
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,383	8,909	8,832	8,635	8,267	6,361	6,086	5,771	3,921	2,795
26,208	22,961	22,408	19,686	18,047	12,107	8,035	5,772	4,095	2,824

2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
8,516	8,567	8,069	7,789	6,695	3,730	812	-	-	-
886	-	1,500	1,100	808	-	-	-	-	-
8,369	5,300	3,800	2,000	2,000	2,000	1,000	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
17,771	13,867	13,369	10,889	9,503	5,730	1,812	-	-	-

CAPITAL AND LIABILITY MANAGEMENT AND ISLAMIC FINANCE

OUR INVESTMENT ACTIVITY, BOTH LOCALLY AND REGIONALLY, HAS INCREASED SIGNIFICANTLY AS WE CONTINUE TO GROW OVER THE YEARS, WHICH NECESSITATES STRATEGIC AND PRUDENT CAPITAL AND LIABILITY MANAGEMENT

Khazanah is somewhat unique among sovereign funds in that we do not receive regular infusions of capital from the Government. We utilise proceeds from the monetisation of value created in our portfolio by way of a systematic divestment programme, as well as raising funds from the capital markets. In tandem with this, we play an active role in supporting Malaysia's growth and development as an international centre for Islamic finance through the Malaysia International Islamic Financial Centre (MIFC).

Since 2005, our fundraising activities have been predominantly in the form of innovative sukuk issuances that continue to push the envelope in Islamic finance. Our exchangeable sukuk serves

as a funding instrument as well as allowing us to gradually divest the underlying securities in a uniform manner over the tenure of the sukuk.

We actively manage our capital and liabilities. Our strategy in this regard can be described in two broad terms:

Matching of assets and liabilities

We ensure our borrowings or sukuk issuances are matched with investment assets. As an example, we issued SGD1.5 billion in Trust Certificates via Danga Capital Berhad's multicurrency programme in 2010 to fund our acquisition of Parkway Holdings Limited in Singapore. This reduces our exposure to foreign currency risk by creating a natural hedge.

Extending the funding duration to match the long gestation periods for certain strategic assets

As part of our mandate, we are also tasked to nurture the growth and development of selected industries in Malaysia, with the aim of pursuing the nation's long-term economic interests. These industries typically require a longer gestation period before any value can be realised. We manage this unique challenge by acquiring long-term funding to match the borrowing period with the nature of the investments where returns are only likely to be realised on the medium to long-term horizon.

One of my best experiences...



When I joined Khazanah in 2006, we were in the midst of issuing the world's first exchangeable sukuk transaction. The sukuk issuance process was quite interesting and very educational. The challenges of pulling everything together, structuring, obtaining internal and external approval, dealing with our advisers, getting the right investors and giving input for the press releases were immense. Personally, it was enlightening, and professionally, it was one of my best experiences in Khazanah."

KHAZANAH 20 YEARS



Faridah Bakar Ali
Director, Finance

Faridah continues to be involved in Khazanah's efforts to develop the sukuk market in Malaysia

INTERNATIONAL AWARDS AND RECOGNITIONS RECEIVED FOR OUR SUKUK ISSUANCES



2013 Indah Capital

(IHH SGD600 million exchangeable sukuk)

- Most Innovative Islamic Finance Deal of the Year in ASEAN – *Alpha SEA*
- Best Islamic Deal in Asia – *IFR Asia*
- Most Innovative Deal – *Euromoney Islamic Finance Awards 2014*
- Best Fundraising (Non - IPO) – *The Edge*
- Country Deal of the Year for Malaysia – *Asiamoney*
- EMAS Sukuk – *Malaysian International Islamic Financial Centre (MIFC)*

2012 Pulau Capital

(Parkson USD357.8 million exchangeable sukuk)

- EMAS Sukuk – *Malaysian International Islamic Financial Centre (MIFC)*
- Best Quasi-Sovereign Sukuk – *The Asset*
- Best Islamic Equity Linked Deal – *The Asset*

2011 Danga Capital

(SGD1.5 billion trust certificates)

- Most Innovative Deal / Innovative Islamic Deal of the Year in South East Asia 2010 – *Alpha SEA*
- Borrower Award 2010 – *Alpha SEA*
- EMAS Sukuk – *Malaysian International Islamic Financial Centre (MIFC)*
- Corporate Finance Deal of the Year (2010) – *Islamic Finance News*
- Singapore Deal of the Year (2010) – *Islamic Finance News*
- Most Outstanding Islamic Finance Product – *KLIFF Awards*
- Best Corporate Sukuk – *The Asset Triple A Islamic Finance Awards*
- Deals of the Year 2011: Islamic Finance – *The Banker*

2010 Danga Capital

(CNY500 million trust certificates)

- EMAS Sukuk – *Malaysian International Islamic Financial Centre (MIFC)*
- Best Local Currency Bond Deal of the Year – *Alpha SEA*
- Cross-Border Deal of the Year – *Islamic Finance News*
- Most Innovative Deal – *The Asset Triple A Islamic Finance Awards*
- Best Islamic Local Currency – *The Asset Triple A Islamic Finance Awards*
- The Most Outstanding Sukuk Product – *KLIFF Awards*

2008 Paka Capital

(Parkson USD550 million exchangeable sukuk)

- Best Deal Malaysia 2008 – *The Asset Regional Awards*
- Best Equity-Linked Deal 2008 – *The Asset Regional Awards*
- Best Quasi-Sovereign Sukuk 2008 – *The Asset Triple A Islamic Finance Awards*
- Most Innovative Islamic Finance Deal 2008 – *The Asset Triple A Islamic Finance Awards*
- Top 10 Asia Deals 2008 – *CFO Asia*
- Best Malaysian Deal 2008 – *KLIFF*
- The Best Equity Linked Deal of the Year (Southeast Asia) 2008 – *Alpha SEA*
- Sukuk Deal of the Year 2008 – *Euromoney*
- Groundbreakers of 2008 (Top 10 Deals of 2008) – *Islamic Finance Asia*
- Best Islamic Financial Service or Product 2008 – *The Halal Journal Awards 2009*
- Best Islamic Deal of the Year 2008 – *The Banker*

2007 Cherating Capital

(PLUS USD850 million exchangeable sukuk)

- Best Equity Deal 2007 – *Islamic Finance News*
- Best Cross Border Deal 2007 – *Islamic Finance News*
- Best Equity Linked Deal of the Year (South East Asia) 2007 – *Alpha SEA*

2006 Rafflesia Capital

(TM USD750 million exchangeable sukuk)

- Best Sukuk Deal 2006 – *Euromoney*
- Best Equity-Linked Deal 2006 – *Finance Asia*
- Best Islamic Finance Deal 2006 – *Finance Asia*
- Best Equity Linked Deal 2006 – *IFR Asia*
- Best Malaysia Capital Market Deal 2006 – *IFR Asia*
- Best Asian Pacific Structured Equity Issue 2006 – *IFR*
- Most Innovative Product 2006 – *KLIFF 2006*
- Best Deal (Malaysia) 2006 – *The Asset*
- Best Equity-Linked Deal 2006 – *The Asset*
- Top 10 Deals of the Decade 2006 – *The Asset*
- Most Innovative Deal 2006 – *Islamic Finance News*
- Best Deal (Malaysia) 2006 – *Islamic Finance News*
- Sovereign of the Year 2006 – *Islamic Finance News*
- Deal of the Year (Malaysia) 2006 – *The Banker*
- Best Equity Linked Deal 2006 – *Asiamoney*
- Best Debt Market Deal 2006 – *SE Asia Law Awards*
- Best SE Asia Deal 2006 – *SE Asia Law Awards*

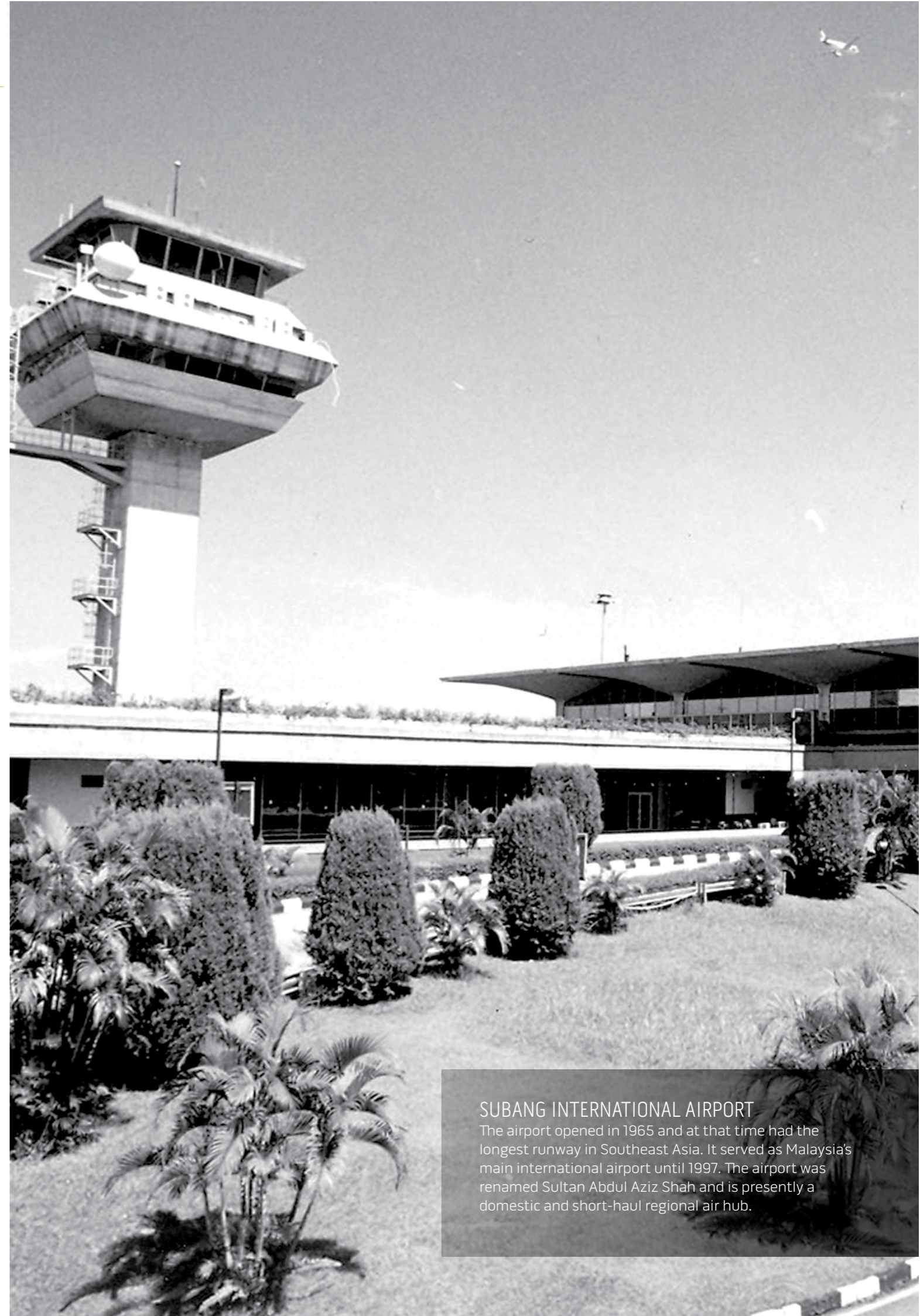
2006 Rantau Abang

(RM10 billion ICP/IMTN Programme)

- Malaysian Innovation of the Year - 2007 – *RAM*

AWARDS AND RECOGNITION IN ISLAMIC FINANCE

- Outstanding Contribution by a Sovereign Wealth Fund to the Development of the Islamic Finance Industry 2010 – *London 2010 Sukuk Summit*
- Best Borrower Of The Year in South East Asia 2010 – *Alpha SEA*
- Outstanding Issuer 2011 – *The Asset Triple A Regional Awards*
- Best Borrower of the Year in South East Asia 2011 – *Alpha SEA*

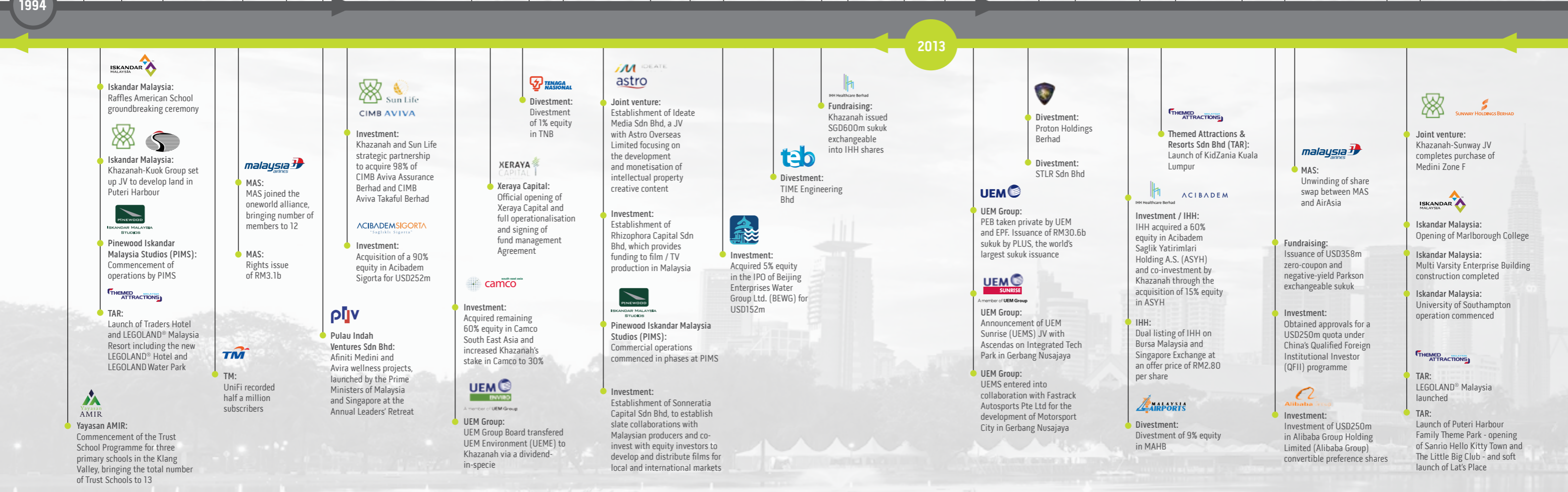
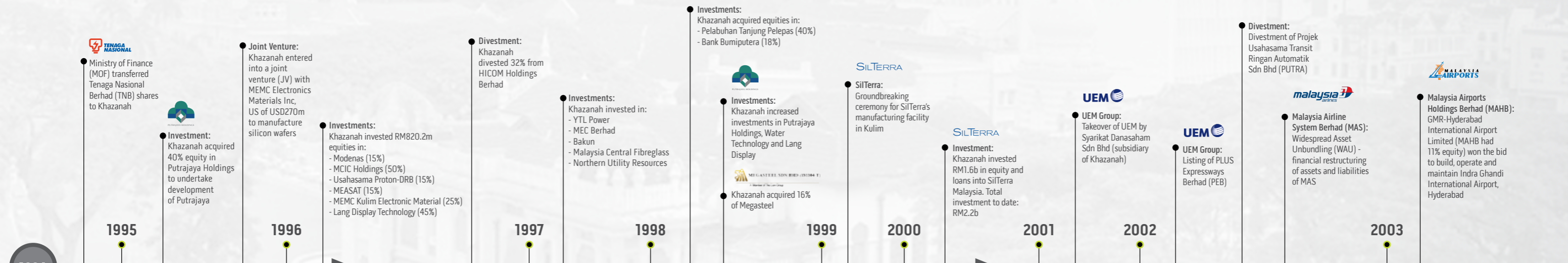


SUBANG INTERNATIONAL AIRPORT

The airport opened in 1965 and at that time had the longest runway in Southeast Asia. It served as Malaysia's main international airport until 1997. The airport was renamed Sultan Abdul Aziz Shah and is presently a domestic and short-haul regional air hub.

20 YEARS OF INVESTMENTS FOR THE FUTURE

In the first ten years, Khazanah undertook a custodial role in managing the Government's commercial assets, while also investing in strategic and high-tech sectors. Under the refreshed mandate starting 2004, Khazanah assumed an expanded and more active investment role that includes enhancing its existing core holdings while seeking opportunities in new economy sectors and geographies.



Khazanah received new mandate

2004

2005

2006

2012

2011

2007

2008

2010

2009

Astro Malaysia Holdings Bhd:
IPO of Astro Malaysia Holdings Berhad on Bursa Malaysia (RM4.6b)

Investment:
Establishment of Angsana Production Services Sdn Bhd to provide on-the-ground support services to foreign production companies filming in Malaysia

Blue Archipelago:
Blue Archipelago was appointed as an anchor company under PEMANDU's New Key Economic Area (NKEA) Entry Point Project 6 (EPP6) programme and subsequently awarded a grant to develop a hatchery in Setiu in June 2012

Biotropics:
Biotropics was appointed as an anchor company under PEMANDU's New Key Economic Area (NKEA) Entry Point Project 1 (EPP1) program and awarded grant funding to undertake research and development work on Tongkat Ali

Fundraising:
Pulai Capital Parkson USD357.8m exchangeable sukuk

Investment:
Acquisition of 8.9% stake in John Keells Holdings PLC

Divestment:
Khazanah divested Yes Bank stake

Divestment:
Divestment of 1% equity in TNB

Fundraising:
Pulai Capital Parkson USD357.8m exchangeable sukuk

Investment:
Acquisition of 8.9% stake in John Keells Holdings PLC

Divestment:
Khazanah divested Yes Bank stake

Investment:
MOF transferred 50% stake in MAHB to Khazanah. Khazanah's stake in MAHB increased to 73%

Investment:
MOF transferred TNB shares to Khazanah

Investment:
Acquisition of 13% equity in Apollo Hospitals Enterprise Limited for USD44m

Investment:
Investment of USD70m in the Hong Kong initial public offering (IPO) of Parkson Retail Group Limited (Parkson) for 10% equity

Divestment:
Bintulu Port

Investment:
Acquisition of 13% equity in Apollo Hospitals Enterprise Limited for USD44m

Investment:
Investment of USD70m in the Hong Kong initial public offering (IPO) of Parkson Retail Group Limited (Parkson) for 10% equity

Divestment:
Bintulu Port

Investment:
Khazanah subscribed to 17% equity of XL, Indonesia, for USD234m during its IPO

Investment:
Khazanah and TM International (TMI) jointly acquired 12% equity in MobileOne Limited (M1), Singapore

Investment:
Khazanah invested 12% equity in the Shuaibah Independent Water and Power Project (IWPP) in Saudi Arabia

Investment:
Acquisition of a 52% equity in PT Bank Lippo Tbk (Lippo Bank) followed by a mandatory tender offer to increase the shareholding to 88%

Investment:
Khazanah and TM International (TMI) jointly acquired 12% equity in MobileOne Limited (M1), Singapore

Investment:
Khazanah invested 12% equity in the Shuaibah Independent Water and Power Project (IWPP) in Saudi Arabia

Fundraising:
Rantau Abang Capital Berhad RM10 billion Islamic Commercial Papers/Islamic Medium Term Notes

MAHB:
MAHB (10% stakeholder), together with its consortium partners entered into an agreement to operate and modernise Indira Gandhi International Airport, New Delhi

Investment:
Acquisition of 2% equity in TNB from Bank Negara Malaysia

Investment:
Acquisition of 7% equity in Pantai Holdings Bhd and set up a JV with Parkway Holdings Ltd to launch mandatory offer for Pantai shares with offer price of RM2.65 per share

Malaysian Agrifood Corporation Berhad (MAFC):
MAFC was established to enhance the Malaysian food supply chain business through the application of new technology, logistic solutions and best practices that meet international food safety standards. Operates a controlled-environment farm in Cameron Highlands and markets its produce under the *Lushious* brand

Commerce-KNB Agro Teroka Sdn Bhd:
Launched Commerce-Khazanah Agro Teroka (CKAT), a RM200m Agriculture Venture Fund with Commerce Asset Ventures, in order to provide funding and business support to entrepreneurs in the agriculture sector

Investment:
Acquisition of 7% equity in Pantai Holdings Bhd and set up a JV with Parkway Holdings Ltd to launch mandatory offer for Pantai shares with offer price of RM2.65 per share

Fundraising:
Khazanah issued world's first Shariah-compliant USD750m exchangeable bond (exchangeable into ordinary shares of TM)

Investment:
Acquisition of 4,500 acres of land from UEM Land at Nusajaya as part of UEM Land de-gearing exercise

Investment:
Acquisition of 55% stake in PT Lintas Marga Sedaya (LMS), the concessionaire for Cikampek-Palimanan Toll Road

Investment:
South Johor Investment Corporation Bhd (later renamed Iskandar Investment Berhad) launched

Investment:
Comprehensive Development Plan unveiled

Investment:
Acquisition of 4,500 acres of land from UEM Land at Nusajaya as part of UEM Land de-gearing exercise

UEM Group Berhad:
Acquisition by PEB of a 55% stake in PT Lintas Marga Sedaya (LMS), the concessionaire for Cikampek-Palimanan Toll Road

Investment:
MAS-AirAsia share swap to explore potential operational collaboration between both parties

Joint venture:
Khazanah-Temasek announcement to commit to joint-development projects in Singapore and Iskandar Malaysia

Investment:
Acquired 1.3% equity in New China Life Insurance Co Ltd for USD150m

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Acquired 2.2% equity in L&T Finance Holdings Ltd

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CREATING TRUE VALUE THROUGH OUR INVESTMENTS

03

Khazanah recognises that to create lasting value requires a clear strategy in every industry sector and geography in which we invest. We adopt an active and collaborative macro-management stance with our investee companies, and through an investment approach that strives hard to generate transformative results. We help our investee companies seek opportunities in new fields and collaborate with public and private sector entities to catalyse Malaysia's growth and development.

20 Years of Investments for the Future **44**

Investing in Growth and Development **46**

Empowering Our Companies **50**

Driving Performance and Charting New Paths **52**

Investment Holding Structure **54**

Building a Regional Footprint **64**

Transforming Government-Linked Companies **66**

KLIA

KL International Airport is Malaysia's main international airport and one of the major airports of Southeast Asia. The airport started operational in 1998 and is managed by Malaysia Airports Holdings Berhad, a Khazanah investee company.

INVESTING IN GROWTH AND DEVELOPMENT

KHAZANAH STARTED OPERATIONS IN 1994 WITH THE MANDATE TO CATALYSE THE DEVELOPMENT OF STRATEGIC AND HIGH TECHNOLOGY SECTORS

The investments made during the early years following Khazanah's establishment focused on areas with the potential to bring about competitive advantages for the Malaysian economy. These included investments in semiconductors, electronics and electricals, and heavy industry. In addition, Khazanah undertook divestments of its holdings when appropriate, in line with the strategic objectives set by the Government. On the back of the financial crisis that hit the region in the late 1990s, Khazanah also played a key role in mitigating the impact of the crisis, through a number of investments, which were deemed essential to stabilise and assist in the recovery of the Malaysian economy.

Our investment strategy today is guided by our new mandate, which is aligned with the national development agenda of the Government. In aiming to create sustainable value for a globally competitive Malaysia, our investments range from small to large and cut across different types of transactions, from corporate exercises to large-scale development projects.



