

MEDIA STATEMENT

Kuala Lumpur, 14 September 2015

Khazanah announces additional domestic investments of RM 6.77 billion in support of Government's proactive economic measures

The Prime Minister YAB Dato' Sri Mohd Najib Tun Abdul Razak today announced several proactive measures to strengthen the country's economic fundamentals and address the impact of financial turbulence in the global markets on Malaysia's economy.

In this regard, Khazanah Nasional Berhad ("Khazanah") as the strategic investment fund of the Government is pleased to support the proactive economic measures in all relevant areas. The relevant measures are in line with Khazanah's role as the strategic investment fund of the country, where Khazanah has been implementing a balanced investment strategy both domestically and internationally.

Between May 2004 and the last reported date of December 2014, Khazanah posted an increase of its portfolio Net Worth Adjusted ("NWA") from RM 33.3 billion to RM 110.7 billion. These gains, realised and unrealised, were contributed by both domestic and international investments. International investing has been an integral part of this and has been mandated by a need to increase the regional and global footprint of our investments in terms of portfolio diversification as well as gaining access into technology, networks and building two-way economic linkages with other parts of the world. As at 31st August 2015, direct investments overseas amounted to 17.8% of Khazanah's portfolio Realisable Asset Value ("RAV") of RM139.0 billion.

In this regard, Khazanah practices a policy of constant review and rebalancing of its investment portfolio, both domestically and internationally. In the context of the proactive measures announced today, Khazanah reiterates its commitment to review and, where opportune, to harvest a selection of its international investments in support of the measures. At the same time, Khazanah will continue to execute its medium and long-term balanced investment strategies, including where appropriate, in international investments, in an orderly manner as mandated and approved by the Khazanah Board of Directors.

Concurrently and in the context of the proactive economic measures, Khazanah is also pleased to announce that it will also **accelerate and increase domestic investments** over the immediate and medium term in several key sectors. These sectors and investments have been selected on the basis of those that provide higher domestic economic multipliers, boost job creation, support local content, increase prospects for foreign exchange receipts, and enhance public goods and inclusiveness for the *Rakyat*. These include the leisure and tourism, healthcare and health tourism, export-oriented creative industries, innovation and technology and Business Process Outsourcing ("BPO") sectors.

It is to be noted that the identified projects are incremental to investment plans announced previously or are being accelerated. The projects, to be delivered by Khazanah through relevant investee companies and our development partners, have already been identified, have received or are in advanced stages of receiving the necessary approvals, and are already in various stages of

implementation or are ready to be implemented imminently. The projects are listed below with a total value of **RM6.77 billion**. Further details of the projects are enclosed in the Appendix herewith (*see page 4 below*).

1. **Desaru Coast Destination Resort (“DCDR”)**, an integrated leisure and tourism resort in Desaru, Johor, with a development cost of approximately **RM4.5 billion** between now and 2017 to 2022.
2. A new **Tourism Venture Fund of RM50 million** for qualified tourism entrepreneurs in the sub sectors of eco-tourism and cultural/heritage tourism.
3. **New hospitals and extension of existing hospitals** under IHH Healthcare Berhad costing approximately **RM670 million** between 2015 and 2017 in Medini, Iskandar; Kuala Lumpur, Klang, Melaka, and Kota Kinabalu.
4. **A new in-patient rehabilitation hospital business** with investment totaling approximately **RM100 million** over the next two years until 2017, together with a foreign technical operator and equity partner to bring in global best practices.
5. Development of **Dataran Muzium and Tugu Park** at an estimated development cost of **RM1.1 billion** between 2016 and 2018 to 2020, with Khazanah funding approximately RM730 million of the cost. The projects are a not-for-profit contribution to public spaces and are expected to be completed between 2018 and 2020.
6. In the **Creative Industries**, the set-up of Sonneratia Capital, a **RM50 million** co-investments fund to finance production of local content for the export markets. Sonneratia Capital expects to see the release of the films in various regional markets starting from the end of 2015.
7. In **Iskandar Malaysia**, i2M Sdn Bhd, a 100% subsidiary of Khazanah, will accelerate an investment of **RM90 million** to attract a targeted RM2.2 billion of additional foreign investment by 2020 in the BPO sector.
8. An additional **RM115 million for the domestic innovation and technology sector** across several initiatives including the creation of physical innovation and accelerator space; startup bootcamps; angel matching co-investments in early-stage companies; and seed-stage venture capital funding for the Information Technology (“IT”) and non-IT sectors, respectively; and
9. In line with the Government’s call to increase the **Skim Latihan 1Malaysia (“SL1M”)** programme allocation from 10,000 to 15,000 participants in 2015 (from the overall SL1M programme total of 4,500 participants in 2014), Khazanah is committed to more than double its existing commitment from 1,330 to 3,800 participants, at an estimated total cost of **RM95 million per annum**.

