

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Sarawak Energy Berhad ("SEB") is committed to ensure that the highest standard of Corporate Governance is practiced throughout the Group with the objective of strengthening the Group's growth, corporate accountability and safeguarding the interests of the shareholders.

The Board of Directors is pleased to report a statement to the shareholders on how the Group has applied the principles of good governance and compliance of the best practices set out in the Malaysian Code of Corporate Governance.

THE BOARD OF DIRECTORS

The Board's principal responsibilities for corporate governance are by setting out the strategic direction of the Group, establishing the objectives and achievement of the objectives and goals.

The current Board comprises of six (6) members, where one (1) member is an executive director and five (5) are non-executive directors. Three (3) of the non-executive directors are independent directors, which complied with paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad which require one-third of the Board to comprise of independent directors. The Directors collectively have wide range of experience and expertise drawn from the area of legal, business, accounting, economics as well as public administration. Their expertise, experience and background are vital for the strategic direction of the Group. The profiles of the Directors are set out on pages 8 to 9.

The division of responsibilities is clearly defined between the Chairman and Group Managing Director/Chief Executive. The Chairman is responsible for ensuring the effectiveness of the Board and conduct while the Group Managing Director/Chief Executive has the overall responsibilities of managing the operation and performance of the Group, implementation of policies and executive decision-making. The independent non-executive directors play an important role to ensure the views provided are professional and independent and that the advice and judgment made on issues and decisions are to the best interest of the stakeholders and the Group.

The Board is satisfied that investment of the minority shareholders in the Company is fairly reflected through Board representation.

Dato' Haji Idris Bin Haji Buang is the Senior Independent Non-Executive Director to whom concerns regarding the Company maybe conveyed.

The Board meets at least four (4) times a year, with additional meetings are held as and when required. There were seven (7) Board meetings held during the financial year ended 31 December 2008. A summary of the attendance of each Director of the Company at the Board meetings held during the financial year ended 31 December 2008 are as follows:

Directors		Meetings Attended	% of Attendance
Datuk Abdul Hamed Bin Sepawi	Independent Non-Executive Chairman	6/7	86
Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain	Group Managing Director/Chief Executive	7/7	100
Datuk Amar Wilson Baya Dandot	Non-Independent Non-Executive Director	6/7	86
Datuk Fong Joo Chung	Non-Independent Non-Executive Director	6/7	86
Dato' Haji Idris Bin Haji Buang	Independent Non-Executive Director	5/7	71
Dato' Nordin Bin Baharuddin	Independent Non-Executive Director	7/7	100

CORPORATE GOVERNANCE STATEMENT

SUPPLY OF INFORMATION

The Board and its Committees have full and unrestricted access to all information within SEB pertaining to the Group's business and affairs.

All the Directors are notified of the Board meetings within stipulated time prior to the meetings date. Directors are provided with an agenda and a set of Board papers prior to each Board Meeting. These are issued in sufficient time to enable them to obtain further information and explanation, where and when necessary, in order to be properly briefed before the meeting.

In most instances, the Senior Management of the Group as well as external advisors may be invited to attend Board Meetings, to provide insights and to furnish clarification on issues that may be raised by the Board.

Board members have access to the Group Company Secretary for any further information required. Directors may also seek independent professional advice on any matter connected with the discharge of their responsibilities deems necessary and appropriate, whether as a full board or in their individual capacities, at the Company's expense.

BOARD COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. These Committees have written terms of reference which have been approved by the Board and set out their authority and duties.

1. Audit Committee

The Audit Committee continued to play an important role in reviewing the Group's financial management and reporting, and to assess the integrity of the Group's accounting procedures and financial control. The Committee is responsible for the review of accounting policy and presentation of external financial reporting including the Group's interim results and its disclosures, monitoring the work of the internal audit function and ensuring an objective and professional relationship is maintained with the external auditors, and that conflicts of interest, if any, are avoided. The Committee has full access to both internal and external auditors, who in turn, have access at all times, to the Chairman of the Audit Committee.

The Audit Committee strives to ensure that it keeps abreast of all material developments in regulations and best practices in its area of responsibility.

The report of the Audit Committee, including their attendance at the Committee Meetings is set out on pages 42 to 49 of this Annual Report.

2. Nomination & Remuneration Committee

The Committee consists of two (2) non-executive directors and one (1) executive director. The members of the Committee as at the date of this Annual Report are as follows:

- i. Datuk Abdul Hamed Bin Sepawi
(Non-Executive Director) – Chairman
- ii. Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain
(Executive Director)
- iii. Dato' Haji Idris Bin Haji Buang
(Non-Executive Director)

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES (Cont'd.)

2. Nomination & Remuneration Committee (Cont'd.)

The duties and responsibilities of the Committee are to:-

- a) identify and recommend to the Board candidates for directorships to the Board;
- b) make recommendations to the Board on all new or re-appointments of members of the Board;
- c) evaluate the effectiveness of the Board as a whole and the Committees of the Board;
- d) make recommendations to the Board on the Company's framework of remuneration and its cost and to determine on behalf of the Board specific remuneration packages and terms and conditions of employment for the Group's employees;
- e) provide remuneration input on any contract of employment with executive directors and determine the terms of any compensation in the event of early termination of the employment contracts thereon; and
- f) make recommendations to the Board on the remuneration of non-executive directors which shall be a decision of the Board as a whole.

The Committee held two (2) meetings during the financial year ended 31 December 2008 to:

- a) update the implementation of the approved Sarawak Energy Berhad's Group Remuneration Scheme (SEGRS) proposed by Hay Group which became effective on January 1, 2008.
- b) deliberate and endorse the amended Group Organisation Structure and Manpower Requirements of the Group and recommend to the Board for approval.
- c) approve the proposed adoption of new retirement age whereby the current Group employees retirement age at 56 would be retained and all extension of service beyond 56 years of age shall be on contract and based on the merit of each case.
- d) approve the proposed promotion and upgrading criteria for the Group and payment of Performance Bonus to the employees of the Group based on the performance appraisal of the staff on an annual basis.
- e) approve in principle proposal to pay annual increment to the staff based on a fixed percentage agreed by the Management.

As part of the recommendations set out in the "Greenbook: Enhancing Board Effectiveness" which was issued by the Putrajaya Committee for GLC High Performance, PricewaterhouseCoopers Advisory Services Sdn. Bhd. (PwC) was engaged by SEB to perform a Board Effectiveness Assessment for SEB and its wholly owned subsidiary, Syarikat SESCO Berhad (SESCO).

PwC was commissioned to review the effectiveness of the Board and implement a framework for the formal evaluation process to be conducted annually. PwC began their review of the Board Effectiveness Assessment in July 2007 and presented their report to the Board in December 2007. A final report of the assessment has been tabled at the Board Meeting held in June 2008 for deliberations and adoption of the next course of actions as recommended by PwC. The Directors of SEB and Syarikat SESCO Berhad were given copies of their individual and peer assessment results by PricewaterhouseCoopers.

The Board Effectiveness Assessment framework and process is vested with the Chairman of the Company.

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MANAGEMENT/ESTABLISHMENT COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. These Committees have written terms of reference which have been approved by the Board and set out their authority and duties.

1. Group Managing Director Committee

The Group Managing Director Committee ("GMDC") was established on September 2007 to ensure that adoption of corporate-level policies is well developed before adoption, and to award tenders within the approving limits as prescribed by the prevailing terms of reference provided in the General Instructions on Purchasing and Contracts (GIPC) of the Company.

The GMDC members comprise of all the General Managers of each department and business unit within the Group and the direct reports of the Group Managing Director/Chief Executive, and/or any inclusions and exclusions as directed by the Group Managing Director (GMD)/Chief Executive from time to time. The GMD shall act as the Chairman of the Committee.

The GMDC members, as at the date of this Annual Report, shall be as follows:-

- i. Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain
(Group Managing Director/Chief Executive) - Chairman
- ii. Danice Endawie Ita
(Chief Operating Officer)
- iii. Stell Sindau
(General Manager, Gas Power Generation)
- iv. James Ung
(General Manager, Coal Power Generation)
- v. Victor Wong
(General Manager, Transmission)
- vi. Lu Yew Hung
(General Manager, Distribution Asset Management)
- vii. Haji Sulaiman Bin Hamid
(Group General Manager, Finance)
- viii. Aisah Binti Eden
(Group General Manager, Human Resource cum Group Company Secretary)
- ix. Zuraimy Bin Kushaili
(Group General Manager, Corporate Affairs)
- x. Haji Wan Mahmud Bin Wan Abdullah
(Group General Manager, Internal Audit & Risk Management)
- xi. Yong Kiong Choon
(General Manager, Hydropower Generation)
- xii. Ong Chiang Ann
(General Manager, Sarawak Energy Services Sdn Bhd)
- xiii. Phang Chung Tchet
(General Manager, Engineering & Construction)
- xiv. Dr. Denis Lee
(Senior Manager, Power System Planning)
- xv. Julia Shim
(Chief Information Officer)

CORPORATE GOVERNANCE STATEMENT

MANAGEMENT/ESTABLISHMENT COMMITTEES (Cont'd.)

1. Group Managing Director Committee (Cont'd.)

- xvi. Dr. Chen Shiun
(Senior Manager, Research & Development)
- xvii. Irene Lim
(Senior Manager, Corporate Planning) - Secretary

The GMDC held eleven (11) meetings during the financial year ended 31 December 2008.

2. Group Establishment and Disciplinary Committee

The Group Establishment and Disciplinary Committee ("GEDC") was established on 19 June 2008 in view of the SEB Group re-structuring and the movement of the common functions such as Human Resource Department, Corporate Affairs and Finance to the Group Level. The GEDC members, as at the date of this Annual Report, comprise of the following:-

- i. Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain
(Group Managing Director/Chief Executive) – Chairman
- ii. Dato' Haji Idris Bin Haji Buang
(Non-Executive Director)
- iii. Nelson Balang ak Rining
(Director, Syarikat SESCO Berhad)
- iv. Gerald Rentap Jabu
(Director, Syarikat SESCO Berhad)

The Terms of Reference (ToR) and guidelines of the Committee are as follows:-

- a) to formulate policy, procedure and guidelines on the following matters:-
 - i. Personnel – creation of posts, recruitment, confirmation, promotion, salary structure, increment and bonus, staff transfer and staff movement, staff review and revision of employees' benefits, performance appraisal, career development, termination, study leave, scholarship, overseas training, examination, induction and any other item which the committee may deem necessary.
 - ii. Disciplinary – offences and disputes, punishments, hearings, appeals, sub-committees.
- b) to decide on the following matters:-
 - i. using the budget allocation, the Corporation's strategic plan and operational and management needs as guidance on the total staff strength for the coming year, the distribution of staff in the various categories and the organisation structure.
 - ii. approval of the manpower planning.
 - iii. recruitment of higher management group.
 - iv. promotion of employees in the top three (3) levels below the Chief Executive Officer subject to endorsement by the Board.
 - v. the direction which the Corporation should take on its Human Resource Management based on the strategic planning process.
 - vi. termination of staff.
 - vii. study leave.

CORPORATE GOVERNANCE STATEMENT

MANAGEMENT/ESTABLISHMENT COMMITTEES (Cont'd.)

2. Group Establishment and Disciplinary Committee (Cont'd.)

- viii. overseas training.
 - ix. endorsement on permanent transfer of Regional Managers.
 - x. the dismissal of any employee except for the top three (3) levels which would be subjected to Board's approval.
 - xi. settlement of disputes between employee(s) and Management.
 - xii. appeals from a decision of any Disciplinary Committee at Management level.
 - xiii. appeals of any kind over decisions made by Management on any of the matters stated in a) and b) hereof.
 - xiv. negotiation on collective Agreement between Management and Senior Officers Association to be conducted by the Committee and endorsed by the Board.
- c) to assist the Board of Directors in making the correct decision on all matters regarding the subject stated in a) and b) above.
- d) procedure - the GEDC shall meet to discuss and decide on any of the matters stated in a) and b) above. All meetings shall be arranged by the Secretary upon receipt from the Chairman/Managing Director of a request to hold one. The relevant Division in the Human Resource Department shall collate all data and relevant information necessary, submit papers to the GEDC and arrange for all Resource personnel to attend any GEDC meetings. Once a decision is made by the GEDC, immediate action shall be taken upon receipt of the minutes, unless such matter has been decided by the GEDC to be referred to the Board of Directors for endorsement or for some other specific reason. All matters discussed must as far as possible be presented in the following format:-
- i. purpose/issue in question.
 - ii. background to the issue.
 - iii. relevant data/alternative actions with examination of foreseeable consequences.
 - iv. recommendation.

The GEDC held two (2) meetings during the financial year ended 31 December 2008 to:

- a) re-organise the Human Resource Department following the implementation of SAP HR System.
- b) approve the confirmation/termination in promotion and/or in service of staff of the Group.
- c) approve recommendations to send certain personnel to participate in overseas training.
- d) oversee the disciplinary case(s) being conducted within the Group.

3. Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee was established on 19 December 2007 to administer the Sarawak Energy Berhad Employees' Share Option Scheme ("Scheme") and compliance with the By-Laws governing the scheme. The Scheme was granted for a period of 10 years effective from 21 December 2007.

The functions of the ESOS Committee shall be governed by the By-Laws which, inter alia, include:-

- To select employees of the Company and its eligible subsidiary companies who are eligible to participate in the initial offer and subsequent offers of the ESOS and, determine the number of new shares to be allocated to the eligible employees according to the grading of employees and each band of years of service; and

CORPORATE GOVERNANCE STATEMENT

MANAGEMENT/ESTABLISHMENT COMMITTEES (Cont'd.)

3. Employees' Share Option Scheme ("ESOS") Committee (Cont'd.)

- To determine the number of options exercisable by the eligible employees for each year during the duration of the ESOS, the date of the initial offer and subsequent offers and the exercise price for each offer at which the eligible employees are entitled to subscribe under an option and, the period during which the option may be exercised.

The members of the Committee as at the date of this Annual Report are:-

- YBhg Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain
(Group Managing Director/Chief Executive) – Chairman
- Danice Endawie Ita
(Chief Operating Officer)
- Aisah Binti Eden
(Group General Manager, Human Resource cum Group Company Secretary)
- Zuraimy Bin Kushaili
(Group General Manager, Corporate Affairs)
- Haji Sulaiman Bin Abdul Hamid
(Group General Manager, Finance)
- Haji Wan Mahmud Bin Wan Abdullah
(Group General Manager, Internal Audit & Risk Management)
- James Ung
(General Manager, Coal Power Generation)

The ESOS Committee's responsibilities are as follows:-

- To administer the ESOS in accordance with the By-Laws of the ESOS and, in such manner, as it shall at its discretion deem fit and, within such powers and duties as are conferred upon it by the Board; and
- To review and amend, at any time and from time to time, any provisions of the ESOS and the By-Laws, provided that the amendments are not prejudicial to the eligible employees and with the prior approval of the shareholders of the Company. Such modification/variation shall be subject to the approvals of the Board and the relevant authorities.

The ESOS Committee shall meet at least once a year or as and when required. The ESOS Committee held one (1) meeting during the financial year ended 31 December 2008 to:

- to recommend and implement guidelines and directions in respect of the criteria of the scheme.
- to monitor the progress of the scheme.
- to review and report to the Board on a regular basis to ensure compliance with the guidelines governing the scheme.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each annual general meeting. All Directors must submit themselves for re-election at least once in every three years. Directors over seventy years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act 1965.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' TRAINING

All the Directors have attended and successfully completed the Mandatory Accreditation Program ("MAP") as specified by Bursa Malaysia Securities Berhad.

Apart from the MAP training, the directors have also attended various accredited programs under the Continuing Education Program ("CEP") conducted by various course leaders. The Company will continuously arrange for further training of the directors as part of the directors obligation to update and enhance their skills and knowledge which are important for their carrying out an effective role as directors.

Throughout the financial year, the directors have attended relevant seminars/courses organised by various professional bodies and corporations including:-

- Asian Investment Conference 2008
- 2nd Pan Asian Emerging Companies Investor Days
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Balanced Scorecard Awareness Program
- MAICSA Annual Conference 2008
- Key Amendments to the Malaysian Code on Corporate Governance
- Updates on Corporate Governance Regulatory Framework and Current Issues "Effective Governance the Way Forward"

NUMBER OF DIRECTORSHIPS IN OTHER COMPANIES

None of the directors of the Company hold more than ten (10) directorships in public listed companies or more than fifteen (15) in non-public listed companies, as required by the Listing Requirements.

DIRECTORS' REMUNERATION

1. The details on the aggregate remuneration of directors (excluding share options granted under ESOS) for the financial year ended 31 December 2008 are as follows:

Directors' Remuneration (RM)	Executive Director	Non-Executive Director	Total Amount
Fees	123,000	337,200	460,200
Attendance/Meeting Allowance	4,250	20,000	24,250
Salary & Bonus	1,165,388	-	1,165,388
Benefits-in-Kind	10,797	-	10,797
TOTAL	1,303,435	357,200	1,660,635

2. In compliance with the disclosure requirements under Bursa Malaysia's Listing Requirements, the number of Directors whose total remuneration falls within the following bands during the financial year ended 31 December 2008 (excluding share options granted under ESOS) are as follows:

Directors' Remuneration (RM)	Executive Director	Non-Executive Director	Total Number
RM50,001 to RM100,000	-	5	5
RM1,300,001 to RM1,350,000	1	-	1
TOTAL	1	5	6

CORPORATE GOVERNANCE STATEMENT

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATIONS

The Company seeks to develop and maintain regular informative communications with its shareholders, institutional and potential investors through various public announcements made during the year. In addition, the timely release of the financial results on quarterly basis provides its shareholders with an overview of the Group's financial and operational performance.

The Annual General Meeting of the Company remains the principal forum for dialogue with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board, as well as the external auditors of the Company are present to answer questions raised at the Meeting.

The Board has also adopted the following best practices to enhance the efficiency and value of general meetings:

- ensures that each item of special business included in the notice of meeting is accompanied by a full explanation of the effects of the proposed resolution; and
- ensures that the Chairman provides reasonable time at the meeting for discussion and for a question and answer session.

The outcome of all resolutions proposed at the general meeting is announced to Bursa Malaysia at the end of the meeting day.

CONTINUING DISCLOSURE OF MATERIAL INFORMATION

The Company observes the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia.

Timely and accurate disclosure is made on all material information. Throughout the financial year under review, the material information and material development thereof on disposal, proposed dividend, proposed financing facility, related party transaction, and change in composition of board members and board committees' members were among the material information released to Bursa Malaysia via the Bursa Malaysia Link.

CONFIDENTIALITY OF INFORMATION

In conducting briefings or presentations, the Company takes due care to ensure that any information regarded as undisclosed material information about the Company and its operations will not be given to any single shareholder or group of shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible in ensuring that the annual financial statements of the Company and the Group are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements, quarterly and half yearly announcements of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Relationship with Auditors

The Board has, through the Audit Committee, established a formal, transparent and appropriate relationship with the Group's Auditors, both external and internal. The Audit Committee meets regularly with external and internal auditors to discuss and review the audit plan, quarterly financial results, annual financial statements, internal audit reports etc and at every Board meeting, the Chairman of the Committee briefed the Board on significant matters discussed and deliberated at each Committee's meeting and makes recommendations for the Board's approval and endorsement as the case may be.

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT (Cont'd.)

Internal Controls

Information on the Group's internal controls system is presented in the Statement on Internal Control as set out on pages 26 to 30 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements to issue a statement explaining their responsibilities in the preparation of the annual financial statements.

The Board is fully accountable to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set by the Malaysian Accounting Standards Board so as to present a true and fair, balanced and understandable assessment of the Group's financial position and results. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Accounts.

The Audit Committee reviews the statutory compliance and scrutinises the financial aspects of the Audited Accounts prior to deliberation at the Board level.

ADDITIONAL COMPLIANCE INFORMATION

- **Material Contracts**

Neither the Company nor its Subsidiaries had entered into any material contracts not in the ordinary course of business during the Financial Year ended 31 December 2008.

- **Sanctions/Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any relevant regulatory authorities during the Financial Year ended 31 December 2008.

- **Non-Audit Fees**

Non-audit fees of RM128,000 were paid to the External Auditors for the financial year ended 31 December 2008.

- **Revaluation Policy on Landed Properties**

The Group does not adopt any revaluation policy on landed properties during the financial year ended 31 December 2008.

- **Recurrent Related Party Transactions**

At the 41st Annual General Meeting of the Company held on 27 June 2008, the shareholders of the Company had approved the renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature and renewal of and new general mandate for provision of financial assistance which are necessary for the day-to-day operations of the Group, entered into by the Company and/or its subsidiaries with certain classes of related parties from 27 June 2008 until the forthcoming Annual General Meeting. Such approval will expire at the conclusion of the forthcoming Annual General Meeting thus compelling the Board to propose to seek the shareholders' mandate for the renewal of the same.

The breakdown of the significant related party transactions entered into by the Company and/or its subsidiaries during the financial year are set out in Note 31 of the Notes to the Financial Statements set out on pages 111 to 112 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (Cont'd.)

- **Employees' Share Option Scheme**

The Company launched its first Employees' Share Option Scheme ("ESOS") in December 2007 and under the first offer, options representing 103,187,000 shares were offered at an option price of RM2.15 (being the 5 day weighted average price from 15 December 2007 to 19 December 2007 net of 10% discount) to 2,511 eligible employees and directors. As at 31 December 2008, 8,477,220 (41.71%) option out of the first year allocation granted to grantees has been taken up.

This Statement is made in accordance with a resolution of the Board of Directors at its Meeting held on 30 April 2009.

AUDIT COMMITTEE REPORT

The Audit Committee (AC) of Sarawak Energy Berhad was established on 30 July 1994 by the Board of Directors, to assist them to carry out their responsibilities. The AC is guided by their Terms of Reference which is set out in pages 44 to 49 of the Annual Report.

MEMBERSHIP AND MEETINGS

The details of the AC members and the number of meetings which they attended during the financial year were as follows:

No	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Dato' Nordin Bin Baharuddin (Chairman)*	Non-Executive Director	Yes	5/5
2.	Dato' Haji Idris Bin Haji Buang	Non-Executive Director	Yes	5/5
3.	Datuk Amar Wilson Baya Dandot	Non-Executive Director	No	3/5

* Fellow of the Institute of Chartered Accountants in England and Wales and Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

According to the AC's Terms of Reference, the Committee shall convene meetings as and when required, and at least four (4) times during each financial year and for the financial year ended 31 December 2008, the Committee met five (5) times.

The Head of Internal Audit, and Group Company Secretary who is also the secretary to the AC, were in attendance during the meetings. The Group Managing Director/Chief Executive, Chief Operating Officer and Chief Financial Officer were also present during the meetings at the invitation of the AC to provide feedback on strategic, operational and financial matters and to update the Committee on implementation and monitoring of corrective actions by the management. Representatives from the External Auditors were also invited to present the quarterly and annual financial statements of the Company and Group and as and when the needs arise.

After each AC meeting, the AC Chairman then briefs on significant matters discussed and deliberated to the Board of Directors.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A summary of the activities performed by the AC during the financial year is set out below:-

Financial Results

- Reviewed the quarterly unaudited financial statement and announcements to Bursa Malaysia and the year-end audited financial statements of the Company and Group with management and the external auditors and ensured that the financial statement were drawn in accordance with the provisions of the Companies Act 1965, Listing Requirements of Bursa Malaysia and applicable approved accounting standards and other statutory and regulatory requirements prior to recommending to the Board for approval.

Related Party Transactions

- Reviewed the adequacy of disclosure of related party transactions entered into by the Company and the Group and also the adequacy of policies, procedures and guidelines for identifying, monitoring and disclosing related party transactions for SEB and its subsidiaries.
- Reviewed and endorsed the Circular to Shareholders in relation to the renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature and renewal of general mandate for provision of financial assistance and recommended to the Board for approval.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd.)

Enterprise Wide Risk Management (EWRM)

- Reviewed and endorsed the establishment of EWRM Framework for the Group, Risk Action Planning Framework, Detailed Action Plans, Risk Management Procedures Document and progress of implementation of action plans for Top 20 Risks of the Group and activities undertaken by Risk Management Division to promote and improve risk management awareness and processes within the Group and recommended the same for Board's approval prior to implementation by management.

External Audit

- Reviewed and approved the External Audit Planning Memorandum and scope for their annual plan.
- Reviewed and recommended to the Board the reappointment of external auditors and their remuneration.
- Discussed with External Auditors without the presence of management on any problems and issues encountered in the course of their audit and on any other matters they may wish to highlight.
- Deliberated and reported the results of the annual audit to the Board of Directors.

Internal Audit

- Reviewed and approved Internal Audit Annual Plan to ensure adequacy of resources and coverage on auditable entities with significant and high risks.
- Reviewed and approved the revised Internal Audit Charter to comply with the professional practices and standards.
- Reviewed and discussed internal audit reports, ad-hoc investigations and follow up reviews issued and presented by internal audit and management responses thereto and ensured adequacy and effectiveness of corrective actions taken by management on all significant matters raised.

Annual Reporting

- Reviewed and recommended the Statement of Internal Control, Audit Committee Report and Corporate Governance Statement to the Board for approval.

Others

- Reviewed and endorsed the report and recommendations by Ernst & Young on the review of the Group's property, plant and equipment (PP&E) and leases in compliance with Financial Reporting Standard (FRS) 116 & 117.

GROUP INTERNAL AUDIT

The Group has an in house internal audit function who report directly to the Audit Committee and whose primary responsibility is to conduct regular and systematic audits of the significant operations based on identified risks and major concerns raised by management so as to provide reasonable assurance to the Board on the adequacy and effectiveness of the systems of internal control and risk management within the Group. A risk-based audit methodology is adopted to ensure that the relevant controls addressing risks are reviewed regularly.

