

STATEMENT ON INTERNAL CONTROL

PENYATA KAWALAN DALAMAN

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

The Board is pleased to include a statement on the state of the Group's internal controls in accordance with paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad's Listing Requirements and the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance").

BOARD RESPONSIBILITY

The Board recognizes the importance of maintaining a sound system of internal controls and risk management practices as well as good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing its adequacy and integrity. Such system covers not only financial controls but also controls relating to operations, risk management and compliance with applicable laws, regulations, rules, directives and guidelines.

The system of internal controls involves each operating company in the Group and its management, including the Board, and is designed to meet the Group's business objectives and to manage the risks to which it is exposed. The Board acknowledges that risks cannot be completely eliminated and the system by nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group's system of internal control does not apply to associated companies as the Board does not have control over their operations. The Group's interest in associated companies is safeguarded through Board representations and reviews of the associates' management accounts and reports as well as raising queries when necessary.

RISK MANAGEMENT

The Board affirms the importance of risk management and regards it as an integral part of the Group's business operations. During the financial year, the key risks related to the Group's strategy and business plans were reviewed and considered by the Board and Management in their evaluation of these plans. On a daily basis, the responsibility of managing risks of each business unit/department lies with the respective Heads of Business Units/Departments and Line Management. During management meetings, significant risks identified and the corresponding internal controls implemented were communicated to Senior Management. From time to time, the Board evaluated and managed the key principal risks faced by the Group through monitoring of the Group's operations, performance and profitability at its Board meetings.

INTERNAL AUDIT FUNCTION

Since its establishment, the internal audit function had conducted regular and systematic audits of the significant operations of the Company and its operating subsidiaries so as to provide reasonable assurance to the Board and Management of the Company on the adequacy and integrity of the Group's system of internal controls.

The Internal Audit function had carried out planned audits during the year and provided regular reports on the extent of compliance with internal policies, operational procedures, applicable laws and regulations. Recommendations to improve and enhance existing systems of internal controls, were communicated to the management of the respective operating units as well as the Audit Committee and Management of the holding company. Control weaknesses found, their impacts and risk exposures to the business operations, recommendations, management's responses and action plans to rectify weaknesses noted and subsequent follow up actions were presented to the Audit Committee for deliberation.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

Apart from the above, the other key elements of the Group's internal control system which are in place are as follows:-

- Delegation of authority including authorization limits at various levels of management and business units are set by the respective Boards to ensure accountability and responsibility;
- Policies and procedures manuals are documented and regularly updated when necessary and they are supplemented by operating standards set by the individual company, as required for the nature and type of business of each company;
- Regular and up-to-date information is provided to management of the respective companies for monitoring of performance against approved business plan covering both financial and operational matters;
- A detailed budgeting process is established requiring all operating companies in the Group to prepare annual budgets which are discussed and approved by their respective Boards before submitting to the holding company for review. The consolidated Group's business plan and budget is then presented to the holding company's Board for approval. Effective reporting system on actual performance of the respective companies against approved budgets is in place and their performance are reviewed by the holding company on monthly basis.
- Specific responsibilities have been delegated to the relevant Boards' committees of the respective companies, all of which have written terms of reference. These committees have authority to examine all matters within their scope of responsibility and report back to their respective Boards with their recommendations and the ultimate responsibility for the final decision on all matters lies with the entire Boards of the respective companies; and
- The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by both the internal and external auditors on the state of the internal control system. The minutes of the Audit Committee meetings are tabled to the Board of the holding company.

CONCLUSION

The Board is of the view that the system of internal control currently in place in the Group is adequate and operating satisfactorily at the current level of operations of the Group. During the current financial year to the date of this report, no significant control weaknesses were found. Some minor administrative weaknesses which were noted have been, or are being, addressed accordingly.

The Board and Management will continue to improve and enhance the system of internal control from time to time in line with changes in the operating environment of the Group.

CORPORATE GOVERNANCE STATEMENT

PENYATA URUSTADBIR KORPORAT

INTRODUCTION

The Board of Directors ("Board") of Sarawak Enterprise Corporation Berhad ("SECB") is pleased to report on the Company's application of and the extent of compliance with the principles and with best practices of the Malaysian Code on Corporate Governance as required under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

Board Responsibility

The Board is collectively responsible for the effective control of the Group. This includes the overall strategic direction, financial performance and corporate developments of the Group.

The Board subscribes to the principles of good corporate governance and as such, will always ensure that the Company and the Group achieve best practices in the conduct of the Company's and of the Group's business and operational activities.

Composition of the Board

The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors (including the Chairman), two (2) Non-Independent Non-Executive Directors and two (2) Non-independent Executive Directors. This is in compliance with the Listing Requirements of Bursa Securities which requires at least two(2) directors or one-third (1/3) of the Board of Directors, whichever is the higher to be independent directors to fairly reflect the interest of the minority shareholders. Together, the Directors have a wide range of expertise in finance, corporate affairs, business, law and public service experience contributing to successful direction of the Group.

To ensure that there is a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Chief Executive Officer has overall responsibility for the operating units, organizational effectiveness and implementation of Board policies and decisions. The independent directors fulfill a pivotal role in corporate accountability and independence in judgment to safeguard the interests of minority shareholders.

Dato'Haji Idris Bin Haji Buang is the Senior Independent Non- Executive Director to whom concerns may be conveyed.

Board Meetings

The Board meets at least four(4) times a year, with additional meetings held when decisions on urgent matters are required between scheduled meetings.

During the financial year ended 31 December 2004, the Board met nine (9) times and the record of attendance of each Director is set out below:

Name of Directors	Attendance	% of Attendance
Dato' Mohamad Taha Bin Ariffin	9/9	100
Datuk Wan Ali Tuanku Yubi	9/9	100
Dato' Chew Kong Seng	9/9	100
Datuk Fong Joo Chung	7/9	78
Datu Wilson Baya Dandot	8/9	89
Dato' Haji Idris Bin Haji Buang	7/9	78

All the Directors have complied with the minimum 50% attendance requirement at Board meetings during the financial year as stipulated by the Listing Requirements of Bursa Securities.

Supply of Information

All Board members are supplied with information in a timely manner. The agenda and issues to be discussed are prepared and circulated before each Board meeting to enable Directors to request for further information and explanation, where necessary. Certain matters like corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and financial decisions, changes in management and structure of the Group, including key policies, procedures and delegated authority limits require the specific approval of the Board.

The Directors have full access to senior management for information and assistance and the advice and services of the Company Secretary. In addition, the Directors may also seek independent professional advice, at the company's expense, if required.

Directors' Training

All Directors of the Company have successfully completed the Mandatory Accreditation Programme conducted by Bursa Sdn Bhd (formerly known as Research Institute of Investment Analysis Malaysia ("RIIAM")). The Directors will continue to attend and undergo other forum, seminars and relevant training programmes to enhance their knowledge and to better equip themselves in managing the Group.

Re-Election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors retire by rotation at each Annual General Meeting and are eligible for re-election.

BOARD COMMITTEES

The Board has delegated certain responsibilities to three (3) committees, namely, the Audit Committee, Nomination and Remuneration Committees, which operate within approved terms of reference. These Committees have authority to inter alia, examine particular issues within their terms of reference and depending on their terms of reference report back to the Board with their recommendations. The minutes of meeting of each committee are tabled for nothing/ endorsement by the Board.

Audit Committee

The terms of reference of the Audit Committee are set out in the Audit Committee Report.

Nomination Committee

The members comprised the following Directors:-

Dato' Mohamad Taha Bin Ariffin - Chairman, Independent Non-Executive Director
 Dato' Haji Idris Bin Haji Buang - Independent Non-Executive Director
 Datu Wilson Baya Dandot - Non-Independent Non-Executive Director

There was no meeting held by the Committee during the year. The functions of the Committee include recommendations of new nominees to the Board, review and assessment of the contribution of each director. The performance of each director of the Company for 2004 was reviewed and assessed by the Board.

Remuneration Committee

The members comprised the following Directors:-

Dato' Mohamad Taha Bin Ariffin - Chairman, Independent Non-Executive Director
 Dato' Haji Idris Bin Haji Buang - Independent Non-Executive Director
 Datuk Wan Ali Tuanku Yubi - Non-Independent Executive Director

The functions of the Committee include developing the remuneration policy, determining remuneration packages of the Group employees and recommending to the Board the remuneration package of the Executive Director and Senior Management.

The Committee met once during the year to discuss and consider the annual salary increment, medical and hospitalization benefits and confirmation of senior management staff.

CORPORATE GOVERNANCE STATEMENT

PENYATA URUSTADBIR KORPORAT

DIRECTORS' REMUNERATION

Details of directors' remuneration for the year ended 31 December 2004 are as follows:-

- Aggregate remuneration of Directors

	Salary/Fees RM'000	Other Emoluments (including bonus, allowances and benefits-in-kind) RM'000	Total RM'000
Executive Directors	445	246	691
Non-Executive Directors	216	—	216

- The number of Directors whose total remuneration falls within the following categories:-

Executive Directors	Salary/Fees	Bonus	Allowances	Benefits-in-kind
< RM50,000	—	2	—	1
RM50,001 - RM100,000	—	—	2	—
RM100,001 - RM150,000	1	—	—	—
RM300,001 - RM350,000	1	—	—	—

Non-Executive Directors	Salary/Fees	Bonus	Allowances	Benefits-in-kind
< RM50,000	3	—	—	—
RM50,001 - RM100,000	1	—	—	—

SHAREHOLDERS AND INVESTORS RELATIONS

The Board recognizes the importance of transparency and accountability to its shareholders. The Group communicates with its shareholders regularly through timely release of financial results on a quarterly basis, announcements on the Group's business and corporate proposals which provide shareholders with an overview of the Group's performance and operations.

The Annual General Meeting represents the principal forum for dialogue and interaction with shareholders who are encouraged to raise questions and seek clarification on the operations and financial performance of the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Board takes responsibility to present a balanced and concise assessment of the Group's and the Company's position and prospects.

Statement of Directors' Responsibility for preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year in accordance with applicable approved accounting standards such that the financial statements should give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:-

- Selected and adopted suitable accounting policies in accordance with approved applicable accounting standards in Malaysia;
- Applied consistently the adopted accounting policies;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on the going-concern basis.

The Directors are also responsible for ensuring that proper accounting records are kept and that the financial statements disclose with reasonable accuracy the financial position of the Group and the Company and are in compliance with the Companies Act, 1965.

The Directors have also taken reasonable steps to, as far as possible, prevent and detect fraud and other irregularities and to safeguard the assets of the Group and the Company.

Relationship with Auditors

The Company has a transparent arrangement with the auditors consistent with the latter's professional requirements. The auditors have from time to time highlighted to the Audit Committee and the Board matters that require the Board's attention.

The role of the Audit Committee in relation to the external auditors and the Audit Committee Report are set out on pages 25 to 28 of this Annual Report.

Statement of Internal Control

The Group's Statement of Internal Control is set out on pages 18 to 19.

ADDITIONAL COMPLIANCE INFORMATION

• Material Contracts

Save as disclosed below, there were no material contracts entered into by the Company or its subsidiaries involving directors and substantial shareholders which were either still subsisting at the end of the financial year or which were entered into since the end of the previous financial year:-

- (i) The Master Restructuring & Rationalisation Agreement dated 6 September 2004 between the State Financial Secretary ('SFS') and Sarawak Enterprise Corporation Berhad ("SECB") and Sarawak Electricity Supply Corporation ("SESCO") which sets out the details of the Proposed Restructuring And Rationalisation and also the undertakings and obligations of the parties there to for the purposes of, inter-alia, implementing and carrying out the terms of the Proposed Restructuring and Rationalisation;