The above projects and initiatives are over and above Khazanah’s existing commitments and investments through its various subsidiaries, major investee companies, and investment programs, including those under major investee companies such as Tenaga Nasional Berhad, TM Berhad, CIMB Berhad, Axiata Berhad, UEM Group Berhad, Malaysia Airports Holdings Berhad, Malaysia Airlines Berhad, Valuecap Berhad and Iskandar Investment Berhad. Khazanah will in this regard work with our investee companies in support of these proactive economic measures where appropriate and in line with the commercial plans of the companies concerned.

Khazanah will also periodically announce further initiatives and projects consonant with its investment policies and strategies, and in support of the Government's proactive economic measures.

END (See Appendix on next page)

For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sharif@khazanah.com.my.

About Khazanah Nasional Berhad

Khazanah is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, banking, healthcare, airport management, infrastructure, leisure & tourism, property development, broadcasting, investment holding, and technology. Some of the key listed companies in Khazanah's investment portfolio include Telekom Malaysia Bhd., Tenaga Nasional Bhd., CIMB Group, Axiata Group Bhd., IHH Healthcare Bhd., Malaysia Airports Holdings Bhd., and UEM Sunrise Bhd.

For further information, please visit www.khazanah.com.my

APPENDIX: Further details on the additional and accelerated domestic investment initiatives

1. Desaru Coast Destination Resort (“DCDR”)

Khazanah through its wholly-owned leisure and tourism investment holding company, Themed Attractions Resorts and Hotels Sdn Bhd, is undertaking the development of a destination resort in Desaru, Johor. The development covers approximately 4,000 acres and will be in three phases over a period of 25 to 30 years.

Work has commenced for Phase 1, with an estimated total project development cost of approximately RM4.5 billion for all hospitality and infrastructure components to be launched between 2017 and 2022. Alongside Khazanah, foreign hospitality investors and partners are participating in projects with a total cost of RM747.6 million so far.

At its launch in the fourth quarter of 2017, DCDR will offer approximately 800 hotel rooms rated between 4-star and luxury 5-star, in addition to the 2,200 2-star and 3-star hotel rooms already on site. Phase 1 of DCDR is expected to receive approximately 1 million visitors, with approximately 4,000 jobs created for this phase.

The Johor State Government is an equity partner in the DCDR and both State and Federal Governments have provided support for and incentives to the development. In addition, several well-known international operating, brand and equity partners in the leisure and hospitality industry such as Amanresorts International, Anantara/Minor International Group, Westin/Starwood Resorts and Hotels, Ernie Els, Vijay Singh and Troon Golf are all part of Phase 1 of DCDR.

2. Tourism venture fund

Khazanah has ear-marked RM50 million to support homegrown eco-tourism, and cultural and heritage tourism entrepreneurs. Eco-tourism and cultural and heritage tourism entrepreneurs are able to leverage on our nation's unique competitive advantage of a multi-lingual population who thrive in a rich multi-cultural environment.

The growth of entrepreneurs and businesses in the targeted areas will broaden and enhance Malaysia's suite of leisure and tourism product offerings, and complement not only Khazanah's ongoing catalytic investments in the industry but also Malaysia's inherent strengths in the travel and tourism industry.

3. IHH Healthcare expansion

IHH Healthcare Berhad (“IHH Healthcare”), a Khazanah investee company, has committed capital expenditure of approximately RM670 million up to 2017 for the expansion of existing and greenfield hospitals. It is estimated that approximately 3,200 jobs will be created as result of the expansion.

Gleneagles Medini in Iskandar Malaysia is currently scheduled to commence operations by the end of 2015 and will target the medical tourism market, while Gleneagles Kota Kinabalu recently commenced operations in May 2015. Pantai Kuala Lumpur, Pantai Ayer Keroh and Gleneagles Kuala Lumpur hospitals are undergoing expansion. Altogether, approximately 760 beds will be added to IHH Healthcare's network of hospitals.

4. In-patient Rehabilitation Hospital

Khazanah is building new economic value in Malaysia through catalytic investments into the wellness space. Central to this strategy is a plan to build a Malaysian In-patient Rehabilitation Hospital business in which Khazanah aims to invest approximately RM100 million over the next two years until 2017, and attract a foreign technical operator and equity partner to bring global best practices for the country.

In addition to addressing the gap in Malaysian post-acute healthcare and creating new jobs, the long term objective of this investment is to spur the development of a rehabilitation industry ecosystem and provide sustainable up-skilling opportunities to healthcare graduates and workers in Malaysia.

5. Dataran Muzium and Tugu Park

In Kuala Lumpur, Khazanah will lead a major not-for-profit Public Private Partnership ("PPP") project intended to rejuvenate and reactivate Muzium Negara ("Dataran Muzium") and separately convert a 66 acre site adjacent to Tugu Negara into a people's park ("Tugu Park"). The project will cost an estimated RM1.1 billion and will be funded mainly by Khazanah (RM730 million) on a not-for-profit basis, the Federal Government (RM220 million) and other government agencies and private sector parties (RM150 million).