During the financial year, Group Internal Audit has carried out planned audits and special ad-hoc assignments requested by management and audit committee. Reports arising thereof were issued to management for their response and corrective actions within an agreed timelines and subsequently presented to the AC for deliberation and decision.

AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT (Cont'd.)

Internal audit also monitors the implementation and resolution of significant issues and management action plans through follow up reviews carried out from time to time. The status and progress of such action plans is reported to the AC for information and further direction as the case may be.

TERM OF REFERENCE

Constitution

- The Board of Directors of Sarawak Energy Berhad (SEB) has established a Committee of the Board, known as the Audit Committee, vide a resolution of the Board on 30 July 1994.
- The function and authority of the AC extends to SEB and all its subsidiaries, (collectively referred to as the "Group").

Composition Of The Committee

- The members of the AC shall be appointed by the Board of Directors of SEB and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors of which the majority shall be independent in accordance with the definition in Bursa Malaysia Securities Berhad's Listing Requirements.
- Where the members for any reason are reduced to less than three (3), that Board shall within one (1) month of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- At least one (1) member of the AC must meet the criteria set by the Bursa Malaysia Listing Requirements, i.e.:
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he/she is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience, and:
 - i. he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c) fulfill such other requirements as follows:
 - i. he/she holds a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - ii. he/she has at least seven (7) years' experience being chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- The Board shall elect a Chairman from among the members of the AC who shall be an Independent Director as set out in the Bursa Malaysia Listing Requirements.
- All members shall hold office only for as long as they serve as directors of SEB.
- No alternate Directors shall be appointed to the AC.

AUDIT COMMITTEE REPORT

TERM OF REFERENCE (Cont'd.)

Chairman Of The Committee

The following are the main duties and responsibilities of the Chairman of the AC:

- to steer the AC to achieve its objectives;
- to provide leadership to the AC and ensure proper flow of information to the AC, review adequacy and timing of documentation;
- to provide a reasonable time for discussion at the AC meetings. Organise and present the agenda for AC meetings based on input from members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;
- to manage the process and working of the AC and ensure that the AC discharges its responsibilities; and
- to ensure that all members participate in the discussion to enable effective decisions to be made.

Committee Members

Each AC Member is expected to:

- provide independent opinions to the fact-finding, analysis and decision making process of the AC, based on their experience and knowledge;
- consider viewpoints of the other members, and make decisions and recommendations for the best interest of the Group;
- keep abreast of the latest corporate governance guidelines in relation to the AC and the Board as a whole; and
- continuously seek out best practices in terms of the processes utilized by the AC, following which these should be discussed with the rest of the members for possible adoption.

Objectives Of The Committee

The objectives of the AC are:

- to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- to improve the Group's business efficiency, the quality of the accounting and audit function and strengthening public confidence in the Group's reported financial results;
- to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;
- to ensure the independence of the external and internal audit functions; and
- to create a climate of discipline and control within the Group which will reduce the opportunity for fraud.

AUDIT COMMITTEE REPORT

TERM OF REFERENCE (Cont'd.)

Authority Of The Committee

The AC is authorised by the Board to:

- investigate any activity within its terms of reference; or as directed by the Board of Directors;
- have full and unrestricted access to all employees, the Group's properties and works, to all books, accounts, records and other information of the Group in whatever form;
- have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity for the Group;
- direct the Internal Audit function in the Group;
- engage independent advisors and to secure the attendance of outsiders with relevant experience and expertise if it considers deem necessary; and
- to review the adequacy of the structure and terms of reference of the Board Committees, including the AC.

Functions Of The Committee

- The functions and responsibilities of the AC are as follows:
 - Corporate Financial Reporting
 - a) To review and recommend acceptance or otherwise of accounting policies, principles and practices.
 - b) To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - i. any changes in existing or implementation of new accounting policies;
 - ii. major judgment arrears, significant and unusual events;
 - iii. significant adjustments resulting from audit;
 - iv. the going concern assumptions;
 - v. compliance with accounting standards; and
 - vi. compliance with Bursa Malaysia Listing Requirements and other legal and statutory requirements;
 - c) To review with management and the external auditors the results of the audit, including any difficulties encountered.
 - Enterprise – wide Risk Management
 - a) To review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the Group.
 - b) To ensure that the principles and requirements of managing risk are consistently adopted throughout the Group.
 - c) To deliberate on the key risk issues highlighted by the group Risk Management Committee in their reports to the AC.

AUDIT COMMITTEE REPORT

TERM OF REFERENCE (Cont'd.)

Functions Of The Committee (Cont'd.)

- Internal Control
 - a) To assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations.
 - b) To review the findings on internal controls in the Group by internal and external auditors.
 - c) To review and recommend for Board approval, the Statement on Internal Control and Audit Committee Report for inclusion in the Company's Annual Report as required under Bursa Malaysia Listing Requirements.
- Internal Audit
 - a) To approve the Audit Charters of internal audit functions in the Group.
 - b) To ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority and resources to carry out their work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.
 - c) To review internal audit reports and management's response and actions taken in respect of these. Where actions are not taken within adequate timeframe by management, the AC will report the matter to the Board.
 - d) To review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.
 - e) To appraise the performance of the Head of Internal Audit.
 - f) To review any appraisal or assessment of the performance of members of internal audit function.
 - g) To be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.
 - h) To direct any special investigation to be carried out by Internal Audit.
- External Audit
 - a) To recommend the nomination of the External Auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any questions of resignation or termination.
 - b) To review external audit reports and management's response and actions taken in respect of these, where actions are not taken within an adequate timeframe by management, the AC will report the matter to the Board.
 - c) To review external audit plans and scope of work.
 - d) The AC shall meet the external auditors at least twice a year to discuss problems and reservations arising out of external audits and any matters the auditors may wish to discuss, in the absence of management, Executive Directors or Non-Independent Directors where necessary.

AUDIT COMMITTEE REPORT

TERM OF REFERENCE (Cont'd.)

Functions Of The Committee (Cont'd.)

- Corporate Governance
 - a) To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
 - b) To review the findings of any examinations by regulatory authorities.
 - c) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity.
 - d) To review and recommend the Corporate Governance Statement for Board approval for inclusion in the Company's the Annual Report.
 - e) To review the investor relations program and shareholders' communications policy for the company.
 - f) To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
 - g) Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Listing Requirements, the AC must promptly report such matters to Bursa Malaysia.

Committee Meetings

- The AC shall convene meetings as and when required, and at least four (4) times during the financial year of SEB.
- The number of the AC meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.
- The Chairman of the AC, or the Secretary on the request of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the AC by giving reasonable notice.
- No business shall be transacted at any meeting of the AC unless a quorum is present. The quorum for each meeting shall be two (2) members comprising of all independent directors.
- The Chairman of the AC shall chair the committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- In appropriate circumstances, the AC may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- Officers of the Group or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.
- A committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to the actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the AC has the right to appoint another Director(s), which meets the membership criteria.
- The AC, through its Chairman, shall report to the Board after each meeting.

AUDIT COMMITTEE REPORT

TERM OF REFERENCE (Cont'd.)

Committee Meetings (Cont'd.)

- Subject to the provisions of this Terms of Reference and Memorandum and Articles of Association of SEB, the AC shall establish its own procedures for meeting.

Secretary Of The Committee

- The Secretary of the AC shall be the Company Secretary.
- The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the AC. The agenda shall be sent to all members of the AC and the Head of Internal Audit at least three (3) working days before each meeting together with the relevant papers.
- The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of the AC meeting shall be confirmed and signed by the Chairman of the meeting at the next succeeding meeting.
- The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by the members of the Board, external auditors, internal auditors, and other persons deemed appropriate by the Company Secretary.

Disclosure

- The AC shall assist the Board in making disclosures concerning the activities of the AC, in the Report of the Audit Committee, to be issued in the Annual Report.
- The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the AC with a copy to the Company Secretary.

Revision Of The Terms Of Reference

- Any revision or amendment to the Terms of Reference, as proposed by the AC or any third party, shall be presented to the Board for its approval.
- Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

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FINANCIAL STATEMENTS

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DIRECTORS' REPORT

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 2008.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associates are disclosed in Note 13 and Note 14 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Profit for the year	<u>276,757</u>	<u>69,748</u>
Attributable to:		
Equity holders of the Company	275,647	69,748
Minority interests	1,110	-
	<u>276,757</u>	<u>69,748</u>

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

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 other than the effects arising from changes in accounting estimates as disclosed in Note 2.5 to the financial statements.

Dividends

The amount of dividends paid by the Company since 31 December 2007 were as follows:

In respect of the financial year ended 31 December 2007 as reported in the directors' report of that year:

	RM'000
Final dividend of 5.0 sen less 26% taxation, on 1,523,762,879 ordinary shares and paid on 31 July 2008	<u>56,379</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 5.5 sen less 25% taxation on 1,527,426,599 ordinary shares, amounting to a dividend payable of RM63,006,347 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 equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

DIRECTORS' REPORT

Employee Share Options Scheme

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 19 December 2007. The ESOS was implemented on 21 December 2007 and is to be in force for a period of 10 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 26(b) to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of the eligible employees who have been granted options to subscribe for less than 500,000 ordinary shares of RM1 each. Details of options granted to directors are disclosed in the section on Directors' interests in this report.

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:

Datuk Abdul Hamed Bin Sepawi - Chairman
 Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain - Group Managing Director
 Datuk Amar Wilson Baya Dandot
 Datuk Fong Joo Chung
 Dato' Haji Idris Bin Haji Buang
 Dato' Nordin Baharuddin

In accordance with Article 82 of the Company's Articles of Association, Dato' Haji Idris Bin Haji Buang and Dato' Nordin Baharuddin 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 that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a 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 as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Nomination and remuneration committee

The Committee consists of two (2) non-executive directors and one (1) executive director, the majority of whom are independent. The members of the Committee as at the date of this report are:

Datuk Abdul Hamed Bin Sepawi
 (Independent Non-Executive Director) - Chairman

Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain
 (Non-Independent Executive Director) - Group Managing Director

Dato' Haji Idris Bin Haji Buang
 (Senior Independent Non-Executive Director)

DIRECTORS' REPORT

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each				
	1.1.2008	ESOS exercised	Acquired	Sold	31.12.2008
The Company					
Direct interest:					
Datuk Abdul Hamed Bin Sepawi	800,000	-	-	-	800,000
Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain	303,000	200,000	105,000	-	608,000
Datuk Amar Wilson Baya Dandot	-	70,000	-	-	70,000
Datuk Fong Joo Chung	-	70,000	-	-	70,000

	Number of Options Over Ordinary Shares of RM1 Each				
	Exercise price	1.1.2008	Exercised	Forfeited	31.12.2008
The Company					
Datuk Abdul Hamed Bin Sepawi	2.15	500,000	-	(100,000)	400,000
Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain	2.15	1,000,000	(200,000)	-	800,000
Datuk Amar Wilson Baya Dandot	2.15	350,000	(70,000)	-	280,000
Datuk Fong Joo Chung	2.15	350,000	(70,000)	-	280,000
Dato' Haji Idris Bin Haji Buang	2.15	350,000	-	(70,000)	280,000
Dato' Nordin Baharuddin	2.15	350,000	-	(70,000)	280,000

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM1,518,949,379 to RM1,527,426,599 by way of the issuance of 8,477,220 ordinary shares of RM1 each for cash, pursuant to the Company's Employees' Share Options Scheme at an exercise price of RM2.15 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT

Other statutory information (Cont'd.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (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 not otherwise dealt with in this report or financial statements of the Group and of the Company 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 their 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 and of the Company for the financial year in which this report is made.

Significant events

Details of significant events are disclosed in Note 33 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 34 to the financial statements.

Controlling shareholder

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

Auditors

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

DIRECTORS' REPORT

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2009.



**Tan Sri Datuk Amar (Dr) Haji Abdul Aziz
Bin Dato Haji Husain**



Dato' Nordin Baharuddin

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain** and **Dato' Nordin Baharuddin**, being two of the directors of **Sarawak Energy Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 60 to 115 are drawn up in accordance with the provisions of the Companies Act, 1965, and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 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 dated 30 April 2009.

**Tan Sri Datuk Amar (Dr) Haji Abdul Aziz
Bin Dato Haji Husain**

Dato' Nordin Baharuddin

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Haji Sulaiman Bin Haji Abdul Hamid**, being the person primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 115 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.

Subscribed and solemnly declared by the abovenamed **Haji Sulaiman Bin Haji Abdul Hamid** at Kuching in the State of Sarawak on 30 April 2009.

