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## MEDIA STATEMENT

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### MID-TERM PROGRESS REVIEW REPORT: MORE RESILIENT GLCs FOCUSED ON CATALYZING GROWTH AND SUPPORTING ECONOMIC STIMULUS

At the 19<sup>th</sup> Putrajaya Committee on GLC High Performance (“PCG 19”) the Prime Minister and the Deputy Prime Minister/Finance Minister were briefed on the progress of the Government-Linked Companies (“GLCs”) Transformation Programme. Also present were the Second Finance Minister, senior Ministry of Finance officials and leaders from the five Government-Linked Investment Companies<sup>1</sup> (“GLICs”) and the Chairmen and CEOs of the G-20\*<sup>2</sup> companies. Near the half way point of the ten year programme that was launched in May 2004, the GLCs presented a Mid-Term Progress Review.

The Mid-Term Progress Review report outlined that further steady progress has been made and GLCs are now significantly more resilient financially and operationally to face the challenges of the global economic slowdown. In addition to preparing for the economic slowdown and the ongoing execution of the GLC Transformation Programme, the immediate focus of the GLCs will be to catalyze growth and support economic stimulus. GLCs outlined their domestic investment plans for 2009 and 2010 especially in high economic multiplier and strategic sectors. In addition, the GLCs reported on their collective work to supporting the Government’s efforts at raising employment, employability and social safety nets through three integrated Corporate Responsibility programs, the PINTAR program (adoption of schools), the GEMs program (for training of unemployed graduates) and the SEJAHTERA program (assisting the hardcore poor).

#### *1) G-20\* Show Financial Resilience and Have Successfully Executed on Turnaround Plans, Strategic Transformation Moves and Regional Expansion*

Since the launch of the Programme, G20\* have made significant progress on financial and operational improvements, as well as on balance sheet restructuring. In spite of a more challenging economic environment in 2008, much progress has been achieved since 2004. Although below the RM19,307 million in FY2007, the G-20\* FY2008 aggregate earnings are now 53% higher than FY2004 at RM14,692 million in FY2008, as compared to RM9,602 million in FY2004. Compared to the 1997 Asian Financial Crisis, the G-20\* are now in a much better position to weather the crisis as a result of their more robust balance sheets and stronger operating fundamentals. Operating cashflow for non-financial G-20\* firms grew by 42% from RM13,978 million in FY2004 to RM19,918 million in FY2008.

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<sup>1</sup> The five GLICs are Khazanah Nasional Berhad, Permodalan Nasional Berhad, the Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji

<sup>2</sup> G-20\* is a selection of approximately 20 larger GLCs controlled by GLIC constituents of the PCG. There are currently 19 GLCs following the Sime Darby merger and TM demerger. UEM Group has replaced UEM World following UEM’s restructuring exercise. UEM Group’s TSR is computed by using their listed subsidiaries’ values as proxy.

G-20 total shareholder returns (“**TSR**”) continue to outperform KLCI by a compounded annual growth rate of **4.8%** since the launch of the Programme. G-20\* return on equity (“**ROE**”) grew from 8.2% in FY2004 to **10.4%** in **FY2008**, peaking at 14.6% in FY2007. The G-20\* had also shown a significant improvement in **economic profit**, turning around from an aggregate economic loss of RM3.5 billion in FY2005 to an economic profit of **RM1.3 billion** in FY2008.

Several GLCs have successfully undertaken sizeable operational turnaround programmes (e.g. MAS and Bank Islam), bold transformational moves to enhance their strategic positions (e.g. Sime Darby merger, TM and TMI demerger and UEM restructuring), major regional expansions (e.g. Maybank and CIMB) and strategic divestments (e.g. TIME dotCom).

To enhance performance and to promote results-orientation, GLCs have been announcing their Headline Key Performance Indicators (“**HL KPIs**”) annually and have been showing overall improvements. Number of HL KPIs met increased from 72% in FY2006 to 76% in FY2007. However, the present harsh economic environment has reduced number of HL KPIs met in FY2008 to 54%. Nevertheless, recognising that it is critical to stay performance focused despite the economic turbulence, the G-20\* continue to publicly announce their forward looking HL KPIs, which are documented in the “**GLC Transformation Programme Mid-Term Progress Review**” report.