CORPORATE GOVERNANCE STATEMENT

PENYATA URUSTADBIR KORPORAT

- (ii) The Conditional Share Sale Agreement ("Conditional SSA") dated 6 September 2004 between SFS and SECB for the proposed acquisition by SECB of 257,852,000 ordinary shares of RM1.00 each ("Shares") in SESCo representing 51.6% of its issued and paid-up share capital from SFS for a purchase consideration of RM1,032.0 million to be satisfied by the issuance of 418,517,544 new shares in SECB at an issue price of RM1.14 per share and 554,890,000 new SECB Redeemable Convertible Preference Shares of RM0.10 each ("SECB RCPS") at an issue price of RM1.00 per SECB RCPS. Pursuant to a Price Amendment Letter dated 24 January 2005, SECB and SFS has agreed to revise the issue price for the new SECB Shares and the conversion price of the new SECB RCPS to be issued pursuant to the proposed acquisition of SESCo under the Conditional SSA to RM1.37 (based on the 5-day Weighted Average Market Price of the SECB shares up to 29 April 2004, being the last market day prior to the suspension of trading in SECB shares on 30 April 2004) instead of RM1.14, in accordance with the requirements of Paragraphs 10.07 and 10.08 respectively of the Securities Commission Guidelines. Consequent thereto, the Proposed Acquisition of SESCo by SECB would be satisfied by issuance of 348,255,474 new shares in SECB and 554,890,000 new SECB RCPS in favour of SFS;
- (iii) The Conditional SECB Non-Core Share Sale Agreement ("Conditional SECB Non-Core SSA") dated 6 September 2004 between SECB and SFS for the proposed disposal of identified non-core assets of SECB to SFS for a total consideration of RM501,940,000 to be satisfied by way of the redemption proceeds of 501,940,000 SECB RCPS to be issued to SFS pursuant to the proposed acquisition of SESCo;
- (iv) The Supplemental SECB Non-Core Agreement dated 8 October 2004 between SECB and SFS, supplemental to the Conditional SECB Non-Core SSA, to clarify the intentions of the parties, particularly in relation to the terms of the Proposed SECB Non-Core Disposals, and the transfer of the Wisma Naim Property and the proposed transfer of Menara Sarawak Enterprise;
- (v) The Supplemental Master Agreement dated 8 October 2004 between SECB, SFS and SESCo to enable the agreed amendments between SFS and SECB pursuant to the Supplemental SECB Non-Core Agreement to be reflected in the Master Restructuring And Rationalisation Agreement;
- (Items (i), (ii), (iii), (iv) and (v) are to be collectively referred to as "Said Agreements")
- (vi) The Transfer Agreement dated 8 October 2004 between SECB and Jayalah Cemerlang Realty Sdn Bhd ("Jayalah") to transfer all that piece of land held under Geran 102261, Lot 21393, Bandar Johor Bahru, Johor together with a 30-storey office tower known as Menara Sarawak Enterprise erected thereon located at PTB 19155, No. 5 Jalan Bukit Meldrum, Tanjong Puteri, 80300 Johor Bahru to SECB or its nominated entity at an open market valuation of RM100,800,000;
- (vii) The Variation Agreement dated 15 December 2004 between SECB, SFS and SESCo to vary one of the terms of the Said Agreements ("Variation Agreement"), namely the approval to be sought and obtained by SFS from SC for a waiver from the obligation to extend a conditional MGO pursuant to Part II Section 6 of the Take-Over Code to acquire all the remaining Shares in Celcom Timur (Sarawak) Sdn Bhd ("Celcom Timur") and Curtin (Malaysia) Sdn Bhd ("Curtin") not already owned by SFS and party acting in concert with it, namely the Sarawak State Government, after the Proposed Non-Core Disposals under Practice Note 2.9.6 of the Take-Over Code, being an exemption on the basis that the remaining holders of voting shares of Curtin and Celcom Timur have given written undertakings not to accept the offer by SFS. This is to accommodate the waiver to be sought by SFS and party acting in concert with it, namely the Sarawak State Government from having to extend a conditional MGO for all the remaining Shares in Celcom Timur (Sarawak) Sdn Bhd not already owned by SFS and party acting in concert with it, namely the Sarawak State Government after the Proposed Non-Core Disposals on the basis of Practice Note 2.9.7 of the Take-Over Code instead;

• Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management by the regulatory authorities.

• Non-Audit Fees

Non-audit fees of RM1,283,710 were paid to the external auditors for the financial year ended 31 December 2004.

• Revaluation Policy on Landed Properties

The Group does not have a revaluation policy on landed properties.

AUDIT COMMITTEE REPORT

LAPORAN JAWATANKUASA AUDIT

Activities of The Audit Committee

The Committee met six (6) times during the financial year ended 31 December 2004 and details of attendance of each member at the Committee meetings held during the period are as follows:-

Committee Members	Attendance	% of Attendance
Dato' Haji Idris Bin Haji Buang	6/6	100
Dato' Mohamad Taha Bin Ariffin	6/6	100
Dato' Chew Kong Seng	6/6	100

During the financial year ended 31 December 2004, the Committee had carried out the following activities:-

- (a) Reviewed the quarterly financial results and the year-end financial statements as well as appropriate announcements before recommending them to the Board;
- (b) Reviewed the adequacy of disclosure of related party transactions entered into by the Company and the Group;
- (c) Reviewed the Audit Committee Report and Statement on Internal Control for inclusion in the Annual Report;
- (d) Reviewed and discussed the internal audit reports with the internal auditors, especially with regard to the issues raised, audit recommendations and management's response. Where necessary, the Audit Committee has directed action to be taken by Management to rectify and improve the system of internal controls and procedures;
- (e) Reviewed and discussed the annual audited financial statements, audit memorandum, issues with external auditors and Management's response to all pertinent issues and findings raised and noted by the external auditors during their audit of the accounts, together with recommendations in respect of their findings;
- (f) Tabled the minutes of Audit Committee Meetings to the Board for noting, and for further direction by the Board, where necessary; and
- (g) Discussed and approved the confirmation of the Head of Internal Audit and an Internal Audit Executive.

Internal Audit Function

The internal audit function is guided by the Internal Audit Charter and the Internal Audit Unit reports to the Audit Committee of the Board of Sarawak Enterprise Corporation Berhad. Internal Audit's main function is to assist the Audit Committee in discharging its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls in the Group.

During the financial year, audit assignments, namely compliance and operational audits were carried out on the Company and its operating subsidiaries. Areas audited include, inter alia, treasury, assets management, inventory controls, taxation, credit control, human resource/payroll and procurement & tendering. These assignments were carried out in accordance with the audit plan. The reports on the assignments undertaken were presented to the Audit Committee and forwarded to the management concerned for attention and necessary action. Internal Auditors also reviewed related party transactions entered into by the Group and the Company's application of the principles and extent of compliance with Best Practices of the Code on Corporate Governance as required under the Listing Requirements of Bursa Malaysia Securities Berhad.

Upon completion of the audits, the internal auditors conducted follow up reviews on the status of implementation of audit recommendations and management agreed action plans to ensure that all internal control issues have been duly addressed by the management concerned.

Internal auditors also work closely with the external auditors to resolve any internal control issues as raised by them to ensure that significant issues are duly acted upon by the management concerned.

AUDIT COMMITTEE REPORT

LAPORAN JAWATANKUASA AUDIT

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition of The Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2004 comprised the following Directors:

1. Dato' Haji Idris Bin Haji Buang
(Independent Non-Executive Director) - Chairman
2. Dato' Mohamad Taha Bin Ariffin
(Independent Non-Executive Director) - Member
3. Dato' Chew Kong Seng
(Non-Independent Executive Director) - Member

2. Policy

The Audit Committee was established by a resolution of the Board of Sarawak Enterprise Corporation Berhad on 30 July 1994 and its establishment is to ensure that the internal and external audit functions are properly conducted, and that audit recommendations are being carried out effectively by all subsidiaries of the Sarawak Enterprise Corporation Berhad Group.

3. Objectives

The objectives of the Committee are:

- (a) To comply with Chapter 15 Part C of the Listing Requirements of the Bursa Malaysia Securities Berhad;
- (b) To relieve the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities, and yet ensure that audit findings are brought up to the highest level for consideration.

4. Membership

The members of the Committee shall be appointed by the Board of Directors from amongst their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- (a) the Committee shall be comprised of no fewer than three (3) members, of whom a majority shall be independent directors of the Company;
- (b) at least one member of the Committee must be a member of the Malaysian Institute of Accountants or a member who fulfils the requirements as per Paragraph 15.10(1)(c)(ii) of the Listing requirements of Bursa Malaysia Securities Berhad;
- (c) the members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director; and
- (d) no alternate director shall be appointed as a member of the Committee.

5. Authority

The Committee shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- (a) have the authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

6. Duties and Responsibilities

The duties and responsibilities of the Committee shall be:

- (1) to review the following and report the same to the Board of Directors:
 - a) with the external auditors, the audit plan;
 - b) with the external auditors, their evaluation of the system of internal controls;
 - c) with the external auditors, their audit report;
 - d) the assistance given by the employees of the Company to the external auditors;
 - e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - f) the internal audit programs, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g) the quarterly results and year-end financial statements, prior to the approval of the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with applicable accounting standards and other legal requirements;
 - h) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises question of management integrity;
 - i) any letter of resignation from the external auditors of the Company; and
 - j) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- (2) to recommend the nomination of a person or persons as external auditors.
- (3) to carry out any other functions as may be determined by the Board of Directors.

AUDIT COMMITTEE REPORT

LAPORAN JAWATANKUASA AUDIT

7. Meetings and Reporting Procedures

- (a) The Audit Committee shall meet as often as the Chairman of the Committee deems necessary but not less than four (4) times a year.
- (b) In order to form a quorum in respect of a meeting of the Audit Committee, the majority of members of the Committee present at the meeting must be Independent Directors.
- (c) The Chairman of the Committee shall be entitled, where appropriate, to invite any person(s) to attend meetings of the Committee.
- (d) The Secretary of the Committee shall be responsible for:
 - (i) sending out notices of meetings; and
 - (ii) preparing and keeping minutes of meetings.
- (e) The minutes of the Committee's meeting are to be extended to the Board of Directors.

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DIRECTORS' REPORT

LAPORAN PARA PENGARAH

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associates consist of:

- a) investment holding
- b) generation, transmission, distribution and sale of electricity
- c) manufacture, fabrication, galvanising and sale of steel structures
- d) property holding and development, construction and realty
- e) manufacturing and trading of plastic packaging products
- f) computer software development
- g) provision of integrated circuit design services, intellectual property licensing and operation support.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit before taxation	75,610	43,537
Taxation	(32,634)	(17,077)
Profit after taxation	42,976	26,460
Minority interests	(5,044)	-
Net profit for the year	37,932	26,460

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statements of Changes in Equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the financial statements.

Dividends

During the financial year, the Company paid a final dividend of 1.5 sen per share less tax at 28%, amounting to RM12,638,953, in respect of the previous financial year.

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004, of 1.5 sen less 28% taxation on 1,170,273,425 ordinary shares, amounting to a total dividend of RM12,638,953 (1.08 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohamad Taha Bin Ariffin - Chairman

Datuk Wan Abdul Kadir @ Wan Ali Bin Wan Yubi @ Tuanku Yubi

Dato' Haji Idris Bin Haji Buang

Datuk Fong Joo Chung

Datu Wilson Baya Dandot

Dato' Chew Kong Seng @ Chew Kong Huat

In accordance with Article 82 of the Company's Articles of Association, Datuk Wan Abdul Kadir @ Wan Ali Bin Wan Yubi @ Tuanku Yubi and Datu Wilson Baya Dandot retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

Directors' interests

None of the directors in office at the end of the financial year had any interest in shares, warrants or options in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to amounts which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
- (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

LAPORAN PARA PENGARAH

Other statutory information (cont'd.)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events/events subsequent to balance sheet date

- (a) On 6 May 2004, Sarawak Enterprise Corporation Berhad ("SECB" or "the Company") entered into a Memorandum of Understanding with the State Financial Secretary, Sarawak ("SFS"), the controlling shareholder of the Company, with respect to a proposed restructuring and rationalisation exercise involving the Company, SFS and its 45% owned associate, Sarawak Electricity Supply Corporation ("SESCO").

On 7 September 2004, the Company, SFS and SESCO entered into an agreement setting out the details of the proposed restructuring and rationalisation exercise ("Master Restructuring And Rationalisation Agreement"). In conjunction with the proposed restructuring and rationalization exercise, the Company has also proposed to undertake a capital restructuring exercise.

The details of the proposed restructuring and rationalisation and capital restructuring exercise are as follows:

- (i) Proposed acquisition by SECB of 257,852,000 Ordinary Shares of RM1.00 each ("Shares") in SESCO, a 45% associated company of SECB, representing approximately 51.6% of its issued and paid-up share capital, from the SFS for a purchase consideration of RM1,032.0 million to be satisfied by the issuance of 348,255,474 new shares in SECB at an issue price of RM1.37 per share and 554,890,000 new SECB Redeemable Convertible Preference Shares of RM0.10 each ("SECB RCPS") at an issue price of RM1.00 per SECB RCPS ("**Proposed Acquisition of SESCO**");
- (ii) Proposed disposal of identified non-core assets of SECB to SFS for a total consideration of RM501,940,000 to be satisfied by way of the redemption proceeds of 501,940,000 SECB RCPS to be issued to SFS pursuant to the Proposed Acquisition of SESCO;
- (iii) Proposed disposal of identified non-core assets of SESCO to SFS for a total consideration of RM52,950,000 to be satisfied by way of the redemption proceeds of 52,950,000 SECB RCPS to be issued to SFS pursuant to the Proposed Acquisition of SESCO;

[Items (ii) and (iii) to be collectively referred to as "**Proposed Non-Core Disposals**"]

- (iv) Proposed waiver to SFS and party acting in concert with it, namely the State Government of Sarawak, from the obligation to extend a conditional Mandatory General Offer ("MGO") for all the remaining shares not already owned by them in Curtin (Malaysia) Sdn. Bhd. and Celcom Timur (Sarawak) Sdn. Bhd. respectively after the Proposed Non-Core Disposals;
- (v) Proposed Corporatisation and Privatisation of SESCO pursuant to the Sarawak Electricity Supply Corporation (Successor Company) Ordinance, 2004 upon completion of the Proposed Acquisition of SESCO and the Proposed Non-Core Disposals ("**Proposed Corporatisation And Privatisation**");

Significant events/events subsequent to balance sheet date (cont'd.)