OUR INVESTMENTS

Our investments are broadly categorised into Core Investments and New Investments



REGIONAL PRESENCE

A growing theme of our investment approach is regionalisation, which enables us to tap into growth in markets outside Malaysia



STRATEGIC DIVESTMENTS

We undertake strategic divestments to enhance private sector participation and build entrepreneurial capacity in key economic sectors



ACTIVE INVESTOR

Since 2004, we have made discrete new investments amounting to RM51.4 billion through a total of 95 transactions

Stabilising investor...

KHAZANAH 20 YEARS

Khazanah has led from the front in terms of our overseas investments, supporting our companies to go abroad, nurturing both talent and portfolio companies. We are regarded as a stabilising investor and we shall continue to remain so. The challenge is how we stay relevant 20 years from now. I think that is the thought process, which is a key consideration here."

Joseph Dominic Silva
Executive Director, Investments and
Head of Investments (from 1 February 2014)



At the launch of the New Economic Model (NEM) on 30 March 2010, Khazanah, as the secretariat of Putrajaya Committee on GLC High Performance (PCG), resolved to support and enable the execution of the NEM through five key roles as indicated. This has been and continues to be the guiding beacon for Khazanah and GLCs in driving Prime Minister Dato' Sri Mohd Najib Tun Hj Abdul Razak's NEM of a high-income and developed nation by 2020, while simultaneously creating sustainable shareholder and stakeholder value.

¹GLIC — Government-Linked Investment Companies
²GLC — Government-Linked Companies

INVESTING IN GROWTH AND DEVELOPMENT



The Kuala Lumpur Tower, a telecommunications tower and a national landmark, owned by TM, a Khazanah investee company. The 421m tower is the seventh tallest telecommunications tower in the world and the tallest in Southeast Asia.

We adhere to strict criteria regarding the potential returns on our investments, and go through a rigorous process before any investment decision is made and ultimately submitted to the Board for its consideration and approval.

Khazanah's investments are principally commercial in nature with an emphasis on both financial value creation as well as economic contribution to the nation in terms of job creation, technological content, societal contribution and other forms of economic multipliers.

Our investment strategy can be seen in the approach we take to strengthening our Core Investments, which are primarily the commercial assets of the government that we hold and manage. Our investee companies in this category are some of the largest players in their respective sectors and have significant roles in Malaysia's socio-economic landscape.

We play an active shareholder role in proactively collaborating with these companies and supporting them where necessary to put them on a more solid footing and to help set their strategic direction.

We also contribute towards restructuring exercises in instances where we can unlock the value and potential of our Core Investments and push our investee companies to strive for market leadership, helping these "local champions"

We wanted to better manage government assets...



Khazanah was formed to better manage government assets and to take it out from the normal government processes. It was meant to be an investment holding company that can make decisions a lot faster and market driven. Khazanah was also an investment arm that looks at investment opportunities to deepen the Malaysian industrial programme and take longer term objectives as a basis."

Tan Sri Rashid Hussein
Former EXCO Chairman (1994 - 1998)



KHAZANAH 20 YEARS

Khazanah aimed to enter strategic industries...

KHAZANAH 20 YEARS



In the early 1990s, the country needed a national industrial strategy to promote long-term sustainable growth. This was apparent after Malaysia was hit by a global recession in the 1980s. Hence, Khazanah assumed catalytic leadership to support the establishment of key strategic industries in partnership with the private initiatives to broaden the industrial base and raise productivity of the economy."



Tan Sri Lin See Yan
Former EXCO Chairman (1994 - 2000)

to explore regional growth strategies in the pursuit of becoming regionally and globally competitive entities.

Besides managing and enhancing our Core Investments, we also invest — both directly and through our investee companies — in new sectors and geographies that we have identified as offering strong potential to help build the country's overall long-term competitiveness, which we term New Investments. These include investments that we believe will shape the economy of the future, provide strategic linkages, and enable the nation to tap into new growth areas. This approach is closely tied to the objectives of the Government's New Economic Model, which seeks to develop a high-income economy that is sustainable and inclusive. Our New Investments include, among others, investments outside Malaysia that leverage the strength of our domestic investments in a particular sector, catalytic investments in certain sectors or geographies and participation in large-scale national development projects.

Our overall investment strategy has allowed us to have a strong and resilient investment portfolio that is balanced and well-positioned for growth. The net worth adjusted of our portfolio stands at RM103.5 billion, having grown 12.5% per annum since 2004. This growth has been achieved through an approach that balances an appropriate risk appetite and return-on-investments outlook with the national strategic imperative of having strong, sustainable and inclusive economic growth.



The 35-kilometre North Klang Valley Expressway (NKVE) is operated by PLUS Malaysia, a 51% subsidiary under UEM Group, a 100% owned entity of Khazanah

EMPOWERING OUR COMPANIES

AS A SHAREHOLDER,
KHAZANAH HAS DEVELOPED
A COLLABORATIVE AND
ROBUST INVESTMENT
APPROACH IN ENGAGING
WITH OUR INVESTEE
COMPANIES AS PARTNERS
IN VALUE CREATION

This partnership involves clear terms of engagement for both Khazanah and our investee companies through a Five-Point Engagement Framework.

At the board and management levels, we help to ensure that there is strong and capable leadership within each company that will execute the appropriate business strategies to propel the companies forward. We work with the companies to implement key systems and controls such as the governance and risk management frameworks and talent and performance management systems, which help enable them to become high-performing entities.

In addition, we contribute towards the optimal development of regulatory structures and competitive environments, while promoting collaborations and synergies between our companies. With these elements in place, our companies are empowered to pursue and execute their business strategies, with Khazanah closely monitoring their performance.

A rigorous process in place...



As the commercial arm of the Government, we rigorously look at deals from a commercial perspective but we are never in doubt that, at the heart of it, the values that underscore any decision must be based on the fact that we are owned by every single citizen of this country. We never hide that fact from any of our business partners."


Ahmad Shahizam Mohd Shariff
Former Director, Investments (2004 - 2012)
Ahmad was one of the pioneer employees involved in the Khazanah revamp that began in 2004,
and was a former Special Officer to the Managing Director



KHAZANAH 20 YEARS

We remain focused...

KHAZANAH 20 YEARS

 I think it is quite admirable to have the platform to get everyone together and going towards the same wavelength, which I think is quite an achievement. I think it has put the Government-linked Companies in a much better light. Khazanah has also impressed me for being able to attract the talent because by being a government institution, it is not easy to attract the right talent and to ask them to come back, especially if they are overseas. Going forward, we should continue to do what we are doing now. At the same time, we shouldn't be asked to do too many things. If it's too diverse, we may not be able to focus on a few really strategic things that the company and the nation need."

Raja Tan Sri Dato' Raja Seri Arshad Raja Tun Uda
Board member and ARC Chairman, Khazanah Nasional Berhad



OUR FIVE-POINT ENGAGEMENT FRAMEWORK



LEADERSHIP BENCH

Assist in ensuring the presence of a professional, capable, and experienced board of directors and senior management team



STRATEGY

In collaboration with our companies and through their boards, help drive high-quality business strategy and implementation through boards and management



SYSTEMS & CONTROLS

Through the boards of the investee companies, help put key systems and controls in place to underwrite growth and value creation through governance, risk management, performance management, talent management, procurement, internal audit, and investor relations



INDUSTRY STRUCTURE

Leverage synergies within the company and contribute towards optimal competitive environment and regulatory structure



MONITOR PERFORMANCE MANAGEMENT & EMPOWER

Provide for continuous monitoring, performance management through Key Performance Indicators (KPIs) and endorsement of management

DRIVING PERFORMANCE AND CHARTING NEW PATHS

OUR INVESTEE COMPANIES ARE INVOLVED IN A WIDE RANGE OF ECONOMIC AND BUSINESS ACTIVITIES

We have interests in more than 50 major companies, either directly or indirectly through ownership of shares. Our investments, locally and abroad, cut across multiple sectors and industries. In totality, our diverse portfolio reflects the work that we do to create value, economic impact and linkages for Malaysia. Nearly 90% of our portfolio is in Malaysia, as calculated by the value of investments by the country of company domicile. About 35.6% of our RAV by geographic exposure is invested overseas.

TOTAL INVESTMENTS

	No. of Transactions ¹	Investment Amount (RMb)
2004 - 2013	109	58.1

TOTAL DIVESTMENTS

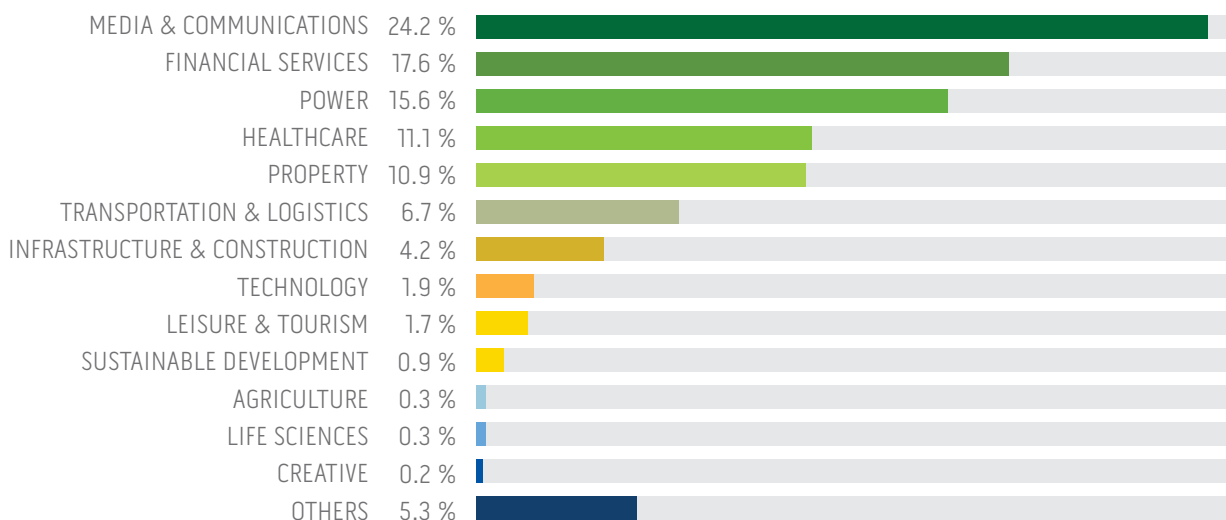
	No. of Transactions ¹	Divestments Proceeds (RMb)	Gains on Divestments (RMb)
2004 - 2013	61	37.2	16.4

¹ Number of discrete new investments

Sources: Bloomberg; companies' financial reports; analyst consensus estimates (as at 31 December 2013); Khazanah analysis

PORTFOLIO SEGMENTATION BY MAJOR SECTORS

As at 31 December 2013



Source: Khazanah analysis

Expanding into relevant geographies...

KHAZANAH 20 YEARS



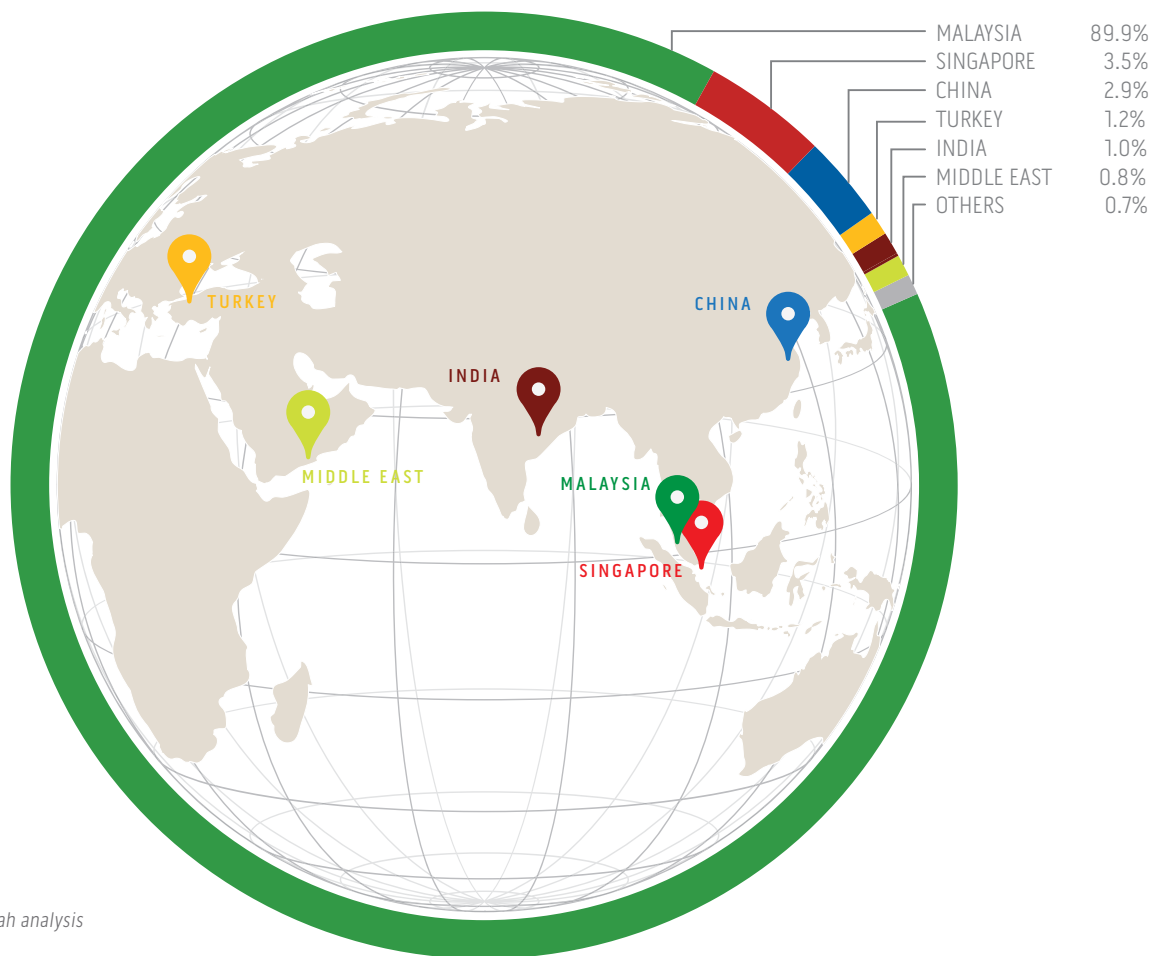
As we embarked on the second decade of Khazanah in 2004, a key focus for us was identifying sectors and companies, which we felt had the potential of expanding in relevant geographies outside Malaysia. ASEAN, India, China and the Middle East (selectively) became those areas of focus. 10 years on, we are able to look back and feel comfortable that Axiata, CIMB, IHH, UEM, MAHB and Tenaga all have their own regional investment platforms to build on."

Datuk Ganen Sarvananthan
 Head of Investments (until 31 January 2014)
 Executive Director, Managing Director's Office (1 February 2014 - 31 April 2014)



PORTFOLIO SEGMENTATION BY DOMICILE OF COMPANIES²

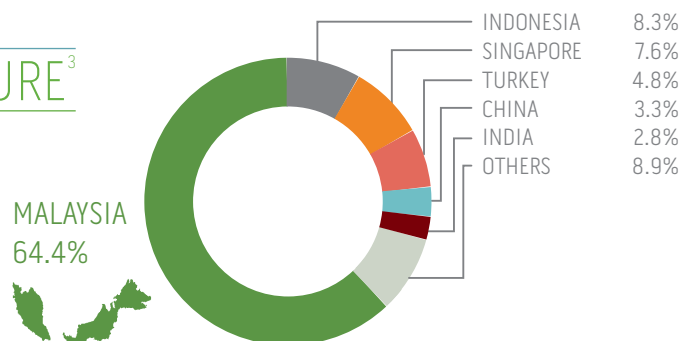
As at 31 December 2013



Source: Khazanah analysis

RAV BY GEOGRAPHIC EXPOSURE³

As at 31 December 2013



Source: Khazanah analysis

²Value of investments is allocated by country of domicile of holding company. We estimate attributable value by exposure as 64.4% invested in Malaysia and 35.6% invested overseas
³An estimate of attributable value according to the countries where investee companies have operations

INVESTMENT HOLDING STRUCTURE

As at 31 December 2013

AGRICULTURE



MAFC
100%



Blue Archipelago
100%



Biotropics Malaysia
100%

FINANCIAL SERVICES



▲ CIMB Group
30%



▲ IDFC
10%

Avicennia Capital
100%



Sun Life Malaysia Assurance
49% owned by Avicennia Capital

Sun Life Malaysia Takaful
49% owned by Avicennia Capital



Acibadem Sigorta
90% owned by Avicennia Capital



ACR Capital
25%



ACR Malaysia
70%
*Also 30% owned by ACR Capital



ACR ReTakaful
40%
*Also 20% owned by ACR Capital



Jadwa Investment
10%



Bank Muamalat
30%



ValueCAP
33%



Fajr Capital Limited
21%

HEALTHCARE



IHH Healthcare Berhad
45%



Acibadem
15%
60% owned by IHH Healthcare Berhad

INFRASTRUCTURE & CONSTRUCTION



UEM Group
100%



PLUS Malaysia
51% owned by UEM Group



UEM Builders
100% owned by UEM Group



Opus Group
96% owned by UEM Group

MEDIA & COMMUNICATIONS



▲ Axiata
39%



▲ Telekom Malaysia
29%

ASTRO Holdings Sdn Bhd
29%



▲ ASTRO Malaysia Holdings
Updated structure in Dec 2013:
*Khazanah Direct:8%
*Astro Holdings Sdn Bhd owned 42%
*Effective KNB shareholding [direct (8%) + indirect (12%)] = 21%



Pinewood Iskandar Malaysia Studios
99%

Pulau Kapas Ventures
30%



▲ TIME dotCom
11%
32% owned by Pulau Kapas Ventures

LEISURE & TOURISM



Themed Attractions & Resorts
100%



Destination Resorts & Hotels Sdn Bhd
100%

▲ Listed Company

Source: Khazanah analysis

PROPERTY



A member of UEM Group

- ▲ UEM Sunrise
66% owned
by UEM Group



Iskandar
Investment
Berhad
60%



M+S Pte Ltd
60%



Sunway Iskandar
55%



Pulau Indah
Ventures
50%

Southern Marina
30%



Putrajaya Holdings
16%

POWER



- ▲ Tenaga Nasional
32%



The first IWPP in the Kingdom

Shuaibah Water
and Electricity
12%

6% owned by
Tenaga Nasional

SUSTAINABLE DEVELOPMENT



- ▲ Camco Clean
Energy
30%



Cenergi SEA
100%



KCS Green
Energy
80%



Beijing
Enterprises
Water Group
5%



A member of UEM Group

UEM Enviro
100% owned
by UEM Group

INNOVATION & TECHNOLOGY AND LIFE SCIENCES



SilTerra Malaysia
100%

Atlantic Quantum
100%



MTDC
100%



Xeraya Capital
100%



Springhill
Bioventures
33%

Continuum Capital
Sdn Bhd
100%

FirstFloor Capital
Sdn Bhd
25%



Malaysian Life
Sciences Capital
Fund
38%

TRANSPORTATION & LOGISTICS



- ▲ Malaysia
Airports
40%



- ▲ MAS
69%



Penerbangan
Malaysia
100%



- ▲ Westports
5%

OTHERS



JOHN KEELLS HOLDINGS PLC

- ▲ John Keells
11%



- ▲ Parkson Retail
8%



LeapEd
100%



A member of UEM Group

CIMA
100% owned
by UEM Group



A member of UEM Group

- ▲ Faber
34% owned
by UEM Group



CORE INVESTMENTS

Our portfolio includes some of the most significant companies in Malaysia, as measured by their strategic importance to the nation. They include GLCs in sectors such as aviation, utilities, banking, power and telecommunications



FINANCIAL SERVICES

Our investments in this sector comprise holdings in companies involved in a range of financial activities, including banking, Islamic banking, infrastructure financing, insurance, takaful, reinsurance and retakaful.



CIMB Group, Malaysia's second-largest financial services provider, is a leading ASEAN universal bank, the largest Asia Pacific (ex-Japan) investment bank, and one of the world's largest Islamic banks, operating in 17 markets around the globe. CIMB Group operates across ASEAN under several corporate entities including CIMB Investment Bank, CIMB Bank, CIMB Islamic, CIMB Niaga, CIMB Securities and CIMB Thai. Its main markets of Malaysia, Indonesia, Singapore, and Thailand primarily focus on Consumer Banking, Corporate & Institutional Banking & Markets, and Group Asset Management & Insurance.

www.cimb.com



Sun Life Malaysia is a provider of a comprehensive range of life insurance and Takaful products and services. It distributes these products through a range of distribution channels including bancassurance, direct marketing, telemarketing and government and corporate business.

www.sunlifemalaysia.com



Acibadem Sigorta is a leading provider of health insurance services in Turkey. Headquartered in Istanbul, it has the second largest market share in the industry and operates six regional offices across the country.

www.acibademsigorta.com.tr



Asia ACR Capital Reinsurance Group is one of the world's top 50 reinsurers. Headquartered in Singapore, it has an exclusive focus on providing reinsurance solutions for large and specialist risks in the Pan-Asian region.

www.acrcapitalre.com



INFRASTRUCTURE & CONSTRUCTION

Our investee companies in this sector play an important role in the development of the nation's critical infrastructure and the growth of the property sector in special economic zones. They are involved in, among other things, highway operations, bridge construction, and property development.



UEM Group Berhad is Malaysia's leading integrated engineering-based infrastructure and services group with four core businesses, namely, Expressways, Township & Property Development, Engineering & Construction, and Asset & Facility Management. The key companies within this group include PLUS Malaysia Berhad, UEM Builders Berhad and UEM Sunrise Berhad.

www.uem.com.my



A member of UEM

PLUS Malaysia Berhad is the biggest highway concessionaire in Malaysia. It operates the longest highway in the country, the North-South Expressway, which spans the length of Peninsular Malaysia from Bukit Kayu Hitam in the north near the Thai border to the southern city of Johor Bahru, which borders Singapore.

www.plus.com.my

TM-TMI demerged to unlock the potential of Khazanah's holdings in the telecommunications sector creating a platform, which later became Axiata, a regional player



MEDIA & COMMUNICATIONS

We are a shareholder in some of the most dynamic media and communications companies with regional presence. They comprise home-grown entities that have gone on to expand into markets abroad.



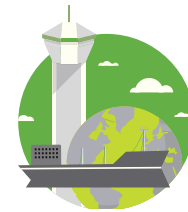
Axiata Group Berhad is one of the largest telecommunications groups in Asia, with over 240 million customers. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia, with significant strategic stakes in India and Singapore. In addition, the Malaysian-grown holding company has interests in non-mobile telecommunications operations in Thailand and Pakistan.

www.axiata.com



Telekom Malaysia Berhad (TM) is Malaysia's leading integrated information and communications group. It offers a comprehensive range of communication services and solutions in broadband, data and fixed-line. TM has over 2.2 million subscribers for its broadband services and 4.3 million fixed-line customers.

www.tm.com.my



TRANSPORTATION & LOGISTICS

Our investments in this sector include holdings in the country's largest airport operator and the national airline.



