



KPMG Transaction & Restructuring Sdn Bhd
formerly known as

KPMG Corporate Services Sdn. Bhd.
(Co. No. 462265-P)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 7699
Internet www.kpmg.com.my

059

Strictly Private & Confidential

12 November 2012

KPMG STATEMENT TO KERAJAAN NEGERI SELANGOR ON THE TALAM DEBTS RESTRUCTURING AND RECOVERY EXERCISE

KPMG appointment and scope of work

KPMG Transaction & Restructuring Sdn Bhd (“KPMG”) was appointed by the Selangor State Government on 30 July 2012 to perform an independent review on the RM392 million debt recovery exercise from Talam Corporation Berhad (“Talam” or now known as Trinity Group Berhad) (hereinafter referred to as “Talam Debts”).

Our scope of work under the terms of our engagement comprised the review of documents provided by the Selangor State Government (“the State”), Menteri Besar Incorporated (“MBI”), Kumpulan Hartanah Selangor Berhad (“KHSB”), Pendidikan Industri YS Sdn. Bhd. (“PYISB”) / Universiti Industri Selangor (“UNISEL”) and Permodalan Negeri Selangor Berhad (“PNSB”) in connection with the following areas:

1. Recognition of Talam Debts in the books of KHSB, PYISB / UNISEL and PNSB (collectively referred to as “the State subsidiaries”);
2. Recognition of Talam Debts novated by KHSB, UNISEL and PNSB in the books of Selangor State Government;
3. Sale of Talam Debts to MBI;
4. Grant from the State to MBI;
5. Talam Debts Settlement Scheme/Agreement; and
6. Settlement of Talam Debts by Talam to MBI

In preparing our report, the primary sources of information are as listed in Appendix 1.

Limitation

Our work covers only the financial aspects of the Talam Debts restructuring and recovery exercise and does not extend to the legal and valuation aspects of the exercise.

Summary of KPMG comments and findings from the review

1. Talam Debts

The Talam Debts originated from various property development joint venture agreements between KHSB and PNSB and Talam/Talam subsidiaries in 1994 to 2002, and a privatization agreement for the construction of UNISEL campus between the State and Maxisegar in 2001/2003. Through a series of steps / mechanisms, the Talam Debts were ultimately transferred to MBI. The amounts agreed between the Selangor State Government and Talam totalled RM392 million and details are as follows:

Talam Debts	RM million
PIYSB / UNISEL	248.7
KHSB	115.1
PNSB	28.2
Total	392.0

2. Global Settlement Agreement between MBI and Talam dated 12 March 2010 and 9 April 2010 (“GSA”)

Between 2005 and 2008, there were settlement attempts by the State subsidiaries to recover the Talam Debts but these settlement arrangements did not materialize.

Talam was in PN17 from 1 September 2006 to 10 June 2010.

In 2010, the State entered into a global settlement with Talam, through MBI. Under the GSA, the RM392 million Talam Debts were to be realised in the following manner:

	RM million
Gross consideration of Settlement Assets (comprising 9 plots of land, 2 properties and 60% equity in a subsidiary of Talam)	676.1
Bank loans in Talam’s books / encumbrances on Settlement Assets	(266.3)
Cost to ensure due transfer and registration of settlement assets and Excess Amount	(30.5)
Cash payment to be made by Talam to MBI	12.7
Net to MBI	392.0

Based on the GSA, the State would receive from Talam cash payment of RM12.7 million and properties with net values of RM409.8 million (RM676.1 million less RM266.3 million) as final settlement of the RM392 million Talam Debts.

3. Valuations

The State Government had considered third parties’ valuations and comparative values available internally and the appropriate basis of valuation, prior to entering the GSA.

4. Undertaking by Talam

In addition, there is an undertaking in the GSA by Talam whereby Talam shall procure and do all acts and deeds as shall be necessary to ensure the due settlement of the entire Talam receivables (i.e. RM392 million, including any applicable cost and interest if any).

5. Summary

Based on the information provided to us, we view the decision of the State Government to enter into the GSA as a sound commercial decision under the circumstances at that point in time.