(vi) Proposed unconditional MGO by SECB to acquire all the remaining shares not already owned by SECB in the company incorporated under The Companies Act, 1965 ("Act") for purposes of the Proposed Corporatisation and Privatisation ("**Proposed MGO**");

[Items (i), (ii), (iii), (iv), (v) and (vi) to be collectively referred to as "**Proposed Restructuring and Rationalisation**"]

(vii) Proposed setting-off of impairment value of approximately RM208 million against the share premium reserves of SECB pursuant to the Proposed Non-Core Disposals ("**Proposed Investment Set-Off**");

(viii) Proposed writing-off of goodwill of approximately RM946 million arising from the premium on acquisition for the 45% equity interest in SESCo previously acquired by SECB, the Proposed Acquisition of SESCo and the Proposed MGO ("**Proposed Goodwill Write-Off**");

[Items (vii) and (viii) to be collectively referred to as "**Proposed Capital Restructuring**"]

(ix) Proposed increase in the authorised share capital of the Company from RM1.5 billion to RM3.0 billion by the creation of an additional 1.4 billion new shares and 1.0 billion new redeemable convertible preference shares of RM0.10 each; and

(x) Proposed amendments to the Articles of Association of the Company.

The Proposed Restructuring and Rationalisation and Proposed Capital Restructuring were approved by the relevant authorities by 17 March 2005 and by the shareholders of the Company at an Extraordinary General Meeting held on 14 April 2005. The High Court of Sabah and Sarawak ("the High Court") has by an order made on 25 April 2005, inter-alia, confirmed the special resolution of the Company passed at the Extraordinary General Meeting held on 14 April 2005 to reduce the Company's share premium account by an amount of approximately RM208 million being the difference between the carrying and agreed disposal values, pursuant to the Proposed SECB Non-Core Disposals, in accordance with the provisions of Sections 60(2) and 64 of the Companies Act, 1965. The reduction in the share premium account has been effected in the financial statements of the Group and of the Company as at 31 December 2004.

The Proposed Restructuring and Rationalisation and Proposed Capital Restructuring are expected to be fully implemented by the end of the second quarter of 2005.

(b) On 8 October 2004, the Company and one of its wholly-owned subsidiaries, Jayalah Cemerlang Realty Sdn. Bhd. ("JCR"), entered into an agreement to transfer its 30-storey building, Menara Sarawak Enterprise ("MSE"), located in Johor, to the Company or its nominated entity at the open market value of RM100,800,000 which was derived based on the valuation dated 4 October 2004 by a firm of independent valuers, Messrs Colliers, Jordan Lee & Jaafar (JH) Sdn. Bhd., using the Comparison Method of valuation.

The proposed transfer of MSE which was approved by the relevant authority vide its letters dated 27 October 2004 and 8 December 2004 respectively, is expected to be completed in the second quarter of 2005.

Controlling shareholder

The Directors regard the State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak, as the controlling shareholder of the Company.


DIRECTORS' REPORT

LAPORAN PARA PENGARAH


Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors



Dato' Mohamad Taha Bin Ariffin
Chairman



**Datuk Wan Abdul Kadir @ Wan Ali
Bin Wan Yubi @ Tuanku Yubi**
Chief Executive Officer

Kuching, Malaysia
Date: 27 April 2005

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

PENYATA PARA PENGARAH DAN AKUAN BERKANUN

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, **Dato' Mohamad Taha Bin Ariffin and Datuk Wan Abdul Kadir @ Wan Ali Bin Wan Yubi @ Tuanku Yubi**, being two of the directors of **Sarawak Enterprise Corporation Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 80 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors



Dato' Mohamad Taha Bin Ariffin
Chairman



**Datuk Wan Abdul Kadir @ Wan Ali
Bin Wan Yubi @ Tuanku Yubi**
Chief Executive Officer

Kuching, Malaysia
Date: 27 April 2005

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965


I, **Lee Meng Soon**, being the person primarily responsible for the financial management of **Sarawak Enterprise Corporation Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



Lee Meng Soon

Subscribed and solemnly declared by the
abovenamed **Lee Meng Soon**
at Kuching in the State of Sarawak
on 27 April 2005

Before me,



CHUA HIAN CHONG PPNL PPT
Commissioner For Oaths
Lot 418, (1st Floor)
Lorong 1, Off Rubber Road,
93400 Kuching, Sarawak.



AUDITORS' REPORT

LAPORAN JURUAUDIT

Report of the Auditors to the Member of Sarawak Enterprise Corporation Berhad

We have audited the financial statements set out on pages 37 to 80. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
- (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.



ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuching, Malaysia
Date: 27 April 2005



YONG VOON KAR
1769/04/06 (J/PH)
Partner

INCOME STATEMENTS

for the year ended 31 December 2004

PENYATA PENDAPATAN

bagi tahun berakhir 31 Disember 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	220,800	265,060	79,433	48,658
Cost of sales		(136,416)	(171,654)	-	-
Gross profit		84,384	93,406	79,433	48,658
Other operating income		7,743	5,428	-	3
Selling and distribution expenses		(315)	(367)	-	-
Administrative expenses		(8,683)	(7,456)	(3,203)	(2,582)
Other operating expenses		(40,388)	(10,148)	(12,134)	(1,526)
Impairment in value of investment in					
- a subsidiary		-	-	(12,123)	-
- associates		(55,545)	-	(8,435)	-
- others		(127)	-	-	-
(Provision)/write-back on provision for diminution in value of investment in unquoted irredeemable convertible unsecured loan stocks		-	(64,900)	-	18,700
(Loss)/profit from operations		(12,931)	15,963	43,538	63,253
Finance costs	4	(18,127)	(21,098)	(1)	(18)
Share of results of associates		106,668	107,134	-	-
Profit before taxation	5	75,610	101,999	43,537	63,235
Taxation	6	(32,634)	(23,624)	(17,077)	(11,735)
Profit after taxation		42,976	78,375	26,460	51,500
Minority interests		(5,044)	(10,061)	-	-
Net profit for the year		37,932	68,314	26,460	51,500
Earnings per ordinary share (sen) - basic	7	3.2	5.8		
Dividends per share (sen) Proposed	8	1.5	1.5	1.5	1.5

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

as at 31 December 2004

KUNCI KIRA-KIRA

pada 31 Disember 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-current assets					
Property, plant and equipment	9	488,446	511,211	21,302	21,137
Investment in subsidiaries	10	-	-	125,185	143,341
Investment in associates	11	1,709,406	1,730,053	1,395,400	1,403,835
Other investments	12	456,342	575,879	456,177	575,587
Amounts due from subsidiary companies	13	-	-	363,768	374,204
Trade receivables	17	40,595	46,092	-	-
Other receivable	18	-	62,014	-	62,014
Goodwill on consolidation	14	-	15,539	-	-
Current assets					
Inventories	15	26,766	23,861	-	-
Development properties	16	100,273	104,560	-	-
Trade receivables	17	21,198	17,316	-	-
Other receivables	18	4,503	7,232	368	1,702
Amounts due from associates		13,370	13,607	-	-
Amounts due from subsidiary companies	13	-	-	1,798	2,110
Short-term deposits	19	147,448	101,319	89,639	49,187
Cash and bank balances		12,719	15,874	1,586	1,717
		<u>326,277</u>	<u>283,769</u>	<u>93,391</u>	<u>54,716</u>
Current liabilities					
Trade payables	20	18,206	14,909	-	-
Other payables	21	20,923	7,415	8,585	775
Short-term borrowings	22	55,180	49,273	1,000	-
Amounts due to subsidiary companies	13	-	-	31,081	31,081
Current tax liability		193	145	58	-
Loans from an associate	23	3,277	4,200	-	-
		<u>97,779</u>	<u>75,942</u>	<u>40,724</u>	<u>31,856</u>
Net current assets		<u>228,498</u>	<u>207,827</u>	<u>52,667</u>	<u>22,860</u>
		<u>2,923,287</u>	<u>3,148,615</u>	<u>2,414,499</u>	<u>2,602,978</u>
Financed by:					
Share capital	24	1,170,273	1,170,273	1,170,273	1,170,273
Reserves	25	1,491,737	1,674,516	1,221,137	1,415,388
Shareholders' equity		<u>2,662,010</u>	<u>2,844,789</u>	<u>2,391,410</u>	<u>2,585,661</u>
Minority interests		90,004	84,960	-	-
Deferred and long-term liabilities	26	171,273	218,866	23,089	17,317
		<u>2,923,287</u>	<u>3,148,615</u>	<u>2,414,499</u>	<u>2,602,978</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2004

PENYATA PERUBAHAN DALAM EKUITI bagi tahun berakhir 31 Disember 2004

Note	Share capital RM'000	Non-distributable			Distributable		Total RM'000
		Share premium RM'000	Capital reserves RM'000	Capital redemption reserve RM'000	General reserves RM'000	Retained profits RM'000	
Group							
At 1 January 2003	1,170,273	844,505	233,464	17,639	56,984	466,249	2,789,114
Net profit for the year	-	-	-	-	-	68,314	68,314
Dividend	-	-	-	-	-	(12,639)	(12,639)
Transfer to capital reserves-associate	-	-	77,865	-	-	(77,865)	-
Transfer to general reserves-associate	-	-	-	-	5,306	(5,306)	-
At 31 December 2003	1,170,273	844,505	311,329	17,639	62,290	438,753	2,844,789
Share premium reduction	32(a)	(208,072)	-	-	-	-	(208,072)
Net profit for the year	-	-	-	-	-	37,932	37,932
Dividend	-	-	-	-	-	(12,639)	(12,639)
Transfer to capital reserves-associate	-	-	44,654	-	-	(44,654)	-
Transfer to general reserves-associate	-	-	-	-	31,857	(31,857)	-
At 31 December 2004	1,170,273	636,433	355,983	17,639	94,147	387,535	2,662,010

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2004

PENYATA PERUBAHAN DALAM EKUITI bagi tahun berakhir 31 Disember 2004

	Note	Share capital RM'000	Non-distributable			Distributable		Total RM'000
			Share premium RM'000	Capital reserves RM'000	Capital redemption reserve RM'000	General reserves RM'000	Retained profits RM'000	
Company								
At 1 January 2003		1,170,273	844,505	123,000	17,639	5,000	386,383	2,546,800
Net profit for the year		-	-	-	-	-	51,500	51,500
Dividend		-	-	-	-	-	(12,639)	(12,639)
At 31 December 2003		1,170,273	844,505	123,000	17,639	5,000	425,244	2,585,661
Share premium reduction	32(a)	-	(208,072)	-	-	-	-	(208,072)
Net profit for the year		-	-	-	-	-	26,460	26,460
Dividend		-	-	-	-	-	(12,639)	(12,639)
At 31 December 2004		1,170,273	636,433	123,000	17,639	5,000	439,065	2,391,410

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS for the year ended 31 December 2004

PENYATA ALIRAN TUNAI bagi tahun berakhir 31 Disember 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from operating activities				
Profit before taxation	75,610	101,999	43,537	63,235
Adjustments for:				
Depreciation of property, plant and equipment	31,103	30,962	404	366
Dividend income	(165)	(165)	(56,415)	(22,665)
(Gain)/loss on disposal of property, plant and equipment	(19)	10	-	-
Goodwill written-off	15,539	-	-	-
Impairment of development properties	4,287	-	-	-
Impairment in value of investment in				
- a subsidiary	-	-	12,123	-
- associates	55,545	-	8,435	-
- others	127	-	-	-
Interest expenses	1,112	1,381	1	18
Interest income	(29,860)	(26,465)	(23,018)	(25,993)
Profit payments on BaIDS	16,952	19,632	-	-
Provision for doubtful debts less provision no longer required	943	405	-	-
Provision/(write-back) for slow-moving inventories and inventories obsolescence	371	(140)	-	-
Provision/(write-back) in value of investment in				
- unquoted irredeemable convertible unsecured loan stocks	-	64,900	-	(18,700)
Share of results of associates	(106,668)	(107,134)	-	-
Unrealised loss on foreign exchange	20	34	-	-
Operating profit/(loss) before working capital changes	64,897	85,419	(14,933)	(3,739)
Development properties	-	21,342	-	-
Inventories	(3,276)	264	-	-
Receivables	2,819	(55,712)	(74)	595
Payables	10,897	2,053	7,810	(1,617)
Amount due from subsidiaries	-	-	10,748	(30,914)
Amount due from associates	237	(1,351)	-	-
Deferred charges	-	320	-	-
Cash from/(used in) operations	75,574	52,335	3,551	(35,675)
Interest paid	(1,112)	(1,381)	(1)	(18)
Taxes paid	(644)	(1,461)	(580)	(1,350)
Taxes refunded	3,893	-	3,892	-
Net cash from/(used in) operating activities	77,711	49,493	6,862	(37,043)

CASH FLOW STATEMENTS for the year ended 31 December 2004

PENYATA ALIRAN TUNAI bagi tahun berakhir 31 Disember 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(8,596)	(7,444)	(569)	(2,385)
Subscription of additional shares in associate	-	(3,885)	-	-
Interest received	8,419	4,141	2,403	5,378
Dividend received	43,264	18,209	43,264	18,209
Proceeds from disposal of property, plant and equipment	277	2	-	-
Net cash from investing activities	43,364	11,023	45,098	21,202
Cash flows from financing activities				
Loan from an associate	-	8,000	-	-
Dividend paid	(12,639)	(12,639)	(12,639)	(12,639)
Drawdown of bank borrowings	1,000	-	1,000	-
Repayment of bank borrowings	(485)	(6,713)	-	-
Drawdown/(repayment) of bills payable	350	(4,233)	-	-
Repayment of finance lease payables	-	(140)	-	(104)
Profit payments on BalDS	(17,081)	(19,746)	-	-
Repayment of BalDS	(47,000)	(45,000)	-	-
Repayment of loan from an associate	(2,239)	(2,700)	-	-
Net cash used in financing activities	(78,094)	(83,171)	(11,639)	(12,743)
Net increase/(decrease) in cash and cash equivalents	42,981	(22,655)	40,321	(28,584)
Cash and cash equivalents at the beginning of the year	117,186	139,841	50,904	79,488
Cash and cash equivalents at the end of the year	160,167	117,186	91,225	50,904
Cash and cash equivalents are analysed as follows:				
Short-term deposits	147,448	101,319	89,639	49,187
Cash and bank balances	12,719	15,874	1,586	1,717
Bank overdrafts	-	(7)	-	-
	160,167	117,186	91,225	50,904

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

1. Corporate information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are described in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 1st Floor Wisma Naim, Lot 2679 Rock Road, 93200 Kuching.