Haji Sulaiman Bin Haji Abdul Hamid

Before me,


CHUA HIAN CHONG PPN, FPP
Commissioner For Oaths
7H, Lot 303 (1st Floor)
Lorong 1, Off Rubber Road,
9400 Kuching, Sarawak



INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Members of Sarawak Energy Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Sarawak Energy Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 115.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts 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.
- (c) The auditors' reports on the accounts 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.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Members of Sarawak Energy Berhad (Incorporated in Malaysia) (Cont'd.)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



ERNST & YOUNG
AF: 0039
Chartered Accountants



YONG VOON KAR
1769/04/10 (J/PH)
Chartered Accountant

Kuching, Malaysia
Date: 30 April 2009

INCOME STATEMENTS

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	3	1,339,266	1,319,208	109,851	101,635
Cost of sales		(1,088,522)	(1,023,593)	-	-
Gross profit		250,744	295,615	109,851	101,635
Other income		242,579	161,461	1,835	66,703
Administrative expenses		(23,200)	(19,834)	(9,218)	(4,992)
Selling and distribution expenses		(267)	(423)	-	-
Other expenses		(138,961)	(21,025)	(9,128)	(2,803)
Operating profit		330,895	415,794	93,340	160,543
Finance costs	4	(35,671)	(35,447)	-	-
Share of results of associates		(1,493)	20,380	-	-
Profit before tax	5	293,731	400,727	93,340	160,543
Income tax expense	8	(16,974)	(63,316)	(23,592)	(25,215)
Profit for the year		276,757	337,411	69,748	135,328
Attributable to:					
Equity holder of the Company		275,647	335,462	69,748	135,328
Minority interests		1,110	1,949	-	-
		276,757	337,411	69,748	135,328
Earnings per share attributable to equity holders of the Company (sen)					
Basic	9	18.1	22.1		
Diluted	9	18.1	22.1		

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

BALANCE SHEETS

as at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	4,875,994	4,341,983	3,343	3,475
Prepaid land lease payments	12	125,307	129,800	13,875	18,984
Investment in subsidiaries	13	-	-	1,626,998	1,597,924
Investment in associates	14	45,314	35,279	32,405	600
Amounts due from subsidiaries	15	-	-	67,818	76,208
Deferred tax assets	16	34,337	-	137	-
		<u>5,080,952</u>	<u>4,507,062</u>	<u>1,744,576</u>	<u>1,697,191</u>
Current assets					
Property development costs	17	100,679	100,273	-	-
Inventories	18	272,678	249,761	-	-
Trade and other receivables	19	310,307	274,189	18,541	43,581
Amounts due from subsidiaries	15	-	-	143,940	2,234
Short-term deposits	21	569,373	637,199	28,479	81,187
Cash and bank balances		197,019	272,316	18,809	5,052
		<u>1,450,056</u>	<u>1,533,738</u>	<u>209,769</u>	<u>132,054</u>
TOTAL ASSETS		<u>6,531,008</u>	<u>6,040,800</u>	<u>1,954,345</u>	<u>1,829,245</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	1,527,426	1,518,949	1,527,426	1,518,949
Share premium	22	14,159	-	14,159	-
Reserves	23	1,323,843	1,077,045	349,212	308,313
		<u>2,865,428</u>	<u>2,595,994</u>	<u>1,890,797</u>	<u>1,827,262</u>
Minority interests		<u>17,257</u>	<u>16,147</u>	<u>-</u>	<u>-</u>
Total equity		<u>2,882,685</u>	<u>2,612,141</u>	<u>1,890,797</u>	<u>1,827,262</u>

BALANCE SHEETS

as at 31 December 2008 (Cont'd.)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current liabilities					
Borrowings	24	1,030,000	1,015,000	-	-
Deferred tax liabilities	16	370,402	375,704	-	-
Deferred income	25	1,347,355	1,452,259	-	-
Retirement benefit obligations	26(a)	82,419	3,100	546	-
		2,830,176	2,846,063	546	-
Current liabilities					
Trade and other payables	27	435,508	278,271	1,098	1,331
Collateral deposits		221,733	202,794	-	-
Borrowings	24	155,749	89,984	50,000	-
Amounts due to subsidiaries	15	-	-	11,904	652
Current tax payable		5,157	11,547	-	-
		818,147	582,596	63,002	1,983
Total liabilities		3,648,323	3,428,659	63,548	1,983
TOTAL EQUITY AND LIABILITIES		6,531,008	6,040,800	1,954,345	1,829,245

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

Note	Attributable to equity holders of the Company							Minority interests	Total equity
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Capital redemption reserves RM'000	Share option reserves RM'000	General reserves RM'000	Retained earnings RM'000		
At 1 January 2007	1,518,949	-	85,355	73,128	-	94,147	533,511	14,406	2,319,496
Profit for the year	-	-	-	-	-	-	335,462	1,949	337,411
Dividend	-	-	-	-	-	-	(45,462)	-	(45,462)
Share options granted under ESOS	-	-	-	-	904	-	-	-	904
Arising from acquisition of additional equity in subsidiary	-	-	-	-	-	-	-	(208)	(208)
At 31 December 2007	1,518,949	-	85,355	73,128	904	94,147	823,511	16,147	2,612,141
At 1 January 2008	1,518,949	-	85,355	73,128	904	94,147	823,511	16,147	2,612,141
Issue of ordinary shares pursuant to ESOS	8,477	14,159	-	-	(4,410)	-	-	-	18,226
Profit for the year	-	-	-	-	-	-	275,647	1,110	276,757
Dividend	-	-	-	-	-	-	(56,379)	-	(56,379)
Share options granted under ESOS	-	-	-	-	31,940	-	-	-	31,940
Share options forfeited under ESOS	-	-	-	-	(6,065)	-	6,065	-	-
At 31 December 2008	1,527,426	14,159	85,355	73,128	22,369	94,147	1,048,844	17,257	2,882,685

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Note	Non-Distributable Capital			Distributable			Total RM'000
		Share capital RM'000	Share premium RM'000	Share redemption reserves RM'000	Share option reserves RM'000	General reserves RM'000	Retained earnings RM'000	
At 1 January 2007		1,518,949	-	73,128	-	5,000	139,415	1,736,492
Profit for the year		-	-	-	-	-	135,328	135,328
Dividend	10	-	-	-	-	-	(45,462)	(45,462)
Share options granted under ESOS:								
Recognised in profit or loss	6	-	-	-	48	-	-	48
Included in investments in subsidiaries		-	-	-	856	-	-	856
At 31 December 2007		1,518,949	-	73,128	904	5,000	229,281	1,827,262
At 1 January 2008		1,518,949	-	73,128	904	5,000	229,281	1,827,262
Profit for the year		-	-	-	-	-	69,748	69,748
Dividend	10	-	-	-	-	-	(56,379)	(56,379)
Share options granted under ESOS:								
Recognised in profit or loss	6	-	-	-	1,866	-	-	1,866
Included in investments in subsidiaries		-	-	-	30,074	-	-	30,074
Issue of ordinary shares pursuant to ESOS		8,477	14,159	-	(4,410)	-	-	18,226
Share options forfeited under ESOS		-	-	-	(6,065)	-	6,065	-
At 31 December 2008		1,527,426	14,159	73,128	22,369	5,000	248,715	1,890,797

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

CASH FLOW STATEMENTS

for the year ended 31 December 2008

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from operating activities				
Profit before tax	293,731	400,727	93,340	160,543
Adjustments for:				
Amortisation of prepaid land lease payments	3,205	3,211	343	350
Bad debts written off	128	144	-	-
Depreciation of property, plant and equipment	219,497	255,048	692	400
Dividend income	(27)	(47)	(107,130)	(100,000)
Gain on disposal of investments	-	(2,170)	-	(2,136)
Gain on disposal of investment in an associate	-	(11,835)	-	-
(Gain)/loss on disposal of prepaid land lease payments	(1,834)	122	(1,834)	-
Loss on disposal of property, plant and equipment	12,532	996	-	216
Impairment in value of investment in a subsidiary	-	-	1,000	-
Impairment in value of investment in an associate	242	-	-	-
Impairment of goodwill	30	-	-	-
Interest expenses	444	457	-	-
Interest income	(24,678)	(22,210)	(2,721)	(1,635)
Inventories written off	58	-	-	-
Profit payments on islamic debt securities	35,182	34,897	-	-
Property, plant and equipment written off	151	82	-	-
Provision for doubtful debts less provision no longer required	31,777	72	4,607	(64,560)
Release of deferred income	(195,736)	(68,650)	-	-
Retirement benefit obligations	81,968	-	551	-
Negative goodwill on acquisition of additional equity in a subsidiary	-	(8)	-	-
Reversal of write-down of inventories	(4)	(162)	-	-
Share of results of associates	1,493	(20,380)	-	-
Share options granted under ESOS	31,940	904	1,866	48
Unrealised loss on foreign exchange	12	78	-	-
Write-back for impairment in value of investment in an associate	-	(36,060)	-	-
Operating profit/(loss) before working capital changes	490,111	535,216	(9,286)	(6,774)
Property development costs	(406)	-	-	-
Inventories	(22,971)	18,378	-	-
Receivables	(65,026)	9,102	27,312	(41,499)
Payables	157,243	24,772	(233)	479
Collateral deposits	18,939	19,837	-	-
Amount due from subsidiaries	-	-	(126,671)	95,998
Cash generated from/(used in) operations	577,890	607,305	(108,878)	48,204
Interest paid	(444)	(457)	-	-
Taxes paid	(65,993)	(67,836)	-	-
Retirement benefit paid	(2,649)	-	(5)	-
Net cash from/(used in) operating activities	508,804	539,012	(108,883)	48,204

CASH FLOW STATEMENTS

for the year ended 31 December 2008 (Cont'd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from investing activities				
Acquisition of subsidiary	(30)	-	-	(455)
Additional investment in a subsidiary	-	(200)	-	-
Acquisition of an associate	-	-	(18,305)	(600)
Additional investment in associates	(13,520)	(200)	(13,500)	-
Grants and capital contribution received	90,832	109,784	-	-
Purchase of property, plant and equipment	(724,301)	(834,498)	(560)	(2,960)
Purchase of prepaid land lease payments	(3,478)	(1,609)	-	-
Proceeds from disposal of property, plant and equipment	3,387	1,429	-	4
Proceeds from disposal of prepaid land lease payments	6,600	-	6,600	-
Proceeds from disposal of investments	-	92,604	-	4,822
Interest received	24,678	22,210	2,721	1,635
Dividends received	1,770	2,200	81,129	73,000
Net cash (used in)/from investing activities	<u>(614,062)</u>	<u>(608,280)</u>	<u>58,085</u>	<u>75,446</u>
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	18,226	-	18,226	-
Proceeds from issuance of islamic debt securities	115,000	465,000	-	-
Profit payments on islamic debt securities	(80,477)	(34,875)	-	-
Repayment of islamic debt securities	(81,000)	(80,000)	-	-
Net drawdown and repayment of bank borrowings	46,765	5,420	50,000	-
Dividend paid	(56,379)	(45,462)	(56,379)	(45,462)
Net cash (used in)/from financing activities	<u>(37,865)</u>	<u>310,083</u>	<u>11,847</u>	<u>(45,462)</u>
Net (decrease)/increase in cash and cash equivalents	(143,123)	240,815	(38,951)	78,188
Cash and cash equivalents at the beginning of the year	<u>909,515</u>	<u>668,700</u>	<u>86,239</u>	<u>8,051</u>
Cash and cash equivalents at the end of the year	<u>766,392</u>	<u>909,515</u>	<u>47,288</u>	<u>86,239</u>
Cash and cash equivalents are analysed as follows:				
Short-term deposits	569,373	637,199	28,479	81,187
Cash and bank balances	197,019	272,316	18,809	5,052
	<u>766,392</u>	<u>909,515</u>	<u>47,288</u>	<u>86,239</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, listed on the Main Board of Bursa Malaysia Securities Berhad and produces financial statements available for public use. The controlling shareholder of the Company is the State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak. The registered office of the Company is located at 4th Floor, Wisma SESCO, Petra Jaya, 93673 Kuching, Sarawak.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are described in Note 13 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 April 2009.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted revised Financial Reporting Standards ("FRSs") which are mandatory for the financial periods beginning on or after 1 July 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis except as disclosed in the significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Subsidiaries and basis of consolidation (Cont'd.)

(ii) Basis of consolidation (Cont'd.)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(b) Associates (Cont'd.)

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and development costs

All research costs are recognised in the profit or loss as incurred. Preliminary engineering, investigation and survey costs incurred on projects before authorisation for their construction are charged to operating expenditure. The cost of research and development related to alternative energy sources, or those not related to a specific project, is also charged to operations.

(d) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(d) Property, plant and equipment, and depreciation (Cont'd.)

Certain items of property, plant and equipment of the Group have not been revalued since 1993. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their valuation less accumulated depreciation. The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard IAS 16 (Revised): Property, Plant and Equipment which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which supersedes IAS 16) would require revaluations to be carried out at regular intervals.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has unlimited useful life and therefore is not depreciated. Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	- 2% to 5%
Structures and improvements	- 1% to 10%
Plant and machinery	- 2.86% to 20%
Lines and distribution mains	- 3.33% to 4%
Distribution services	- 4%
Meters	- 6.67%
Public Lighting	- 4%
Furniture, fittings, equipment and others	- 6.67% to 50%
Motor vehicles	- 10% to 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(e) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

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 stage 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.