Malaysia Airports Holdings Berhad manages and operates 39 airports in Malaysia — five international and 16 domestic airports, and 18 Short Takeoff and Landing (STOL) ports. It also provides airport management and technical services for the development, operation, maintenance and management of several airports in India and Turkey.

www.malaysiaairports.com.my



Malaysia Airline System Berhad (MAS) is one of Asia's largest airlines, with over 60 destinations in 30 countries across four continents. As a member of the oneworld alliance, MAS offers passengers seamless travel to over 800 destinations in more than 150 countries worldwide.

www.malaysiaairlines.com

CORE INVESTMENTS



POWER

We are the largest shareholder of Tenaga Nasional Berhad, the country's main electricity company. In addition, we also have an interest in Shuaibah Water and Electricity Company's Phase 3 Independent Water and Power Project in Saudi Arabia.



Tenaga Nasional Berhad is the largest electricity utility company in Malaysia, with almost RM99 billion worth of assets and more than 34,900 employees. It serves an estimated 8.4 million customers nationwide.

www.tnb.com.my



Shuaibah Water and Electricity Company is involved in the Shuaibah Phase 3 Independent Water and Power Project in Saudi Arabia. The project supplies 900MW of power and 880,000 cubic metres of water per day to several cities in Saudi Arabia.

www.shuaibahiwpp.com



HEALTHCARE

Our investments in this sector are geared towards providing premium integrated healthcare services and developing local expertise and capability across a range of healthcare offerings.



IHH Healthcare Berhad

IHH Healthcare Berhad operates a global healthcare network of 36 hospitals with more than 6,000 licensed beds, as well as medical centres, clinics and ancillary healthcare businesses across ten countries. It also operates International Medical University, Malaysia's premier private healthcare university offering medical, dental, pharmacy, nursing, health sciences, and complementary medicine programmes.

www.ihh-healthcare.com

ACIBADEM

Acibadem Healthcare Group is Turkey's largest private healthcare services provider. It owns and operates more than 2,000 beds in 17 hospitals. In addition, Acibadem owns and operates 14 licensed medical centres and ancillary healthcare businesses.

www.acibademinternational.com

ISKANDAR
MALAYSIA

The development of Iskandar Malaysia aims at boosting the socio-economic growth and viability of the south Johor region through a comprehensive approach that comprise regulatory, social, infrastructure and commercial components. Khazanah is a key participant in the development of Iskandar Malaysia, with involvement across multiple sectors.



Iskandar Investment Berhad (IIB) is a major catalytic developer in Nusajaya, Iskandar Malaysia. It promotes investments in identified sectors and facilitates the development of infrastructure. One of IIB's focus areas is EduCity, a fully integrated education hub that covers the entire education spectrum, as well as offering student accommodation and sports and recreational facilities.

www.iskandarinvestment.com

NEW INVESTMENTS

We explore and invest in new sectors and geographies to support the transformation of the economy, as envisaged by the Government's New Economic Model. The strategic investments that we make in this regard offer the potential to build new industry linkages, leverage complementarities, and act as catalysts for further sectoral, national growth and progress.



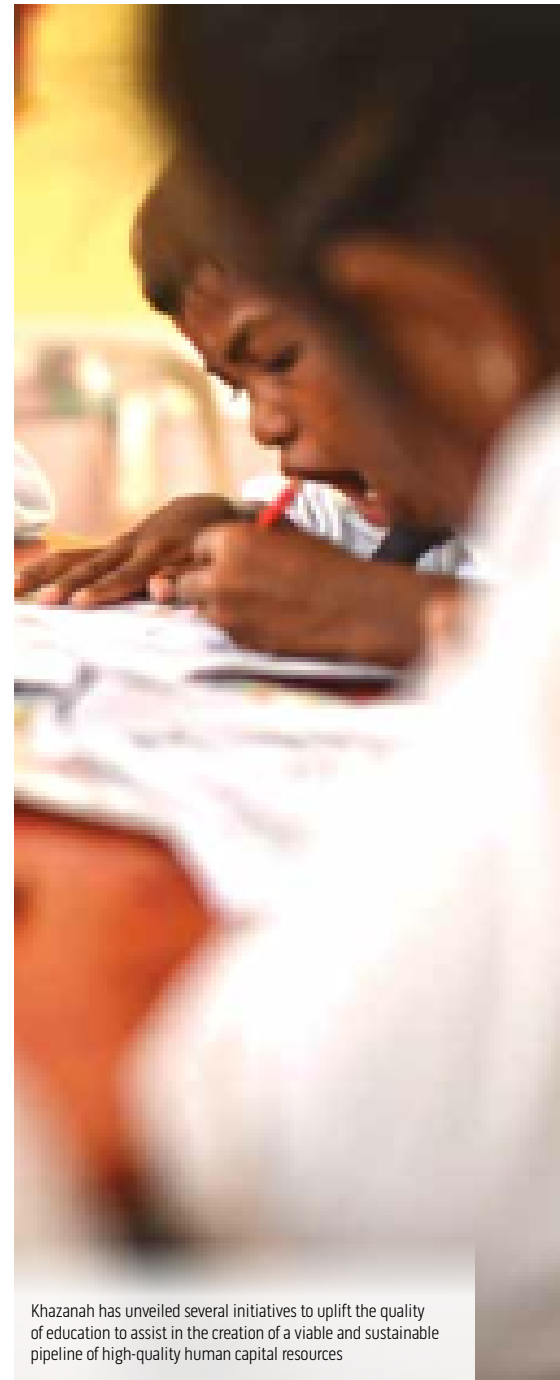
EDUCATION

Education is an attractive high growth sector that is critical for the delivery of our human capital development mandate. In line with national efforts to drive the services sector and education-related objectives of the Government's Economic Transformation Programme, we aim to catalyse a system-wide change in human capital outcomes for the nation by improving access to quality education and establishing high-performing learning centres.



LeapEd Services Sdn Bhd (LeapEd) a wholly-owned subsidiary of Khazanah, is the first Malaysian education services provider to undertake the nation's pioneer public school transformation programme via the Yayasan Amir Trust School Programme (YATSP). Currently being implemented across 30 public schools spanning Johor, Sarawak, Klang Valley and Selangor, the YATSP is a comprehensive and scalable school transformation model that sustainably transforms student outcomes through the achievement of four strategic goals (focusing on school leadership, teachers, holistic student outcomes and parents/ community) by promoting enhanced school management practices and championing improvements to curriculum and education delivery.

www.leapedservices.com



Khazanah has unveiled several initiatives to uplift the quality of education to assist in the creation of a viable and sustainable pipeline of high-quality human capital resources

Doing it for the nation...



There is a proper and clear framework that helps the management formulate decisions for the initiatives that Khazanah undertakes. Among other things, the framework provides for a fact-based analysis. The board would want us to recommend what is in the best interest of the nation, and with such a framework, it allows Khazanah to fulfil the task efficiently."

Dato' Mohammad Zainal Shaari
Former Chief Operating Officer (2004 – 2013)
Dato' Zainal was a key member of the pioneering team of employees at the start of the Khazanah revamp in 2004



KHAZANAH 20 YEARS



CREATIVE INDUSTRIES

We view creative industries as being essential towards establishing Malaysia as a knowledge-based economy. Apart from complementing the development of Iskandar Malaysia, our participation in this sector offers the opportunity to build local capabilities, raise Malaysia's profile as an international creative industry hub, and provide spillover economic benefits to the local tourism, financial and education industries.



ISKANDAR MALAYSIA
STUDIOS

Pinewood Iskandar Malaysia Studios is a state-of-the-art integrated media production studio facility offering film stages, TV studios, full range of post-production services, workshop and production office space, backlots for outdoor filming, and interior and exterior water filming tanks.

www.pinewoodmalaysiastudios.com

**WE VIEW CREATIVE INDUSTRIES
AS BEING ESSENTIAL TOWARDS
ESTABLISHING MALAYSIA AS A
KNOWLEDGE-BASED ECONOMY**



NEW INVESTMENTS



INNOVATION & TECHNOLOGY AND LIFE SCIENCES

We explore opportunities in innovation and technology that can complement the strengths of our existing investee companies. We aim to make investments that have strategic value to Malaysia and also enhance our existing portfolio investments.



Xeraya Capital is a private equity and venture investor in life sciences that focuses on medical technologies, healthcare biotechnology, bio-renewables and bio-industrials.

www.xeraya.com

SILTERRA

SilTerra Malaysia Sdn Bhd is a leading wafer foundry provider that offers complementary metal-oxide semiconductor (CMOS) wafer technology to global semiconductor partners. It was established in 1995 to promote front-end semiconductor manufacturing and to be a catalyst for high-technology investments in Malaysia.

www.silterra.com



SUSTAINABLE DEVELOPMENT

Exposure to this sector will ensure that Malaysia can prepare itself for opportunities arising from global climate change initiatives. It provides both Khazanah and Malaysia the opportunity to take a leadership position in the nascent regional sustainable development sector by investing in opportunities that will promote knowledge and technology transfer to the region.



Camco Clean Energy, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange, is a developer of clean energy projects in the United States of America and Africa.

www.camcocleanenergy.com



Cenergi South East Asia develops clean energy projects and provides advisory services, with particular focus on palm biogas and energy-efficient projects in Malaysia and Southeast Asia.

www.cenergi-sea.com

NEW INVESTMENTS



LEISURE & TOURISM

Our investments in this sector complement the development of Iskandar Malaysia and other areas in the country by catalysing new value-added services and promoting further growth in a sector that relies largely on the country's abundant and diverse natural attractions. Apart from the high multiplier effect of job creation and boosting tourism, the sector will also generate incidental benefits to other sectors such as healthcare and property development.



Themed Attractions and Resorts Sdn Bhd is involved in the development of integrated resorts and themed attractions in Kuala Lumpur, Johor and Singapore. These include LEGOLAND® Malaysia Resort, KidZania Kuala Lumpur and Puteri Harbour Family Theme Park.

www.tar.com.my



Destination Resorts and Hotels (DRH) Sdn Bhd is involved in the development and operations of destination resorts and hotels. It owns and manages The Datai Langkawi, an internationally-recognised luxury resort on Langkawi Island. DRH is also the developer of Desaru Coast, Teluk Datai and Puteri Harbour destination resorts.

www.drh.com.my



AGRICULTURE

We make catalytic investments in this sector, which include developing the necessary building blocks for the industry. A key focus is to enhance supply chain management to efficiently connect production to markets. Our initiatives promote the enhancement of productivity and quality under sustainable farming practices and access to new markets, including better linkages to the marketplace.



Malaysian Agrifood Corporation Berhad (MAFC) is an integrated food supply chain management company that is accredited to ensure sustainable agriculture practices at every level of the food supply chain. Established in 2006, MAFC aims to catalyse production through the vertical integration of the supply chain involving production, packaging, branding and distribution of agricultural products.

www.mafc.com.my




One of the beach villas of the award-winning resort, The Datai Langkawi, surrounded by ancient rainforest



A disciplined, thoughtful approach to investments...

KHAZANAH 20 YEARS

 Khazanah takes a very disciplined, thoughtful and strategic approach to what we do. We focus on our strengths and what our mandate dictates. We do not invest merely for the sake of financial returns. One of the great strengths of Khazanah is that the first thing we ask ourselves is "how is this relevant to the 30 million Malaysians" and this is critically important. That does not mean that from a commercial perspective our returns have suffered – you can see from our financial performance over the years that Khazanah has been able to focus on both the commercial and strategic objectives and overall still generate impressive returns. If you look at our initiatives in the leisure and tourism sector, yes, it's a commercial effort but what we are trying to do is something that will ultimately benefit the country. Malaysia has natural assets and natural beauty, which we can leverage through our efforts for tourism to reach its full potential."



Kenneth Shen
Executive Director, Investments
Kenneth currently leads the Leisure & Tourism Investments team

BUILDING A REGIONAL FOOTPRINT

Our presence in key markets abroad allows us to tap into regional economic growth, identify opportunities that enhance the regionalisation of our investee companies and contribute towards building the nation's long-term competitiveness.



NORTH AMERICA



Pushing boundaries for growth

KHAZANAH 20 YEARS

In general, our approach in exploring investment opportunities overseas, for example, in countries such as Indonesia and Turkey, is to look for areas that are of strategic interest to Khazanah and assist our investee companies to expand beyond the domestic market and tap into regional growth. We look for opportunities that can provide both financial and strategic gain, that can enhance and strengthen sectoral and industry linkages, and that can be catalysts for the transformation of the Malaysian economy."



Dato' Noorazman Abd Aziz
Executive Director, Investments

UNITED KINGDOM



MIDDLE EAST



TURKEY



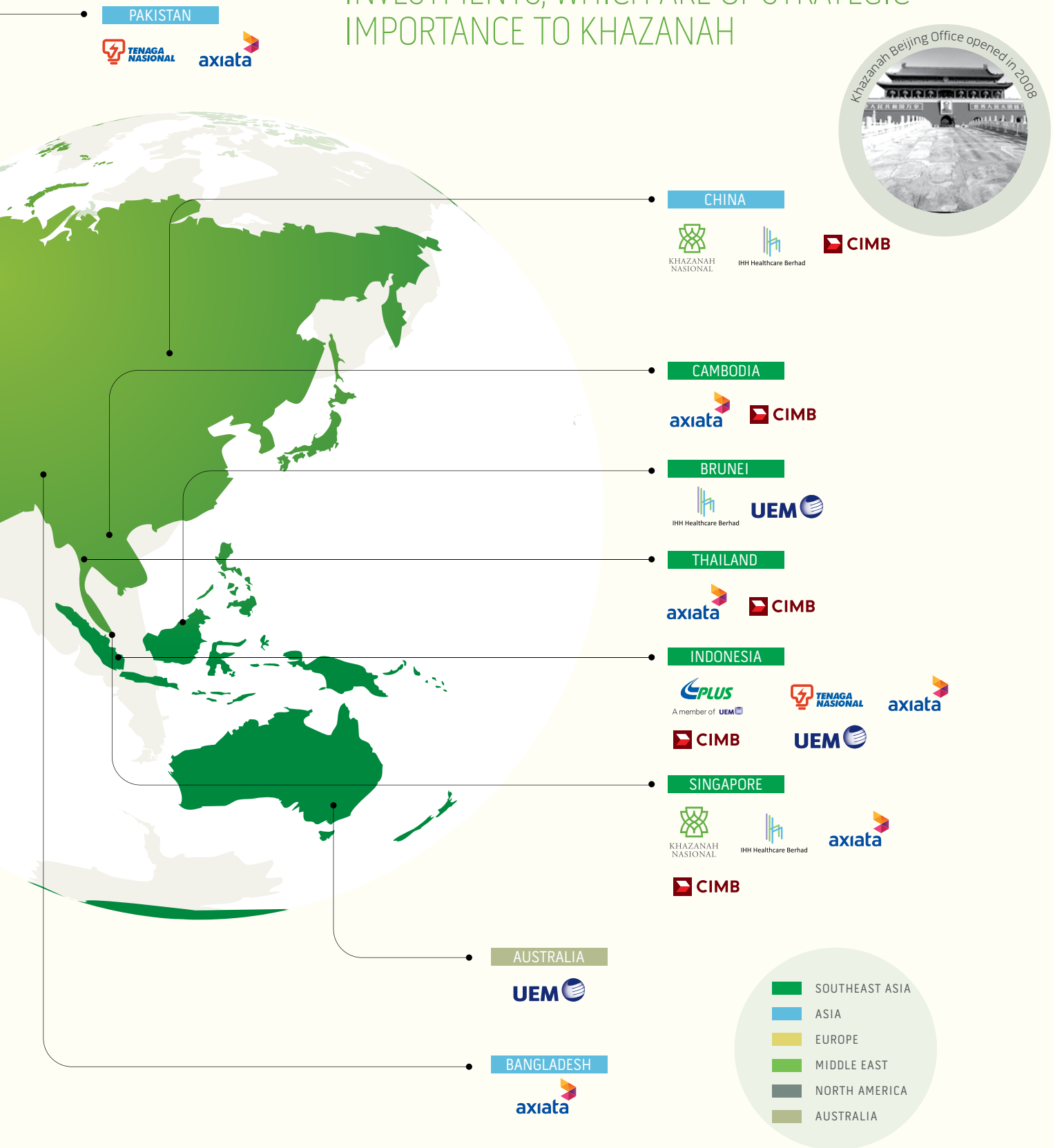
INDIA



SRI LANKA



WE LOOK BEYOND MALAYSIAN BORDERS TO SEEK INVESTMENTS. IN 2013, WE OPENED TWO MORE REGIONAL OFFICES IN SAN FRANCISCO, USA AND ISTANBUL, TURKEY, TO HELP FACILITATE INVESTMENTS, WHICH ARE OF STRATEGIC IMPORTANCE TO KHAZANAH



- SOUTHEAST ASIA
- ASIA
- EUROPE
- MIDDLE EAST
- NORTH AMERICA
- AUSTRALIA

TRANSFORMING GOVERNMENT-LINKED COMPANIES

AN IMPORTANT PART OF
KHAZANAH'S MANDATE IS
TO NURTURE AND GUIDE
GOVERNMENT-LINKED
COMPANIES (GLCs) TO
MOVE UP THE VALUE CHAIN

The transformation of the GLCs is crucial as Malaysia aspires to become a developed nation with a high-income, sustainable and inclusive economy. GLCs have evolved towards becoming high-performing and commercially-driven entities, providing critical services to the public and private sectors. The 10-year Government-Linked Companies Transformation (GLCT) Programme, which was announced in 2004, for the first time introduced key performance indicators (KPIs) for the GLCs, as well as initiatives with a view to injecting a high-level of professionalism into their respective boards. The Putrajaya Committee on GLC High Performance (PCG) was formed in 2005 to further catalyse, guide and monitor the implementation of the GLCT Programme. The PCG is chaired by the Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Hj Razak, and consists of the heads of the Government-Linked Investment Companies (GLICs), including Khazanah, the chairmen and chief executive officers of GLCs and representatives from the Government. Khazanah is the secretariat of the PCG.

DIVIDENDS PAID OUT BY
G-20 TO SHAREHOLDERS
FROM 2004 - 2013

RM **93_b**

THE GLCT PROGRAMME IS UNDERPINNED BY THREE GUIDING PRINCIPLES:



PERFORMANCE FOCUS

To create economic and shareholder value through improved performance of GLCs



NATIONAL DEVELOPMENT FOUNDATION

To align with broader national development strategies, aiming for growth with equity while improving total factor productivity and developing human capital and the Bumiputera community



GOVERNANCE AND STAKEHOLDER MANAGEMENT

To practise good governance by observing the rights of shareholders while appropriately engaging and managing other stakeholders

Source: Khazanah analysis



in Brand Finance's annual ranking of the 500 most valuable banking brands globally, CIMB - with an improved brand value of USD2.041 billion - was ranked No. 1 in Malaysia and 4th in ASEAN.

USD 2.041^b
BRAND VALUE

Source: Brand Finance



Menara CIMB, opened in 2013, is the new headquarters of CIMB Group located within the transportation hub of KL Sentral



1991

Bank of Commerce merged with United Asian Bank, as a result of a major restructuring exercise. The combined entities became Bank of Commerce (Malaysia) Berhad, under the holding company, Commerce-Asset Holding Berhad (CAHB). CIMB became a separate CAHB subsidiary.

We wanted GLCs to be more accountable...

KHAZANAH 20 YEARS

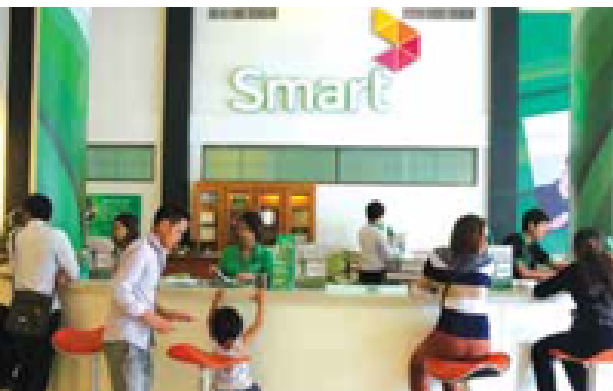


I joined Khazanah to help with the implementation of the GLCT Programme. It was just a small team at the start. When I joined, the programme was only officially launched. In many ways, it was like a start-up unit. Our immediate task was to plan roadshows and engage the board members. At that time, we wanted to engage the larger 15 GLCs. We started by putting the right people and the right board members in the GLCs. Then we introduced key performance indicators (KPIs). We started making people feel accountable and responsible. That drew in the first wave of improvements."

Chee Kok Lim
Director, Managing Director's Office
Kok Lim is one of the early pioneers of the GLCT team in Khazanah



TRANSFORMING GOVERNMENT-LINKED COMPANIES



Smart Axiata Co. Ltd customer service outlet in Cambodia. Axiata has controlling interests in mobile communications operations in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia, significant strategic stakes in India and Singapore; and interests in non-mobile telecommunications in Pakistan and Thailand through its various subsidiaries and affiliates.

From the inception of the GLCT Programme, the outcomes were strategically mapped out with the First Phase focusing on board composition and leadership changes, the introduction of KPIs, performance-linked compensation and performance contracts for senior management.

Phase Two entailed the launch of the GLCT Programme's Transformation Manuals, which cover the Programme's three guiding principles, five policy thrusts and 10 initiatives, broadly referred to as the "coloured books".

By Phase Three, GLCs have begun to show positive results that could be attributable to the GLCT Programme where GLCs delivered financial and strategic value, as well as shared gains with stakeholders and provided support for national initiatives. The goal of the Programme is to ultimately produce GLCs that are on par with the private sector and several regional champions. Khazanah's investee companies such as CIMB Group Holdings Berhad and Axiata Group Berhad have significant presence in Asian markets, with several others steadily building up capacity to progress to this level.

The GLCT Programme is expected to end in 2015, beyond which the GLCs are expected to stay the course in delivering the goals of the Programme.

Progress of the GLCT Programme is covered in a *GLCT Progress Review* report, which PCG publishes annually.

A GLC turnaround...

KHAZANAH 20 YEARS

I think the GLCT Programme has been a very successful programme. It has been a turnaround. It used to be very passive. At that level, how do you influence the board? Khazanah, as a majority shareholder to some of these companies, is able to a certain extent, influence the management and help chart future growth of the company. When the programme was implemented, it was high time as you need someone full time to monitor the investments and derive value."