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2005.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the valuation of a landed property (unless as otherwise indicated in the significant accounting policies).

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2004, the Group and the Company adopted the following Malaysian Accounting Standard Board (MASB) Standard for the first time:

MASB 32 Property Development Activities

The adoption of MASB 32 has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

2. Significant accounting policies (cont'd.)

(b) Basis of consolidation (cont'd.)

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

The premium on acquisition represents the difference between the consideration paid for the shares in the associates and the value of attributable net assets acquired. Premium on acquisition is not amortised but write-offs are made where in the opinion of the Directors, a permanent diminution in value has occurred.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets less liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is not amortised but write-offs are made where in the opinion of the directors, a permanent diminution in value has occurred. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

(d) Investments in subsidiaries and associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

On disposal of such investments the differences between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

Dividend income from investments in subsidiaries and associates is accounted for in the Company's income statement as and when received.

(e) Other investments

Other investments are held on a long-term basis. These are shown at cost unless in the opinion of the directors, there is a permanent diminution in value in which case provision is made for the diminution in value.

Dividend income arising on these investments is taken to the income statement as and when received.

2. Significant accounting policies (cont'd.)

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

No depreciation is provided on property, plant and equipment until it is put into use.

Long-term leasehold land and capital work-in-progress are not depreciated. Short-term leasehold land is depreciated over the period of the respective lease terms. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost over the estimated useful life at the following annual rates:

Buildings	- 2% to 4%
Furniture, fittings, equipment and others	- 6.67% to 50%
Motor vehicles	- 10% to 20%
Plant and machinery	- 4% to 10%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Capital work-in-progress includes all direct expenses. Interest incurred on borrowings relating to work-in-progress is capitalised until the property, plant and equipment are ready for their intended use.

(g) Inventories and work-in-progress

Inventories are stated at the lower of cost and net realisable value.

Raw materials are stated at cost which includes the actual cost of purchase and incidentals in bringing the raw materials to their present condition and location and are determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. In arriving at the net realisable value, due provision is made for obsolete and slow moving items.

Work-in-progress and finished goods include cost of materials, direct labour and an appropriate proportion of fixed and variable factory overheads.

(h) Development properties

Development properties comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. However, the book value of the development property in the financial statements includes freehold land which is stated at valuation when previously held as property, plant and equipment less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The state of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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2. Significant accounting policies (cont'd.)

(i) Construction contract

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(j) Foreign currencies transactions

Transactions denominated in foreign currencies are recorded in Ringgit Malaysia at the rate of exchange ruling on the dates of transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated to Ringgit Malaysia at the prevailing rates of exchange on the balance sheet date. All exchange differences thus arising are dealt with in the income statement.

The principal exchange rates concerned ruling at balance sheets date used are as follows:

	2004	2003
	RM	RM
1 Euro Dollar	5.17	-
1 Australian Dollar	2.96	2.89
1 United States Dollar	3.82	3.82
100 Philippine Peso	6.77	6.95

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(l) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

2. Significant accounting policies (cont'd.)

(l) Leases (cont'd.)

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(f).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(m) Cash and cash equivalents

Cash comprises cash on hand, deposits held at call with banks, bank overdrafts and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Cash Flow Statements, cash and cash equivalents include cash and bank balances, short-term deposits and bank overdrafts.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sales of electricity

Capacity charges and energy payments in relation to the sale of energy are recognised on an accrual basis.

(ii) Sales of goods

Income from sales of goods is recognised when the goods are delivered and invoiced.

(iii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Construction contract

Revenue from construction contract is accounted for by the stage of completion method as described in Note 2(i).

(vi) Revenue from maintenance charges and rental income

Revenue from maintenance charges and rental income is recognised on an accrual basis.

(vii) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2(h).

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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2. Significant accounting policies (cont'd.)

(o) Impairment of assets

At each balance sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the assets and settle the liabilities simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

2. Significant accounting policies (cont'd.)

(q) Financial Instruments (cont'd.)

(iv) Equity instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transactions which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

Dividends on ordinary shares are recognised in the period in which they are declared.

3. Revenue

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Construction contract	378	57,615	-	-
Dividend income	165	165	56,415	22,665
Interest income	27,486	24,248	23,018	25,993
Sales of electricity	166,635	152,850	-	-
Manufacturing, fabrication, galvanising and sale of steel structures	24,022	28,855	-	-
Others	2,114	1,327	-	-
	<u>220,800</u>	<u>265,060</u>	<u>79,433</u>	<u>48,658</u>

4. Finance costs

Bank charges and commission	63	85	-	-
Bankers acceptance and trust receipts interest	71	109	-	-
Lease interest	-	-	-	4
Overdraft interest	25	22	-	-
Profit payments on BaLDS	16,952	19,632	-	-
Revolving credit interest	1	14	1	14
Term loan interest	1,015	1,236	-	-
	<u>18,127</u>	<u>21,098</u>	<u>1</u>	<u>18</u>

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

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5. Profit before taxation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) This is stated:				
After charging:				
Auditors' remuneration				
- statutory audits				
current year	102	100	51	51
underprovision in prior years	1	1	-	1
- other services				
current year	875	-	875	-
underprovision in prior year	10	-	10	-
Depreciation of property, plant and equipment	31,103	30,962	404	366
Directors' remuneration	1,463	1,375	907	879
Goodwill on consolidation written-off	15,539	-	-	-
Hire of plant and machinery	22	33	-	-
Impairment of development properties	4,287	-	-	-
Impairment in value of investment in				
- a subsidiary	-	-	12,123	-
- associates	55,545	-	8,435	-
- others	127	-	-	-
Interest expenses				
- bank borrowings	118	357	1	14
- leases	-	5	-	4
- others	994	1,019	-	-
Loss on disposal of property, plant and equipment	-	10	-	-
Loss on foreign exchange				
- realised	-	15	-	-
- unrealised	20	34	-	-
Profit payments on BalDS	16,952	19,632	-	-
Provision for diminution in value of investment in unquoted irredeemable convertible unsecured loan stocks	-	64,900	-	-
Provision for doubtful debts less provision no longer required	943	405	-	-
Provision for slow-moving inventories and inventories obsolescence	371	-	-	-
Rental of land and building	1,341	1,116	482	360

5. Profit before taxation (cont'd.)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
After crediting:				
Dividends (gross)				
- unquoted associate	-	-	56,250	22,500
- other investments				
- quoted	165	165	165	165
Gain on disposal of property, plant and equipment	19	-	-	-
Interest income				
- subsidiary companies	-	-	532	3,454
- fixed deposits	4,244	4,105	1,871	1,924
- others	25,616	22,360	20,615	20,615
Rental income	1,843	1,204	-	-
Write-back on provision for diminution in value of unquoted irredeemable convertible unsecured loan stocks	-	-	-	18,700
Write-back on provision for inventories obsolescence	-	140	-	-
Directors' remuneration				
Directors of the Company				
Emoluments	641	620	641	620
Fees	295	295	216	216
Benefits-in-kind	50	43	50	43
	986	958	907	879
Other directors				
Emoluments	387	320	-	-
Fees	90	97	-	-
	477	417	-	-
	1,463	1,375	907	879

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

5. Profit before taxation (cont'd.)

Directors' remuneration (cont'd.)

The number of Directors of the Company whose total remuneration falls within the following categories:

Executive Directors	Salary/Fees	Bonus	Allowances	Benefit-in-kind
<RM50,000	-	2	-	1
RM50,001 - RM100,000	-	-	2	-
RM100,001 - RM150,000	1	-	-	-
RM300,001 - RM350,000	1	-	-	-

Non-executive Directors				
<RM50,000	3	-	-	-
RM50,001 - RM100,000	1	-	-	-

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
(b) Employee information				
Salaries, wages and bonus	12,249	11,011	2,011	1,542
Provident fund contributions	1,284	1,231	287	221
Social security organisation contributions	105	105	7	6
Other staff related expenses	20	25	6	4
	<hr/>	<hr/>	<hr/>	<hr/>
Total staff costs (including executive directors)	13,658	12,372	2,311	1,773
	<hr/>	<hr/>	<hr/>	<hr/>
	2004	2003	2004	2003
Number of employees at the end of the year	455	449	32	29
	<hr/>	<hr/>	<hr/>	<hr/>

6. Taxation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income tax:				
Tax expense for the year	524	1,568	13,576	5,962
Overprovided in prior years	(2,286)	(36)	(2,271)	-
	<u>(1,762)</u>	<u>1,532</u>	<u>11,305</u>	<u>5,962</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 26(iii))	5,772	(1,274)	5,772	5,773
Share of taxation of associates	28,624	23,366	-	-
	<u>32,634</u>	<u>23,624</u>	<u>17,077</u>	<u>11,735</u>

Income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated chargeable income for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2004 RM'000	2003 RM'000
Group		
Profit before taxation	<u>75,610</u>	<u>101,999</u>
Taxation for first RM500,000 (2003: RM100,000) at tax rate of 20%	(108)	(25)
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	21,171	28,595
Effect of expenses not deductible for tax purposes	36,002	22,346
Effect of income not subject to tax	(11,948)	(7,192)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(10,589)	(7,758)
Effect of utilisation of deferred tax asset arising during the year	(643)	(10,838)
Deferred tax assets not recognised during the year	155	677
Overprovision of taxation in prior years	(1,406)	(2,181)
Tax expense for the year	<u>32,634</u>	<u>23,624</u>

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

6. Taxation (cont'd.)

	2004 RM'000	2003 RM'000
Company		
Profit before taxation	<u>43,537</u>	<u>63,235</u>
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	12,190	17,706
Expenses not deductible for tax purposes	9,804	1,156
Income not subject to tax	(2,646)	(7,127)
Overprovision of taxation in prior years	<u>(2,271)</u>	<u>-</u>
Tax expense for the year	<u>17,077</u>	<u>11,735</u>

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax losses are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous years	1,294	1,503	-	-
Unutilised tax losses carried forward	<u>10,874</u>	<u>13,670</u>	<u>3,351</u>	<u>3,351</u>
Unabsorbed capital allowances carried forward	<u>133,067</u>	<u>131,635</u>	<u>294</u>	<u>294</u>
Unutilised reinvestment allowances carried forward	<u>7,681</u>	<u>8,297</u>	<u>-</u>	<u>-</u>
Unutilised investment allowances carried forward	<u>458,690</u>	<u>458,690</u>	<u>-</u>	<u>-</u>

6. Taxation (cont'd.)

As at 31 December 2004, the deferred tax assets are not recognised as the availability of future taxable profit (against which the unutilised tax losses, unabsorbed capital allowances, reinvestment allowances and investment allowances may be absorbed) cannot be determined with certainty.

In year 2003, a subsidiary of the Group had been granted an investment incentive (Investment Allowance) following the approval of the Approved Service Project Status under Schedule 7B of the Income Tax Act, 1967.

7. Earnings per share - basic

Basic earnings per share is calculated based on the consolidated profit attributable to shareholders of the Company of RM37,932,251(2003: RM68,313,862) on 1,170,273,425 ordinary shares (2003: 1,170,273,425) in issue during the year.