Appendix 1 - Sources of information

- In preparing our report, the primary source of information has been the management of KNS, MBI, KHSB, UNISEL and PNSB.
- Details of principal information provided by the respective management are set out as follows:

KNS

- a) Penyata Kewangan Kerajaan for 2009 and 2010
- b) Various minutes of meeting of Mesyuarat Majlis Kerajaan Negeri Selangor (“MMKNS”)
- c) Confirmation of Debt dated 3 November 2009
- d) Assignment of Debt agreement dated 3 November 2009
- e) Receivable Purchase Agreement dated 6 November 2009

MBI

- a) Audited financial statements for the year ended 2009, 2010 and 2011
- b) Debt Settlement Agreement between Talam Corporation and MBI dated 12 March 2010
- c) Supplementary Settlement Agreement between Talam Corporation and MBI dated 9 April 2010
- d) Penyelesaian Talam as at 31 December 2011 document provided by the management
- e) Pengiktirafan Hutang Talam Dengan Kerajaan Negeri document provided by the management
- f) Ringkasan Aliran Transaksi Talam document provided by the management
- g) Various Sale and Purchase agreements
- h) Various MIB Board of Directors minutes of meetings

PNSB

- a) Confirmation of debt agreement between KHSB, PNSB, UNISEL and KNS dated 3 November 2009
- b) Assignment of debt agreement between KNS, PNSB and Talam dated 3 November 2009
- c) Audited financial statements for 2009, 2010 and 2011
- d) Extraction Agreement between PNSB and GJSB dated 26 January 1999
- e) Joint Venture Agreement (“JVA”) between PNSB and GJSB dated 15 August 2000
- f) Supplementary agreement between PNSB and GJSB dated 20 August 2008
- g) JVA between PNSB and Kenshine dated 28 September 1995
- h) Unsigned copy of Supplemental agreement between PNSB and Kenshine dated 18 September 1996

- i) Supplemental agreement between PNSB and Kenshine dated 22 June 1999
- j) JVA between SSI and Biltradex dated 16 March 1989
- k) Supplementary agreement between SSI and Biltradex dated 23 December 1991
- l) Supplementary agreement between SSI and Biltradex dated 6 January 1995
- m) Management agreement between SSI and PNSB dated 24 June 1992
- n) Power of Attorney between SSI and PNSB dated 24 June 1992
- o) Letter from Majlis Tindakan Ekonomi Selangor dated 20 November 1999 on EXCO-MTES approval to increase SSI's Entitlement from 2% to 5% of sales in relation to JV with Biltradex
- p) Sale and Purchase Agreement ("SPA") between PNSB and MBI dated 30 November 2010 on sale of Bukit Beruntung and Bestari Jaya lands
- q) Board minutes dated 3 November 2009 on approval of outstanding debts from Talam of RM28,208,066 as final settlement
- r) Various board minutes / resolutions dated 18 June 2010, 24 August 2010, 28 September 2010, 25 November 2010, 17 December 2010, 18 February 2011, 23 March 2011, 24 June 2011, 9 September 2011 and 19 December 2011 on the approval of purchase of land at Bukit Beruntung and Bestari Jaya, and the approval of Maybank loan of RM230 million
- s) Offer letter from Maybank Islamic dated 9 February 2011
- t) Summary schedule of amount owing and due by Talam totalling RM28,208,066
- u) Collection schedule on the JVA from GJSB, Kenshine and Biltradex respectively
- v) Schedule showing workings on late payment interest calculation for JVA with GJSB, Kenshine and Biltradex
- w) Valuation report from Mitra Valuers & Property Consultants Sdn Bhd dated 30 November 2009 on Bestari Jaya land
- x) Valuation report from Suleiman & Co dated 6 August 2009 on Bukit Beruntung land
- y) Memorandum of Agreement between MBI and PNSB dated 22 February 2012

KHSB

- a) Audited financial statements for the year ended 1997 to 2003
- b) Confirmation of debt between KHSB, PNSB, PIYSB and KNS dated 3 November 2009
- c) Assignment of debt arrangement between KNS, KHSB and Talam dated 3 November 2009
- d) Memorandum of Agreement between MBI and KHSB dated 30 December 2009
- e) Supplementary Settlement Agreement between MBI and Talam dated 9 April 2010
- f) Settlement Agreement between Talam and KHSB dated 17 January 2008
- g) Mode of Settlement Agreement between KHSB, Sap Holdings Berhad, Lestari Puchong, Talam and Europlus Berhad dated 30 May 2005