Dato' Abu Hassan Kendut
Former EXCO Chairman
(2000 - 2006)



Penang second bridge, The Sultan Abdul Halim Mu'adzam Shah Bridge, was opened in March 2014. With a total length of 24km, it is the longest bridge in Southeast Asia. UEM Group Berhad, a wholly-owned company of Khazanah was responsible for the superstructure works of the bridge via its subsidiary UEM Builders Berhad



The Penang Ferry service continues to serve the people and link Penang to the mainland since 1920



2004

2005

2006

2007

2008

2009

2010

2011

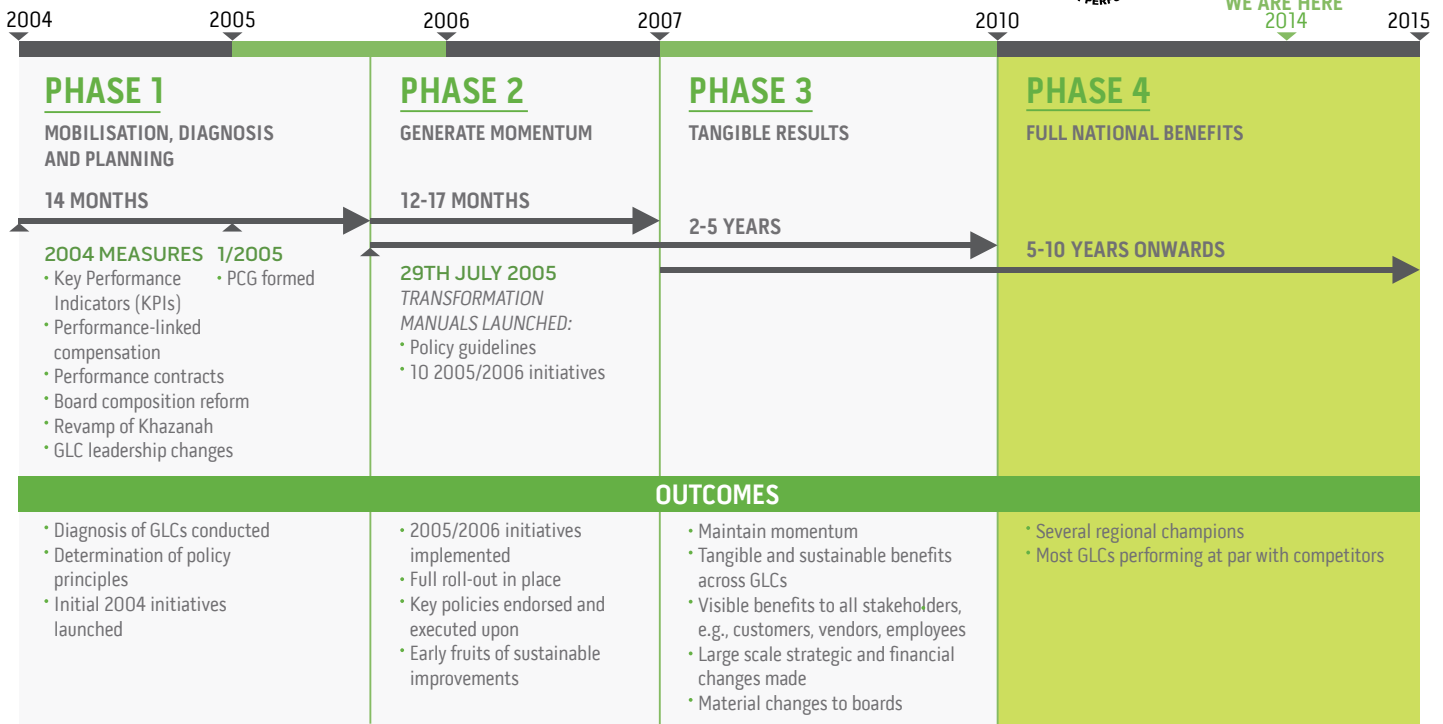
2012

2013

GLCT Programme announced

GLC Open Day

GLC TRANSFORMATION PROGRAMME IS NOW IN PHASE 4



10 GLCT PROGRAMME INITIATIVES

ENHANCE BOARD EFFECTIVENESS

Raise the overall effectiveness of GLC boards by revamping practices to ensure that they fulfil their fundamental roles and responsibilities



REVIEW AND REVAMP PROCUREMENT

Enhance the effectiveness and efficiency of procurement practices in GLCs, including their role in developing local suppliers



STRENGTHEN DIRECTORS' CAPABILITIES

Enhance board performance by equipping directors of GLCs with the necessary world-class knowledge, skills, and mind-set through the Malaysian Directors Academy (MINDA), established in December 2006



OPTIMISE CAPITAL MANAGEMENT PRACTICES

Enhance capital efficiency and optimise capital structure through improved capital management among GLCs



ENHANCE GLIC MONITORING & MANAGEMENT FUNCTIONS

Reinforce the ability of GLICs as active shareholders in driving GLC performance towards enhanced value creation, based on the respective GLICs' mandate and investment strategy



STRENGTHEN LEADERSHIP DEVELOPMENT

Strengthen and institutionalise leadership and talent management in GLCs to ensure long-term robustness



CREATE VALUE THROUGH REGULATORY MANAGEMENT

Encourage best-practice engagement among GLCs, policymakers, regulators, and other related stakeholders and build GLC knowledge and capability in regulatory management



INTENSIFY PERFORMANCE MANAGEMENT PRACTICES

Develop a performance culture to improve the financial and operational performance of GLCs



ACHIEVE VALUE THROUGH SOCIAL RESPONSIBILITY

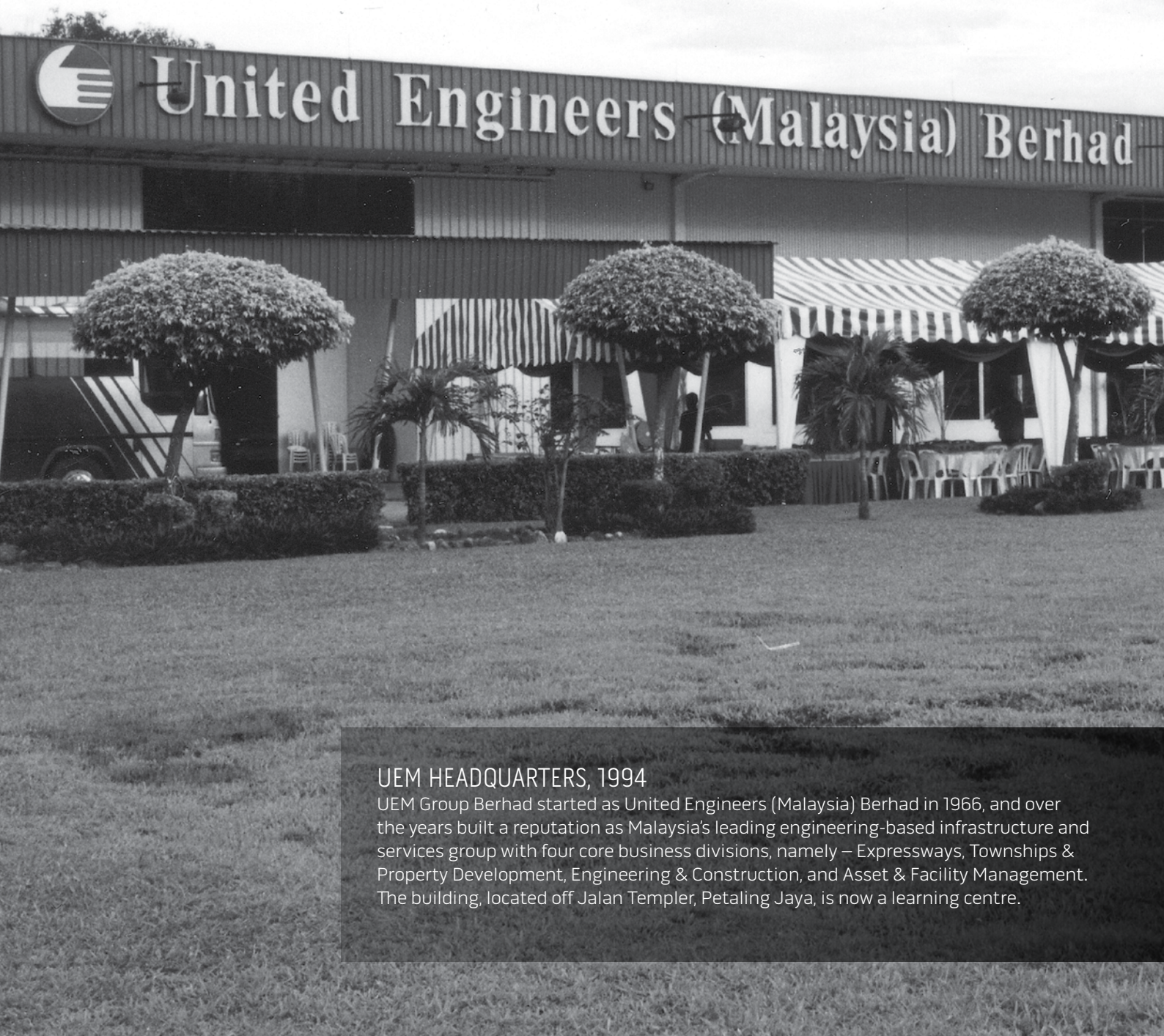
Guide GLCs to become socially responsible corporate citizens while creating value for their shareholders and stakeholders



FRAMEWORK FOR CONTINUOUS IMPROVEMENT

Enhance operational effectiveness and efficiencies to achieve continuous improvements





UEM HEADQUARTERS, 1994

UEM Group Berhad started as United Engineers (Malaysia) Berhad in 1966, and over the years built a reputation as Malaysia's leading engineering-based infrastructure and services group with four core business divisions, namely – Expressways, Townships & Property Development, Engineering & Construction, and Asset & Facility Management. The building, located off Jalan Templer, Petaling Jaya, is now a learning centre.



DELIVERING BENEFITS TO STAKEHOLDERS

04

The outcomes of our investments and the successes of our investee companies, especially the K-7, carry a positive impact not only on the national economy, but also on the broader well-being of the country's ultimate stakeholders — its people. Khazanah's value distribution is shared equitably through various platforms including enhanced delivery and quality of products and services, vendor development programmes and the payment of taxes and dividends to fund the Government's development agenda. This is also reflected in our Corporate Responsibility (CR) approach.

Sharing Gains with Stakeholders **72**

Supporting National Transformation **76**

Being a Responsible Corporate Citizen **78**

Selected Highlights of Corporate Responsibility Initiatives in 2013 **82**

UEM HEADQUARTERS, 2013

UEM Group has evolved into an integrated engineering-based infrastructure and services group with an established track record and global operations and has become a regional champion. UEM Group is wholly-owned by Khazanah. The headquarters is located in KL Sentral.

SHARING GAINS WITH STAKEHOLDERS



THE GOVERNMENT-LINKED COMPANIES (GLCs) TRANSFORMATION (GLCT) PROGRAMME, WHICH COMMENCED IN 2004 HAS DELIVERED BENEFITS ON MANY FRONTS, TOUCHING THE LIVES OF VARIOUS STAKEHOLDERS RANGING FROM INVESTORS AND SHAREHOLDERS TO THE GENERAL PUBLIC AND EMPLOYEES OF THE GLCs

Khazanah is the secretariat of the Putrajaya Committee on GLC High Performance (PCG) that is chaired by the Prime Minister, Dato' Sri Mohd Najib Tun Hj Abdul Razak. The GLCT Programme is led by five Government-Linked Investment Companies, namely Khazanah Nasional Berhad, Permodalan Nasional Berhad, Employees Provident Fund, Lembaga Tabung Angkatan Tentera, and Lembaga Tabung Haji; and the G-20, a group of leading GLCs that include seven of Khazanah's companies.

GOVERNMENT-LINKED INVESTMENT COMPANIES



GOVERNMENT-LINKED COMPANIES



Institutionalisation takes root...

Khazanah has become much more institutionalised now than it was two or three years into the new mandate. After I left the organisation, I still keep track of the work Khazanah has been doing. I hope it continues the good work, both in the investing environment, as well as navigating the complex relationships with stakeholders."

Mohan Rajasooria
Former Director, Investments (2004-2007)
Mohan is one of the early pioneer employees involved in the Khazanah revamp, which began in 2004



DIVIDENDS PAID OUT TO SHAREHOLDERS 2004 - 2013

Through the various GLCT Programme initiatives implemented, the K-7 have created substantial market value and are now on a more solid footing, having returned a total of RM45 billion in dividends to shareholders from 2004 to 2013.



Source: Khazanah analysis

NUMBER OF VENDORS GRADUATED 2004 - 2013

TAXES PAID 2004 - 2013



The K-7 have supported 1,325 vendors through their various development programmes since 2004, of which 83 vendors (around 6% of total vendors) have graduated to compete on their own.

Besides dividends, the K-7 have also paid a total of RM26 billion in taxes within the same period, which ultimately benefits the nation.

Source: PCG analysis

Source: Khazanah analysis

Representatives from GLCs listen intently to a presentation during a knowledge sharing session held under GLCT Programme



TOTAL SHAREHOLDER RETURN

G-20 13.8% p.a.

K-7 14.0% p.a.

Over the period from May 2004 to Dec 2013, total shareholder return of K-7 companies grew by 14% per annum, outperforming the rest of the Kuala Lumpur Composite Index (KLCI) by 0.2% per annum.

Source: Khazanah analysis

EARNINGS GROWTH

K-7 aggregate earnings grew 10.5% p.a. from RM5.2 billion in 2004 to RM12.7 billion in 2013.

G-20 11.1% p.a.

K-7 10.5% p.a.

Source: Khazanah analysis

TOTAL WORKFORCE

G-20 364,085

K-7 158,904

The K-7 currently employs a total of 158,904 workforce, and is the net creator of 6,450 jobs in 2013.

Source: PCG analysis



PINTAR Foundation is a school adoption programme by GLCs and other corporates to improve educational outcomes of students in under-served communities, mainly in rural areas.

NUMBER OF SCHOOLS ADOPTED

G-20 303 K-7 190

NUMBER OF STUDENTS IN PROGRAMME

G-20 565,216 K-7 358,109

To date, 190 schools have been adopted by the K-7 and Khazanah-linked companies, benefitting 358,109 students.

Source: Khazanah analysis

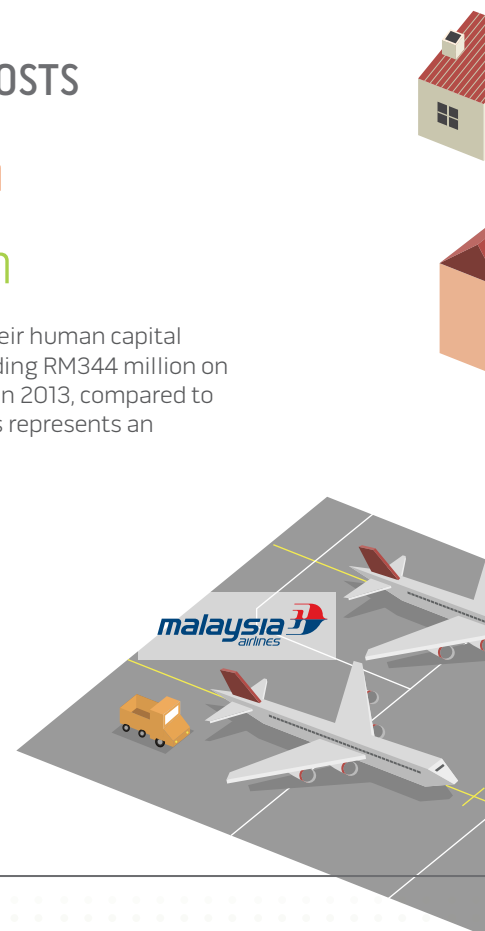
TRAINING AND DEVELOPMENT COSTS

G-20 RM513m

K-7 RM344m

The K-7 have ramped up their human capital development efforts, spending RM344 million on training and development in 2013, compared to RM334 million in 2012. This represents an increase of 3.1%.

Source: PCG analysis



Students of Sekolah Kebangsaan Mohd Khir Johari, a PINTAR school in Johor Bahru



Transforming education...

KHAZANAH 20 YEARS

What we're trying to do in education is to basically catalyse changes in the approach of teaching and learning at school. We're very heartened by what's been done and achieved so far. For example, our work with Yayasan Amir in the Trust Schools programme has helped to change the way in which students, teachers and even parents in the trust schools view education, and has really encouraged more active participation in classroom activities. It is also very heart-warming for me to see how enthusiastic the headmistresses and teachers are when talking about the Trust School programme. I am looking forward to more and continued support for the programme."



Zaida Khalida Shaari
Executive Director, Investments



About 160 volunteers from UMW Holdings Bhd, UMW Toyota Sdn Bhd and Perodua planted some 1,800 mangrove trees at the Kampung Sungai Pelek Forest, in Sepang, in conjunction with 2013 World Earth Day celebrations



SUPPORTING NATIONAL TRANSFORMATION

Khazanah is a contributor to the various national transformation initiatives, as called for by the New Economic Model (NEM) launched in 2010. Khazanah was part of the working team supporting the National Economic Advisory Council in developing the NEM, which adopts a holistic approach with broader goals that go beyond high investments and growth, but also focuses on inclusivity to ensure that all Malaysians benefit from the country's economic progress.

We were involved in the formation of the Performance Management and Delivery Unit (PEMANDU), a strategic unit under the Prime Minister's Department. PEMANDU was established to oversee the implementation of the Economic Transformation Programme (ETP) and Government Transformation Programme (GTP), two of the NEM's key pillars.

We also support the Bumiputera Transformation Programme managed by Unit Peneraju Agenda Bumiputera (TERAJU) via vendor development programmes at our investee companies and our own strategic divestment activities, which includes Government-led divestment initiatives





The Prime Minister's office in Putrajaya. The Government's holistic approach goes beyond high investments and growth and includes inclusive policies to ensure all Malaysians benefit from economic progress.

2008

2009

2010

2011

2012

2013

An inclusive development approach...

/// KHAZANAH 20 YEARS

Developing the Bumiputera community, which represents 67% of the population, is an important part of the GLCT Programme is support of the national development agenda. In this regard, the role of the GLCs is to serve as nurturing and supporting platforms so that the community eventually becomes self-sustaining, less dependent on the Government, and progressive. This inclusive development approach, anchored on equitable growth and social justice, is aligned with goals of the New Economic Model."



Mohd Izani Ashari
Executive Director, Managing Director's Office
and Head of Special Projects Office

to encourage Bumiputera entrepreneurship and equity growth. In addition, through our role as the secretariat of the Putrajaya Committee on GLC High Performance (PCG), we help to develop key performance indicators (KPIs) to be implemented by GLCs and GLICs under the Bumiputera Agenda, as announced by the Prime Minister in September 2013.

Some of Khazanah's own corporate responsibility programmes and those undertaken by GLCs fall under the GTP's National Key Result Areas (NKRAs) related to education and raising the living standards of low-income households. As a strategic investor, Khazanah and its investee companies are involved in nine of the ETP's 12 National Key Economic Areas (NKEAs), including tourism, education, and healthcare. In addition, Khazanah's initiatives in Iskandar Malaysia are in support of the Government's growth corridor concept.

BEING A RESPONSIBLE CORPORATE CITIZEN

KHAZANAH'S CORPORATE RESPONSIBILITY INITIATIVES SUPPORT THE NATION-BUILDING AGENDA AND MANDATE TO ENCOURAGE SOCIAL INCLUSIVITY AND IMPROVE LOCAL ENVIRONMENTS

From 2004 to 2013, our Corporate Responsibility (CR) strategy is underpinned by four main programmes, namely:

- 1 Responsible Investments and Value Creation
- 2 Human Capital Development
- 3 Social Capital Development and Environmental Stewardship
- 4 Silver Book and CR advocacy



Reef Check Malaysia volunteers at the Rockin' 4 the Reefs event held in April 2013

En. Zakaria Derashid and wife, one of the Yayasan Sejahtera beneficiaries, harvesting cucumbers



Ranjeetha Sivajanam, BA (Hons) English Language and Communication, UCSI University, a 2012 Teach for Malaysia Fellow, guiding the students

Khazanah's CR manages a grants programme through which we support various public and civil society organisations that do meaningful work in the areas of social capital development and environmental stewardship. Collaboration and empowerment are the underlying fundamentals and philosophies of our CR Grants Programme. We leverage our strengths and networks as the nation's strategic investment fund to build organisational capacity of our civil society partner organisations (CSPOs) and to facilitate the development and implementation of effective programmes. We take a pro-active, engaged approach with our CSPOs and provide them with multi-faceted support including financial assistance and best-practice benchmarking.

Yayasan Hasanah was incorporated on 27 December

Yayasan Hasanah can make a difference...

Yayasan Hasanah (YH) was set up in December 2013 with a financial endowment from Khazanah. It is a meaningful amount that will fund YH's activities into perpetuity. Being socially conscious is something we have always held sacrosanct in Khazanah and we now hope to further focus this in YH.

I am optimistic that Yayasan Hasanah can make a difference in the years ahead. We recognise the need for YH to hold on to the Khazanah ethos of clear strategy, thoughtful execution and measuring outcomes of our work. Helping to set up YH has been one of the highlights of my career thus far, for which I am truly grateful."

Jiv Sammanthan
Executive Director, Managing Director's Office
and Head of Managing Director's Office



KHAZANAH 20 YEARS

Furthermore, we continue to advance the CR agenda and to assist GLCs in delivering sustainable value on all fronts through the Silver Book, which is a set of guidelines to developing and implementing CR initiatives.

Yet, Khazanah's wide and growing footprint, and the persistence of social and environmental issues, necessitate an evolution of our CR strategy to ensure a continued positive impact on communities and the planet. In December 2013, we incorporated a sister entity, Yayasan Hasanah, as an enhanced and more strategic approach to value distribution to the nation for the years to come.

Yayasan Hasanah is mandated to support the development and implementation of solutions that empower communities, encourage social inclusivity, and improve local environments. Yayasan Hasanah will consolidate and expand upon Khazanah's existing CR work in five core areas:

- 1 Education
- 2 Community Development
- 3 Environment
- 4 Arts, Heritage and Culture (AHC)
- 5 Knowledge

YAYASAN HASANAH

BUILDING TRUE VALUE

LEADING FOUNDATION THAT PROMOTES MALAYSIA'S GLOBAL SUSTAINABILITY THROUGH SOLUTIONS THAT EMPOWER COMMUNITIES, ENCOURAGE SOCIAL INCLUSIVITY AND IMPROVE LOCAL ENVIRONMENTS

EDUCATION

Support scalable educational models that promote equity and increase access to quality education

COMMUNITY DEVELOPMENT

Enable and support community-led actions that strengthen social cohesion, inclusivity and equity in Malaysia

ENVIRONMENT

Support Malaysia's efforts in addressing environmental issues within key focus areas to create a meaningful and lasting impact

ARTS, HERITAGE & CULTURE

Help transform Malaysia into a distinctive destination for AHC and to make Malaysia an attractive place to live

KNOWLEDGE

Improve the quality of decision-making, and to drive human capital development and upward social mobility for a knowledge-driven, globally competitive economy

OUR COMMITMENT TO STAKEHOLDERS

Transparency, Innovation, Empowerment, Inclusiveness

OUR ATTRIBUTES

High Execution Capability, Collaborative and Strategic Partner, Catalysing and Transformative, Internalisation of Khazanah's Core Values

FOUNDATION

A Focus On Long-term Nation-building

ACCOMPLISH STRATEGIC VISION AND MISSION

EXECUTE STRATEGIC PILLARS

GET FOUNDATIONS RIGHT, BUILD CAPACITY



Source: Khazanah CR Report 2013

Further details of what our CR entails are contained in our 2013 Corporate Responsibility Report, which can be downloaded at <http://www.khazanah.com.my/cr.htm>



CR SPENT



Since 2006, funds provided for CR has totalled RM335 million, benefitting and strengthening 17 organisations through the CR Grants Programme



Source: Khazanah CR Report 2013



Children of Pusat Aktiviti Kanak-Kanak, Yayasan Chow Kit having lessons

Empowering society...

KHAZANAH 20 YEARS

What allows Yayasan Hasanah to be on par with other global foundations is its ability to be creative and nimble in execution, coupled with its commitment to build long-lasting partnerships for social impact. With the benefit of Khazanah's experience and networks, Hasanah is able to interact with multi-stakeholders, be exposed to different types of ideas and draw the right links to ensure its work fits well in the bigger picture of doing more for society."