8. Dividend

	Group and Company	
	2004	2003
	RM'000	RM'000
Proposed final dividend of 1.5 sen (2003: 1.5 sen) per share less tax at 28%	<u>12,639</u>	<u>12,639</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004, of 1.5 sen less 28% taxation on 1,170,273,425 ordinary shares, amounting to a total dividend of RM12,638,953 (1.08 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

9. Property, plant and equipment

	Long leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicle, furniture, fittings equipment and others RM'000	Capital work-in- progress RM'000	Total RM'000
Group						
Cost						
At 1 January 2004	38,680	131,916	483,725	10,145	141	664,607
Additions	-	540	6,273	1,388	395	8,596
Disposals	-	-	-	(442)	-	(442)
At 31 December 2004	<u>38,680</u>	<u>132,456</u>	<u>489,998</u>	<u>11,091</u>	<u>536</u>	<u>672,761</u>
Accumulated depreciation						
Depreciation charge for 2003	<u>335</u>	<u>3,593</u>	<u>25,713</u>	<u>1,321</u>	<u>-</u>	<u>30,962</u>
At 1 January 2004	1,236	21,171	125,081	5,908	-	153,396
Depreciation charge for the year	335	3,607	25,981	1,180	-	31,103
Disposals	-	-	-	(184)	-	(184)
At 31 December 2004	<u>1,571</u>	<u>24,778</u>	<u>151,062</u>	<u>6,904</u>	<u>-</u>	<u>184,315</u>
Net book value						
At 31 December 2004	<u>37,109</u>	<u>107,678</u>	<u>338,936</u>	<u>4,187</u>	<u>536</u>	<u>488,446</u>
At 31 December 2003	<u>37,444</u>	<u>110,745</u>	<u>358,644</u>	<u>4,237</u>	<u>141</u>	<u>511,211</u>

9. Property, plant and equipment (cont'd.)

	Long leasehold land RM'000	Motor vehicles RM'000	Furniture, fittings equipment and others RM'000	Total RM'000
Company				
Cost				
At 1 January 2004	19,684	752	1,774	22,210
Additions	-	198	371	569
At 31 December 2004	19,684	950	2,145	22,779
Accumulated depreciation				
Depreciation charge for 2003	-	150	216	366
At 1 January 2004	-	393	680	1,073
Depreciation charge for the year	-	171	233	404
At 31 December 2004	-	564	913	1,477
Net book value				
At 31 December 2004	19,684	386	1,232	21,302
At 31 December 2003	19,684	359	1,094	21,137
Analysis of leasehold land				
			Group	
			2004	2003
			RM'000	RM'000
Cost				
Long-term leasehold land			33,628	33,628
Short-term leasehold land			5,052	5,052
			<u>38,680</u>	<u>38,680</u>

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

10. Investment in subsidiaries

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	224,991	224,991
Less: Accumulated impairment losses	(99,806)	(81,650)
	<u>125,185</u>	<u>143,341</u>

Details of the subsidiaries, all of which are incorporated in Malaysia, are shown below:

Name of Subsidiaries	Principal activities	Equity interest	
		2004 %	2003 %
Direct subsidiaries of the Company:			
Sarawak Power Generation Sdn. Bhd.	Power generation	100.00	100.00
Sejingkat Power Corporation Sdn. Bhd.	Power generation	50.82	50.82
Sarwaja Timur Sdn. Bhd.	Manufacture, fabrication, galvanising and sale of steel structures	77.71	77.71
Jayalah Cemerlang Realty Sdn. Bhd.	Construction contract, property holding and development	100.00	100.00
Dasar Untung Sdn. Bhd.	Investment holding	100.00	100.00
Dunlop Agro-Management Sdn. Bhd.	Investment holding	100.00	100.00
Dunlop Estates Holdings Sdn. Bhd.	Investment holding	100.00	100.00
Dunlop Properties Sdn. Bhd.	Investment holding	100.00	100.00
Sarawak Power Services Sdn. Bhd.	Dormant	100.00	100.00
Subsidiary of Sarwaja Timur Sdn. Bhd.:			
Sarwaja Engineering & Construction Sdn. Bhd.	Undertake engineering and construction projects	100.00	100.00
Subsidiary of Sarwaja Engineering & Construction Sdn. Bhd.:			
Naungan Pertiwi Sdn. Bhd.	Dormant	60.00	60.00
Subsidiary of Dunlop Properties Sdn. Bhd.:			
Intrafix Sdn. Bhd.	Dormant	100.00	100.00
Subsidiary of Jayalah Cemerlang Realty Sdn. Bhd.:			
Navosoft Sdn. Bhd.	Computer software development	99.90	99.90

11. Investment in associates

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted shares in Malaysia				
- At cost	90,900	90,900	-	-
Share at post-acquisition reserves	(346)	1,361	-	-
	90,554	92,261	-	-
Less: Accumulated impairment loss	(49,010)	-	-	-
	41,544	92,261	-	-
Unquoted shares in Malaysia				
- At cost	1,407,740	1,407,740	1,403,835	1,403,835
Share of post-acquisition reserves	266,657	230,052	-	-
	1,674,397	1,637,792	1,403,835	1,403,835
Less: Accumulated impairment loss	(6,535)	-	(8,435)	-
	1,667,862	1,637,792	1,395,400	1,403,835
Total	1,709,406	1,730,053	1,395,400	1,403,835
Market value of quoted shares	41,890	56,935	-	-

The Group's interest in the associates is analysed as follows:-

	Group	
	2004 RM'000	2003 RM'000
Quoted shares		
Share of net assets	55,071	105,788
Discount on acquisition	(13,527)	(13,527)
	41,544	92,261
Unquoted shares		
Share of net assets	850,690	818,399
Premium on acquisition	817,172	819,393
	1,667,862	1,637,792
	1,709,406	1,730,053

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

11. Investment in associates (cont'd.)

Details of the associates, all of which are incorporated in Malaysia, are shown below:

Name of Associates	Principal activities	Equity interest	
		2004 %	2003 %
Associates of the Company:			
Sarawak Electricity Supply Corporation ("SESCo")	Generation, transmission, distribution and sale of electricity	45.00	45.00
+ Dectra Sdn. Bhd.	Provision, integration and maintenance of control instrumentation and SCADA systems	26.24	26.24
Associate of Dasar Untung Sdn. Bhd.:			
Encorp Berhad	Investment holding, construction, manufacturing and trading of plastic packaging products	26.40	26.40
Associate of Sejingkat Power Corporation Sdn. Bhd.:			
+ Gobel Industry Sdn. Bhd.	Coal mining, sales of coal, and provision of transportation, manpower supply and machinery services	20.00	20.00
Associate of Dunlop Properties Sdn. Bhd.:			
+ Integrated Circuit Design Services Sdn. Bhd.	Provision of integrated circuit design services, intellectual property licensing and operation support	30.00	30.00

All the companies are audited by Ernst & Young, Malaysia except for those marked + which are audited by other firms.

12. Other investments

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost:				
- Quoted shares and warrants of corporations in Malaysia				
- shares	68,270	68,270	3,870	3,870
- loan stocks and warrants	1	1	-	-
	<u>68,271</u>	<u>68,271</u>	<u>3,870</u>	<u>3,870</u>
Less: Provision for diminution in value	(65,420)	(65,293)	(1,183)	(1,183)
	<u>2,851</u>	<u>2,978</u>	<u>2,687</u>	<u>2,687</u>
- Unquoted shares of corporations	115,741	115,741	15,740	15,740
- Unquoted irredeemable convertible unsecured loan stocks	589,060	589,060	589,060	589,060
Less: Provision for diminution in value	(251,310)	(131,900)	(151,310)	(31,900)
	<u>453,491</u>	<u>572,901</u>	<u>453,490</u>	<u>572,900</u>
Total	<u>456,342</u>	<u>575,879</u>	<u>456,177</u>	<u>575,587</u>
At market value:				
- Quoted shares and warrants of corporations in Malaysia				
- shares	3,999	5,433	3,999	4,592

The investment in unquoted shares includes the investment by a subsidiary company in 100,000,000 ordinary shares of RM1 each in 1st Silicon (Malaysia) Sdn. Bhd., a company engaged in the production of semiconductor fabricated wafers.

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12. Other investments (cont'd.)

The investment in unquoted irredeemable convertible unsecured loan stocks represents the subscription by the Company for RM589,000,000 nominal amount of 3.5% irredeemable convertible unsecured loan stocks 2001/2011 issued by 1st Silicon (Malaysia) Sdn. Bhd. on 19 January 2001.

The Directors are of the opinion that a provision of RM316.7 million (2003: RM197.2 million) for the Group is adequate to take into account the extent of a permanent diminution in value which may have arisen in respect of the investments.

13. Amounts due from/(to) subsidiary companies

	Company	
	2004	2003
	RM'000	RM'000
Interest-free loan to a subsidiary company	98,036	98,469
Amounts due from subsidiary companies		
- interest-bearing	8,754	57,584
- interest-free	344,776	306,261
	353,530	363,845
Less: Provision for doubtful debts	(86,000)	(86,000)
	267,530	277,845
Amounts due after 1 year	(363,768)	(374,204)
Amounts due within 1 year	1,798	2,110
Amounts due to subsidiary companies		
- interest-free	(31,081)	(31,081)

The amounts due from/(to) subsidiary companies are unsecured and have no fixed terms of repayment. Interest is charged on the interest-bearing portion of amounts due from subsidiary companies at rates ranging from 4.5% to 6.4% (2003: 4.5% to 8.0%) per annum.

14. Goodwill on consolidation

	Group	
	2004	2003
	RM'000	RM'000
At 1 January	15,539	15,539
Written off during the year	(15,539)	-
	-	15,539

15. Inventories

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Finished goods	486	867
Raw materials	24,088	21,299
Work-in-progress	2,219	1,673
Inventories in transit	529	207
	<u>27,322</u>	<u>24,046</u>
Less: Provision for slow-moving inventories and inventories obsolescence	(556)	(185)
	<u>26,766</u>	<u>23,861</u>

16. Development properties

Property development costs at 1 January:

Freehold land, at valuation	5,372	5,372
Development costs	133,128	133,098
	<u>138,500</u>	<u>138,470</u>
Costs incurred during the year:		
Development costs	-	30
	<u>138,500</u>	<u>138,500</u>
Cost recognised in income statement:		
At 1 January	(33,940)	(11,774)
Recognised during the year	-	(22,166)
At 31 December	<u>(33,940)</u>	<u>(33,940)</u>
Impairment loss for the year (a)	(4,287)	-
Property development costs at 31 December	<u>100,273</u>	<u>104,560</u>

- (a) The impairment loss for the year is the difference between the carrying value of the development property and its open market value which was derived based on the valuation dated 4 October 2004 by a firm of independent valuers, Messrs Colliers, Jordan Lee & Jaafar (JH) Sdn. Bhd., using the Comparison Method of valuation.

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17. Trade receivables

	Group	
	2004	2003
	RM'000	RM'000
Trade receivables	64,115	65,884
Less: Provision for doubtful debts	(2,322)	(2,476)
	<u>61,793</u>	<u>63,408</u>
Represented by:		
Not later than 1 year	21,198	17,316
Later than 1 year and not later than 2 years	5,799	5,761
Later than 2 years and not later than 5 years	17,398	17,285
Later than 5 years	17,398	23,046
	<u>61,793</u>	<u>63,408</u>
Analysed as:		
Due within 12 months	21,198	17,316
Due after 12 months	40,595	46,092
	<u>61,793</u>	<u>63,408</u>

The Group's normal trade credit term ranges from 14 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group is an amount due from the Sarawak State Government of RM52,194,413 (2003: RM57,615,580) which is receivable over a period of ten years and yields interest at a rate of 8.9% per annum.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. Other receivables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits	276	276	111	111
Prepayments	4,122	636	-	-
Sundry receivables	83,191	66,918	82,886	62,196
Current tax assets	7	1,416	-	1,409
	<u>87,596</u>	<u>69,246</u>	<u>82,997</u>	<u>63,716</u>
Less: Provision for doubtful debts	(83,093)	-	(82,629)	-
	<u>4,503</u>	<u>69,246</u>	<u>368</u>	<u>63,716</u>
Analysed as:				
Amount receivable within 12 month	4,967	7,232	368	1,702
Less: Provision for doubtful debts	(464)	-	-	-
	<u>4,503</u>	<u>7,232</u>	<u>368</u>	<u>1,702</u>
Amount receivable after 12 month (a)	82,629	62,014	82,629	62,014
Less: Provision for doubtful debts	(82,629)	-	(82,629)	-
	<u>-</u>	<u>62,014</u>	<u>-</u>	<u>62,014</u>
	<u>4,503</u>	<u>69,246</u>	<u>368</u>	<u>63,716</u>

(a) This represents the interest receivable on investment in 1st Silicon (Malaysia) Sdn. Bhd. irredeemable convertible unsecured loan stocks ("ICULS"). The issuer of the ICULS had opted to defer payment of interest due pursuant to the provisions of the subscription agreement. During the year, the amount has been fully provided for as doubtful debts.

19. Short-term deposits

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits placed with:				
- merchant banks	8,404	11,838	8,404	11,838
- other licensed banks	90,489	76,536	33,680	25,404
- licensed finance companies	46,501	8,725	45,501	7,725
- discount houses	2,054	4,220	2,054	4,220
	<u>147,448</u>	<u>101,319</u>	<u>89,639</u>	<u>49,187</u>

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19. Short-term deposits (cont'd.)

Included in deposits placed with other licensed banks are amounts pledged as security for the following:

	Group	
	2004 RM'000	2003 RM'000
Bank guarantee facilities	394	441
Islamic debt securities	28,241	28,769
	<u>28,635</u>	<u>29,210</u>

The average effective interest rates and the average maturities of deposits at balance sheet date range from 2.62% to 3.70% per annum and 30 days to 365 days respectively.

20. Trade payables

The normal trade credit term granted to the Group ranges from 14 days to 90 days.