(f) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. 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 the total costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(g) Impairment of non-financial assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cashgenerating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Inventories

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

Cost is determined using the weighted average cost method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(i) 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 liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instruments classified as a liability are reported as income or expense. Distributions to holders of financial instruments classified as equity are recognised directly in 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 asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) 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.

(iii) Payables

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

(iv) Interest bearing loans and borrowings

All loans and borrowings are recognised at the fair value of the consideration received less directly attributable transaction costs.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction 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 transaction which would otherwise have been avoided.

(vi) Derivative financial instruments

The Group uses derivative financial instruments, including interest rate swaps to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements on inception.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(i) Financial Instruments (Cont'd.)

(vi) Derivative financial instruments (Cont'd.)

Interest rate swap contracts

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

(ii) Finance leases - the Group as lessee

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 2.2(d).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(j) Leases (Cont'd.)

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(q)(vi)).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) 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. 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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in 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 the amount of any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(n) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Defined benefit plans

The Group operates an unfunded, post-retirement medical benefit plan ("the Plan") for its eligible employees and their eligible family members. The Group's obligation under the Plan, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

(iv) Share-based compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Company and its subsidiaries to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.2 Summary of significant accounting policies (Cont'd.)

(n) Employee benefits (Cont'd.)

(iv) Share-based compensation (Cont'd.)

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(o) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2008****2. Significant accounting policies (Cont'd.)****2.2 Summary of significant accounting policies (Cont'd.)****(o) Foreign currencies (Cont'd.)****(ii) Foreign currency transactions (Cont'd.)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of nonmonetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such nonmonetary items are also recognised directly in equity.

(p) Deferred income

Certain consumers are required to contribute towards the cost of revenue earning capital projects. These contributions together with government grants in respect of capital expenditure are credited to the deferred income account and released to the income statement on a straight line basis over the estimated useful lives of the related property, plant and equipment except for those relating to projects not yet completed.

(q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of electricity

Sale of electricity is recognised upon invoiced value of services rendered.

(ii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

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

(v) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(f).

(vi) Revenue from parking and maintenance fees 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 2.2(e).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 January 2008, the Group and the Company adopted the following revised FRS, amendment to FRS and Interpretations:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and of the Company.

2.4 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS and Interpretations		Effective for financial periods beginning on or after	
FRS 4	:	Insurance Contracts	1 January 2010
FRS 7	:	Financial Instruments: Disclosures	1 January 2010
FRS 8	:	Operating Segments	1 July 2009
FRS 139	:	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	:	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	:	Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The other new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2. Significant accounting policies (Cont'd.)

2.5 Changes in estimates

- (a) The revised FRS 116: Property, plant and equipment requires the review of the residual value and economic useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain property, plant and equipment with effect from 1 January 2008. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM30,110,000.
- (b) In conjunction with the review of the residual value and economic useful life of property, plant and equipment as mentioned in (a) above, the Group has extended its review to cover the related amortisation of certain deferred income including capital contribution. The Group has recognised additional amortisation of its deferred income amounting to RM126,680,000 in the current financial year.
- (c) During the year, the Group has obtained an actuarial valuation in respect of its obligations under its unfunded, post-retirement medical benefit plan for its eligible employees and their eligible family members. Resulting from the actuarial valuation, the Group and the Company have made additional provision for post-retirement medical expenses amounting to RM81,968,000 and RM551,000 respectively in the current financial year.

The changes in estimates as mentioned above have resulted in a net increase in the the Group's profit by RM74,822,000 and a decrease in the Company's profit by RM551,000 for the current financial year.

3. Revenue

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Dividend income	-	-	107,130	100,000
Interest income	2,683	1,465	2,721	1,635
Sales of electricity	1,289,034	1,215,501	-	-
Sales of good and services	4,290	13,880	-	-
Manufacturing, fabrication, galvanising and sale of steel structures	9,244	7,604	-	-
Construction contracts	28,707	77,908	-	-
Others	5,308	2,850	-	-
	<u>1,339,266</u>	<u>1,319,208</u>	<u>109,851</u>	<u>101,635</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

4. Finance costs

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Bank charges and commission	45	93	-	-
Bankers acceptance and trust receipts interest	92	150	-	-
Overdraft interest	-	3	-	-
Profit payments on islamic debt securities	80,459	64,074	-	-
Revolving credits interest	1,248	304	896	-
	<u>81,844</u>	<u>64,624</u>	<u>896</u>	<u>-</u>
Amount recharged to a subsidiary (Note 24(a))	-	-	(896)	-
Amount capitalised in capital work-in-progress (Note 11(c))				
- Profit payments on islamic debt securities	(45,277)	(29,177)	-	-
- Interest expenses on revolving credit	(896)	-	-	-
	<u>35,671</u>	<u>35,447</u>	<u>-</u>	<u>-</u>

5. Profit before tax

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
- statutory audits				
current year	251	225	60	60
underprovision in prior years	5	17	5	2
- other services				
current year	128	30	128	30
Bad debts written off	128	144	-	-
Depreciation of property, plant and equipment	219,497	255,048	692	400
Directors' remuneration (Note 7)	3,753	2,279	2,374	1,058
Employee benefits expense (Note 6)	267,127	156,070	7,371	3,724
Finance costs (Note 4)	35,671	35,447	-	-
Impairment in value of investment in a subsidiary	-	-	1,000	-
Impairment in value of investment in an associate	242	-	-	-
Impairment of goodwill	30	-	-	-
Loss on disposal of property, plant and equipment	12,532	1,051	-	220

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

5. Profit before tax (Cont'd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
The following amounts have been included in arriving at profit before tax: (cont'd.)				
Loss on disposal of prepaid land lease payments	-	122	-	-
Amortisation of prepaid land lease payments (Note 12)	3,205	3,211	343	350
Loss on foreign exchange-unrealised	12	78	-	-
Operating lease	2,753	2,994	10	418
Property, plant and equipment written off	151	82	-	-
Provision for doubtful debts	31,777	72	4,607	-
Inventories written off	58	-	-	-
After crediting:				
Dividends (gross)				
- unquoted subsidiary	-	-	107,130	100,000
- quoted investments	-	47	-	-
- unquoted investment	27	-	-	-
Gain on disposal of marketable securities	-	34	-	-
Gain on disposal of property, plant and equipment	-	55	-	4
Gain on disposal of prepaid land lease payments	1,834	-	1,834	-
Gain on disposal of other investments	-	2,136	-	2,136
Gain on disposal of investment in an associate	-	11,835	-	-
Gain on foreign exchange - realised	322	430	-	-
Interest income				
- subsidiaries	-	-	38	170
- short-term deposits	24,245	21,449	2,683	1,465
- others	433	761	-	-
Negative goodwill on acquisition of additional equity in a subsidiary	-	8	-	-
Release of deferred income	195,736	68,650	-	-
Rental income	4,134	4,323	-	-
Reversal of provision for doubtful debts	-	-	-	64,560
Reversal of write-down of inventories	4	162	-	-
Write-back for impairment in value of investment in an associate	-	36,060	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

6. Employee benefits expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries, wages and bonus	123,300	118,590	4,285	2,831
Social security contributions	3,436	1,073	21	9
Contributions to defined contribution plan	13,935	13,090	587	354
Other benefits	15,528	23,364	61	482
Retirement benefit obligations (Note 26(a))	81,968	-	551	-
Share options granted under ESOS (Note 26(b))	31,940	904	1,866	48
	<u>270,107</u>	<u>157,021</u>	<u>7,371</u>	<u>3,724</u>
Less: Amount capitalised in capital work-in-progress (Note 11(c))	(2,980)	(951)	-	-
	<u>267,127</u>	<u>156,070</u>	<u>7,371</u>	<u>3,724</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,389,990 (2007: RM1,473,545) and RM1,484,090 (2007: RM734,042) respectively.

7. Directors' remuneration

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors of the Company				
Emoluments	1,190	755	1,187	755
Fees	460	454	264	272
Benefits-in-kind	11	6	11	6
Share options granted under ESOS	912	25	912	25
	<u>2,573</u>	<u>1,240</u>	<u>2,374</u>	<u>1,058</u>
Other directors				
Emoluments	753	751	-	-
Fees	260	260	-	-
Benefits-in-kind	7	4	-	-
Retirement benefit obligations	66	-	-	-
Share options granted under ESOS	94	24	-	-
	<u>1,180</u>	<u>1,039</u>	<u>-</u>	<u>-</u>
Total Directors' remuneration (Note 31)	<u>3,753</u>	<u>2,279</u>	<u>2,374</u>	<u>1,058</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

7. Directors' remuneration (Cont'd.)

The number of directors of the Company whose total remuneration (excluding share options granted under ESOS) falls within the following bands is analysed below:

	Number of Directors	
	2008	2007
Executive Directors		
RM850,001 - RM900,000	-	1
RM1,300,000 - RM1,350,000	1	-
Non-executive Directors		
<RM50,000	-	1
RM50,001 - RM100,000	5	5

8. Income tax expense

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Income tax expense for the year	54,767	65,522	24,900	27,000
Under/(over)provided in prior years	1,846	(167)	(1,171)	(1,785)
	<u>56,613</u>	<u>65,355</u>	<u>23,729</u>	<u>25,215</u>
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	9,379	13,586	(137)	-
Under/(over)provided in prior years	2,349	(995)	-	-
Relating to changes in tax rates	-	(14,630)	-	-
Recognition of previously unrecognised deferred tax assets	(51,367)	-	-	-
	<u>(39,639)</u>	<u>(2,039)</u>	<u>(137)</u>	<u>-</u>
Total income tax expense	<u>16,974</u>	<u>63,316</u>	<u>23,592</u>	<u>25,215</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
 In excess of RM500,000 of chargeable income : Malaysian corporate statutory tax rate

The Malaysian corporate statutory tax rate will be reduced to 25% with effect from the year of assessment 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

8. Income tax expense (Cont'd.)

A reconciliation of income tax expense applicable to profit before tax 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:

	Group	
	2008	2007
	RM'000	RM'000
Profit before tax	293,731	400,727
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	76,370	108,196
Effect of chargeable income subject to tax rate of 20%	(61)	(80)
Effect of changes in tax rates	(945)	(15,348)
Effect of expenses not deductible for tax purposes	35,954	1,770
Effect of income not subject to tax	(47,560)	(14,508)
Effect of utilisation of unrecognised tax losses, unabsorbed capital allowances, reinvestment and investment allowances	-	(10,097)
Effect of recognition of previously unrecognised deferred tax assets	(51,367)	-
Effect of share of results of associates	388	(5,503)
Deferred tax assets not recognised during the year	-	48
Under/(over)provision of taxation in prior years	1,846	(167)
Under/(over)provision of deferred taxation in prior years	2,349	(995)
Income tax expense for the year	<u>16,974</u>	<u>63,316</u>
	Company	
	2008	2007
	RM'000	RM'000
Profit before tax	93,340	160,543
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	24,268	43,347
Effect of expenses not deductible for tax purposes	2,826	1,662
Effect of income not subject to tax	(2,331)	(18,009)
Overprovision of taxation in prior years	(1,171)	(1,785)
Income tax expense for the year	<u>23,592</u>	<u>25,215</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

9. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company:

	2008 RM'000	2007 RM'000
Profit attributable to ordinary equity holders of the Company	275,647	335,462
	2008 '000	2007 '000
Weighted average number of ordinary shares in issue	1,522,600	1,518,949
Basic earnings per share (sen)	18.1	22.1

(b) Diluted

For the purpose of calculating diluted earning per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	2008 RM'000	2007 RM'000
Profit attributable to ordinary equity holders of the Company	275,647	335,462
	2008 '000	2007 '000
Weighted average number of ordinary shares in issue	1,522,600	1,518,949
Effects of dilution arising on share options	386	60
Adjusted weighted average number of ordinary shares in issue and issuable	1,522,986	1,519,009
Diluted earnings per share (sen)	18.1	22.1

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

10. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Final dividend for 2006: 4.1 sen less 27% taxation on 1,518,949,379 ordinary shares	-	-	-	45,462
Final dividend for 2007: 5.0 sen less 26% taxation on 1,523,762,879 ordinary shares	-	56,379	56,379	-
Proposed for approval at forthcoming AGM				
Final dividend for 2008: 5.5 sen less 25% taxation on 1,527,426,599 ordinary shares	63,006	-	-	-
	<u>63,006</u>	<u>56,379</u>	<u>56,379</u>	<u>45,462</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2008, of 5.5 sen less 25% taxation on 1,527,426,599 ordinary shares, amounting to a dividend payable of RM63,006,347 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 equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

11. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Structures and improvements RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Public lighting RM'000	Motor vehicle, furniture, fittings, equipment and others RM'000	Total RM'000
At 31 December 2008										
At 1 January 2008	1,180	379,196	437,364	2,906,942	1,373,840	500,860	69,151	90,867	291,705	6,051,105
Additions	-	3,683	-	115,729	29,819	15,902	2,274	3,642	13,265	184,314
Disposals/written off	-	(7,730)	-	(24,060)	(1,769)	(741)	(707)	(343)	(32,577)	(67,927)
Reclassification	-	241	-	(250)	-	-	-	-	9	-
At 31 December 2008	1,180	375,390	437,364	2,998,361	1,401,890	516,021	70,718	94,166	272,402	6,167,492
Accumulated depreciation										
At 1 January 2008	-	162,199	147,268	1,342,847	599,747	228,394	37,255	35,097	228,639	2,781,446
Charge for the year	-	8,415	4,799	118,947	50,291	17,138	3,798	3,646	12,463	219,497
Disposals/written off	-	(6,316)	-	(15,220)	(894)	(629)	(695)	(165)	(27,938)	(51,857)
Reclassification	-	46	-	(48)	-	-	-	-	2	-
At 31 December 2008	-	164,344	152,067	1,446,526	649,144	244,903	40,358	38,578	213,166	2,949,086
Net carrying amount										
At 31 December 2008	1,180	211,046	285,297	1,551,835	752,746	271,118	30,360	55,588	59,236	3,218,406
Capital work-in-progress	-	-	-	-	-	-	-	-	-	1,657,588
	-	-	-	-	-	-	-	-	-	4,875,994

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

11. Property, plant and equipment (Cont'd.)

Group	Freehold land RM'000	Structures and improvements		Plant and distribution machinery		Lines and distribution mains		Meters RM'000	Public lighting RM'000	Motor vehicle, furniture, fittings, equipment and others RM'000	Total RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
At 31 December 2007											
Cost / valuation											
At 1 January 2007	-	377,108	434,372	2,810,785	1,338,992	467,804	67,427	84,564	286,621	5,867,673	
Additions	-	3,268	2,992	99,161	37,117	33,522	2,602	6,306	7,352	192,320	
Disposals/written off	-	-	-	(3,004)	(2,269)	(466)	(878)	(3)	(2,268)	(8,888)	
Reclassification	1,180	(1,180)	-	-	-	-	-	-	-	-	
At 31 December 2007	1,180	379,196	437,364	2,906,942	1,373,840	500,860	69,151	90,867	291,705	6,051,105	
Accumulated depreciation											
At 1 January 2007	-	148,778	140,495	1,211,476	547,750	209,421	34,325	31,575	208,959	2,532,779	
Charge for the year	-	13,421	6,773	133,234	53,305	19,368	3,796	3,525	21,626	255,048	
Disposals/written off	-	-	-	(1,863)	(1,308)	(395)	(866)	(3)	(1,946)	(6,381)	
At 31 December 2007	-	162,199	147,268	1,342,847	599,747	228,394	37,255	35,097	228,639	2,781,446	
Net carrying amount											
At 31 December 2007	1,180	216,997	290,096	1,564,095	774,093	272,466	31,896	55,770	63,066	3,269,659	
Capital work-in-progress										1,072,324	
											4,341,983

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11. Property, plant and equipment (Cont'd.)

- (a) The valuation for 1993 was adopted based on professional appraisals by independent valuers. The valuation was on the basis of open market value for land and buildings.
- (b) Included in the capital work-in-progress of the Group are projects completed as at 31 December 2008 but not capitalised amounted to RM32,214,284 (2007: RM7,144,304). The Group is taking concerted action to identify the total cost of these completed projects and take them to the respective assets accounts.
- (c) The following expenses incurred during the year have been included in capital work-in-progress:

	Group	
	2008 RM'000	2007 RM'000
Interest expenses on revolving credit	896	-
Profit payments on islamic debt securities	45,277	29,177
Employee benefits expense	2,980	951
Rental expenses	283	146

	Company	
	2008 RM'000	2007 RM'000
At 1 January	2,469	2,469
Additions	560	2,960
Disposals/written off	-	(397)
At 31 December	5,592	5,032

Motor vehicle, furniture, fittings, equipment and others:

Cost

At 1 January	5,032	2,469
Additions	560	2,960
Disposals/written off	-	(397)
At 31 December	5,592	5,032

Accumulated depreciation

At 1 January	1,557	1,334
Depreciation charge for the year	692	400
Disposals/written off	-	(177)
At 31 December	2,249	1,557

Net carrying amount

At 31 December	3,343	3,475
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12. Prepaid land lease payments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At cost/surrogated cost:				
At 1 January	129,800	131,524	18,984	19,334
Addition	3,478	1,609	-	-
Amortisation for the year (Note 5)	(3,205)	(3,211)	(343)	(350)
Disposal	(4,766)	(122)	(4,766)	-
	<u>125,307</u>	<u>129,800</u>	<u>13,875</u>	<u>18,984</u>
Analysed as:				
Long term leasehold land	50,272	53,624	13,875	18,984
Short term leasehold land	75,035	76,176	-	-
	<u>125,307</u>	<u>129,800</u>	<u>13,875</u>	<u>18,984</u>

Certain leasehold land of the Group have not been revalued since they were first revalued in 1993. The valuation for 1993 was adopted by the directors based on professional appraisal by independent valuers. The valuation was made on the basis of open market valuation. The resultant revaluation surplus was credited to revaluation reserve. As allowed by the transitional provisions of FRS 117, the unamortised amount of leasehold land as at 1 January 2007 is retained as the surrogated carrying amount of prepaid land lease payments.

The title deeds of certain lands of certain subsidiaries are in the process of being registered in the name of the subsidiaries.

13. Investment in subsidiaries

	Company	
	2008 RM'000	2007 RM'000
Unquoted shares at cost	1,690,841	1,690,841
Less: Accumulated impairment losses	(94,773)	(93,773)
Equity contribution to subsidiary companies (a)	30,930	856
	<u>1,626,998</u>	<u>1,597,924</u>

(a) The amount represents the fair value adjustment for ESOS granted to employees of the subsidiary companies.

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13. Investment in subsidiaries (Cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young, Malaysia, are shown below:

Name of Subsidiaries	Principal activities	Proportion of ownership interest	
		2008 %	2007 %
Subsidiaries of the Company:			
Syarikat SESCO Berhad	Generation, transmission, distribution and sale of electricity	100.00	100.00
Sarawak Power Generation Sdn. Bhd.	Power generation	100.00	100.00
Sejingkat Power Corporation Sdn. Bhd. *	Power generation	100.00	100.00
Mukah Power Generation Sdn. Bhd. #	Power generation	100.00	100.00
Sarawak Hydro Power Generation Sdn. Bhd. #	Power generation	100.00	100.00
Sarwaja Timur Sdn. Bhd. *	Manufacture, fabrication, galvanising and sale of steel structures	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
Naungan Pertiwi Sdn. Bhd.	Dormant	100.00	100.00
Subsidiaries of Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn. Bhd.	Manufacturing of transformers and switch gears and contracting electrical works	51.00	51.00
Sarawak Energy Services Sdn. Bhd.	Provision of management services, operation and maintenance of power stations and contracting	100.00	100.00
Sarawak Energy Engineering Sdn. Bhd. (formerly known as Sesco Engineering Sdn. Bhd.)	Mechanical, electrical and electronic engineering and contracting	70.00	70.00

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13. Investment in subsidiaries (Cont'd.)

Name of Subsidiaries	Principal activities	Proportion of ownership interest	
		2008 %	2007 %
Subsidiaries of Syarikat SESCO Berhad: (Cont'd.)			
PPLS Power Generation Sdn. Bhd.	Power generation	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 Sarawak Hydro Power Generation Sdn. Bhd.:			
Murum Hydro Consortium Sdn. Bhd. #^	Power generation	100.00	-

* Through the equity interest held by the Company and its subsidiary, Syarikat SESCO Berhad.

These subsidiaries have yet to commence operations during the financial year.

^ On 9 December 2008, the Company's wholly owned subsidiary, Sarawak Hydro Power Generation Sdn. Bhd. had acquired 100% equity interest in Murum Hydro Consortium Sdn. Bhd. for a total cash consideration of RM30,000.

14. Investment in associates

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares in Malaysia, at cost	31,342	17,822	40,840	9,035
Share of post-acquisition reserves	20,749	23,992	-	-
	<u>52,091</u>	<u>41,814</u>	<u>40,840</u>	<u>9,035</u>
Less: Accumulated impairment losses	(6,777)	(6,535)	(8,435)	(8,435)
	<u>45,314</u>	<u>35,279</u>	<u>32,405</u>	<u>600</u>

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

Name of Associates	Principal activities	Proportion of ownership interest	
		2008 %	2007 %
Associates of the Company:			
Dectra Sdn. Bhd. +	Provision, integration and maintenance of control instrumentation and SCADA systems	26.24	26.24

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14. Investment in associates (Cont'd.)

Name of Associates	Principal activities	Proportion of ownership interest	
		2008 %	2007 %
Associates of the Company: (Cont'd.)			
Sarawak Coal Resources Sdn. Bhd. +	Extraction and sales of coal	30.00	30.00
Sarawak Cable Sdn. Bhd. * (formerly known as UCS Holdings Sdn. Bhd.)	Investment holding	35.00	-
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
Associates of Syarikat SESCO Berhad:			
Universal Cable (Sarawak) Sdn. Bhd. *	Manufacture of electrical wires and cables, and sub-contract of power and transmission related works and services	-	35.00
Sejingkat Power Corporation Sdn. Bhd.	Power generation	49.18	49.18
Sarwaja Timur Sdn. Bhd.	Manufacture, fabrication, galvanising and sale of steel structure	22.29	22.29
Sarawak Gas Distribution Sdn. Bhd.	Distribution of gas	30.00	30.00

* During the financial year, the Company acquired 35% equity interest in Universal Cable (Sarawak) Sdn. Bhd. ("UCSSB") from its wholly-owned subsidiary, Syarikat SESCO Berhad for a total cash consideration of RM18,304,999. The entire shareholding in UCSSB was then acquired by Sarawak Cable Sdn. Bhd. (formerly known as UCS Holdings Sdn. Bhd.) by way of share swap. Consequential to the mentioned acquisitions, the Group's shareholding in UCSSB has been transferred to SCSB.

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

NOTES TO THE FINANCIAL STATEMENTS

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14. Investment in associates (Cont'd.)

The summarised financial information of the associates are as follows:

	Group	
	2008 RM'000	2007 RM'000
Assets and liabilities		
Current assets	143,187	105,991
Non-current assets	103,368	47,660
Total assets	<u>246,555</u>	<u>153,651</u>
Current liabilities	(98,284)	(19,190)
Non-current liabilities	(14,625)	(11,237)
Total liabilities	<u>(112,909)</u>	<u>(30,427)</u>
Results		
Revenue	164,244	132,699
(Loss)/profit for the year	<u>(6,498)</u>	<u>10,052</u>

The details of goodwill included within the Group's carrying amount of investment in associates are as follows:

	RM'000
Cost/net carrying amount	
At 31 December 2007 and 31 December 2008	<u>2,236</u>

15. Amounts due from/(to) subsidiaries

	Company	
	2008 RM'000	2007 RM'000
(a) Amounts due from subsidiaries		
- interest-bearing	50,000	1,286
- interest-free	268,707	179,498
	<u>318,707</u>	<u>180,784</u>
Less: Provision for doubtful debts	(106,949)	(102,342)
	<u>211,758</u>	<u>78,442</u>
Amounts due after 1 year	(67,818)	(76,208)
Amounts due within 1 year	<u>143,940</u>	<u>2,234</u>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Interest is charged on the interest-bearing portion at a rate of 4.4% (2007: at rates ranging from 5.0% to 6.4%) per annum.

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15. Amounts due from/(to) subsidiaries (Cont'd.)

	Company	
	2008 RM'000	2007 RM'000
(b) Amount due to subsidiaries	11,904	652

The amount due to subsidiaries is unsecured, non-interest bearing and has no fixed term of repayment.