Nur Azrina Azhar
Vice President
Managing Director's Office
Azrina is currently with the Corporate Responsibility unit



Standing, from left to right: Edmond Yap, Director, EduNation; Leela Panikkar, Director, TrEES; Shareen Shariza Abdul Ghani, Director, Managing Director's Office; Jiv Sammanthan, Executive Director, Managing Director's Office; Shahira Ahmed Bazari, Director, Managing Director's Office; Jothi Kohli, General Manager, Voice of the Children; Ananti Rajasingam, Centre Manager, Yayasan Chow Kit; Fadly Bakhtiar, Programme Manager, EcoKnights; Gordon Reid, Board of Trustees, Reef Check Malaysia.

Sitting, from left to right: Dr Selvamalar Ayadurai, President, TECH Outreach Malaysia; Datuk Mohd Yunus Pathi, President / Founder, Persatuan Pengasih Malaysia; Dato' Noor Rezan Bapoo Hashim; Board of Trustees, Teach For Malaysia; Tan Sri Dato' Seri Utama Arshad Ayub, Chairman, PINTAR Foundation; Tan Sri Dato' Azman Hj Mokhtar, Managing Director, Khazanah Nasional Berhad; Tan Sri Faizah Mohd Tahir, Chairman, OrphanCARE; Shahnaz Al-Sadat Abdul Mohsein, Board of Trustees; Yayasan AMIR; Professor Dr Shalimar Abdullah, Representative, MERCY Malaysia; Associate Professor Datin Norela Nuruddin, Chief Executive Officer, Enactus Malaysia Foundation.

SELECTED HIGHLIGHTS OF CORPORATE RESPONSIBILITY INITIATIVES IN 2013



PURSUING THE NATION'S SUSTAINABILITY AGENDA

>RM1m
Annual electricity costs saved by AEON Co (M) Bhd (AEON)

>5 GWh
Annual electricity consumption saved at AEON's three malls

3,0001
Metric tonnes of carbon emissions averted per annum by AEON



CONTINUING TO MAKE STRONG ADVANCES FORWARD

8,000
Underprivileged children experienced out of classroom learning at indoor theme parks in Iskandar Malaysia since 2012

80,000
Participants attended Iskarnival 2013

2,000
40 companies offered more than 2,000 immediate job vacancies



ALLIED HEALTH CENTRE OF EXCELLENCE (AHCoE)

2,440
Healthcare professionals trained in 2013

154
Organisations whose staff have joined in AHCoE programmes



CONNECTING RURAL SCHOOLS TO CORPORATE MALAYSIA

33
Companies have adopted schools nationwide since 2006

352
316 primary schools and 36 secondary schools adopted since 2006

43
38 primary schools and 5 secondary schools adopted in 2013

656,795
Students benefited from PINTAR Foundation programmes since 2006



RAISING OUR NATION'S EDUCATION STANDARDS

9,764
Students who have benefited from Trust Schools Programme (TSP) in 2013

74%
Increase in TSP teachers' use of strategic questioning that promotes student thinking

66%
Increase in opportunities provided by TSP teachers for their students to learn collaboratively



ALLEVIATING POVERTY, IMPROVING LIVES

5,892
Families have benefited from Yayasan Sejahtera (YS) projects since 2009

1,046
Families benefited from YS projects in 2013



SECOND CHANCE HOMES

204
Clients discharged / completed rehabilitation programme in 2013

1,004
Clients discharged / completed rehabilitation programme since 2008



SAFEGUARDING OUR NATION'S REEFS

196
Sites surveyed by Reef Check Malaysia and its partners in 2013

3
Island-based coral reef rehabilitation programmes in 2013



RISING ABOVE EDUCATIONAL INEQUALITY

91
Active Teach For Malaysia (TFM) Fellows in 2013

88%
Average retention rate of Fellows in 2013

35%
Average mastery by students who were taught by TFM Fellows



PROTECTING AND RESPECTING EVERY CHILD'S RIGHTS

50
Participants took part in Voice of the Children legal training in 2013



A REFUGE IN TROUBLED TIMES

184
Children and youth who registered with Yayasan Chow Kit (YCK) in 2013

109
Monthly average attendance at YCK's Pusat Aktiviti Kanak-Kanak (PAKK) and Kuala Lumpur Krash Pad (KLKP) in 2013

thinkCITY

PEOPLE ARE THE LIFEBLOOD OF A CITY

RM16.4m

Worth of grants allocated since 2009

RM6

Co-investment for every RM1 George Town Grants Programme (GTGP) allocation

206

Projects in cultural mapping, physical conservation, public spaces and capacity building by Think City



HUMAN CAPITAL DEVELOPMENT



NURTURING TOMORROW'S LEADERS

357

Scholarships awarded since 2006

74

Scholarships awarded in 2013

116

Yayasan Khazanah Scholarship alumni members



LENDING A HELPING HAND

99

Khazanah staff took part in Khazanah Volunteer Network (KVN) activities in 2013

387

Children visited KidZania with KVN help in 2013



GRADUATE EMPLOYABILITY

11,499

Graduates trained since the start of the programme on 13 March 2009 until 31 Dec 2013

2,898

graduates trained

96.1%

employment rate for graduates trained



PROMOTING A LEVEL PLAYING FIELD

40

Students taught at CADCs Enhancement Centre (CEC) and CADCs Vocational Centre (CVC) in 2013

28

CADCs Therapy Centre (CTC) clients since July 2013



PROMOTING SUSTAINABLE LIVING

6,700

Visitors to the three-day Kuala Lumpur Eco Film Festival (KLEFF) in 2013

200

Local and international films submitted in 2013



TOGETHER, CREATING A BETTER TOMORROW

28

Universities participated in Enactus Malaysia National Exposition (EMNE) 2013



SAVING LIVES AND CREATING FAMILIES

22

Adoption of 20 babies and two children in 2013

614

Couples identified by OrphanCARE as suitable adoptive parents



BRINGING MEDICAL RELIEF TO COMMUNITIES EVERYWHERE

12

Countries where MERCY Malaysia had been involved in providing medical relief in 2013

11,738

Patients seen by MERCY Malaysia during emergency responses supported by Khazanah in 2013

36

Hours taken to respond to a crisis following a decision to do so



CONSERVATION OF ISKANDAR RAMSAR SITES

Inaugural Friends of Iskandar Ramsar steering committee meeting was held with the mission to "promote and advocate for the conservation and wise use of Iskandar Ramsar as sustainable biodiversity sites of international standing."

The members have committed to:

- Promoting education, awareness, advocacy and community involvement;
- Supporting the conservation and enhancement of the Iskandar Ramsar mangroves; and
- Establishing "living labs" to conduct scientific environmental and biodiversity research and development activities.

The meeting also discussed possible solutions to address key issues that affect the Iskandar Ramsar sites.



GIVING CHILDREN BACK THEIR PLAY AREAS

60%

Average utilisation rate of Cruyff Court Kuala Lumpur (CCKL) since its launch in Sep 2013. The court is provided free-of-charge to the public.



SILVER BOOK & CR ADVOCACY



The Silver Book (SB) is an initiative under the GLC Transformation (GLCT) Programme that provides GLCs and GLICs a set of tools and best practices on good corporate citizenship.

In 2013, we sought to gauge the adoption level of the SB guidelines among GLCs, and conducted an SB self-assessment exercise.

The exercise saw GLCs assessing themselves in three areas, namely:

- Overall management and execution of their contributions to society;
- Qualitative impact assessment of key contributions to both the company and society; and
- Cost-benefit assessment of their five major recurring contributions.



A view of Kuala Lumpur skyline from one of the city's suburbs

CASE STUDIES

Each year, The Khazanah Report presents case studies to illustrate and give more clarity and depth on how we approach the demands of our mandate. This year, we discuss how Khazanah played a role in addressing and mitigating the effects of the 1997 Asian Financial Crisis on the Malaysian economy, our venture into the high-growth global healthcare sector, and our efforts to help all sections of society benefit from national development.

RESTRUCTURING A CONGLOMERATE

Hisham Hamdan

Executive Director, Investments

Head of Khazanah Research & Investment Strategy

&

Dato' Noorazman Abd Aziz

Executive Director, Investments

BUILDING A REGIONAL HEALTHCARE PLATFORM

Tengku Dato' Sri Azmil Zahrudin

Executive Director, Investments

INCLUSIVITY - A KEY COMPONENT OF VALUE DISTRIBUTION

Dato' Charon Wardini Mokhzani

Executive Director, Managing Director's Office

&

Ahmad Farouk Mohammed

Executive Director, Managing Director's Office

Head of Strategic Management Unit

CASE STUDY

RESTRUCTURING A CONGLOMERATE



by *Hisham Hamdan, Executive Director, Investments and Head of Khazanah Research & Investment Strategy*



Dato' Noorazman Abd Aziz, Executive Director, Investments

This case study provides a background on developments that led to the Malaysian economy being severely impacted by the 1997 Asian Financial Crisis (Crisis), and the measures undertaken by the Government to mitigate its ill-effects. It focuses on the efforts by Khazanah through its wholly owned subsidiary Syarikat Danasaham Nasional Berhad to rescue and restructure the troubled UEM-Renong group, whose fortunes began to unravel on the back of the Crisis.



Aerial view of PLUS Malaysia's Sungai Buaya interchange that was opened in January 2014

In the early 1980s, Malaysia embarked on an infrastructure privatisation policy that was aimed at accelerating national growth and improving productivity, without putting undue pressure on the Government's financial position.

Against this backdrop, private companies such as Renong Berhad (Renong) were entrusted to execute landmark national projects such as the construction of the 775km North-South Expressway.

This privatisation policy coincided with the influx of external capital flows into East Asia, driven by the loosening of global interest rates in the wake of the 1990 US economic recession. However, these financing flows had the unintended consequence of favouring debt structures with collateral, rather than asset-light productive investments in manufacturing and agriculture. This imbalance subsequently fuelled a property and asset boom in the early-1990s, which worsened the current account deficit.

These imbalances made Malaysia more vulnerable to external macroeconomic shocks, which emerged in the mid-1990s. Global interest rates rose sharply in 1995, triggering a reversal in external funding to Asian economies, which culminated in the 1997 Asian Financial Crisis (Crisis). As foreign investors liquidated their Malaysian debt and equity holdings, both the Ringgit and the stock market depreciated significantly, while efforts by Bank Negara to defend the Ringgit by raising local interest rates pushed many over-leveraged and over-extended conglomerates to the brink of collapse.

Financial markets had a total and sudden loss of confidence in Malaysia's prospects, and the Government had to act radically to stabilise the country. Key actors of the Malaysian economy such as the Ringgit, banks and corporates were hostage to global market volatility; there could be no market-based solution to a problem, which was triggered and exacerbated by the nature of the market itself. Hence the Government's solution was to take these problems out from market scrutiny, and fix them in a holistic manner: capital controls were imposed on the Ringgit, corporate balance sheets were relieved of problematic assets and liabilities, and banks were forced to merge and recapitalise.

By 2000, both Gross Domestic Product (GDP) growth and the Kuala Lumpur Composite Index (KLCI) had returned to pre-crisis levels. The Government had succeeded in saving the economy. However, the restructuring of the United Engineers (M) Bhd (UEM)-Renong group remained unresolved. Throughout 2001, business conditions continued to get worse for Renong: revenues were falling, cash flow was negative, and the share price had fallen 70% from its post-Crisis peak in 2000. This negatively impacted the value of UEM's RM2.3 billion cross-shareholding in Renong, which in turn had the potential to significantly impair UEM's RM3.4 billion in shareholders' equity. Unless the Government acted swiftly, Renong's problems would spread to UEM, which owned nation-critical assets such as the North-South Expressway. The Government's response was to safeguard UEM by nationalising it through the Danasaham transaction.



THE 1997 ASIAN FINANCIAL CRISIS ECONOMIC RESCUE PLAN

In 1998, the full brunt of the Crisis began to be felt, when non-performing loans (NPLs) in the Malaysian banking system began to rise rapidly. It became clear that urgent economic restructuring was necessary to bring relief to, avert a potential collapse, and restore the integrity of the banking system.

In response to the risks posed to the financial system, the Malaysian Government established several special purpose vehicles (SPV) to help contain the looming banking crisis and restore liquidity:

01 Pengurusan Danaharta Nasional Bhd (Danaharta)

Danaharta was a national asset management company set up by the Ministry of Finance in June 1998, under an Act of Parliament. Through Danaharta, the Government extended indirect support to some of the Malaysian economy's key corporations by acquiring related NPLs from the banking system. These corporations included UEM, Renong, Malaysian Airline System Bhd (MAS), and light rail transit operators Projek Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA) and Sistem Transit Aliran Ringan Sdn Bhd (STAR).

02 Danamodal Nasional Bhd (Danamodal)

Danamodal was a bank recapitalisation agency incorporated in August 1998. Danamodal was established to ensure that the banking sector recapitalisation process was commercially driven and that investment decisions were made according to market-based principles. It would also help to prevent any delay in addressing recapitalisation and NPL issues, which would have a drag effect on the financial system and economic recovery, as well as negate the risk of any potential conflict of interest if there were to be direct capital injection by the Government into banking institutions instead.

03 Corporate Debt Restructuring Committee (CDRC)

CDRC was a non-statutory body under Bank Negara Malaysia. The CDRC was formed to provide a platform for both borrowers and creditors to work out feasible corporate debt restructuring schemes without having to resort to legal proceedings, especially for large debtors. The CDRC played a proactive role in the resolution of the bad debts.

Besides the establishment of Danaharta, Danamodal and CDRC to check, reduce and manage NPLs, the Ministry of Finance also helped to take over financially ailing corporations on behalf of the Government, which enabled the Government to directly restructure them. In the case of the takeover and restructuring of the UEM-Renong group, the Government conducted the exercise through Syarikat Danasaham Nasional Bhd (Danasaham), a wholly owned subsidiary of Khazanah.

RENONG'S FINANCIAL PROBLEMS DURING THE 1997 ASIAN FINANCIAL CRISIS

The privatisation of the North-South Expressway was hailed as one of the most successful ever, demonstrating the capabilities of the Malaysian private sector, while furthering the development of a Bumiputera entrepreneur class. The success of the highway project fuelled the expansion and diversification of the Renong Group into areas such as banking, telecommunications, media, public transportation and property development.

RENONG INDUSTRY SEGMENT	[RM million]		
	'99	'00	'01
Financial & Advisory Services	365.8	54.8	9.1
Expressways & Tolls	401.3	489.1	500.8
Engineering, Construction & Infrastructure	678.4	631.5	560.2
Oil & Gas	233.6	232.8	233.3
Property Development	438.8	326.2	219.6
Transportation	107.5	151.2	176.8
Telecommunications, Power, IT and other related engineering services			1,342.9
Healthcare			52.9
Others	221.3	60.9	23.2
TOTAL	2,446.7	1,946.5	3,118.8

Sources: Annual reports; Khazanah analysis

However, with the onset of the Crisis, Renong's business conditions began to deteriorate. Revenues stalled due to the weak domestic economy, while earlier rounds of diversification did not immediately generate sufficient income to compensate for the heavy debt-load incurred to pay for expansion.

As the Ringgit depreciated and domestic interest rates spiked, Renong's over-diversification, lack of business focus and heavy indebtedness pushed group earnings into the red. For the financial year ended 30 June 1998, Renong posted a pre-tax loss of RM812 million, compared to the RM703 million profit for the preceding year. Specifically, this severe deterioration in profit performance was attributed to:

- 01 A credit squeeze severely constraining the group's property development projects under Prolink Development Sdn Bhd (Prolink), as well as forcing the termination of several major land parcel sales.
- 02 Foreign exchange losses due to the depreciation of the Ringgit against the US Dollar, which caused Renong's US Dollar-denominated debt to balloon.
- 03 Increasing domestic interest rates, from 7.5% in August 1997 to 11.0% in June 1998, raised the burden of debt and exacerbated cash flow problems for highly leveraged companies within the group such as the PUTRA light rail transit project.

	'97	'98	'99	'00	'01
Operating Profits / (Losses) [RM m]	342	(806)	(1,533)	(23)	(1,678)
Profits / (Losses) before Tax [RMm]	703	(812)	(1,265)	380	(1,549)
Profits / (Losses) after Tax [RM m]	550	(948)	(1,411)	280	(1,647)
Profits / (Losses) to Shareholders [RM m]	470	(782)	(1,352)	249	(1,652)
Net Earnings / (Loss) per Share [sen]	21.6	(35.2)	(63.2)	10.8	(71.1)
Net Tangible Assets per Share [sen]	173.6	93.1	45.1	54.4	(55.6)

Sources: Annual reports; Khazanah analysis

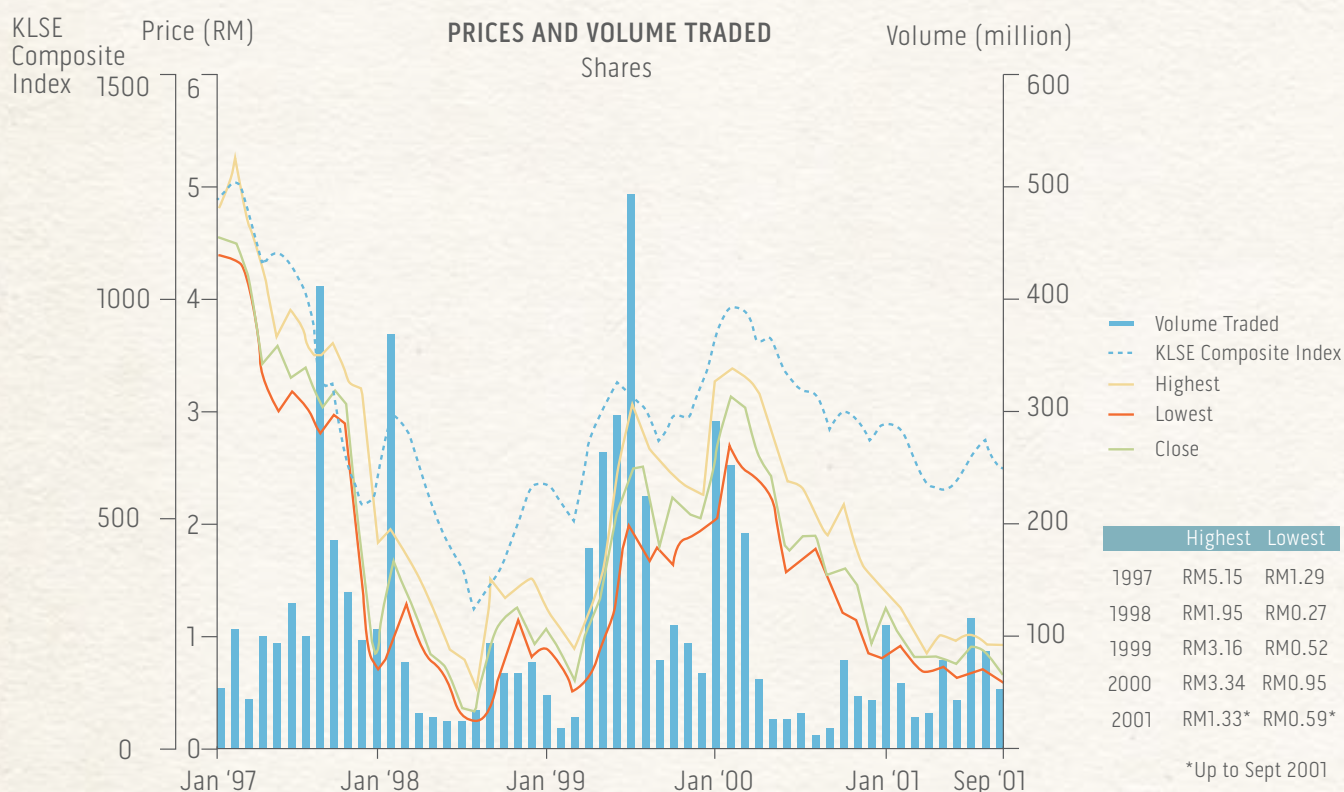
As at 30 June (RM m)	'96	'97	'98	'99	'00
Fixed Assets	2,835	3,233	3,825	2,023	1,947
Associate Companies	2,291	3,434	2,764	2,329	1,358
Other Assets	2,556	4,173	5,667	7,061	6,848
Net Current Assets / (Liabilities)	(395)	(657)	(1,803)	(858)	1,235
Total Net Assets	7,287	10,183	10,453	10,555	11,388
Share Capital	939	1,093	1,115	1,117	1,162
Share Premium Account	1,261	1,635	1,795	1,805	2,000
Reserves	1,173	1,170	(318)	(1,725)	(1,516)
Shareholder's Funds	3,873	3,898	2,592	1,197	1,646
Minority Interests	493	484	338	155	178
Loan Stocks	729	434	252	240	-
Long Term Liabilities	2,692	5,367	7,271	8,963	9,564
Total Funds Employed	7,287	10,183	10,453	10,555	11,388

With the domestic economic recovery in 2000, Renong's fortunes improved as it reported a pre-tax profit of RM380 million for the financial year ended 30 June 2000. However, this recovery proved short-lived, as Renong again reverted to a RM1.3 billion loss the following year on the back of provisions for several of its investments.

Sources: Annual reports; Khazanah analysis

THE DANASAHAM TRANSACTION: SAVING UEM-RENONG GROUP

Renong's prolonged inability to resolve its financial problems in turn put its subsidiary UEM at risk of financial contagion. This had roots in UEM's move in November 1997 to buy a 32.6% stake in its parent Renong for RM2.3 billion, equivalent to RM3.24 per Renong share. This was a premium to Renong's RM2.90 share price at the time of announcement, and was interpreted by the media to be a bailout of Renong's substantial shareholders. Consequently, public investors heavily sold down Renong shares, which resulted in the value of UEM's RM2.3 billion stake declining to just RM1.1 billion or RM1.49 per share, within the space of a week. Public investors also heavily sold down UEM shares, as UEM turned from a cash rich company into a debt-laden one due to the need to pay for an over-valued Renong stake.



Sources: Annual reports; Khazanah analysis

Following controversy over the Renong share sale, the then Renong executive chairman Tan Sri Halim Saad offered to buy back the 32.6% block of Renong shares from UEM via a put option at RM3.2 billion, exercisable between March 2000 and February 2001. Had this put option been executed in February 2001 (the reason for which it wasn't executed is a matter of contention in an on-going legal dispute), UEM's financial viability would have been secure regardless of what happened in Renong: its debts could be paid down, and it would not have to incur a substantial mark-to-market loss on its Renong shares.

The Government had to execute its own rescue plan for UEM. In July 2001, the Government, through Khazanah and its wholly-owned subsidiary Danasaham, offered to take over UEM in a RM3.8 billion exercise. The conditional voluntary offer to purchase all outstanding shares and warrants of UEM, including Renong's 37.9% stake in UEM, was completed in September 2001. Danasaham now controlled 100% of UEM's equity, and UEM in turn had a controlling 32.6% stake in Renong.

CHRONOLOGY OF UEM-RENONG GROUP'S RESTRUCTURING EFFORTS PRIOR TO DANASAHAM

01 Initial debt restructuring plan, October 1998

In October 1998, Renong proposed that the Government guarantee a RM10.5 billion bond issue to refinance overdue loans. It was rejected because creditors would receive as little as half their money back.

On 13 October 1998, Renong announced a restructuring of its corporate structure into four business areas of construction and engineering, expressways, transportation and property development.

02 Revised proposal, March 1999

The second proposal, announced on 8 March 1999, involved UEM subsidiary, PLUS Expressways (PLUS), issuing RM8.4 billion of zero-coupon bonds (present day value), yielding 10% per annum, which would mature in seven years. PLUS would then lend RM5.4 billion to Renong and RM3.0 billion to UEM to settle creditors' claims.