## ***2) GLCT Programme Benefits Expanding to Broader Stakeholder Groups***

As GLC performance improves, they are increasingly delivering benefits to all Malaysians. Customers of GLCs are benefiting from fewer service interruptions and higher quality of services. G-20\* have been continuously supporting their suppliers, spending RM3 billion on vendor development programmes covering 4,155 vendors since 2004. In human capital development, the G-20\* have spent RM884 million on employee training and development and have given RM335 million worth of scholarships since 2004. They have also adopted 161 schools with 64,400 students under PINTAR<sup>3</sup>. Under the recently launched Graduate Employability Management Scheme (GEMS), GLCs will train 12,000 unemployed graduates over the next 2 years. Since 2004, G-20\* have also contributed an estimated RM312 million to provide support to society and ease the burden on vulnerable communities. Under the proposed ‘Program Sejahtera’, GLCs will provide home to 5,000 families and assist them in maintaining a sustainable livelihood.

## ***3) Staying the Course: GLCT Programme Aspirations Remain Unchanged Despite Challenges Ahead***

Notwithstanding the encouraging and substantial achievements to date, much more still needs to be done to achieve ultimate Programme aspirations. GLCs still underperform relative to top regional sector peers and, given the long-term nature of the Programme, there is a danger of complacency and of wavering commitment.

In his keynote speech, YAB Prime Minister, Dato’ Seri Abdullah Ahmad Badawi exhorted GLCs to rise to the challenge to not only survive current times of turmoil, but to emerge stronger to drive the nation to greater heights of development and support achievement of Vision 2020. YAB Deputy Prime Minister Dato’ Sri Mohd Najib Tun Haji Abdul Razak in his address to GLCs, has

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<sup>3</sup> PINTAR (Promoting Intelligence, Nuturing Talent and Advocating Responsibility) is a programme initiated by PCG. Under the programme, GLCs adopt schools to provide support in terms of access to motivational and team building activities, tuition classes, teacher capability building and education on social issues. 9.5% of PINTAR students scored straight ‘A’s in their UPSR exam in 2008, compared to the national average of 9.2%.

committed to continue driving and overseeing progress of the Programme to successful completion.

#### ***4) Way Forward and GLICs' and GLCs' Role in Stimulating the Economy***

In addressing immediate financial and economic challenges, GLCs need to adopt a crisis management mode with plans that include being vigilant and prudent in their day-to-day operations. As an integral part of corporate Malaysia, a key priority for GLICs and GLCs in the medium term will be domestic investments, particularly in sectors with a significant multiplier effect, to catalyse growth in the local economy. This is in line with and supports the recently announced Stimulus Package by the Government.

GLCs will also continue to build for the future, and ensure capacity-building investments continue across all fronts. In particular, human capital, knowledge capital and firm-building will not be neglected and key GLCT corporate responsibility initiatives will continue.

**END**

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## **ABOUT THE PUTRAJAYA COMMITTEE ON GLC HIGH PERFORMANCE (“PCG”) AND G-20\***

The GLCT Programme was launched by YAB Prime Minister on 14 May 2004. The PCG was formed in January 2005 to follow-through and catalyse the Programme. PCG is the Steering Committee for the Programme and leads the drive to transform GLCs into high-performing entities. PCG is chaired by the Second Finance Minister, with participation from the heads of the Government-Linked Investment Companies namely Khazanah Nasional Berhad, Permodalan Nasional Berhad, the Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji and representatives from the Minister of Finance Incorporated and the Prime Minister’s Office to work together to monitor developments and recommend further measures of improvements.

A Transformation Management Office (“TMO”) has been established at Khazanah, the Secretariat to the PCG. This TMO is responsible for managing the roll-out and implementation of the GLCT Programme.

### ***G-20\* Companies***

1. Affin Holdings Berhad
2. BIMB Holdings Berhad
3. Boustead Holdings Berhad
4. Bumiputra-Commerce Holdings Berhad
5. Chemical Company of Malaysia Berhad
6. Malayan Banking Berhad
7. Malaysian Airline System Berhad
8. Malaysia Airports Holdings Berhad
9. Malaysian Building Society Berhad
10. Malaysian Resources Corporation Berhad
11. Pos Malaysia Berhad
12. Proton Holdings Berhad
13. Sime Darby Berhad
14. Telekom Malaysia Berhad
15. TM International Berhad
16. Tenaga Nasional Berhad
17. TH Plantations Berhad
18. UEM Group Berhad
19. UMW Holdings Berhad