21. Other payables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other payables	4,269	2,461	298	12
Accruals	16,629	4,935	8,262	744
Dividend payables	25	19	25	19
	<u>20,923</u>	<u>7,415</u>	<u>8,585</u>	<u>775</u>

22. Short-term borrowings

Bills payable - unsecured	2,110	1,760	-	-
Bank overdrafts - secured	-	7	-	-
Current portion of long-term loans - secured (Note 26 (i))	70	506	-	-
Current portion of Islamic debt securities (Note 26 (ii))	52,000	47,000	-	-
Revolving credit - unsecured	1,000	-	1,000	-
	<u>55,180</u>	<u>49,273</u>	<u>1,000</u>	<u>-</u>

22. Short-term borrowings (cont'd.)

The bank overdrafts and term loans are secured by way of a first fixed charge over the land and buildings and by way of a debenture covering a first fixed and floating charge over the entire assets of a subsidiary company.

The bank overdrafts and bills payable bear interest at rates of 0.50% to 1% (2003: 0.75% to 1%) per annum above the bankers' base lending rates. The term loan and revolving credit bear interest at a fixed rate of 7% per annum and 1% per annum above the Bank's Islamic Effective Cost of Funds at the point of drawdown respectively.

The amount pledged on the assets of the Group as securities for the bank overdrafts and term loans is RM54.4 million (2003: RM57.4 million).

23. Loans from an associate

	Group	
	2004 RM'000	2003 RM'000
Due within 1 year	3,277	4,200
Due after 1 year (Note 26)	12,184	13,500
	<u>15,461</u>	<u>17,700</u>

The loans from an associate are unsecured and bear interest rate of 6.0% per annum.

One of the loans is repayable semi-annually up to a maximum tenure of 5 years with effect from 14 March 2002. The other loans is repayable semi-annually after the final drawdown up to a maximum tenure of 7 years.

24. Share capital

	Group and Company	
	2004 RM'000	2003 RM'000
Authorised:		
1,500,000,000 (2003: 1,500,000,000) ordinary shares of RM1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
1,170,273,425 (2003: 1,170,273,425) ordinary shares of RM1 each	<u>1,170,273</u>	<u>1,170,273</u>

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25. Reserves

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-distributable:				
Share premium (a)	636,433	844,505	636,433	844,505
Capital reserves (b)	355,983	311,329	123,000	123,000
Capital redemption reserve (c)	17,639	17,639	17,639	17,639
	<u>1,010,055</u>	<u>1,173,473</u>	<u>777,072</u>	<u>985,144</u>
Distributable:				
General reserves (b)	94,147	62,290	5,000	5,000
Retained profits	387,535	438,753	439,065	425,244
	<u>481,682</u>	<u>501,043</u>	<u>444,065</u>	<u>430,244</u>
	<u>1,491,737</u>	<u>1,674,516</u>	<u>1,221,137</u>	<u>1,415,388</u>

Movements in reserves are shown in the Statements of Changes in Equity.

The nature and purpose of each category of the reserves are as follows:

(a) Share premium

This reserve represents premium arising from share issue and loan stock conversion in prior years.

(b) Capital reserves and general reserves

These reserves include reserves created in accordance with Section 21(2)(a) of the SESCO Ordinance, 1962.

(c) Capital redemption reserve

This reserve represents cancellation of nominal value of ordinary shares arising from purchase of own shares in prior years.

Note:

- (i) The Company has estimated tax credits balance of RM78 million as at 31 December 2004 (2003: RM69.2 million), subject to agreement by the tax authorities.
- (ii) The Company has a tax exempt account balance of RM101.8 million (2003: RM92.3 million) available for distribution as tax exempt dividends.

26. Deferred and long-term liabilities

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Long term loans - secured (i)	-	49	-	-
Islamic debt securities (ii)	136,000	188,000	-	-
Deferred taxation (iii)	23,089	17,317	23,089	17,317
Loans from an associate (Note 23)	12,184	13,500	-	-
	<u>171,273</u>	<u>218,866</u>	<u>23,089</u>	<u>17,317</u>

(i) Long-term loans - secured

	Group	
	2004 RM'000	2003 RM'000
Amount due within 1 year (Note 22)	70	506
Between 1 and 2 years	-	49
Between 2 and 5 years	-	-
After 5 years	-	-
Amount due after 1 year	-	49
	<u>70</u>	<u>555</u>

(ii) Islamic debt securities

This represents Al-Bai Bithaman Ajil Islamic Debt Securities ("BaIDS") of nominal amounts of RM160,000,000 and RM195,000,000 respectively issued on 15 December 2000 by two subsidiaries of the Group to a licensed bank, the primary subscriber. Each issue is secured by a security trust deed, a charge in escrow over certain landed property or assignment of certain lease, as applicable, a first legal charge over designated accounts of the subsidiary and assignment of rights, titles and interests of the monies standing to the credit of these accounts, assignment of rights over specified licence, agreements and insurances, and a deed of debenture creating a first fixed and floating charge over present and future assets of the subsidiary.

The amount charged on the assets of the Group as security for the BaIDS in issue is RM529.2 million (2003: RM539.6 million).

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26. Deferred and long-term liabilities (cont'd.)

(ii) Islamic debt securities (cont'd.)

The BaIDS are redeemable annually in stages over 6 and 9 years respectively commencing 12 months from the issue date. Profit is payable on the nominal amounts of the BaIDS in tranches at rates of 4.5% to 7.2% per annum and 4.5% to 8.25% per annum respectively.

The BaIDS are redeemable as follows:

	Group	
	2004 RM'000	2003 RM'000
Redeemable within 1 year (Note 22)	52,000	47,000
Between 1 and 2 years	55,000	52,000
Between 2 and 5 years	81,000	106,000
After 5 years	-	30,000
Redeemable after 1 year	136,000	188,000
	<u>188,000</u>	<u>235,000</u>

(iii) Deferred tax liability

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	17,317	18,591	17,317	11,544
Recognised in the income statement (Note 6)	5,772	(1,274)	5,772	5,773
At 31 December	<u>23,089</u>	<u>17,317</u>	<u>23,089</u>	<u>17,317</u>

26. Deferred and long-term liabilities (cont'd.)

(iii) Deferred tax liability (cont'd.)

The components and movements of deferred tax liabilities during the financial year are as follows:

	Deferred tax arising from		
	Interest receivable RM'000	Accelerated capital allowances RM'000	Total RM'000
Group			
At 1 January 2004	17,317	-	17,317
Recognised in the income statement	5,772	-	5,772
At 31 December 2004	<u>23,089</u>	<u>-</u>	<u>23,089</u>
At 1 January 2003	11,544	7,047	18,591
Recognised in the income statement	5,773	(7,047)	(1,274)
At 31 December 2003	<u>17,317</u>	<u>-</u>	<u>17,317</u>
Company			
At 1 January 2004	17,317	-	17,317
Recognised in the income statement	5,772	-	5,772
At 31 December 2004	<u>23,089</u>	<u>-</u>	<u>23,089</u>
At 1 January 2003	11,544	-	11,544
Recognised in the income statement	5,773	-	5,773
At 31 December 2003	<u>17,317</u>	<u>-</u>	<u>17,317</u>

27. Capital commitments

	Group	
	2004 RM'000	2003 RM'000
Capital expenditure approved and contracted for	<u>213</u>	<u>43</u>

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28. Controlling shareholder

The Directors regard the State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak, as the controlling shareholder of the Company.

29. Segmental reporting

	Short and long term investment RM'000	Property develop- ment RM'000	Power generation RM'000	Manu- facturing RM'000	Total RM'000
31.12.2004					
Revenue					
Total revenue	22,650	7,493	166,635	24,022	220,800
Results					
Segment operating (loss)/profit	(64,449)	1,365	48,093	2,060	(12,931)
Finance costs	(1)	-	(17,165)	(961)	(18,127)
Share of associate's result	106,668	-	-	-	106,668
Profit before taxation	42,218	1,365	30,928	1,099	75,610
Income taxes	(32,609)	(39)	-	14	(32,634)
Profit after taxation	9,609	1,326	30,928	1,113	42,976
Minority interest	-	-	(4,865)	(179)	(5,044)
Profit attributable to shareholders	9,609	1,326	26,063	934	37,932
Other information					
Segment assets	113,851	157,833	517,994	52,263	841,941
Associated company	1,709,386	-	11,185	2,205	1,722,776
Other investment	456,342	-	-	-	456,342
Current tax assets	7	-	-	-	7
Total assets	2,279,586	157,833	529,179	54,468	3,021,066

29. Segmental reporting (cont'd.)

	Short and long term investment RM'000	Property develop- ment RM'000	Power generation RM'000	Manu- facturing RM'000	Total RM'000
Other information (cont'd.)					
Segment liabilities	14,642	2,440	18,146	3,901	39,129
Associated company	-	-	3,000	12,461	15,461
Bank borrowings	1,000	-	188,000	2,180	191,180
Current tax liabilities	58	-	134	1	193
Deferred tax liability	23,089	-	-	-	23,089
Total liabilities	<u>38,789</u>	<u>2,440</u>	<u>209,280</u>	<u>18,543</u>	<u>269,052</u>
Depreciation	<u>460</u>	<u>150</u>	<u>28,092</u>	<u>2,401</u>	<u>31,103</u>
31.12.2003					
Revenue					
Total revenue	<u>22,704</u>	<u>60,651</u>	<u>152,850</u>	<u>28,855</u>	<u>265,060</u>
Results					
Segment operating (loss)/profit	(46,397)	7,590	52,137	2,633	15,963
Finance costs	(18)	-	(19,917)	(1,163)	(21,098)
Share of associate's result	107,134	-	-	-	107,134
Profit before taxation	60,719	7,590	32,220	1,470	101,999
Income taxes	(30,697)	-	7,083	(10)	(23,624)
Profit after taxation	<u>30,022</u>	<u>7,590</u>	<u>39,303</u>	<u>1,460</u>	<u>78,375</u>
Minority interest	-	-	(9,822)	(239)	(10,061)
Profit attributable to shareholders	<u>30,022</u>	<u>7,590</u>	<u>29,481</u>	<u>1,221</u>	<u>68,314</u>

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29. Segmental reporting (cont'd.)

	Short and long term investment RM'000	Property development RM'000	Power generation RM'000	Manu- facturing RM'000	Total RM'000
Other information					
Segment assets	137,738	166,631	528,953	54,741	888,063
Associated company	1,730,034	-	10,613	3,013	1,743,660
Other investment	575,879	-	-	-	575,879
Goodwill on consolidation	15,539	-	-	-	15,539
Current tax assets	1,416	-	-	-	1,416
Total assets	2,460,606	166,631	539,566	57,754	3,224,557
Segment liabilities	805	5,412	10,615	5,492	22,324
Associated company	-	-	4,200	13,500	17,700
Bank borrowings	-	-	235,000	2,322	237,322
Current tax liabilities	-	1	143	1	145
Deferred tax liability	17,317	-	-	-	17,317
Total liabilities	18,122	5,413	249,958	21,315	294,808
Depreciation	421	125	28,055	2,361	30,962

Notes:

- (i) The Group's investments in associates are principally in Sarawak Electricity Supply Corporation, whose principal activities are generation, transmission, distribution and sale of electricity, and in Encorp Berhad, whose principal activities are investment holding, construction, manufacturing and trading of plastic packaging products.
- (ii) The Group operates principally within Malaysia and accordingly, no geographical segment information is prepared.
- (iii) The inter-segment transactions were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

30. Significant related party transactions

During the financial year, the Group and the Company entered into the following significant related party transactions:

	Company	
	2004	2003
	RM'000	RM'000
(a) Transactions with subsidiaries:		
Income		
Interest income		
Sejingkat Power Corporation Sdn. Bhd.	220	287
Sarwaja Timur Sdn. Bhd.	312	352
Jayalah Cemerlang Realty Sdn. Bhd.	-	2,815
	<u>532</u>	<u>3,454</u>
	Group	
	2004	2003
	RM'000	RM'000
(b) Transactions with an associate:		
Income		
(i) Sales to SESCo	172,660	168,303
(ii) Services provided to SESCo	2,450	-
Expenditure		
(i) Services provided by SESCo	13,357	11,364
(ii) Rental paid to SESCo	500	500
(iii) Interest charged by SESCo	994	1,019
(c) Transactions with an associate of a subsidiary company:		
Income		
Sales to Gobel Industry Sdn. Bhd.	25	-
Expenditure		
Purchases from Gobel Industry Sdn. Bhd.	186	226

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30. Significant related party transactions (cont'd.)