Under the proposal, all creditors' claims would be settled in full, either in cash or bonds. All UEM creditors and Renong's secured creditors would receive cash repayment, while Renong's unsecured creditors would receive 50% repayment in cash, with the 50% balance in PLUS bonds. In addition, PLUS would repay the bonds with untaxed revenue from its highway tolls.

KHAZANAH'S RESTRUCTURING OF UEM-RENONG GROUP

The immediate task at hand was how to manage the UEM-Renong group's corporate indebtedness. In December 2001, it announced a major corporate restructuring plan, with the aim of halving its debt of RM30 billion to RM14 billion by mid-2002. The debt restructuring plan sought to pare debt to a more sustainable level and to enable a return to profitability. To generate the cash to pay-down debt, the group resorted to a two-pronged strategy: pursuing outright asset disposals as well as listing high-potential subsidiaries on Bursa Malaysia.

The subsidiary with the best potential for a listing was PLUS, the concessionaire of the North-South Expressway. However, in order to do this, its debts would have to be restructured to maximise the realisable equity value from a listing: the maturity of its bonds had to be extended, and the interest coupon rates had to be cut to reflect PLUS' lower risk profile under Government ownership. Once the debt restructuring was completed, UEM finally launched the initial public offering (IPO) of PLUS in June 2002, raising RM2.3 billion cash for UEM.

On the asset disposal front, several non-core businesses were identified for sale. These areas were in:

Public transportation: PUTRA LRT was the first company to be divested, and was taken over by Syarikat Prasarana Negara Berhad in November 2001 as part of the Government's plan to rationalise the transportation system in the Klang Valley. This was followed by the disposal of Park May, a bus services company, by way of a reverse takeover by Kumpulan Kenderaan Malaysia Berhad that acquired a 63.7% stake in Park May for RM128 million via a share swap.

Property development: Prolink Development Sdn Bhd, a 64%-owned subsidiary of Renong, completed the disposal of 91.1 hectares of freehold land in Johor for RM81 million to Ho Hup Jaya Sdn Bhd. Separately, Wisma Time, an office tower in the Kuala Lumpur central business district, was sold in October 2002 to Khazanah for RM62.1 million.

Industrial: This included the sale of EPE Power Corporation Berhad, a subsidiary of TIME Engineering Berhad, which in turn was a subsidiary of Renong, to Ranhill Berhad. Separately, UEM Land Sdn Bhd (UEM Land) sold its stake in Crest Petroleum Berhad (Crest Petroleum) to Sapura Telecommunications Berhad (Sapura) for RM105 million.



PLUS Bukit Merah interchange

Technology and telecommunications: This included UEM Land's sale of its stake in Malaysian Technology Development Corporation (MTDC) to Khazanah, as well as TIME dotCom Berhad's disposal of TIMECel Sdn Bhd to Maxis Communications Berhad for RM1.5 billion.

Banking: In July 2003, Renong via a wholly owned subsidiary, Fleet Group Sdn Bhd, disposed of its 6.2% stake in Commerce Asset Holdings Berhad (CAHB) to various institutional investors, raising RM594 million cash. Renong made a one-off gain of RM237 million from the sale, and saved approximately RM56 million annually in interest expenses after redeeming part of its SPV bonds.

LEGACIES

By the end of 2003, the UEM-Renong group's debt burden had fallen markedly, and the risk of its insolvency was no longer a systemic threat to Malaysia's banking sector. The Danasaham rescue and subsequent corporate restructuring of the Renong-UEM group restored investor confidence to a considerable degree and also helped to ensure nation-critical assets such as the North-South Expressway were safeguarded.

However, the real impact of the whole exercise lies in its long-term legacy to corporate Malaysia. Firstly, the disposal of non-core business assets triggered a renewal in domestic entrepreneurship; for example, the sale of Crest Petroleum to Sapura in 2003 was the precursor to the eventual evolution of the company into one of the world's largest oil and gas services companies, SapuraKencana Petroleum Berhad. These asset sales also allowed for the healthy consolidation of key sectors in the economy such as telecommunications and banking.

Secondly, the nationalisation of the UEM-Renong group combined the best facets of private sector management, namely that of professionalism and accountability, with the stability and long-term focus of Government. The exercise was in many ways a precursor to the current successful Government-Linked Company (GLC) Transformation programme, as well as the development of Iskandar Malaysia as an economic corridor.

UEM Group today stands on firmer foundations, with several subsidiaries having been strengthened and grown to become key companies in their respective sectors. UEM Sunrise Berhad, formerly UEM Land, is listed on Bursa Malaysia and is now a leading property developer, playing a key role as the master developer of Nusajaya in Iskandar Malaysia. PLUS, Malaysia is the largest toll road operator in Southeast Asia, today has operations overseas. In 2011, it was taken private through a joint acquisition by UEM Group and Employees Provident Fund (EPF), which also saw a revision of related toll concessions that resulted in a moratorium on toll increases. Another UEM Group subsidiary, UEM Builders Berhad, was involved in the construction of the klia2 low-cost carrier terminal and Sultan Abdul Halim Mu'adzam Shah Bridge, Penang's second bridge and the longest in Southeast Asia.

Other companies formerly under the UEM-Renong group have also shown progress since the restructuring. TIME dotCom has seen a solid turnaround under entrepreneurial management, which was put in place via a divestment process that featured a unique earn-out structure, while Khazanah's stake in Time Engineering has been successfully divested under a Government-led divestment initiative to enhance Bumiputera entrepreneurship.

Sources: Malaysian "Bail-Outs"? *Capital Controls, Restructuring and Recovery* by Wong Sook Ching, Jomo K.S. & Chin Kok Fay; Press Search; Annual Reports

CASE STUDY

BUILDING A REGIONAL HEALTHCARE PLATFORM



by Tengku Dato' Sri Azmil Zahrudin
Executive Director, Investments

This case study gives a comprehensive understanding of how we built our regional healthcare platform into one of the largest listed private healthcare providers in the world based on market capitalisation. It maps out key transactions and corporate exercises involving regional partners, which then culminated in the establishment of IHH Healthcare Berhad (IHH).

Mount Elizabeth[™]
NOVENA

Mount Elizabeth Novena
HOSPITAL

Mount Elizabeth Novena Hospital, the flagship hospital of Parkway Pantai Limited in Singapore, commenced its first phase of operations in July 2012. The hospital heralds a new era in specialist healthcare that delivers world-class medical services for the region.

In 2005, Khazanah identified healthcare as a key strategic sector with the vision to establish a synergistic network of healthcare services assets that integrated private hospitals, clinics, laboratories, medical and nursing schools, and support services spanning across ASEAN, China, India and the Middle East.

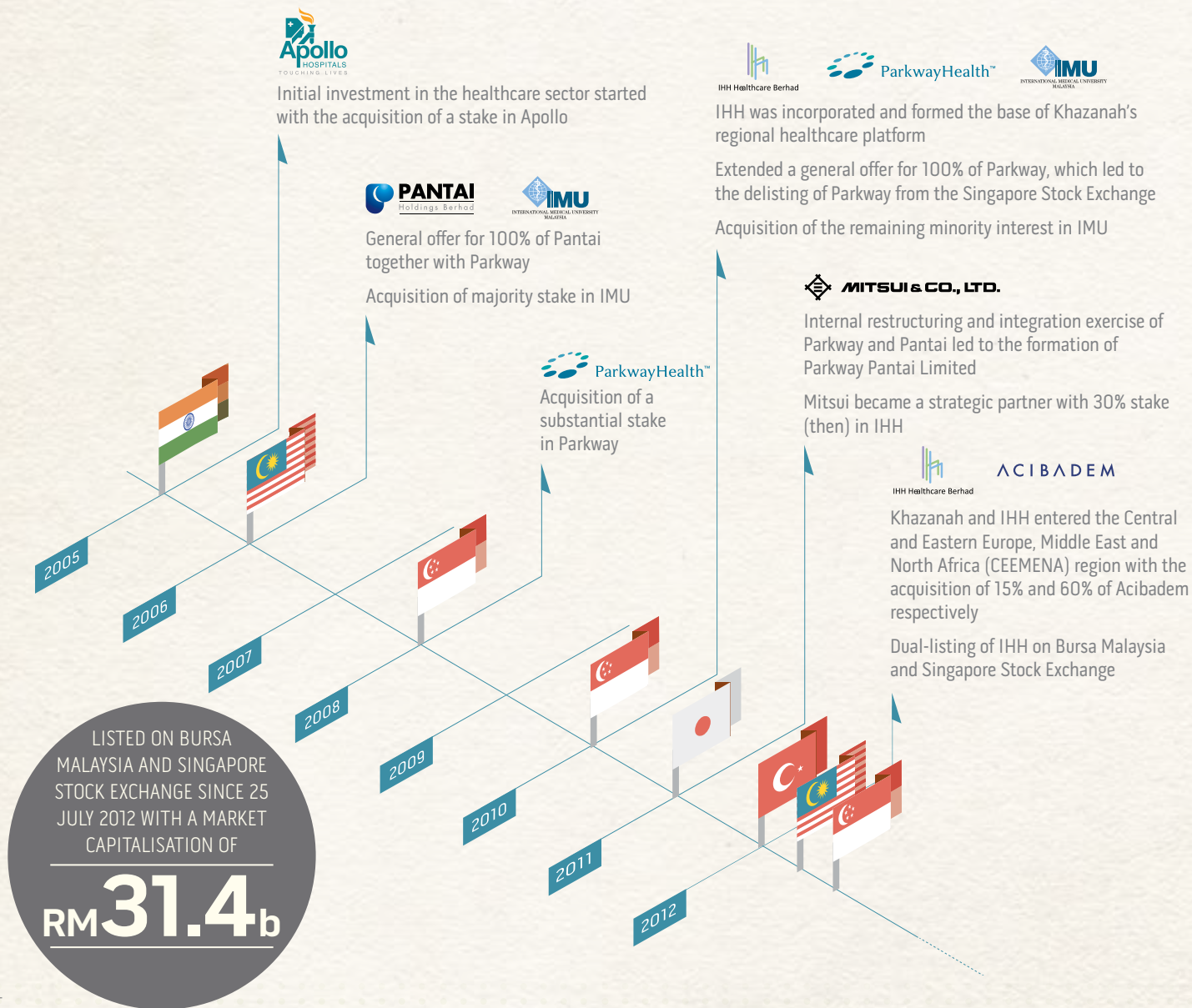
Eight years later, IHH Healthcare Berhad (IHH), listed on both Bursa Malaysia and Singapore Stock Exchange since 25 July 2012 with a market capitalisation of RM31.4 billion¹, is Khazanah's integrated regional healthcare champion, being the largest listed hospital group in Asia and second largest in the world based on market capitalisation. This is both a market validation of Khazanah's Healthcare strategy, as well as testament to the successful execution of one of Khazanah's New Economic Investments (NEI). IHH is a leading regional provider of premium healthcare services in markets where the demand for quality healthcare is growing rapidly. The Group has operations across ten countries with over 25,000 employees in its hospitals, medical centres and related ancillary services.

¹ Bloomberg. Market capitalisation on last trading day of 2013.

BUILDING THE PLATFORM

Healthcare spending across the region had been on an increasing trend, with demand for private healthcare services on the rise due to constraints at public hospitals, increasing levels of affluence, growing medical tourism and changing demographics, all of which led to Khazanah identifying Healthcare as a strategic sector. Historical trends of high growth coupled with stable and defensive cash flows added to this sector's financial attractiveness.

A combination of mergers & acquisitions, consolidation and partnership with like-minded investors who shared the same vision to grow IHH into a regional champion, backed by a strong management team, contributed to IHH's success. There were a few major milestones in building this platform as set out below:-



KEY TRANSACTIONS AND CORPORATE EXERCISES

APOLLO HOSPITALS ENTERPRISE LIMITED (APOLLO)

2005 We made an initial acquisition of what would gradually build up to approximately 12% (which has now been diluted to approximately 10.85%) of one of India's premier integrated private healthcare providers with owned and managed hospitals, diagnostic clinics, dispensing pharmacies, medical education and consultancy services.

PANTAI HOLDINGS BERHAD (PANTAI)

2006 We extended a general offer for 100% of Pantai, a premier private hospital group in Malaysia together with Parkway Holdings Limited (Parkway).

IMU HEALTH SDN BHD (IMU)

2006 We acquired approximately 67% of IMU, a renowned Malaysian private medical university with over 30 international partner universities.

PARKWAY

2008 We acquired approximately 24% of Parkway, which at that time was one of the largest and most established premier private healthcare service providers in South East Asia with presence in Singapore, Malaysia, Brunei, China, India and United Arab Emirates.

2010 We extended a general offer for the remaining shares in Parkway. This privatisation exercise was the turning point in the building of our regional healthcare platform.

IHH

- Consolidation and restructuring:
 - IHH was incorporated to consolidate all our healthcare holdings on to a single platform prior to the privatisation of Parkway and IHH subsequently bought out the minority shareholders of IMU in 2010.
 - A restructuring exercise was undertaken to streamline functions and operations at Parkway and Pantai in order to create synergies and efficiencies between these two groups, which led to the creation of PPL in 2011.
- Partnerships: Mitsui became our 30% partner (then in 2011 whilst Mr Mehmet Ali Aydinlar and Abraaj Capital Holdings Limited emerged as shareholders of IHH pursuant to the acquisition of Acibadem in 2012.
- Listing: IHH was subsequently listed on Bursa Malaysia and Singapore Stock Exchange on 25 July 2012 at an IPO price of RM2.80 per share, which has since continued with its solid performance. Our cost of investment in IHH was RM1.58 per share, reflecting an unrealised gain of RM1.22 (or 77.2%) per share at the time of listing.

ACIBADEM SAGLIK YATIRIMLARI HOLDING A.S (ACIBADEM)

2012 IHH acquired 60% of Acibadem via cash and share swap. Acibadem is one of the largest private healthcare providers in Turkey with an integrated healthcare network of hospitals, medical centres and ancillary services including hospital design and construction, labs, healthcare catering and cleaning services.

- We directly own 15% of Acibadem, with Mr Mehmet Ali Aydinlar, the Chairman and Chief Executive Officer of Acibadem, owning the balance of 25%.



Our hospitals continue to demonstrate the patient-centric ethos and high clinical standards of the IHH Group

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003

TRANSFORMING AND STRENGTHENING THE PLATFORM TO ADD VALUE

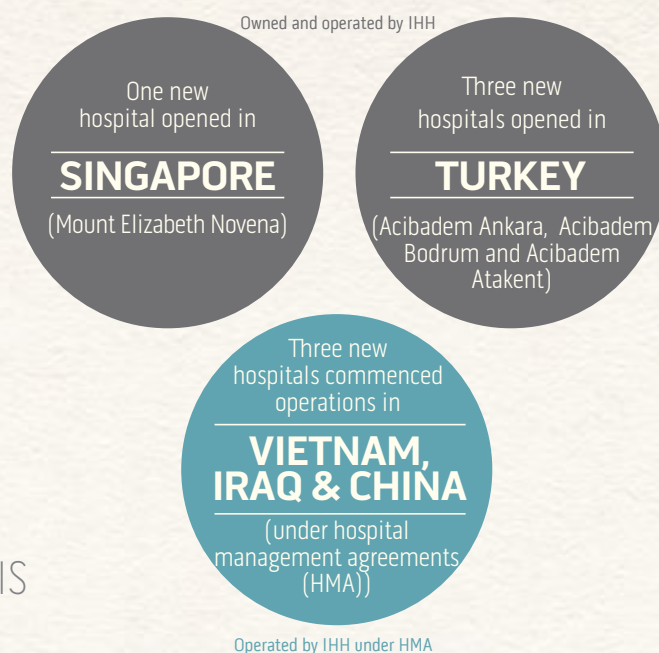
Throughout the entire journey, we actively engaged and provided support to the various management teams - committees were formed to drive synergies, strategic direction, performance and talent management together with succession planning for the Group; expensive loans were restructured at PPL and Acibadem and risk and governance structures were set up, just to mention a few significant focus areas.

GIVEN THE GEOGRAPHICAL SPREAD AND CULTURAL DIVERSITY OF THE GROUP, THIS PROCESS REQUIRED THE BUY-IN OF ALL THE MAJOR STAKEHOLDERS INVOLVED

As part of our value creation and monetisation process, we listed IHH in July 2012 to strengthen the financial position of IHH Group and also instil further financial discipline. The institutional tranche (excluding cornerstone investors and the Ministry of International Trade and Industry Malaysia tranche) was oversubscribed by 132 times. The proceeds raised by IHH of RM5.04 billion were mainly utilised to pare down loans, essentially providing headroom for IHH to pursue more growth opportunities.

GROWING THE REGIONAL PLATFORM

IHH has been busy growing its network of hospitals since the opening of the 333-bed Mount Elizabeth Novena hospital in Singapore in June 2012. IHH opened two new hospitals in Turkey (Acibadem Ankara and Acibadem Bodrum hospitals), adding on 150 new beds in 2012. In the subsequent year, IHH achieved another significant milestone in March 2013 by winning the tender to build a 500-bed private hospital in Hong Kong, whilst the 320-bed City International Hospital in Vietnam, which is managed by PPL under a hospital management agreement, commenced operations in September 2013. Further in 2014, IHH opened a new 278-bed hospital in Turkey (Acibadem Atakent hospital). Two other new hospitals under hospital management agreements by PPL and Acibadem respectively also commenced operations; namely the 450-bed Shanghai International Medical Center in China



and 210-bed Faruk Medical City in Iraq. There are more than 3,000 new beds slated to come on stream by 2016.

The Group's revenues and earnings are on an uptrend, built on its leading market positions in its home markets of Malaysia, Singapore and Turkey with India and Greater China being the key markets of IHH, backed by a strong management team and its major shareholders. Inpatient admits are also registering steady growth. IHH shareholders will receive its maiden dividend in 2014, despite being in an aggressive expansion mode.

Not forgetting its corporate social responsibilities duties, Khazanah donated RM50 million from the proceeds raised from the IPO to IHH to provide healthcare services to the socially disadvantaged in IHH's home markets of Malaysia, Singapore and Turkey. Patients who qualify for the financial assistance will be treated in IHH's network of world-class doctors and medical facilities. In Malaysia and Singapore, beneficiaries of the fund have been jointly selected by various charitable and voluntary welfare organisations and the initiative is channelled through IHH's 11 hospitals in Malaysia and four hospitals in Singapore. In Turkey, Acibadem has collaborated with the Turkish Ministry of Family and Social Policies for the provision of fertility treatments to low-income families at eight of its 15 hospitals, which have fertility centres².

² Information extracted from Khazanah IHH Healthcare Funds website: <http://www.khazanah-ihhfund.com/index.html>



As part of our value creation and monetisation process, we listed IHH in July 2012 to strengthen the financial position of IHH Group and also instil further financial discipline

RM 5.04b
RAISED



The 278-bed Acibadem Atakent Hospital, located in Istanbul, is the newest and largest addition to Acibadem's hospitals in Turkey. Acibadem Atakent is fully contracted with the Sosyal Güvenlik Kurumu (SGK), the Turkish Government's social security institution that provides social insurance and universal health insurance, and offers its services to public patients under the SGK scheme, as well as catering to private patients.

OPERATIONS ACROSS
10 COUNTRIES WITH OVER

25,000

EMPLOYEES IN ITS HOSPITALS,
MEDICAL CENTRES AND
RELATED ANCILLARY
SERVICES

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003

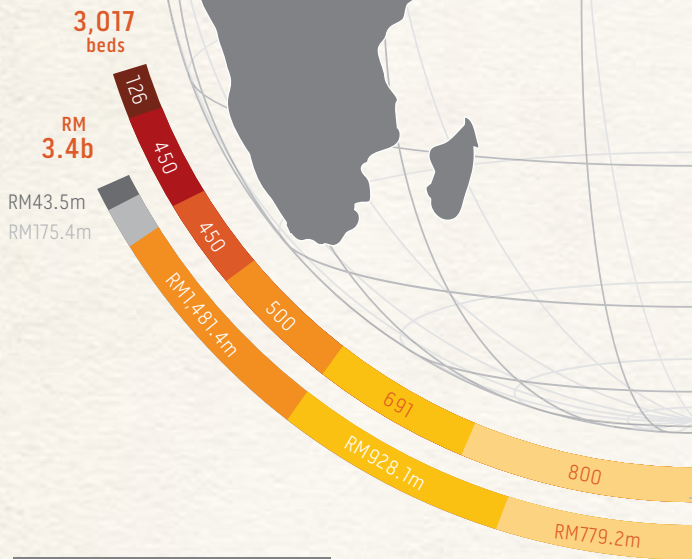
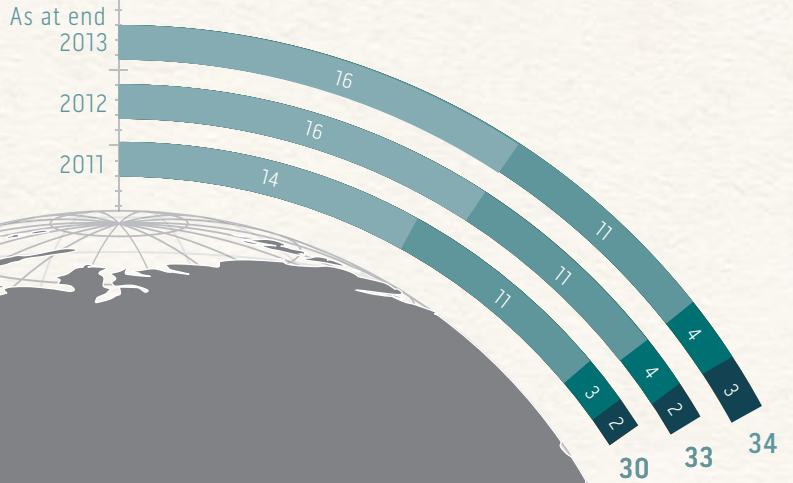
IHH

TRULY A REGIONAL HEALTHCARE PLATFORM

- HOME MARKETS
- KEY MARKETS
- OTHER INTERNATIONAL MARKETS

NUMBER OF HOSPITALS

- TURKEY & MACEDONIA
- MALAYSIA
- SINGAPORE
- OTHERS



EXPANSION PLANS 2014-2016

- MALAYSIA ■ TURKEY & MACEDONIA ■ HONG KONG
- INDIA ■ CHINA ■ UAE
- Other approved projects for PPL
- Other approved projects for Acibadem

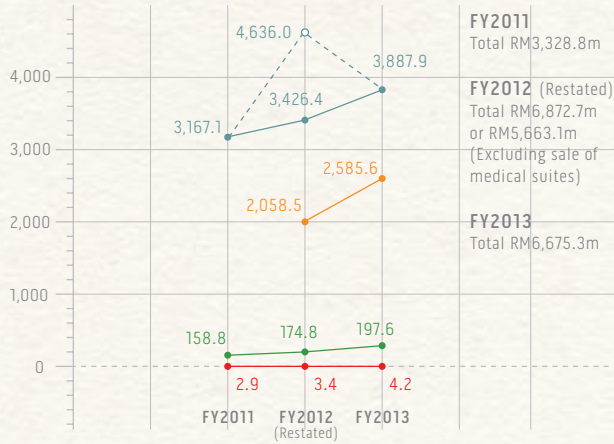
Note: Licensed beds for hospitals owned and under hospital management agreements