16. Deferred taxation

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	375,704	377,743	-	-
Recognised in the income statement (Note 8)	(39,639)	(2,039)	(137)	-
At 31 December	336,065	375,704	(137)	-
Presented after appropriate offsetting as follows:				
Deferred tax assets (a)	(34,337)	-	(137)	-
Deferred tax liabilities (b)	370,402	375,704	-	-
	336,065	375,704	(137)	-

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

(a) Deferred tax assets

	Deferred tax arising from			Total RM'000
	Accelerated capital allowances RM'000	Unutilised investment allowance RM'000	Retirement benefit obligations RM'000	
Group				
At 1 January 2008	-	-	-	-
Recognised in the income statement	35,520	(69,425)	(432)	(34,337)
At 31 December 2008	35,520	(69,425)	(432)	(34,337)
Company				
Deferred tax arising from retirement benefit obligations				
At 1 January			-	-
Recognised in the income statement			(137)	-
At 31 December			(137)	-

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16. Deferred taxation (Cont'd.) (b) Deferred tax liabilities

Group	Deferred tax arising from						Total RM'000
	Revaluation of land and buildings RM'000	Accelerated capital allowances RM'000	Unutilised investment tax losses RM'000	Retirement benefit obligations RM'000	Provision for asset maintenance RM'000	gensest RM'000	
At 1 January 2008 Recognised in the income statement	15,024 317	361,455 37,277	- (23,514)	(775) (19,382)	- -	- -	375,704 (5,302)
At 31 December 2008	15,341	398,732	(23,514)	(20,157)	-	-	370,402
At 1 January 2007 Recognised in the income statement	14,371 653	380,257 (18,802)	- -	(806) 31	(16,079) 16,079	- -	377,743 (2,039)
At 31 December 2007	15,024	361,455	-	(775)	-	-	375,704

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17. Property development costs

	Group	
	2008 RM'000	2007 RM'000
Freehold land	5,372	5,372
Development cost	95,307	94,901
	<u>100,679</u>	<u>100,273</u>

18. Inventories

	Group	
	2008 RM'000	2007 RM'000
Cost		
Finished goods	2,957	2,282
Raw materials and consumables	271,175	246,536
Work-in-progress	3,420	5,775
Inventories in transit	114	160
	<u>277,666</u>	<u>254,753</u>
Less: Provision for slow-moving and obsolescence	(4,988)	(4,992)
	<u>272,678</u>	<u>249,761</u>

19. Trade and other receivables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables				
Trade receivables	136,562	138,897	-	-
Less: Provision for doubtful debts	(2,680)	(2,903)	-	-
	<u>133,882</u>	<u>135,994</u>	<u>-</u>	<u>-</u>
Trade receivables, net	133,882	135,994	-	-
Due from customers on contract works (Note 20)	94,799	16,286	-	-
	<u>228,681</u>	<u>152,280</u>	<u>-</u>	<u>-</u>
Other receivables				
Deposits	252	347	81	94
Prepayments	1,668	5,850	29	29
Sundry receivables	107,426	114,429	14,318	41,617
Current tax assets	5,291	2,294	4,113	1,841
	<u>114,637</u>	<u>122,920</u>	<u>18,541</u>	<u>43,581</u>
Less: Provision for doubtful debts	(33,011)	(1,011)	-	-
	<u>81,626</u>	<u>121,909</u>	<u>18,541</u>	<u>43,581</u>
	<u>310,307</u>	<u>274,189</u>	<u>18,541</u>	<u>43,581</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. Trade and other receivables (Cont'd.)

Included in sundry receivables of the Group and of the Company are advances to the contractors for the power plants undertaken by the Group amounting to RM42.9 million (2007: RM60.2 million) and Nil (2007: RM39.7 million) respectively.

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.

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

20. Due from/(to) customers on contract works

	Group	
	2008 RM'000	2007 RM'000
Construction contract costs incurred to date	464,047	329,705
Attributable profits	33,166	26,675
	<u>497,213</u>	<u>356,380</u>
Less: Progress billings	(405,018)	(340,704)
	<u>92,195</u>	<u>15,676</u>
Due from customers on contract works (Note 19)	94,799	16,286
Due to customers on contract works (Note 27)	(2,604)	(610)
	<u>92,195</u>	<u>15,676</u>
Retention sum on contracts, included within trade receivables	3,068	139

21. Short-term deposits

The short-term deposits of the Group and of the Company are deposits placed with licensed banks. Included in deposits of the Group is an amount of RM117,245,968 (2007: RM81,941,974) pledged as securities for the Group's borrowings.

The interest rates and the maturities of deposits at balance sheet date range from 2.3% to 3.8% (2007: 2.35% to 4.55%) per annum and on call to 365 days (2007: on call to 365 days) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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22. Share capital and share premium

	Number of shares		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised share capital				
At 1 January/31 December:				
Ordinary shares of RM1 each	2,900,000	2,900,000	2,900,000	2,900,000
5-year 5% RCPS of RM0.10 each	1,000,000	1,000,000	100,000	100,000
	<u>3,900,000</u>	<u>3,900,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

	Number of Ordinary shares of RM1 each Share Capital (Issued and Fully Paid) '000	Share Capital (Issued and Fully Paid) RM'000	Amount	
			Share Premium RM'000	Total Share Capital and Share Premium RM'000
1 January 2008	1,518,949	1,518,949	-	1,518,949
Issue of ordinary shares pursuant to ESOS (Note 26(b))	8,477	8,477	9,749	18,226
Transfer from share option reserve	-	-	4,410	4,410
At 31 December 2008	<u>1,527,426</u>	<u>1,527,426</u>	<u>14,159</u>	<u>1,541,585</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM1,518,949,379 to RM1,527,426,599 by way of the issuance of 8,477,220 ordinary shares of RM1 each for cash, pursuant to the Company's Employees' Share Options Scheme at an exercise price of RM2.15 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

23. Reserves

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable:				
Capital reserves (a)	85,355	85,355	-	-
Capital redemption reserve (b)	73,128	73,128	73,128	73,128
Share option reserve (c)	22,369	904	22,369	904
	<u>180,852</u>	<u>159,387</u>	<u>95,497</u>	<u>74,032</u>

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23. Reserves (Cont'd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Distributable:				
General reserves (a)	94,147	94,147	5,000	5,000
Retained earnings (d)	1,048,844	823,511	248,715	229,281
	<u>1,142,991</u>	<u>917,658</u>	<u>253,715</u>	<u>234,281</u>
	<u>1,323,843</u>	<u>1,077,045</u>	<u>349,212</u>	<u>308,313</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) Capital reserves and general reserves

These reserves include reserves created in accordance with Section 21(2)(a) of the SESCO Ordinance, 1962 which had since been repealed in year 2005.

(b) Capital redemption reserve

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

(c) Share option reserve

The share option reserve represents the equity-settled share options granted to eligible employees of the Group. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options. The details of the share options are disclosed in Note 26(b).

(d) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2008 and 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 December 2008 and 2007, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings. In addition, the Company has tax exempt profits available for distribution of approximately RM102 million (2007: RM102 million) as at 31 December 2008, subject to agreement of the Inland Revenue Board.

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24. Borrowings

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current				
Islamic debt securities:				
Unsecured	165,000	220,000	-	-
Secured	865,000	795,000	-	-
	<u>1,030,000</u>	<u>1,015,000</u>	<u>-</u>	<u>-</u>
Current				
Unsecured:				
Bankers' acceptances and trust receipts	695	458	-	-
Islamic debt securities	55,000	55,000	-	-
Revolving credit	50,000	-	50,000	-
	<u>105,695</u>	<u>55,458</u>	<u>50,000</u>	<u>-</u>
Secured:				
Bankers' acceptances and trust receipts	254	2,226	-	-
Revolving credits	4,800	6,300	-	-
Islamic debt securities	45,000	26,000	-	-
	<u>50,054</u>	<u>34,526</u>	<u>-</u>	<u>-</u>
	<u>155,749</u>	<u>89,984</u>	<u>50,000</u>	<u>-</u>
Total borrowings				
Bankers' acceptances and trust receipts (a)	949	2,684	-	-
Revolving credits (a)	54,800	6,300	50,000	-
Islamic debt securities (b)	1,130,000	1,096,000	-	-
	<u>1,185,749</u>	<u>1,104,984</u>	<u>50,000</u>	<u>-</u>

(a) Revolving credits, bankers' acceptances and trust receipts

The Company's revolving credit obtained was extended to a subsidiary to finance its power plant project. It bears interest at a rate of 4.4% per annum and all interest incurred was recharged to the subsidiary.

The Group's revolving credits, bankers' acceptances and trust receipts 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.

The Group's secured revolving credits, bankers' acceptances and trust receipts bear interest at rates of 0.5% to 1.25% (2007: 0.5% to 1.25%) per annum above the bankers' base lending rates.

NOTES TO THE FINANCIAL STATEMENTS

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24. Borrowings (Cont'd.)

(b) Islamic debt securities

The details of the islamic debt securities of the Group are as follows:

(i) 11-year RM605 million Al-Bai Bithaman Ajil Islamic Debt Securities ("BalDS")

The unsecured islamic debt securities were issued by a subsidiary at interest rates of 3.70% to 6.55% per annum and redeemable by eleven tranches over a period of eleven years commencing 2002 till 2012.

The BalDS are redeemable as follows:

	Group	
	2008 RM'000	2007 RM'000
Redeemable within 1 year	55,000	55,000
Between 1 and 2 years	55,000	55,000
Between 2 and 5 years	110,000	165,000
Redeemable after 1 year	165,000	220,000
	220,000	275,000

(ii) 9-year RM195 million BalDS

The BalDS of nominal amount of RM195 million was issued on 15 December 2000 by a subsidiary 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 BalDS are redeemable annually in stages over 9 years commencing 12 months from the issue date. Profit is payable on the nominal amount of the BalDS in tranches at rates of 4.5% to 8.25% per annum.

The BalDS are redeemable as follows:

	Group	
	2008 RM'000	2007 RM'000
Redeemable within 1 year	30,000	26,000
Redeemable after 1 year	-	30,000
	30,000	56,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

24. Borrowings (Cont'd.)

(b) Islamic debt securities (Cont'd.)

(iii) 15-year RM215 million Sukuk Musharakah (Cont'd.)

This represents the Serial Sukuk Musharakah of up to an aggregate nominal amount of RM215.0 million ("the Sukuk Musharakah") issued under the Islamic principle of Musharakah by a subsidiary to partly finance the development and construction of a coal-fired power plant in Mukah which is undertaken by another subsidiary of the Group.

This borrowing shall be issued in three tranches over a period of eighteen (18) months to a licensed bank, the primary subscriber. The total nominal amount of Sukuk Musharakah amounting to RM215.0 million had been issued in prior years.

The Sukuk Musharakah is secured by a security trust deed, the assignment of certain lease of the subsidiary, 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 fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Service Cover Ratio of not less than 1.25:1 since the tenure of the facilities commenced.

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2008 is tabulated below:

Tranche	Nominal amount RM' million	Issuance dates Year	Profit payment rates %	Redemption dates Year
1	105.0	2006	7.05 - 8.10	2016 - 2021
2	55.0	2007	6.55 - 7.05	2012 - 2016
3	55.0	2007	5.80 - 6.85	2009 - 2012
	<u>215.0</u>			

The Sukuk Musharakah is redeemable as follows:

	Group	
	2008 RM'000	2007 RM'000
Redeemable within 1 year	15,000	-
Redeemable after 1 year	200,000	215,000
	<u>215,000</u>	<u>215,000</u>

(iv) 15-year RM665 million Sukuk Mudharabah

This represents the Serial Sukuk Mudharabah of up to an aggregate nominal amount of RM665.0 million ("the Sukuk Mudharabah") issued under the Islamic principle of Mudharabah by a subsidiary to partly finance its development and construction of a coal-fired power plant in Mukah.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

24. Borrowings (Cont'd.)

(b) Islamic debt securities (Cont'd.)

(iv) 15-year RM665 million Sukuk Mudharabah (Cont'd.)

This borrowing shall be issued in five tranches over a period of two years to a licensed bank, the primary subscriber. The first three tranches of Sukuk Mudharabah amounting to a nominal amount of RM550.0 million had been issued in prior years.

On 27 June 2008 and 30 December 2008, the fourth and fifth tranche of Sukuk Mudharabah amounting to a nominal amount of RM45.0 million and RM70.0 million respectively, has been issued.

The Sukuk Mudharabah is secured by the following:

- (i) Assignment of all rights, benefits and titles of the subsidiary under its project documents;
- (ii) Memorandum of charge to be signed in escrow over the subsidiary's land upon the issuance of the land title to the subsidiary;
- (iii) Letter of undertaking to procure the issuance of the individual land title for Mukah Power Plant and assignment of its rights to the alienation of the issuance of lease(s) or provisional lease(s) or separate document of title of the subsidiary's land;
- (iv) Memorandum of first legal charge over designated accounts of the subsidiary and assignment of rights, benefits and titles to the credit balances in these accounts; and
- (v) First ranking debenture creating fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Service Cover Ratio of not less than 1.25:1 since the tenure of the facilities commenced.

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2008 is tabulated below:

Tranche	Nominal amount RM' million	Issuance dates Year	Profit payment rates %	Redemption dates Year
1	195.0	2006	8.10 - 8.60	2019 - 2021
2	325.0	2007	7.15 - 8.25	2013 - 2019
3	30.0	2007	7.40 - 7.50	2013
4	45.0	2008	6.70 - 6.90	2012 - 2013
5	70.0	2008	6.45 - 6.75	2010 - 2011
	<u>665.0</u>			

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2008 RM'000	2007 RM'000
Redeemable after 1 year	<u>665,000</u>	<u>550,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

25. Deferred income

Deferred income represents government grants and capital contributions by consumers towards the cost of capital projects and is analysed as follows:

	Group	
	2008 RM'000	2007 RM'000
At 1 January	1,452,259	1,411,125
Received during the year	90,832	109,784
Released to the income statement	(195,736)	(68,650)
At 31 December	<u>1,347,355</u>	<u>1,452,259</u>

Capital contributions and grants received from consumers and government was transferred to the income statement based on the estimated useful lives of the related property, plant and equipment.