The project aims to stitch the urban fabric of Kuala Lumpur and re-connect the sites via land bridges with KL Sentral and the Lake Gardens and to various other Greater Kuala Lumpur initiatives, including the River of Life and KL Cultural and Heritage Trails. It is estimated that the project will generate potential incremental tourism revenue of RM400-800 million per annum for Kuala Lumpur, and increase visitor and other revenue for Muzium Negara by 10 to 15 times. In addition, the project will consolidate and protect one of the city's last green lungs.

Muzium Negara will be upgraded to be a 21st century cultural institution, which is positioned to be an integrated museum of civilization centered on Malaysia and its multiple regional and international links. The future Muzium Negara is proposed to be a multi-disciplinary and comprehensive in approach. This approach includes providing spaces for music, as well as visual and performing arts, and takes into account the contemporary arts to highlight the uninterrupted vitality of the country's traditions and artistic expressions.

Khazanah has comprehensively engaged all key stakeholders of the project, including the Economic Planning Unit ("EPU"), Unit Kerjasama Awam Swasta ("UKAS"), Federal Territories Ministry, Dewan Bandaraya Kuala Lumpur ("DBKL"), Ministry of Tourism and Culture,

PEMANDU, Jabatan Muzium Malaysia, Jabatan Warisan Negara, and other private sector organisations. Khazanah has recently obtained the Economic Council's ("EC") approval and is presently working to finalise the plans for presentation at stakeholder engagement and public feedback sessions targeted in 2016.

The project will be completed in stages with the Tugu Park set to be completed in 2018 and Dataran Muzium in 2020. It is envisaged that once completed, both Dataran Muzium and Tugu Park will be placed into a proposed Heritage Trust that will work with Jabatan Muzium Negara, Jabatan Warisan and other relevant stakeholders to hold and manage these assets and other similar public assets for the purpose of preservation and conservation.

6. Creative Industries

Khazanah's investments through Pinewood Iskandar Malaysia Studios ("PIMS") and co-investments into several slates of local content production, represent pro-active efforts to catalyse the creative and media sector as a driver of national economic development. PIMS, as a world-class facility, together with the support from the Film-in-Malaysia Incentives provided by the Government, has played a key role in attracting international productions, generated over 2000 jobs, sales of more than 40,000 hotel nights and spending in excess of RM250 million into the local economy to-date.

Through Khazanah's wholly-owned fund Sonneratia Capital, a RM50m co-investments fund has been set up to co-finance production of local content for the export markets. Sonneratia Capital provides the much needed co-investment funding to local producers with potential of producing high commercial quality Malaysian films for export markets. Sonneratia Capital expects to see the release of these films in various regional markets starting from the end of 2015.

7. i2M in Iskandar Malaysia

Khazanah continues to be committed to the various projects in Iskandar Malaysia, where it has already invested RM6.5 billion to kick start various projects in the education, infrastructure, leisure and tourism, creative, and Business Process Outsourcing ("BPO") and services sectors. Khazanah with the support of the Johor State Government and various agencies of the Federal Government remains committed to the development of an appropriate eco-system and economic opportunities, including job creation, for the local community.

Khazanah has adopted numerous initiatives, which among others include the establishment of i2M Sdn. Bhd ("i2M"), to attract multiple BPO and services sector companies to Nusajaya and Medini.

The companies attracted to set up business services operations in Iskandar Malaysia by i2M are expected to create employment opportunities in information technology outsourcing, BPO, client management, and consulting services. These new investments would in turn accelerate the development of an exciting eco-system towards the creation of a world-class business services destination.

i2M is investing up to RM90 million to attract a targeted RM2.2 billion worth of investments by 2020. These investments are expected to create 4,000 jobs.

8. Entrepreneurship and Innovation

One of the policy measures under the Strategic Reform Initiative to re-energise the private sector under the New Economic Model is to create a self-sustaining eco-system for entrepreneurship and innovation.

For this purpose, Khazanah is allocating a total of RM115 million across several related initiatives. These initiatives include the creation of physical innovation space for groundbreaking ideas; startup bootcamps; angel matching co-investments in early-stage companies; and seed-stage venture capital funding for the Information Technology (“IT”) and non-IT sectors, respectively.

9. Skim Latihan 1Malaysia

Following the overwhelming turnout of nearly 70,000 visitors at the recent GLC Open Day 2015, especially from graduates looking for employment from GLCs, there is a need for Government-linked Investment Companies (“GLICs”) and Government-linked Companies (GLCs) to increase the number of unemployed graduates to be trained under Skim Latihan 1Malaysia (“SL1M”) from the 10,000 participants already committed for 2015 (in 2014, the overall SL1M programme had a total of 4,500 participants).

In this respect, it is recommended that GLICs and GLCs increase this number to 15,000 participants, with Khazanah coordinating the implementation. Khazanah is committed to double its existing commitment from 1,330 to 3,800 participants, at an estimated total cost of RM95 million per annum.

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