Sources: IHH's Annual Report 2012 and IHH's Results Briefing Presentation FY2013

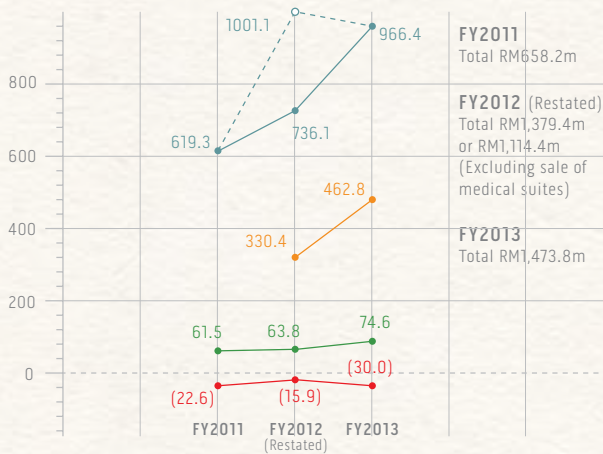
REVENUE AND EBITDA GROWTH

— PPL EXCLUDING SALE OF MEDICAL SUITES — ACIBADEM — OTHERS
 - - PPL INCLUDING SALE OF MEDICAL SUITES — IMU

REVENUE BY STRATEGIC BUSINESS UNITS (RM Million)



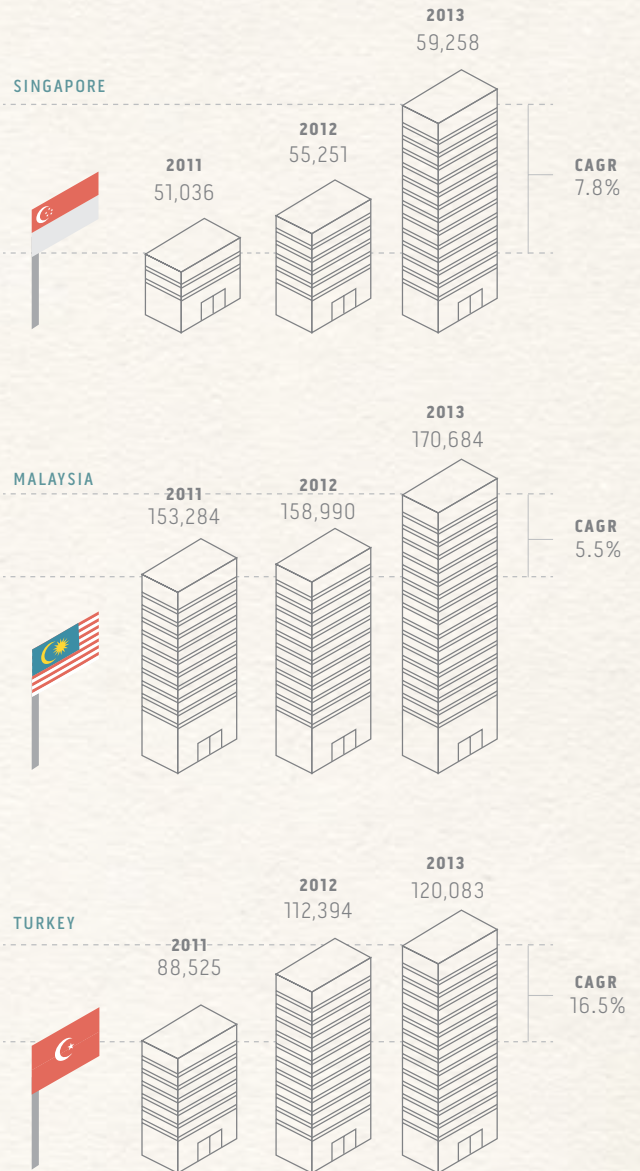
EBITDA BY STRATEGIC BUSINESS UNITS (RM Million)



Note: 1) PPL's FY2012 numbers included recognition of sale of medical suites - Revenue: RM1,209.6m and EBITDA: RM265.0m and PATMI: RM216.2m. For FY2013, PPL recognised RM2.4m additional cost of medical suites sold in 2012 upon the finalisation of construction costs. 2) Acibadem was acquired on 24 January 2012 and the results of the Group only consolidated Acibadem for 11 months for FY2012.

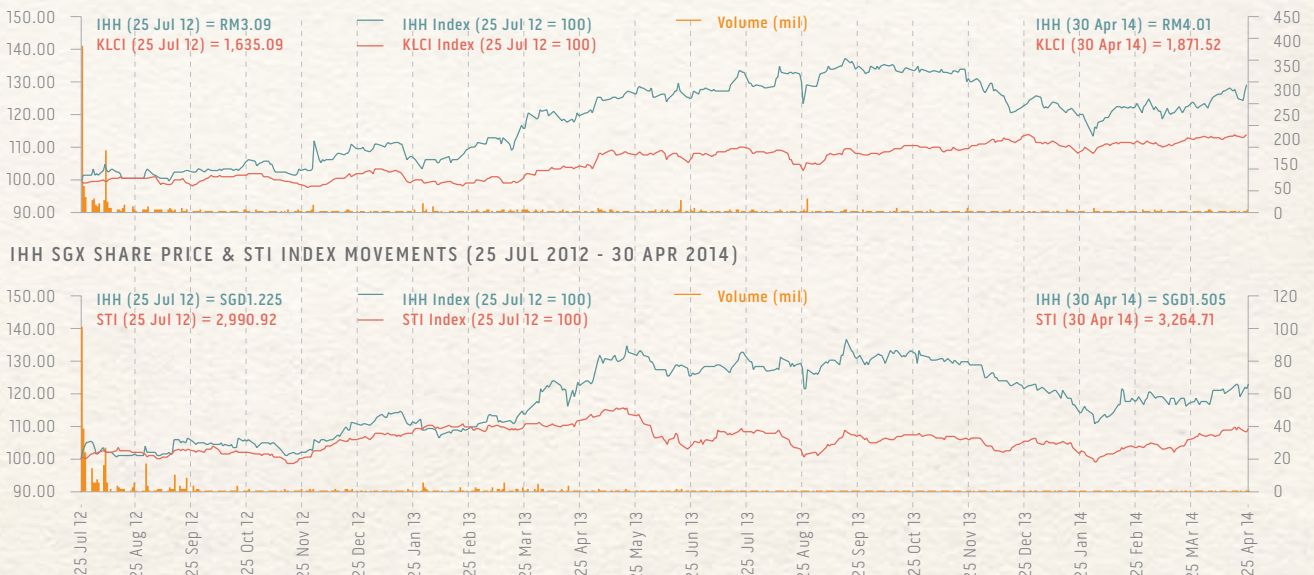
Sources: IHH's Annual Report 2012 and IHH's Full-Year Financial Report 31 December 2013

NUMBER OF INPATIENT ADMISSIONS

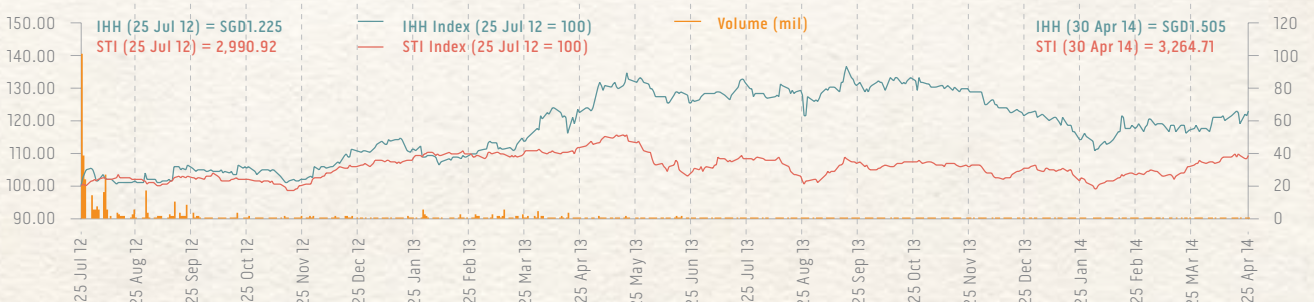


SHARE PRICE PERFORMANCE

IHH BURSA MALAYSIA SHARE PRICE & KLCI INDEX MOVEMENTS (25 JUL 2012 - 30 APR 2014)



IHH SGX SHARE PRICE & STI INDEX MOVEMENTS (25 JUL 2012 - 30 APR 2014)



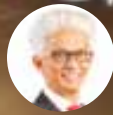
Source: Bloomberg

CASE STUDY

INCLUSIVITY - A KEY COMPONENT OF VALUE DISTRIBUTION



by Ahmad Farouk Mohammed,
Executive Director, Managing
Director's Office, Head of
Strategic Management Unit



Dato' Charon Wardini Mokhzani,
Executive Director, Managing
Director's Office

This case study provides insights into Khazanah's initiatives to implement elements of inclusivity in its investments and help ensure that the benefits of development are shared across society. It takes a look at measures undertaken in three areas: tolled highways, electricity tariffs, and upward mobility.



Visitors at the GLC Open Day 2011, held at the Kuala Lumpur Convention Centre

Malaysia's New Economic Model (NEM) unveiled in 2010 has as its primary goal the development of a high-income economy that is both inclusive and sustainable by 2020

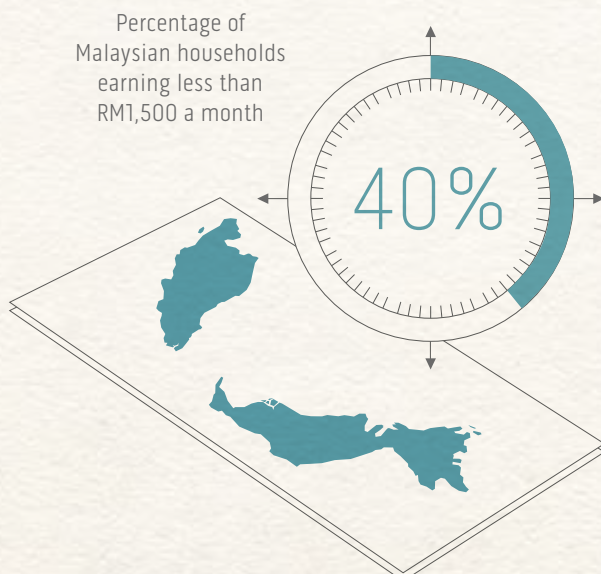


As the strategic investment fund of the Malaysian Government, Khazanah has a clear role in contributing to the collective national effort in achieving the goals of the NEM. This role is executed through the various investment and non-investment related activities that Khazanah undertakes in executing its mandate. Inclusivity is a key goal under the NEM, which aims beyond enhancing economic growth and private investment, but also focuses on ensuring society benefits fully from the wealth created by national development.

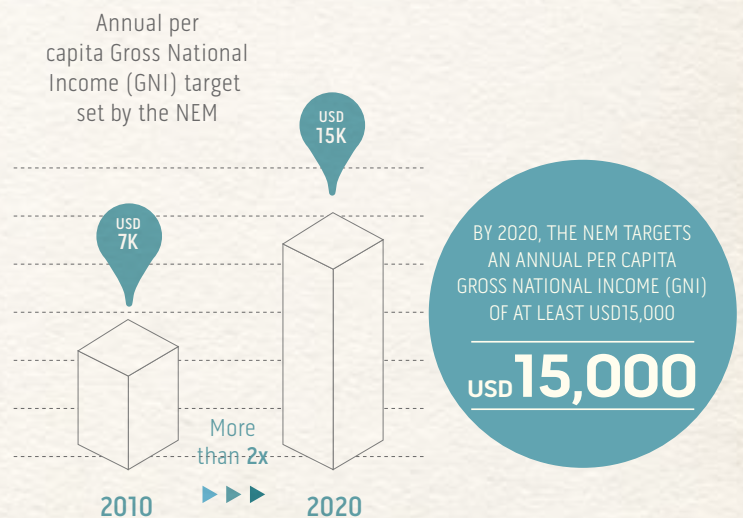
A key statistic from the 2008 Household Income Survey cited by the National Economic Action Council in formulating the NEM is that approximately 40% of Malaysian households earn less than RM1,500 a month. The NEM targets an annual per capita Gross National Income (GNI) target of at least USD15,000 (about RM49,000) by 2020 – more than double the per capita income of RM23,100 in 2010. Inclusivity-related measures, while running parallel to efforts to achieve the NEM's income goal, would ensure that the benefits of the high-income reach all layers of society and that the disparity gap – as measured by the Gini coefficient – does not worsen.

To that end, the Malaysian Government has instituted several initiatives, including a state-subsidised affordable home scheme for qualified middle-income earners in urban areas, and the Bantuan Rakyat 1Malaysia (BR1M) scheme, which provides cash payments to households with monthly incomes of RM3,000 or less.

While Khazanah's investments are always primarily commercial in nature, we also take into appropriate account the various strategic imperatives aligned with the goals of national development initiatives such as the NEM. These imperatives can include job creation, technological content and other forms of economic multipliers, as well as contributing to societal welfare in supporting the NEM's aims regarding inclusivity. Examples in this regard are in the areas of toll roads, electricity supply and human capital development.



Source: 2008 Household Income Survey

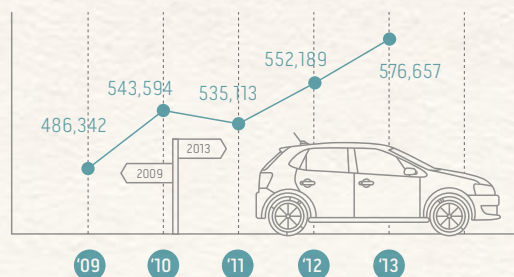


Source: National Economic Model for Malaysia Report

TAKING PLUS PRIVATE

Robust economic development over the decades has seen a rise in car ownership and the use of highways has increased in tandem. Daily commutes along tolled highways are a feature in high-density population areas such as the Klang Valley, which is home to more than seven million people. It is therefore not surprising that the cost of using tolled highways has become a key issue in the larger debate regarding the cost of living.

SUMMARY OF NEW PASSENGER VEHICLES REGISTERED IN MALAYSIA FOR THE YEAR 2009 TO 2013



Source: Malaysian Automotive Association

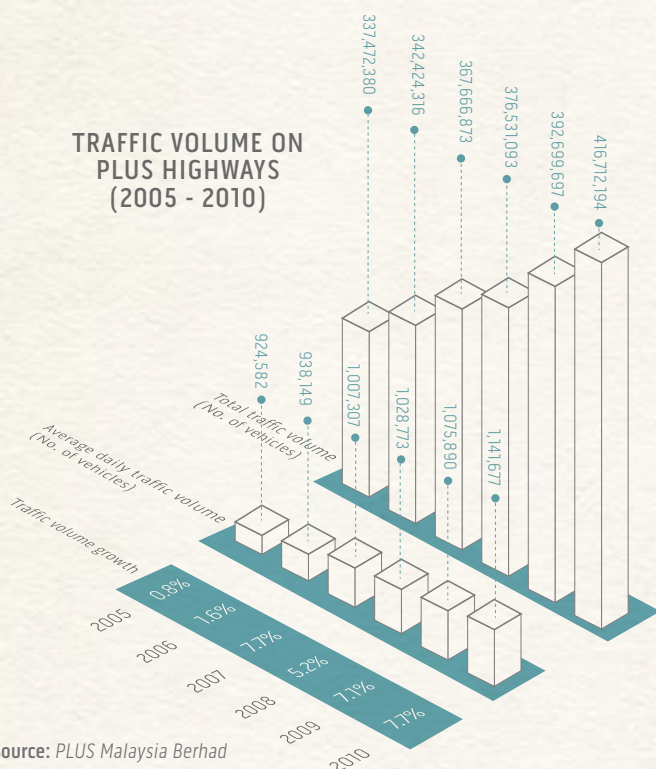
PLUS IS

51% OWNED
BY UEM GROUP BERHAD,
WHICH IS IN TURN WHOLLY-
OWNED BY KHAZANAH



PLUS Malaysia's Bukit Gambir interchange and toll plaza was opened in January 2014

TRAFFIC VOLUME ON PLUS HIGHWAYS (2005 - 2010)



Source: PLUS Malaysia Berhad

PLUS Malaysia Berhad (PLUS) is Malaysia's largest tolled highway operator, with a total of 987km of highways in the country including the 772-km North-South Expressway (NSE), which spans the length of Peninsular Malaysia and forms the backbone of the road network there. Besides the inter-state NSE, PLUS also operates several shorter highways including the North Klang Valley Expressway (NKVE).

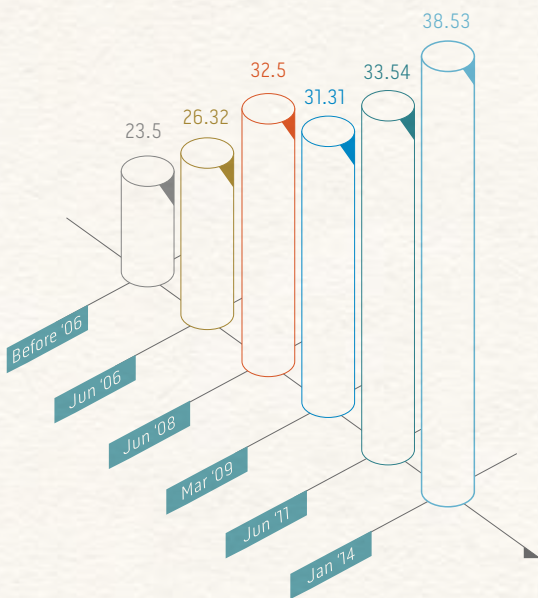
In 2010, Khazanah, through UEM Group, and the Employees Provident Fund (EPF) took PLUS private, which was then known as PLUS Expressways Bhd and was listed on Bursa Malaysia. The transaction involved a RM23 billion cash offer for the assets and liabilities of the highway concessionaire. More significantly, it also involved a restructuring of concession agreements that would result in a moratorium on toll increases built into the agreements. The move has provided some relief to users of PLUS highways, with the freeze on toll increases effective for five years following the deal.

POWER TO THE PEOPLE

Khazanah is a 32.4% shareholder of Tenaga Nasional Berhad (TNB), the largest electricity utility company in Malaysia. TNB has almost RM99 billion worth of assets and employs more than 34,900 people. It serves an estimated 8.4 million customers throughout Malaysia.

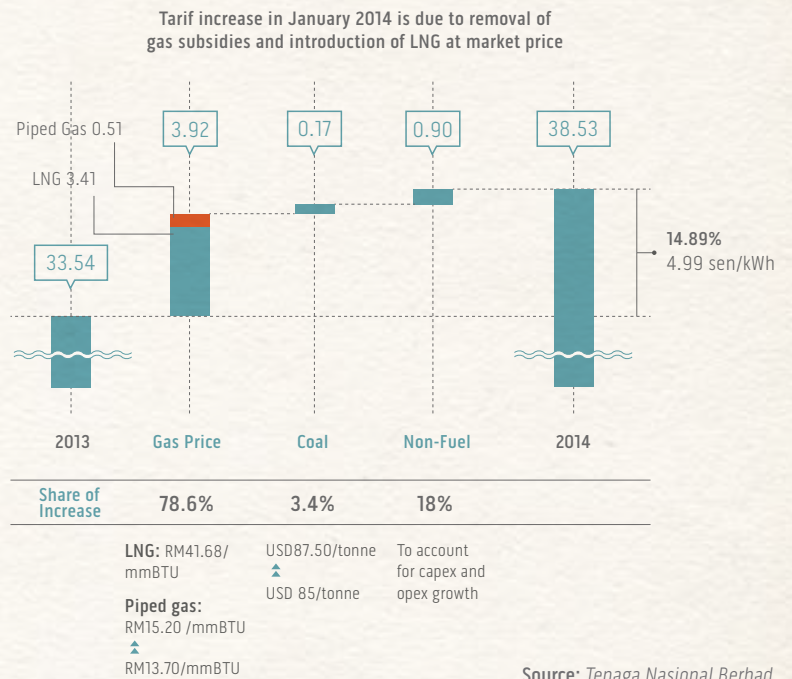
In January 2014, TNB announced a new tariff in line with the move by the Government to gradually phase out energy subsidies through its Subsidy Rationalisation Programme. The new electricity tariff was set based on the Incentive Based Regulation (IBR), a regulatory framework formulated by the Energy Commission with the aim of having a sustainable power industry to drive economic growth.

AVERAGE ELECTRICITY TARIFF (sen/kWh)



Source: Energy Commission

SOURCE OF TARIFF INCREASE 2014 (sen/kWh)

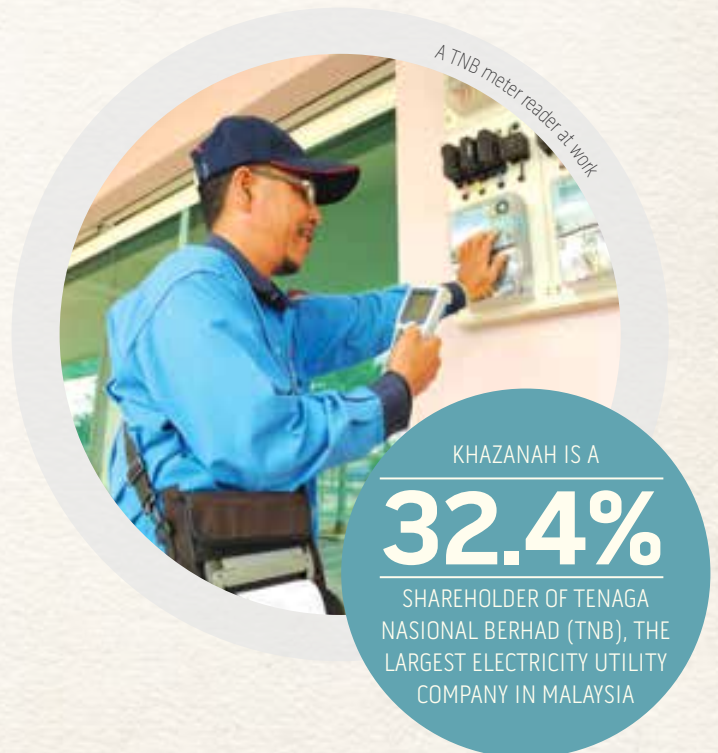


Source: Tenaga Nasional Berhad

More significantly, the new tariff was designed to soften the impact on Malaysian households, especially low-income households. As a result, more than 70% of TNB's domestic customers (about 4.6 million users) were not affected by the tariff increase.

TNB maintained the lifeline tariff for the first 200kWh of monthly consumption, which has been unchanged since 1997. This accounted for 3.25 million domestic users (about half of TNB's domestic customers) who pay RM 43.60 or less monthly. In addition, the tariff in place since 2009 for monthly consumption of between 201kWh and 300kWh was also left unchanged, benefiting 1.3 million customers or 20.3% of TNB's domestic customers.

For commercial customers, TNB maintained the 10% discount for social institutions, including welfare homes, public schools, public institutions of higher learning and places of worship, as well as extending the discount to Government-funded university teaching hospitals.