- h) Mode of Settlement Agreement between KHSB, SAP Holdings Berhad, Maxisegar and Talam dated 30 May 2005
- i) Mode of Settlement Agreement between KHSB, SAP Holdings Berhad, Zillion and Talam dated 30 May 2005
- j) Valuation report dated 7 July 2011 by Suleiman & Co Property Consultants Sdn Bhd in relation to three pieces of undeveloped building land under Lot No PT 2720 (Block 3), PT 2732 (Block 15), PT 2730 (Block 13), Title No HS(D) 4093, HS(D) 4105 & HS(D) 4103 respectively at Mukim Hulu Yam, Daerah Hulu Selangor
- k) Valuation report dated 16 August 2010 by Raine & Horne International Zaki + Partners Sdn Bhd in relation to a 4.8562 hectare (12 acre) parcel of land located adjacent to the south of BSI Bukit Serdang, Seri Kembangan, Mukim and District of Petaling, Selangor Darul Ehsan
- l) Compensation Agreement between SAP Holdings Berhad and Lestari Puchong dated 20 December 2000
- m) Sale and Purchase Agreement between Shah Alam Properties Berhad and Zillion dated 23 December 1994
- n) Contribution Agreement between SAP Holdings and Maxisegar dated 31 December 2002
- o) JVA between SAP Holdings and Darar Ehsan dated 2 February 2000
- p) Agreement and Power of Attorney between SAP Holdings and Abra dated 14 April 2001
- q) JVA between Ardent Development Sdn Bhd and UYH Development Sdn Bhd dated 26 May 1994
- r) JVA between SAP Holdings and Bintang Dian dated 10 October 2001
- s) JVA between SAP Holdings and PKPS and Expand Gain dated 30 May 2001 and Authorization Agreement from SAP Holdings to Expand Gain dated 30 May 2001 and Power of Attorney from SAP Holdings to Expand Gain dated 30 May 2001
- t) JVA between SAP Holdings, PKPS and Suzaba dated 30 May 2001; Power of Attorney and Authorization Agreement from SAP Holdings to Suzaba Development dated 30 May 2001
- u) Sale and Purchase Agreement between SAP Holdings and Expand Factor dated 12 April 1999

UNISEL (PIYSB)

- a) Audited financial statements of PIYSB from 2001 to 2010
- b) Privatisation agreement between KNS and Maxisegar dated 17 January 2001
- c) Supplemental agreement between KNS and Maxisegar dated 30 September 2003
- d) Settlement agreement between KDEB, Talam, Maxisegar and PIYSB dated 29 July 2005
- e) Supplemental settlement agreement between KDEB, Talam, Maxisegar and PIYSB dated 8 March 2007
- f) Loan agreement between KNS and PIYSB dated 15 June 2007.
- g) Supplemental loan agreement between KNS and PIYSB dated 4 November 2011

- h) Schedule showing payments of RM465.5 million payments by Maxisegar into the escrow and Tabung Amanah accounts of KNS
- i) Schedule of work completed by contractors on the construction of UNISEL campus
- j) Confirmation of debts agreement between Talam and KHSB, PNSB, KNS and PIYSB dated 3 November 2009
- k) MMKNS 1/2001 dated 10 January 2001

SIC

- a) Board resolution dated 2 November 2009 in relation to receivable purchase agreement between KNS and SIC, SIC to MBI and opening of CIMB accounts for advances
- b) Letter of offer from CIMB Bank Berhad dated 5 November 2009
- c) Board resolution dated 6 November 2009 in relation to changes made in receivables purchase agreement between KNS and SIC and approval of letter of undertaking for MBI to remit payment directly to CIMB
- d) Instruction letter from SIC to CIMB on drawdown of RM391,986,473 and remittance to Bendahari Negeri Selangor
- e) Receivables purchase agreement between KNS and SIC dated 6 November 2009
- f) Receivables purchase agreement between SIC and MBI dated 6 November 2009
- g) Irrecoverable letter of instruction from SIC to CIMB on short term advances by CIMB to SIC dated 6 November 2009
- h) Irrecoverable letter of instruction from MBI to CIMB in relation to remittance of money from MBI to CIMB dated 6 November 2009
- i) Irrecoverable letter of instruction from SIC to MBI to repay to CIMB for all monies owed by SIC dated 6 November 2009
- j) Letter to CIMB on fund transfer from Bendahari Negeri Selangor to MBI dated 6 November 2009
- k) CIMB Bank statement as at 11 December 2009
- l) Summary of adjustment in relation to expenses incurred on CIMB loans and management fee charged by SIC
- m) Statement of account for MBI dated 1 August 2012
- n) Audited financial statement for the year ended 31 December 2009 to 2011
- o) Debit notes to MBI for reimbursement of processing fee incurred on CIMB loans and SIC's management fee dated 12 November 2009 and 30 November 2009 respectively
- p) Supplier invoices, payment vouchers and official receipts for expenses incurred on CIMB loans



*Kerajaan Negeri Selangor
12 November 2012*

Others

- a) Audited financial statements of Talam from FY2000 to FY2012
- b) Talam Circular to Shareholders dated 15 March 2011