	Group	
	2004	2003
	RM'000	RM'000
(d) Transactions with companies in which an associate has significant influence/substantial interest:		
Income		
Sales		
SACOFA Sdn. Bhd.	4,428	816
Universal Cable (Sarawak) Sdn. Bhd.	49	492
	<u>4,477</u>	<u>1,308</u>
Expenditure		
Purchases		
Universal Cable (Sarawak) Sdn. Bhd.	2	2,254
Genesis Force Sdn. Bhd.	648	618
	<u>650</u>	<u>2,872</u>
(e) Transactions with the Sarawak State Government:		
Income		
(i) Construction revenue	378	57,616
(ii) Interest income	5,001	1,709
(f) Transactions with a company in which the Sarawak State Government has significant influence:		
Income		
Rental charged to Transnational Insurance Brokers Sdn. Bhd.	26	26
Expenditure		
Brokerage services charged by Transnational Insurance Brokers Sdn. Bhd.	270	212

30. Significant related party transactions (cont'd.)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(g) Transaction with a company in which the Company has a substantial interest:				
Income				
Interest income from 1 st Silicon (Malaysia) Sdn. Bhd.	20,615	20,615	20,615	20,615
(h) Transaction with an associate shareholder:				
Expenditure				
Insurance premium charged by Multi-Purpose Insurans Bhd.	535	3,175	42	98
(i) Transaction with a licensed bank related to a substantial shareholder:				
Income				
Interest income from Alliance Bank Malaysia Berhad	-	1,032	-	972

The directors are of the opinion that the above transactions were entered into in the normal course of business and were transacted on normal commercial terms.

31. Financial Instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing assets and debts. The investment in financial assets are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in loan stocks which yield better returns than cash at bank.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

31. Financial Instruments (cont'd.)

(b) Interest rate risk (cont'd.)

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign exchange risk

The Group is exposed to various currencies mainly Euro Dollar, Australian Dollar, United States Dollar and Philippine Peso.

Foreign exchange exposures are kept to an acceptable level.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair values

The fair values of the financial instruments are the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced sale.

The carrying amounts of the financial assets and liabilities such as trade and other receivables, fixed deposits, cash at bank, amount due to bankers, trade and other payables approximate their fair value due to their relatively short term maturity.

The carrying amounts of other investments are stated at cost less provision for diminution in value. The fair values of these investments are expected to be at or above their carrying amounts.

32. Significant events/events subsequent to balance sheet date

- (a) On 6 May 2004, Sarawak Enterprise Corporation Berhad ("SECB" or "the Company") entered into a Memorandum of Understanding with the State Financial Secretary, Sarawak ("SFS"), the controlling shareholder of the Company, with respect to a proposed restructuring and rationalisation exercise involving the Company, SFS and its 45% owned associate, Sarawak Electricity Supply Corporation ("SESCo").

On 7 September 2004, the Company, SFS and SESCO entered into an agreement setting out the details of the proposed restructuring and rationalisation exercise ("Master Restructuring And Rationalisation Agreement"). In conjunction with the proposed restructuring and rationalization exercise, the Company has also proposed to undertake a capital restructuring exercise.

The details of the proposed restructuring and rationalisation and capital restructuring exercise are as follows:

- (i) Proposed acquisition by SECB of 257,852,000 Ordinary Shares of RM1.00 each ("Shares") in SESCO, a 45% associated company of SECB, representing approximately 51.6% of its issued and paid-up share capital, from the SFS for a purchase consideration of RM1,032.0 million to be satisfied by the issuance of 348,255,474 new shares in SECB at an issue price of RM1.37 per share and 554,890,000 new SECB Redeemable Convertible Preference Shares of RM0.10 each ("SECB RCPS") at an issue price of RM1.00 per SECB RCPS ("**Proposed Acquisition of SESCO**");
- (ii) Proposed disposal of identified non-core assets of SECB to SFS for a total consideration of RM501,940,000 to be satisfied by way of the redemption proceeds of 501,940,000 SECB RCPS to be issued to SFS pursuant to the Proposed Acquisition of SESCO;
- (iii) Proposed disposal of identified non-core assets of SESCO to SFS for a total consideration of RM52,950,000 to be satisfied by way of the redemption proceeds of 52,950,000 SECB RCPS to be issued to SFS pursuant to the Proposed Acquisition of SESCO;

[Items (ii) and (iii) to be collectively referred to as "**Proposed Non-Core Disposals**"]

- (iv) Proposed waiver to SFS and party acting in concert with it, namely the State Government of Sarawak, from the obligation to extend a conditional Mandatory General Offer ("MGO") for all the remaining shares not already owned by them in Curtin (Malaysia) Sdn. Bhd. and Celcom Timur (Sarawak) Sdn. Bhd. respectively after the Proposed Non-Core Disposals;
- (v) Proposed Corporatisation and Privatisation of SESCO pursuant to the Sarawak Electricity Supply Corporation (Successor Company) Ordinance, 2004 upon completion of the Proposed Acquisition of SESCO and the Proposed Non-Core Disposals ("**Proposed Corporatisation And Privatisation**");
- (vi) Proposed unconditional MGO by SECB to acquire all the remaining shares not already owned by SECB in the company incorporated under The Companies Act, 1965 ("Act") for purposes of the Proposed Corporatisation and Privatisation ("**Proposed MGO**");

[Items (i), (ii), (iii), (iv), (v) and (vi) to be collectively referred to as "**Proposed Restructuring and Rationalisation**"]

- (vii) Proposed setting-off of impairment value of approximately RM208 million against the share premium reserves of SECB pursuant to the Proposed Non-Core Disposals ("**Proposed Investment Set-Off**");
- (viii) Proposed writing-off of goodwill of approximately RM946 million arising from the premium on acquisition for the 45% equity interest in SESCO previously acquired by SECB, the Proposed Acquisition of SESCO and the Proposed MGO ("**Proposed Goodwill Write-Off**");

[Items (vii) and (viii) to be collectively referred to as "**Proposed Capital Restructuring**"]

- (ix) Proposed increase in the authorised share capital of the Company from RM1.5 billion to RM3.0 billion by the creation of an additional 1.4 billion new shares and 1.0 billion new redeemable convertible preference shares of RM0.10 each; and
- (x) Proposed amendments to the Articles of Association of the Company.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2004

NOTA-NOTA KEPADA PENYATA KEWANGAN 31 Disember 2004

32. Significant events/events subsequent to balance sheet date (cont'd.)

The Proposed Restructuring and Rationalisation and Proposed Capital Restructuring were approved by the relevant authorities by 17 March 2005 and by the shareholders of the Company at an Extraordinary General Meeting held on 14 April 2005. The High Court of Sabah and Sarawak ("the High Court") has by an order made on 25 April 2005, inter-alia, confirmed the special resolution of the Company passed at the Extraordinary General Meeting held on 14 April 2005 to reduce the Company's share premium account by an amount of approximately RM208 million being the difference between the carrying and agreed disposal values, pursuant to the Proposed SECB Non-Core Disposals, in accordance with the provisions of Sections 60(2) and 64 of the Companies Act, 1965. The reduction in the share premium account has been effected in the financial statements of the Group and of the Company as at 31 December 2004.

The Proposed Restructuring and Rationalisation and Proposed Capital Restructuring are expected to be fully implemented by the end of the second quarter of 2005.

- (b) On 8 October 2004, the Company and one of its wholly-owned subsidiaries, Jayalah Cemerlang Realty Sdn. Bhd. ("JCR"), entered into an agreement to transfer its 30-storey building, Menara Sarawak Enterprise ("MSE"), located in Johor, to the Company or its nominated entity at the open market value of RM100,800,000 which was derived based on the valuation dated 4 October 2004 by a firm of independent valuers, Messrs Colliers, Jordan Lee & Jaafar (JH) Sdn. Bhd., using the Comparison Method of valuation.

The proposed transfer of MSE which was approved by the relevant authority vide its letters dated 27 October 2004 and 8 December 2004 respectively, is expected to be completed in the second quarter of 2005.

33. Comparative figures

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation, where necessary.

VARIANCE BETWEEN AUDITED AND UNAUDITED FINANCIAL STATEMENTS

PERBEZAAN ANTARA PENYATA KEWANGAN YANG DIAUDIT DAN TIDAK DIAUDIT

The audited profit attributable to shareholders for the financial year ended 31 December 2004 is RM37.932 million whilst the Company's announcement on 28 February 2005 showed an unaudited loss attributable to shareholders of RM121.13 million for the same period. The reconciliation of the two figures is as set out in the table below:-

Financial year ended 31 December 2004	Note	RM'000
Loss attributable to shareholders as announced on 28 February 2005 (unaudited)		(121,130)
Add: Write-back of impairment in value of investment in non-core assets	1	208,072
Less: Impairment in value of investment in associate	2	(49,010)
Profit attributable to shareholders as announced on 27 April 2005 (audited)		37,932

Note 1 : The Company had on 28 February 2005 made a public announcement of its loss attributable to shareholders of RM121.1 million for the financial year ended 31 December 2004. In the same announcement, the Company also disclosed that it was awaiting the outcome of an application for an order from the High Court of Sabah & Sarawak ("the High Court") to set-off an impairment in value of investment in non-core assets of RM208.1 million against the Share Premium Account. The High Court has by an order made on 25 April 2005, inter alia, confirmed the special resolution of the Company passed at an Extraordinary General Meeting held on 14 April 2005 to reduce the Company's Share Premium Account by an amount of approximately RM208 million being the difference between the carrying and the agreed disposal values, pursuant to the proposed disposal of certain non-core assets, in accordance with the provisions of Sections 60(2) and 64 of the Companies Act, 1965. The reduction in the Share Premium Account has been effected in the audited financial statements of the Group and of the Company as at 31 December 2004.

Consequential amendments have been made in the audited accounts as the aforesaid amount of RM208 million had been charged to the unaudited Consolidated Income Statement in the third quarter of 2004.

Note 2 : In the audited accounts the Group further decided to provide for an impairment amounting to RM49.0 million in respect of its investment in a quoted associate on grounds of prudence.

LIST OF PROPERTIES as at 31 December 2004

SENARAI HARTANAH pada 31 Disember 2004

Description and Location	Date of Acquisition/ Revaluation of Land	Tenure	Land Area	Approximate Age of Building	Net Book Value RM'000
1. Land* with a 30-storey office tower PTB 19155 No.5, Jalan Bukit Meldrum Tanjong Puteri 80300 Johor Bahru	September 1991	Freehold	Land 1.3 acres. Remaining saleable/lettable area of about 198,191 sq ft	6 years	100,272
2. Commercial land for development at Lot 4563, 4564, 4568, 4569, 4572 to 4578 (11 parcels) Block 18, Salak Land District, Medan Raya, Petra Jaya, Kuching	June 1997	Leasehold land	45,198 sq metres	N/A	19,684
3. Land built with a steel fabrication & galvanizing plant Lot 342, MTLD Jalan Kampung Sejingkat Off Jalan Bako 93050 Kuching	May 1996	Leasehold land expiring in 2049	17.8 acres	8 years	19,060
4. Land built with power station at Block 5, Lot 885, MTLD Kampung Goebilt, Kuching	January 1996	Leasehold land expiring in 2061	126.1 hectares	7 years	90,717

* The land on which the 30-storey office tower stands was revalued in 1983 by a company which subsequently became a wholly-owned subsidiary of the Company in 1991. The 30-storey office tower together with its land was further revalued in year 2004. Other than the above, the Group has not revalued any of its landed properties.

SUBSTANTIAL SHAREHOLDERS as at 27 April 2005

PEMEGANG-PEMEGANG SAHAM UTAMA pada 27 April 2005

Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
State Financial Secretary, Sarawak	639,173,913	54.62	-	-
Multi-Purpose Holdings Berhad	229,504,792	19.61	14,417,034 (a)	1.23
Quantum Aspects Sdn Bhd	-	-	243,921,826 (b)	20.84
Dynamic Icon Sdn Bhd	-	-	243,921,826 (c)	20.84
Dimensi Nada Sdn Bhd	-	-	243,921,826 (c)	20.84
Lim Tiong Chin	-	-	243,921,826 (c)	20.84
Dato' Surin Upatkoon	-	-	243,921,826 (d)	20.84
Tham Ka Hon	-	-	243,921,826 (d)	20.84
Goh Thian Joe	-	-	243,921,826 (e)	20.84
Lim Bian Yong	-	-	243,921,826 (e)	20.84
Tan Heng Kok	-	-	243,921,826 (e)	20.84
Datuk Lim Thian Kiat	110,000,000	9.40	-	-

- (a) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through subsidiary companies of Multi-Purpose Holdings Berhad ("MPHB"), and Magnum Corporation Berhad, an associated company of MPHB.
- (b) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Multi-Purpose Holdings Berhad.
- (c) Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through Quantum Aspects Sdn Bhd.
- (d) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Dynamic Icon Sdn Bhd.
- (e) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Dimensi Nada Sdn Bhd.

DIRECTORS' SHAREHOLDINGS as at 27 April 2005

PEGANGAN SAHAM PARA PENGARAH pada 27 April 2005

As per the Register of Directors' Shareholdings, none of the Directors of the Company has any interest in shares, direct or indirect, in the Company or its related corporations.