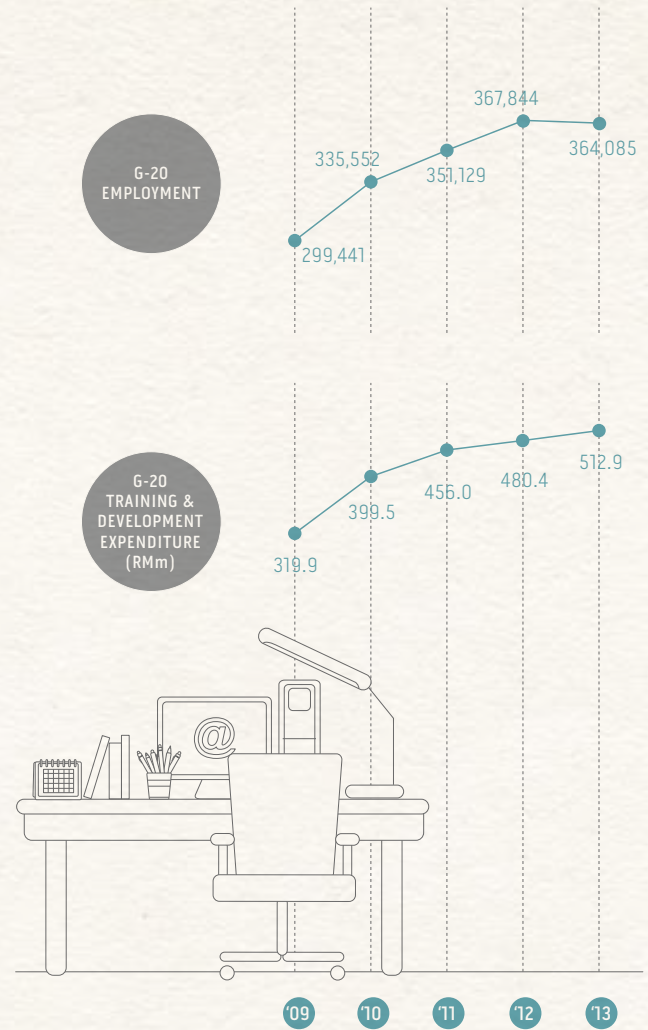
UPWARD MOBILITY SCHEME FOR EMPLOYEES

A key component of Khazanah's mandate is the transformation programme for Government-linked companies (GLC), which Khazanah undertakes through its role as the secretariat of the Putrajaya Committee for GLC High Performance (PCG).

The G-20, a group comprising 17 of Malaysia's leading GLCs including seven that are Khazanah's investee companies, employ more than 364,000 people. In 2013, the companies collectively spent more than RM500 million on training and development of their workforces.

The training and development initiatives also include programmes to enable staff to acquire skillsets that would allow them to move up in their careers. In November last year, the PCG launched the Program Majudiri 1Malaysia (PRIME), a programme for GLC upward mobility schemes (UMS) for non-executive employees.

PRIME is aimed at guiding GLCs to enhance their respective UMS initiatives in providing non-executive staff with opportunities to grow within their respective organisations. An estimated 59% of G-20 employees (about 128,934 people) are in non-executive positions. The UMS involves equipping non-executive staff with skills, competencies and knowledge for professional growth and consequently improving their socio-economic wellbeing. All G-20 companies currently have a UMS PRIME programme.



Source: PCG Analysis

THE G-20
EMPLOY MORE THAN
364,000
PEOPLE



GLC employees at a townhall gathering with the Prime Minister of Malaysia in 2012



20 YEARS AGO AND...

Khazanah's first Managing Director, Tan Sri Mohd Sheriff Mohd Kassim in 1994. Khazanah started 20 years ago with only 30 staff to manage and monitor the Government's investments and catalyse economic investments in high-technology sectors deemed vital to Malaysia's rapid economic growth in the 1990s.

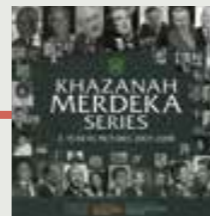
KHAZANAH AS A LEARNING ORGANISATION



As the company evolves towards becoming a learning organisation, information and experience are being better organised to create valuable knowledge.

Khazanah is committed to the continuous learning process among employees and stakeholders, and drives active networking linking the company more broadly to the business world and society in general, enabling a dynamic exchange of views and information to take place.

KHAZANAH GLOBAL LECTURES
KHAZANAH MEGATRENDS FORUM
2007 - 2013



Khazanah Merdeka Series: A Year in Pictures 2007 / 2008



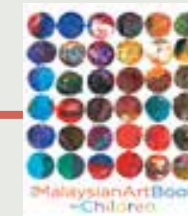
Cities, People & The Economy: A Study on Positioning Penang - The World Bank (2009)



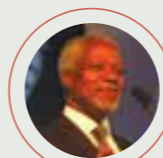
Readings on Development: Malaysia 2057 (2009)



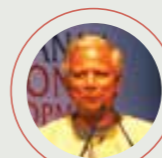
Complexity of FTAs: A Key Issue in Malaysian Trade Policy (2010)



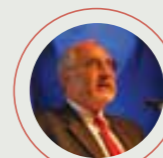
The Malaysian Art Book for Children (2011)



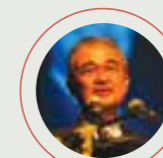
Kofi Annan
Former Secretary General of United Nations & Nobel Peace Laureate
Sharing the Dividends of Development with the Thoughts on Malaysian Merdeka



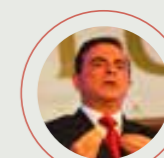
Dr Muhammad Yunus
Nobel Laureate & Founder of Grameen Bank
Putting Poverty into Museums



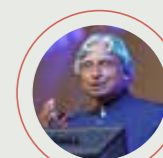
Professor Joseph E Stiglitz
Nobel Laureate & Best Selling Author
Independence: Reflections on Malaysia's Past & Future



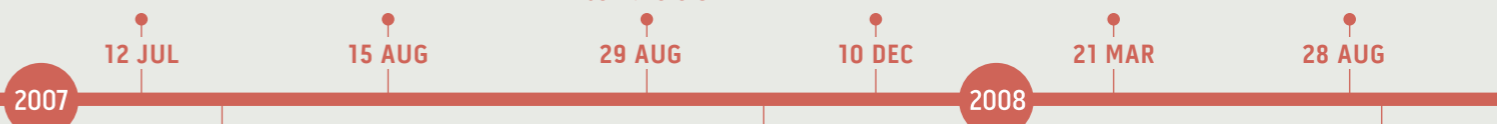
Tun Abdullah Hj Ahmad Badawi
Fifth Prime Minister of Malaysia
Building Hearts & Minds



Carlos Ghosn
President & CEO, Nissan Motor Co. Ltd. President & CEO, Renault
Managing Diversity



Dr A.P.J Abdul Kalam
Former President of India
Economic Development



2007
12 JUL
29 JUNE
15 AUG
29 AUG

KHAZANAH MERDEKA SERIES 2007
Khazanah Merdeka Series held, comprising Khazanah Global Lectures, Khazanah Megatrends Forum, and Khazanah National Development Seminar. The lectures feature former Prime Minister, Tun Abdullah Ahmad Badawi and three Nobel Prize winners – former United Nations Secretary-General Kofi Annan, Grameen Bank founder Dr Muhammad Yunus, and economist Joseph Stiglitz.

2008
1-2 NOV
10 DEC
21 MAR
28 AUG
20-21 OCT

KHAZANAH MEGATRENDS FORUM 2007
KHAZANAH MEGATRENDS FORUM
"MALAYSIA 2057"

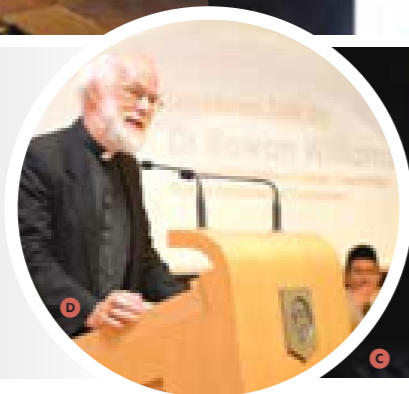
KHAZANAH MEGATRENDS FORUM 2008
Shifting Sands: Threats & Opportunities
2008



KHAZANAH GLOBAL LECTURES

KHAZANAH MEGATRENDS FORUM

KHAZANAH NATIONAL DEVELOPMENT SEMINAR



A Dr Victor Fung, Founding Chairman of the Fung Global Institute, speaking at the Khazanah Global Lecture in 2012 **B** The book launch of *Can Malaysia Achieve Innovation-Led Growth?* by Minister of Education II Dato' Seri Idris Jusoh (centre) with Khazanah Deputy Chairman Tan Sri Dato' Seri Utama Nor Mohamed Yakcop (left) and Khazanah Managing Director Tan Sri Dato' Hj Azman Mokhtar (right) **C** Dato' Dr Ng Kah-Ming, conductor-harpsichordist-musicologist, performing at a special event at the Khazanah Megatrends Forum in 2013 **D** Dr Rowan Williams, Master of Magdalene College, Cambridge giving a tea talk in partnership between Khazanah and the International Centre for Education in Islamic Finance (INCEIF)



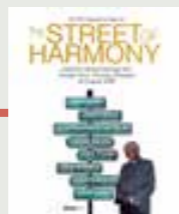
Barefoot Leadership: The Art and Heart of Going That Extra Mile (2011)



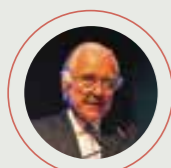
Sandpipers and Mudskippers: A Journey Through the Ramsar Mangroves of Iskandar Malaysia (2012)



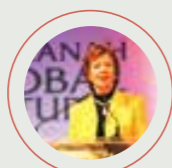
Can Malaysia Achieve Innovation-Led Growth (2013)



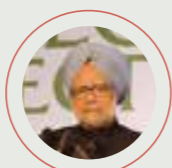
The Street of Harmony (2013)



Sir John Bond
Then Chairman -
Vodafone Group Plc
Development in A Changing World



Mary Robinson
Former President of
Ireland
Sharing the Unequal Burdens of Global Warming



Dr Manmohan Singh
Prime Minister of India
National Development



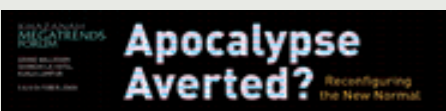
Dr Victor K Fung
Founding Chairman,
Fung Global Institute and
Group Chairman, Fung Group
The Evolution of Global Supply Chains: Challenges for Asia

2009

21 OCT

5-6 OCT

KHAZANAH MEGATREND FORUM 2009
Apocalypse Averted?
Reconfiguring
The New Normal



2010

4-5 OCT

KHAZANAH MEGATRENDS FORUM 2010
Reclaiming the Commons:
Collaborating &
Competing in the New
Economic Order



2011

10 FEB

26-27 SEPT

KHAZANAH MEGATRENDS FORUM 2011
Uncertainty as Normality:
Navigating through
Complex Interconnection



2012

29 NOV

1-2 OCT

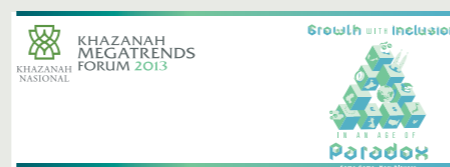
KHAZANAH MEGATRENDS FORUM 2012
The Big Shift: Traversing the
Complexities of
a New World



2013

30 SEP - 1 OCT

KHAZANAH MEGATRENDS FORUM 2013
Growth with Inclusion in
an Age of Paradox:
Same Game, New Players



PUBLICATIONS

Khazanah publishes in collaboration with selected authors a number of books each year, relevant to Malaysian business, education, or culture, as well as supporting pertinent documentation projects by other institutions and individuals.



KHAZANAH RESOURCE CENTRE (KRC)

The Khazanah Resource Centre actively manages knowledge, through maintenance of a well-stocked business library, provision of leading-edge information sources, and compilation of regular news and information updates.



EVENTS

There are several series of events, which are run throughout the year.

At Tea Talks, we welcome visitors to address Khazanah staff on topics of interest. This is a long tradition in Khazanah dating back to 2005 and more than 90 Tea Talks have been delivered by a wide range of speakers from around the world, such as: Bob Geldof, Datuk Seri Michelle Yeoh, Johan Cruyff, Jeff Immelt and Tan Sri Dr. Jemilah Mahmood.

Khazanah Knowledge Exchanges are monthly internal events that enable different teams or units within Khazanah to share experience, knowledge, and analysis.

The Khazanah Megatrends Forum is held annually, preceding Khazanah's strategy and business planning cycle. This prestigious conference brings together thought leaders from around the world—in front of a substantial invited audience of the most influential members of Malaysia's business, academic, and socio-political communities—and conducts fascinating in-depth discussions of current critical issues with respect to four key areas: markets, firms, society, people.

Khazanah Global Lectures are delivered by outstanding individuals of global repute, who have influenced the way people live, work, and think. There is a public allocation of tickets, and each lecture is streamed live on the Web to audiences at universities all over the country. KGL started as part of the Khazanah Merdeka Series, our knowledge capacity development programme, initiated as our celebration of Malaysia's 50th year of independence in 2007.

Past speakers include Mary Robinson, Sir John Bond, Dr A.P.J. Abdul Kalam, Tun Abdullah Hj Ahmad Badawi, Carlos Ghosn, Professor Joseph Stiglitz, Dr Muhammad Yunus and Kofi Annan.



HUMAN CAPITAL AND KNOWLEDGE NETWORK

Khazanah has formed strategic partnerships and created networks with various institutions of higher learning to enhance the cross-fertilisation of knowledge, strengthen leadership, and develop talent. Various intellectual capacity-building programmes have also been conducted for the public and our staff, aimed at raising the level of discourse regarding national development.

This network includes our endowment to create the Khazanah Chair at Universiti Malaya's Centre for Regulatory Studies, and our contribution to the Sanjaya Lall Chair at The Said Business School, Oxford University. We founded and work closely with MINDA (the Malaysian Directors Academy) to contribute towards the development of boards, especially among GLCs.

BUILDING AN INSTITUTION

05



YEARS TO COME

We now number more than 470 talented people who work as a team to help Khazanah fulfil its objective. Tan Sri Dato' Azman Hj. Mokhtar, Khazanah's Managing Director (second row, third from left) with the Strategic Planning Group.

A strong nation is built on strong institutions. We are dedicated to doing our part in consolidating our achievements and experiences into an institution that will continue to deliver with repeatability and consistency.

Our people are our key asset and within the organisation, we nurture an environment of integrity, trust, teamwork, and mutual respect. To develop our employees, we invest significantly in the processes and infrastructure required to grow and support human capital.

Khazanah is a company committed to a performance culture, diversity and balance, anchored on a common purpose of nation-building as the ultimate goal.

Khazanah as a Learning Organisation **108**

Our People, Our Values **110**

OUR PEOPLE, OUR VALUES


20 YEARS WITH KHAZANAH

Talent and the right human capital are synonymous with Khazanah, as these traits are critical in order for us to function as an effective strategic investment fund of the Government. We have grown from strength to strength; from 30 people in 1994 to more than 470 now. It is important that our people remain highly motivated in order to deliver results for the benefit of the nation.

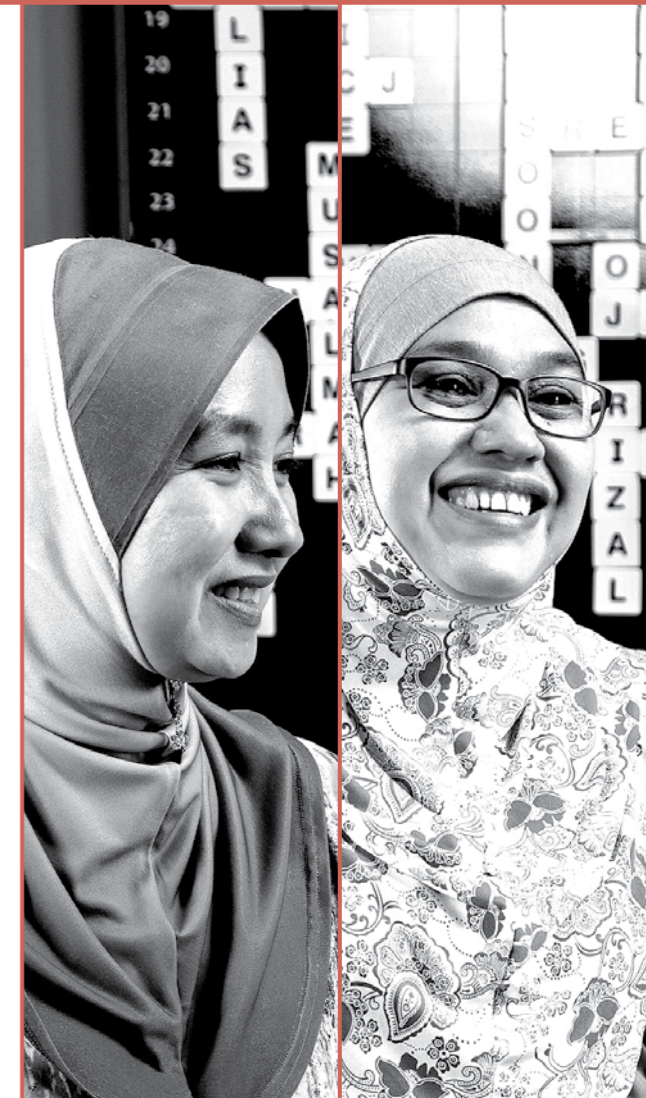
It is inspiring to note that seven of the original 30 Khazanah team continue to work in this organisation. We continue to be guided by our values of teamwork, mutual respect, diligence, integrity and professionalism to help us build true value.

Experiences to build an institution...

/// KHAZANAH 20 YEARS

 In addition to Khazanah's portfolios, it has also built a strong alumni group. These people have gone on to do many other things, both within Malaysia and outside. That shared experience of being in the institution, which has all of these values of wanting to build Malaysia, needs to be continued, and built on."

YAM Tunku Ali Redhaudin ibni Tunku Muhriz
Former Director, Investments (2009 – 2010)
Tunku Ali is one of the early pioneer employees involved in the Khazanah revamp, which began in 2004



NOOR SAMIHAH TAIB
Associate, Finance

NADZIRAH MAJID
Executive Assistant, Investments

"People here are highly dedicated and committed when it comes to their work, no matter what their positions are in the organisation. This is what binds us together."



ELAKUMARI KANTILAL
Director, Investments

MOHAMAD AZMI MOHAMAD SAID
Driver, Khazanah Koridor Utara

ROZILEN RASHID
Executive Assistant, Investments

NORLAILI UJANG
Executive Secretary, Finance

NUR FADHILAH MOHD YUSOFF
Executive Secretary, Investments

"It is never the same at Khazanah. My first 10 years were very different. I wish I was younger when we were given our new mandate. It is amazing to see all these energetic young people walking around with great ideas. I am excited to see how they will shape Khazanah in the future."

"We were a small group of about 30 people then working for an organisation with great ambitions. I think we were all excited about this journey that we were going to embark on with Khazanah."

"It was very different when we joined 20 years ago compared to now. It is hard to imagine then that Khazanah would have grown into the organisation that it is today. We've learned so much in the time that we've been here and continue to be challenged every day."

MEETINGS AND EVENTS

A high performance environment can make work-life balance a real challenge. At Khazanah, we recognise and seek to actively address this issue. Our people do not just work for Khazanah, they help define it. Employees are encouraged to participate in shaping the culture and ethos of our company. Engagement sessions with the Senior Leadership Team are regularly scheduled, as are family days and company sports events.

DILIGENCE

We strive for speed and accuracy. We give every task our full degree of care and commitment, and attend to matters with a sense of immediacy. We boldly seek out new opportunities in pursuit of our nation's economic interests while ensuring sustainability in each of our investments and initiatives.

PROFESSIONALISM

We are accountable and responsible for all that we do. Timeliness is fundamental to our work processes; we always keep to our word and promises made. To ensure the best value possible for our partners and stakeholders, we do not wait for opportunities to arise but take proactive measures to make them happen.

MUTUAL RESPECT

We value diversity and treat everyone with the same respect that we expect from others. We are fair and honest in all our dealings and always maintain confidentiality. We inspire and enable our people to achieve high performance and we believe all individuals want to achieve their fullest potential.



AROUND THE OFFICE

At Khazanah, we foster a culture of hard work and quality of delivery, but in a supportive environment with exceptional teamwork, mutual respect and a spirit of good humour. A positive and enjoyable workplace is not only healthier for employees and the organisation — it delivers better results for the stakeholders.



A Shahazwan Harris, *Executive Director, Investments*, speaking at the Strategic Planning Group year-end retreat in Langkawi in 2013 **B** Yee Kok Tai, *Vice President, Investments*, speaking at the Townhall session with staff and Senior Leadership Team **C** Shamira Zul, *Associate, Corporate & Support Services* **D** Nur Izzati Mohd Zabidin, *Associate, Investments* **E** (From left) Atiqah Mokhtar, *Associate*; Dennis Jin, *Vice President*; Nimalen Balasingham, *Associate*; and Chris Teoh Wei Syn, *Vice President*, all from the Investments division **F** (From left) Crispin Ali Basah, *Assistant Vice President, Strategic Human Capital Management*; Cheryl Lee Qiu Yu, *Associate, Investments*; Ng Eu Gin, *Assistant Vice President, Finance*



EXTRACURRICULAR ACTIVITIES

Our people are more than just employees of Khazanah — they excel in other spheres of life. We encourage them to receive continuing education and to contribute to civil society organisations. Khazanah is blessed with individuals who have many diverse talents and actively participate in many extracurricular activities including music, writing, sports, environmentalism, and community activism.



A



B

INTEGRITY

We do what is right without exception. We believe in good governance and operate with ethics; always staying within the letter and spirit of the law.

TEAMWORK

Our strength is our people. As a group of highly motivated individuals, we are committed to working together to achieve true value. We encourage cooperative efforts across all levels and activities, and will continually share ideas and knowledge towards a common goal.



C




D



A Children from a school under the PINTAR Foundation, together with Khazanah Volunteer Network members enjoying a day out at KidZania in 2013 **B** Khazanah staff delivering supplies during a flood relief operation in Terengganu **C** Khazanah staff participating in the annual Rat Race, organised by The Edge and Bursa Malaysia **D** Khazanah staff taking part in a friendly tug-of-war competition during the Khazanah Family Day 2013 **E** Khazanah staff getting ready for a game of paintball **F** Staff from the Managing Director's Office taking part in a team building retreat in Putrajaya in 2013 **G** Assistant Vice Presidents and Vice Presidents participating in the aspiring leaders' programme in April 2013

In a unique position...

//////////////////// KHAZANAH 20 YEARS

 I first interned at Khazanah in 2009, where I had the opportunity to contribute to the process of developing the education strategy paper for Khazanah. It made me realise what we are trying to achieve here and this has really inspired me. I do believe that we are all capable of helping to shape things and making a difference."

Michelle Tan
Associate, Managing Director's Office
Michelle is attached to the
Strategic Management Unit and is a
Yayasan Khazanah scholar



KHAZANAH NASIONAL BERHAD HEADQUARTERS IN KUALA LUMPUR



KHAZANAH INDIA ADVISORY, MUMBAI, OPENED IN 2007



KHAZANAH BEIJING OFFICE, OPENED IN 2008



KHAZANAH AMERICAS INC IN SAN FRANCISCO, OPENED IN 2013



KHAZANAH TURKEY REGIONAL OFFICE IN ISTANBUL, OPENED IN 2013





OUR 20-YEAR JOURNEY IS AN ANCHOR FOR US TO ALWAYS REMEMBER OUR HUMBLE BEGINNINGS... AND WITH THAT FOOTHOLD FIRMLY IN PLACE, WE SET OUR SIGHTS TOWARDS THE FUTURE.





KHAZANAH
NASIONAL

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