

MEDIA STATEMENT
Kuala Lumpur, 22 April 2011

Strategic Divestment Stake in Pos Malaysia to be Sold to DRB-HICOM

Khazanah Nasional Berhad (“Khazanah”) is pleased to announce that after an extensive two-stage process, the strategic divestment of its 32.21% stake in Pos Malaysia Berhad (“POS”) will be made to DRB-HICOM Berhad (“DRB-HICOM”). This decision was made following a rigorous selection process initiated by Khazanah to ensure that the new shareholder will be able to bring POS to the next level of growth.

The divestment is made via a conditional offer with a price consideration of RM3.60 per share or RM622.79 million. The offer price of RM3.60 per share is subject to the modification of the Special Rights Redeemable Preference Share in POS (“Special Share”) held by Minister of Finance (Incorporated) (“MoF Inc.”) This modification *inter alia* includes the reservation to appoint up to two Board members in POS; and the removal of rights to appoint the Chairman and Managing Director of POS and fix their respective remunerations such that these become matters for determination by the Board of Directors of POS. This condition precedent is not within Khazanah’s control, as it is the sole prerogative of MoF Inc to make any modification on the Special Share.

The conditional offer price is also subject to the variation in the use of 16 plots of identified lands owned by the Federal Lands Commissioner (“FLC”) and leased to POS. The current terms of the lease allows for only postal services use, while the variation provides for the inclusion of commercial use, over and above the mandatory postal use. In the event the variation does not happen by 31 December 2011, DRB-HICOM will be refunded 10 sen per share or RM17.30 million.

Khazanah’s Managing Director, Tan Sri Dato’ Azman Haji Mokhtar said: “DRB-HICOM was chosen based on their overall bid, which offers not only a defined strategy but also an executable business plan and an acceptable offer price. Their proposed strategy and business plan in turn provides an effective platform for POS’s growth, if adopted by the Board of POS as a whole.”

Deemed as a landmark divestment as it is Khazanah’s first divestment of its entire stake in a major GLC, Khazanah adopted a robust strategic divestment process which involved an open bidding process and a merit-based and transparent selection process. Conducted in two stages - the first stage involved addressing key aspects of POS’s macro business and regulatory environments, while the second stage revolved around the restricted tender process. Both stages ran concurrently.

Stage One saw the resolution of the long-running issue relating to the salary of postmen and revision of postal tariffs. The postal rate revision took effect in 1 July 2010 and subsequently, POS also resolved a long outstanding pay revision for postmen in the same month.

Stage Two started with the Pre-Qualification phase, where Khazanah appointed CIMB Investment Bank (“CIMB”) and McKinsey & Company (“McKinsey”) as advisors for the transaction. CIMB assisted Khazanah in identifying parties who would be interested in purchasing Khazanah’s stake in POS, including both local and foreign parties. A total of 48 parties were approached to submit their respective proposals, out of which 10 parties expressed their interest to participate and were pre-qualified at the Pre-Qualification phase. Khazanah then proceeded to the Indicative Bid phase where



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all 10 parties were invited to submit their bids. Out of this, five parties reverted with their respective bids.

The five bidders were all given detailed and equal opportunities to meet up with Khazanah's advisors to explain their respective strategy and business plan submission. The bidders also had one-on-one meetings with the managements of Khazanah and POS. With respect to the meeting with POS management, which was requested by all the bidders, only publicly available information were shared with the bidders, i.e. information shared at analysts' briefings and shareholders' general meetings. POS's Board's prior approval was obtained for these one-on-one meetings with POS management.

With Khazanah, the bidders were given an opportunity to better understand the bidding process and received detailed feedback to help each of them improve their bid submission. Subsequently, all five bidders proceeded to the Binding Bid phase. Out of the five bidders, four parties submitted their Binding Bids. The bidders submitted their bids in separate envelopes containing; (i) the strategy and business plan, and (ii) the offer price.

An independent evaluation panel comprising five senior professionals from the public and private sector with extensive postal and corporate experience had evaluated all the bidders' proposal on the basis of anonymity, where the bidders' names were coded. This ensured that the Panel members performed their evaluation of the strategic and business plan component purely on the basis of the content of the submission, without being prejudicial to the identity of the bidders.

The panel, with the assistance of Khazanah's advisors, evaluated the strategy and business plans first. Based on this, the bidders were shortlisted to a final two. Subsequently, the offer price envelopes were opened and evaluated compositely. Both shortlisted bidders were given the opportunity to present to the panel. The panel's evaluation was based on a composite score between strategy and pricing, whereby strategy accounted for 60% and pricing 40%. Based on the composite score, the panel unanimously recommended DRB-HICOM.

Tan Sri Azman explained: "There was a fit and proper test of the new majority shareholder which includes promoting the sustainable development of the Universal Service Obligations ("USO"), as well as the commitment to retain existing staff in their business plan." The commitment to fulfil the social obligations under the USO (as required under the Postal Services Act, 1991) is crucial as postal services have an impact on the *Rakyat*, especially for those residing in remote or rural areas.

Khazanah's emphasis on strategy and business plans within the evaluation process does not in itself make any assumption of control or otherwise. The process required bidders having to state, in their own opinion, whether a general offer ("GO") would be necessary or not as their own circumstances dictate.

Khazanah's Executive Director of Investments, who was the Project Director for this strategic divestment, Mohammed Rashdan Mohd Yusof explained: "It is the buyer's prerogative, and not of the seller, to determine whether a GO is necessary, as only the buyer can ascertain the extent of control they exert over POS after they acquire the 32% stake. Furthermore, the divestment process did not reveal any information to the bidders beyond readily available market information."



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Tan Sri Azman concludes: “As a responsible seller to stakeholders including minorities and the *Rakyat*, our emphasis on business strategies and credibility of the bidders was to ensure that the successful bidder, via the Board members they intend to proportionately install with their 32% stake, have a robust business plan to both deliver on their USO and unlock value and for them to discuss at the POS Board.”

End

For further clarification, please contact Mohd Asuki Abas at +603 2034 0000, or via e-mail to asuki.abas@khanah.com.my.

About Khazanah Nasional Berhad

Khazanah is the investment holding arm of the Government of Malaysia entrusted to manage the assets held by the Government and to undertake strategic investments. Khazanah was incorporated under the Companies Act 1965 on 3 September 1993 as a public limited company. The share capital of Khazanah is owned by the Minister of Finance, a body corporate incorporated pursuant to the Minister of Finance (Incorporation) Act, 1957.

About DRB-HICOM

DRB-HICOM is one of Malaysia’s leading conglomerate with core businesses in the Automotive, Services and Property, Asset & Construction sectors. DRB-HICOM’s aim is to continue adding value and propelling the nation’s development. In the Automotive sector, DRB-HICOM is involved in the manufacturing, assembly and distribution of passenger and commercial vehicles, including the national motorcycle. In Services, DRB-HICOM is involved in various businesses, including concession and financial related services. In Property, Asset & Construction, DRB-HICOM is involved in residential and commercial developments.