LIST OF THIRTY LARGEST SHAREHOLDERS as at 27 April 2005

SENARAI TIGA PULUH PEMEGANG SAHAM TERBESAR pada 27 April 2005

NAME	SHAREHOLDING	PERCENTAGE
STATE FINANCIAL SECRETARY SARAWAK	639,173,913	54.62
MULTI-PURPOSE HOLDINGS BERHAD	95,304,792	8.14
MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MULTI PURPOSE HOLDINGS BHD (N8888894174J)	75,000,000	6.41
SOUTHERN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MULTI-PURPOSE HOLDINGS BERHAD (DYNAMIC PEARL)	56,000,000	4.79
EMPLOYEES PROVIDENT FUND BOARD	46,266,200	3.95
CITICORP NOMINEES (ASING) SDN BHD UBS AG SINGAPORE FOR PACIFIC INVESTMENT FUND	16,295,497	1.39
JB NOMINEES (ASING) SDN BHD PLEASANT FINANCIAL LIMITED	15,511,000	1.33
JB NOMINEES (ASING) SDN BHD MULTI-PURPOSE (GUERNSEY) LTD	12,400,000	1.06
KUEH OOI VOON	8,995,000	0.77
LIM THIAN KIAT	6,378,900	0.55
CITICORP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS FUND	4,271,000	0.36
AMMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR STABOC MARKETING SDN BHD (STABOC)	4,153,789	0.35
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	3,865,400	0.33
BHLB TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	3,557,300	0.30
BEH ENG PAR	3,267,000	0.28
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)	3,215,500	0.27

NAME	SHAREHOLDING	PERCENTAGE
AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK BERHAD FOR MULTI-PURPOSE HOLDINGS BHD	3,200,000	0.27
BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR A.A. ANTHONY SECURITIES SDN BHD (2555 PENG)	3,134,000	0.27
HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR THE HWANG-DBS SELECT OPPORTUNITY FUND (3969)	2,818,900	0.24
MULTI-PURPOSE INSURANS BHD	2,655,000	0.23
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC EQUITY FUND	2,422,400	0.21
AMSEC NOMINEES (TEMPATAN) SDN BHD FRASER SECURITIES PTE LTD FOR GAN SUAT LUI (16045)	2,300,000	0.20
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC INDUSTRY FUND (N14011930270)	2,167,100	0.19
MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	2,164,300	0.18
LIM TIAN KEONG	2,038,000	0.17
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC BALANCED FUND (N14011950210)	2,026,600	0.17
KAF NOMINEES (TEMPATAN) SDN BHD KAF FUND MANAGEMENT SDN BHD FOR ABU TALIB BIN OTHMAN	1,999,400	0.17
HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK	1,662,000	0.14
MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	1,644,600	0.14
HSBC NOMINEES (ASING) SDN BHD TNTC FOR SHENTON ASIA PACIFIC FUND	1,643,400	0.14

ANALYSIS OF SHAREHOLDINGS as at 27 April 2005

ANALISA PEGANGAN SAHAM pada 27 April 2005

Class of Share : Ordinary Share of RM 1.00 each

Voting Right : 1 vote per share

	No. of Holders	% of Holders	No. of Shares	% of Share
LARGEST SHAREHOLDERS	30	0.20	1,025,530,991	87.63
SIZE OF HOLDINGS				
1 - 99	203	1.34	9,477	0.00
100 - 1,000	4,498	29.57	4,301,843	0.37
1,001 - 10,000	8,546	56.19	36,376,785	3.11
10,001 - 100,000	1,761	11.58	48,376,750	4.13
100,001 - Less than 5% of issued shares	198	1.30	271,729,865	23.22
5% and above of issued shares	3	0.02	809,478,705	69.17
TOTAL	15,209	100.00	1,170,273,425	100.00
LOCATION OF SHAREHOLDERS				
Malaysia	11,758	77.31	1,073,959,470	91.77
Singapore	441	2.90	4,750,030	0.41
Foreign	3,010	19.79	91,563,925	7.82
TOTAL	15,209	100.00	1,170,273,425	100.00
CATEGORY OF SHAREHOLDERS				
Bumiputra Individuals	227	1.49	1,571,622	0.13
Chinese Individuals	9,591	63.06	71,804,019	6.14
Other Individuals	311	2.05	1,053,967	0.09
Nominee Companies	1,451	9.54	204,510,031	17.48
M'sian Corporate/Govt Agencies/Institutions	178	1.17	795,019,831	67.93
Singaporeans	441	2.90	4,750,030	0.41
Foreigners	3,010	19.79	91,563,925	7.82
TOTAL	15,209	100.00	1,170,273,425	100.00

NOTICE OF ANNUAL GENERAL MEETING

NOTIS MESYUARAT AGUNG TAHUNAN

NOTICE IS HEREBY GIVEN that the Thirty-Eighth Annual General Meeting of Sarawak Enterprise Corporation Berhad will be held at Ballroom I, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on 25 June 2005 at 11.00 a.m.

AGENDA

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2004 together with the Report of the Directors and the Auditors thereon.
2. To declare a final dividend of 1.5 sen gross per share less income tax, in respect of the year ended 31 December 2004.
3. To approve the payment of Directors' fees of RM216,000/- in respect of the year ended 31 December 2004. (2003:RM216,000/-)
4. To re-elect Directors retiring in accordance with Article 82 of the Company's Articles of Association:-
 - (a) Datuk Wan Abdul Kadir @ Wan Ali bin Wan Yubi @ Tuanku Yubi
 - (b) Datu Wilson Baya Anak Dandot
5. To re-appoint Messrs Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS:-

To consider and if thought fit, to pass the following Ordinary Resolutions:-

6. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. Proposed Renewal of and New Shareholders' Mandate for Sarawak Enterprise Corporation Berhad and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of and New General Mandate for the Provision of Financial Assistance involving the interests of the State Government of Sarawak ("SGS")

"THAT, approval be and is hereby given to the Company and/or its subsidiary companies ("SECB Group") to enter into any of the categories of recurrent transactions of a revenue or trading nature with persons connected to the SGS and to provide financial assistance to persons connected to the SGS as set out in Section 2.2.1 and 2.2.2 of the Circular to Shareholders dated 31 May 2005, which are necessary for the day-to-day operations of the SECB Group, in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

- (a) the conclusion of the first Annual General Meeting ("AGM") of the Company following the passing of this Ordinary Resolution, at which time it will lapse, unless the authority is renewed by a resolution passed at a general meeting;
- (b) the expiration of the period within which the next AGM after that date is required to be held in accordance with the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING

NOTIS MESYUARAT AGUNG TAHUNAN

AND THAT the Directors and/or any one of them be and are/is hereby authorised to complete and do all such acts and things as they/he may consider expedient or necessary to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. Proposed Renewal of Shareholders' Mandate for Sarawak Enterprise Corporation Berhad and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Multi-Purpose Holdings Berhad and/or its subsidiary companies

"THAT, approval be and is hereby given to the Company and/or its subsidiary companies ("SECB Group") to enter into any of the categories of recurrent transactions of a revenue or trading nature with Multi-Purpose Holdings Berhad and/or its subsidiary companies as set out in Section 2.2.1 of the Circular to Shareholders dated 31 May 2005, which are necessary for the day-to-day operations of the SECB Group, in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

- (a) the conclusion of the first Annual General Meeting ("AGM") of the Company following the passing of this Ordinary Resolution, at which time it will lapse, unless the authority is renewed by a resolution passed at a general meeting;
- (b) the expiration of the period within which the next AGM after that date is required to be held in accordance with the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any one of them be and are/is hereby authorised to complete and do all such acts and things as they/he may consider expedient or necessary to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. To transact any other business for which due notice shall have been given in accordance with the Articles of Association of the Company and the Companies Act, 1965.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting, a final dividend of 1.5 sen gross per share less income tax, will be paid on 26 July 2005 to shareholders on the Register of Members and Record of Depositors at the close of business on 30 June 2005.

A Depositor shall qualify for entitlement only in respect of :-

- (a) shares deposited into the depositor's securities account before 12.30 p.m. on 28 June 2005 (in respect of shares which are exempted from mandatory deposit);
- (b) shares transferred into the depositor's securities account before 4:00 p.m. on 30 June 2005 in respect of ordinary transfers;
- (c) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

Shareholders are reminded that pursuant to the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998 which came into effect on 1st November 1998, all shares not deposited with Bursa Malaysia Depository Sdn Bhd by 12.30 p.m. on 1st December 1998 and not exempted from mandatory deposit, have been transferred to the Minister of Finance ("MOF"). Accordingly, the dividend for such undeposited shares will be paid to MOF.

BY ORDER OF THE BOARD

LEE YING FONG

Company Secretary

31 May 2005

NOTES:

- (1) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company.
- (2) To be valid, the Form of Proxy, duly completed and signed before a witness, must be deposited at the registered office of the Company, 1st Floor, Wisma Naim, Lot 2679, Jalan Rock, 93200 Kuching, Sarawak, not less than 48 hours before the time set for holding the meeting.
- (3) A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares standing to the credit of the said securities account.
- (4) A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- (5) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- (6) If the appointor is a corporation, the Form of Proxy must be executed either under its Common Seal or under the hand of an officer or attorney duly authorised.
- (7) Shareholders are reminded that pursuant to the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998 which came into effect on 1st November 1998, all shares not deposited with Bursa Malaysia Depository Sdn Bhd by 12.30 p.m. on 1st December 1998 and not exempted from mandatory deposit, have been transferred to the Minister of Finance ("MOF"). Accordingly, only the MOF is eligible to attend the meeting in respect of such undeposited shares.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Agenda No. 6 (Ordinary Resolution)

The Ordinary Resolution proposed under item (6), if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Agenda No. 7 (Ordinary Resolution)

The Ordinary Resolution proposed under item (7), if passed, will enable the SECB Group to enter into Recurrent Transactions with persons connected to the State Government of Sarawak, which are necessary for the day-to-day operations of the SECB Group in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Agenda No. 8 (Ordinary Resolution)

The Ordinary Resolution proposed under item (8), if passed, will enable the SECB Group to enter into Recurrent Transactions with Multi-Purpose Holdings Berhad and/or its subsidiary companies, which are necessary for the day-to-day operations of the SECB Group in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate and Proposed General Mandate are set out in the Circular to Shareholders of the Company which is despatched together with the Company's 2004 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

NOTIS MESYUARAT AGUNG TAHUNAN

Statement Accompanying Notice of Annual General Meeting of the Company

- (1) Names of Individuals who are standing for re-election

Datuk Wan Abdul Kadir @ Wan Ali bin Wan Yubi @ Tuanku Yubi
Datu Wilson Baya Anak Dandot

Both the directors retire by rotation under Article 82 of the Company's Articles of Association.

- (2) Details of Attendance of Directors at Board Meetings

A total of nine (9) Board Meetings were held from 1 January 2004 to 31 December 2004. Details of attendance of the Directors are set out in the Statement of Corporate Governance appearing on pages 20-24 of the Annual Report.

- (3) Thirty-Eighth Annual General Meeting

Date : 25 June 2005

Time : 11.00a.m.

Venue : Ballroom I, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak

- (4) Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 6-11 of the Annual Report.

FORM OF PROXY

BORANG PROKSI

I/We (full name in block capitals) _____
 identity card no./company registration no. _____
 of _____
 being a member/members of **SARAWAK ENTERPRISE CORPORATION BERHAD (007199-D)**, hereby appoint _____
 of _____
 or failing him _____
 of _____

or failing him, the Chairman of the Meeting as my/our proxy/proxies to vote on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at Ballroom I, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on 25 June 2005 at 11.00a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below :-

NO.	RESOLUTIONS	*FOR	*AGAINST
1	To adopt the Audited Financial Statements		
2	To declare a final dividend of 1.5 sen gross per share less income tax		
3	To approve the Directors' fees of RM216,000/-		
4	To re-elect Directors retiring in accordance with Article 82 of the Company's Articles of Association:- (a) Datuk Wan Abdul Kadir @ Wan Ali Bin Wan Yubi @ Tuanku Yubi (b) Datu Wilson Baya Anak Dandot		
5	To re-appoint auditors		
6	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
7	Proposed Renewal of and New Shareholders' Mandate for Recurrent Transactions of a Revenue or Trading Nature and Proposed Renewal of and New General Mandate for Provision of Financial Assistance involving the interests of the State Government of Sarawak		
8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Multi-Purpose Holdings Berhad and/or its subsidiary companies		

* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

As witness my/our hand(s) this _____ day of _____ 2005

Signature of Shareholder

Signature of Witness

Number of Shares held

Name of Witness

CDS Account Number

NOTES :-

- (1) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company.
- (2) To be valid, the Form of Proxy, duly completed and signed before a witness, must be deposited at the registered office of the Company, 1st Floor, Wisma Naim, Lot 2679, Jalan Rock, 93200 Kuching, Sarawak, not less than 48 hours before the time set for holding the meeting.
- (3) A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares standing to the credit of the said securities account.
- (4) A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- (5) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- (6) If the appointor is a corporation, the Form of Proxy must be executed either under its Common Seal or under the hand of an officer or attorney duly authorised.
- (7) Any alteration in this form must be initialled.

Laporan Tahunan
Annual Report **2004**



SARAWAK ENTERPRISE CORPORATION BERHAD (Company No.007199-D)

Laporan Tahunan 2004 Annual Report



SARAWAK ENTERPRISE CORPORATION BERHAD
(Company No.007199-D)

1st Floor, Wisma Naim, Lot 2679, Jalan Rock, 93200 Kuching, Sarawak.
Tel: 6082-244 000 Fax: 6082-248 588 Email: info@secb.com.my



**SARAWAK ENTERPRISE
CORPORATION BERHAD**

Company No.007199-D