26. Employee benefits

(a) Retirement benefit obligations

The Group operates an unfunded post-retirement medical benefit plan ("the Plan") for its eligible employees and their eligible family members upon attainment of the retirement age of 56 by the eligible employees.

The Group has previously made provisions amounting to RM3.1 million in respect of its obligations under the plan. During the year under review, the Group has made additional provision for post-retirement medical benefits amounting to RM82.0 million upon obtaining actuarial valuation.

Movements in the net liability in the current year were as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	3,100	3,100	-	-
Recognised in income statement	81,968	-	551	-
Benefits paid	(2,649)	-	(5)	-
At 31 December	<u>82,419</u>	<u>3,100</u>	<u>546</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

26. Employee benefits (Cont'd.)

(a) Retirement benefit obligations (Cont'd.)

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Present value of unfunded defined benefit obligations	116,619	3,100	585	-
Unrecognised past service costs	(34,200)	-	(39)	-
Net liability	82,419	3,100	546	-

The amounts recognised in the income statement are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current service cost	12,051	-	133	-
Interest cost	6,464	-	28	-
Past service costs	63,453	-	390	-
Total, included in employee benefits expense (Note 6)	81,968	-	551	-

Principal actuarial assumptions used:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Discount rate	6.5	N/A	6.5	N/A
Medical cost inflation rate	11.0	N/A	11.0	N/A

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 56 is 20 years.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

26. Employee benefits (Cont'd.)

(b) Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 19 December 2007. The ESOS was implemented on 21 December 2007 and is in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

- (i) The Employee Share Options Scheme Committee ("Options Committee") appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Options Committee, any employee whose employment has been confirmed and in employment of the Group for a period of at least one (1) year of continuous service prior to and up to the Offer Date and any executive directors of the Group holding office in a full-time executive capacity, shall be eligible to participate in the ESOS.
- (iii) The total number of total shares to be issued under the ESOS shall not exceed in aggregate 10% of the total issued and paid-up share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his or her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted, the Options Committee shall so determine at their discretion from time to time, a discount of not more than 10% or the par value of the shares of the Company of RM1.00.
- (v) The employees' entitlements to the options are vested as soon as they become exercisable. The options upon acceptance will entitle the employee to subscribe for the total options granted to him over a period commencing from the date of the offer letter to 21 December 2017 subject to the maximum percentage of option exercisable in a particular year. In the first year, it will be 20% of the total options granted and subsequently, 10% from the second year to the ninth year. Where the total options exercisable for a particular period is not fully exercised, the unexercised options shall be carried forward to the next period subject to the retention percentage imposed by the Options Committee. Any unexercisable options that is allowed to roll over to the next period shall not subject to any restriction imposed for the next period.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options, in any share issue of any other company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

26. Employee benefits (Cont'd.)

(b) Employee Share Options Scheme ("ESOS") (Cont'd)

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movement in share options during the year:

	2008 '000	2007 '000
2007 options (WAEP @ RM2.15)		
At 1 January	103,484	-
Granted	-	103,484
Rejected	(1,875)	-
Exercised	(8,477)	-
Forfeited	(8,634)	-
Outstanding as at 31 December	<u>84,498</u>	<u>103,484</u>
Exercisable as at 31 December	<u>14,908</u>	<u>20,697</u>

(i) Details of share options outstanding at the end of the year:

Expiry date	WAEP RM/share	Exercisable period
21.12.2017	2.15	21.12.2007 to 21.12.2017

(ii) Share options exercised during the year

As disclosed in Note 22, options exercised during the financial year resulted in the issuance of 8,477,220 (2007: Nil) ordinary shares at an exercise price of RM2.15. The related weighted average share price at the date of exercise was RM2.67.

(iii) Fair value of share options granted

The fair value of share options granted in 2007 was determined using the Binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

Fair value of share options at the grant date (RM)	0.83
Share price at grant date (RM)	2.39
Exercise price (RM)	2.15
Expected volatility (%)	23.13
Option life (years)	10.00
Risk free interest rate (%)	3.88
Expected dividend yield (%)	1.71

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

27. Trade and other payables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables				
Third parties	166,622	118,416	-	-
Associates	43,205	1,756	-	-
Due to customers on contract works (Note 20)	2,604	610	-	-
	<u>212,431</u>	<u>120,782</u>	<u>-</u>	<u>-</u>
Other payables				
Other payables	98,236	66,161	70	100
Accruals	124,841	91,328	1,028	1,231
	<u>223,077</u>	<u>157,489</u>	<u>1,098</u>	<u>1,331</u>
	<u>435,508</u>	<u>278,271</u>	<u>1,098</u>	<u>1,331</u>

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

28. Capital commitments

	Group	
	2008 RM'000	2007 RM'000
Capital expenditure:		
Approved and contracted for	4,090,131	1,243,424
Approved and not contracted for	2,124,424	3,198,323
	<u>6,214,555</u>	<u>4,441,747</u>

29. Controlling shareholder

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

30. Segmental information

The Group principally involves in the generation, transmission, distribution and sale of electricity within the same geographical region. Accordingly, no segmental information is presented.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

31. Related party disclosures

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

		Company	
		2008	2007
		RM'000	RM'000
(i)	Transactions with subsidiaries:		
	Income		
	Interest income		
	Sejingkat Power Corporation Sdn. Bhd.	38	168
	Sarwaja Timur Sdn. Bhd.	-	3
		Group	
		2008	2007
		RM'000	RM'000
(ii)	Transactions with associates:		
	Income		
	Sales		
	Universal Cable (Sarawak) Sdn. Bhd.	2	-
	Gobel Industry Sdn. Bhd.	25	35
	Rental of premises charged to Sarawak Coal Resources Sdn. Bhd.	13	22
	Expenditure		
	Purchases		
	Sarawak Coal Resources Sdn. Bhd.	20,289	18,573
	Gobel Industry Sdn. Bhd.	1,408	2,743
	Universal Cable (Sarawak) Sdn. Bhd.	41,895	22,174
	Rental paid to Gobel Industry Sdn. Bhd.	53	53
(iii)	Transactions with a company in which a subsidiary has significant influence:		
	Income		
	Interest charged to Genesis Force Sdn. Bhd.	90	80
	Expenditure		
	Purchases of coal from Genesis Force Sdn. Bhd.	27,457	22,727
(iv)	Transaction with a company in which a director has influence:		
	Expenditure		
	Rental of premises charged by Custodev Dua Sdn. Bhd.	219	219

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.

NOTES TO THE FINANCIAL STATEMENTS**31 December 2008****31. Related party disclosures (Cont'd.)****(b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	5,148	4,461	1,765	1,445
Post-employment benefits				
- defined contribution plan	705	502	287	162
- defined benefit plan	692	-	57	-
Other benefits	101	629	33	134
Share options granted under ESOS	2,736	79	1,101	31
	<u>9,382</u>	<u>5,671</u>	<u>3,243</u>	<u>1,772</u>
Included in the total key management personnel are:				
Directors' remuneration (Note 7)	<u>3,753</u>	<u>2,279</u>	<u>2,374</u>	<u>1,058</u>

Executive directors of the Group and other members of key management have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

	Group		Company	
	2008	2007	2008	2007
	'000	'000	'000	'000
At 1 January	9,000	-	3,500	-
Granted	-	9,000	-	3,500
Exercised	(786)	-	(372)	-
Forfeited	(590)	-	(240)	-
Reclassified	(240)	-	-	-
At 31 December	<u>7,384</u>	<u>9,000</u>	<u>2,888</u>	<u>3,500</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

32. 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 risks (both fair value and cash flow), foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

32. Financial Instruments (Cont'd.)

(b) Interest rate risk

The Group's primary interest rate risk arises primarily from 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.

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 currency risk

The Group is exposed to transactional currency risk primarily through purchases that are denominated in currency other than Malaysian Ringgit. Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

The Group does not use hedging activities to protect themselves against the volatility associated with foreign currency transactions.

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that 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 at 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 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, limit 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 the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

33. Significant events

(a) Changes in Group Structure

On 9 December 2008, the Company's wholly owned subsidiary, Sarawak Hydro Power Generation Sdn. Bhd. had acquired 100% equity interest in Murum Hydro Consortium Sdn. Bhd. for a total cash consideration of RM30,000.

On 1 August 2008, the Company had acquired 35% equity interest in Universal Cable (Sarawak) Sdn. Bhd. ("UCSSB") from its wholly-owned subsidiary, Syarikat SESCO Berhad for a total cash consideration of RM18,304,999. On 2 September 2008, the entire shareholding in UCSSB was then acquired by Sarawak Cable Sdn. Bhd. ("SCSB") (formerly known as UCS Holdings Sdn. Bhd.) by way of share swap. Consequent to these acquisitions, the Group's shareholding in UCSSB has been transferred to SCSB.

(b) Heads of Agreement with Tenaga National Berhad

On 7 May 2008, the Company had signed Heads of Agreement ("HOA") with Tenaga National Berhad ("TNB"), which translate the understanding in the Memorandum of Understanding ("MOU") (as announced on 11 February 2008) into a binding arrangement between the parties. Under the terms of the HOA, the parties will formalise an arrangement whereby the Company will develop electricity generation capacity in order to enable it to supply to TNB 3,000MW of electricity for the period from Year 2017 to Year 2020 and a further 5,000MW for the period from Year 2021 to Year 2030, based on a schedule to be mutually agreed upon by both parties.

(c) Power Purchase Agreement with Press Metal Berhad

On 1 July 2008, the Company announced that its wholly-owned subsidiary, Syarikat SESCO Berhad had executed a Power Purchase Agreement ("PPA") with Press Metal Berhad in connection with the increase of power supply from 90MW as originally stated in the Supply Agreement dated 11 July 2007 to 600MW for the proposed Aluminium Smelter Plant in Mukah by July 2010.

(d) Murum Hydroelectric Project

On 2 September 2008, the Company announced that it had awarded the 944MW Murum Hydroelectric Project on a "Design and Build" basis to Yangtze Three Gorges Technology & Economy Development Co. Ltd. ("TGDC") at a lump sum cost of equivalent to RM2.64 billion. As at 31 December 2008, a total sum of RM31.8 million had been paid and reflected in the financial statements pursuant to the above-mentioned capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

34. Subsequent events

(a) Bakun Hydroelectric Project

On 21 January 2009, the Company announced that the Government had given approval in principle for the Company and Tenaga Nasional Berhad ("TNB") to take over the operation of Bakun Hydroelectric Project ("Bakun HEP") from Sarawak Hidro Sdn. Bhd. ("SHSB") through a leasing agreement and to develop the associated transmission system from Sarawak to Peninsular Malaysia (the "Project"). The Board of Directors of both companies have resolved to proceed with the Project and to commence the negotiations with the relevant authorities.

The construction of the 8x300MW generating units at Bakun HEP is nearing completion and the proposed scheme is expected to export approximately 1,600MW of electricity from the Bakun HEP to Peninsular Malaysia via a HVDC transmission system and the remaining power to Sarawak.

The Bakun HEP is currently owned and developed by SHSB (a fully-owned subsidiary of Minister of Finance Inc. ("MOF Inc.")), which will continue to undertake the development of the Bakun HEP until full commissioning of the units. A Special Purpose Vehicle ("SPV") will be set up to take over the operation of the Bakun HEP from SHSB upon full commissioning of the units through a leasing agreement and other related commercial agreements for the supply and delivery of electricity in Peninsular Malaysia and Sarawak. It is intended for the SPV to be owned by the Company, TNB and the State of Sarawak whilst MOF Inc. will hold a Golden Share in the SPV.

A joint venture company owned by the Company, TNB and MOF Inc. will undertake the development of the undersea transmission facilities, while the on-land transmission systems for Peninsular Malaysia and Sarawak will be developed by TNB and the Company respectively.

(b) Technical Agreement with Press Metal Berhad

On 22 January 2009, the Company's wholly-owned subsidiary, Syarikat SESCO Berhad ("SESCO") had executed the Technical Agreement pursuant to the Power Purchase Agreement dated 1 July 2008 with Press Metal Berhad ("PMB"). The Technical Agreement provides for the operational aspects of supply and delivery of electricity from SESCO to PMB on a 25 year term commencing 1 April 2009 to be delivered in two (2) phases. The initial phase of 90MW of electricity shall commence from 1 April 2009 onwards until 31 May 2010 or earlier, subject to the parties' mutual agreement and the additional 510MW of electricity (2nd Phase) will commence thereafter.

(c) Negotiations with Cahya Mata Sarawak Berhad and Rio Tinto Aluminium Limited

As disclosed in the previous year's financial statements, the Company had on 11 February 2008 announced that it had entered into a Memorandum of Understanding ("MOU") with Cahya Mata Sarawak Berhad ("CMS") and Rio Tinto Aluminium Limited ("RTA") to enter into negotiations in good faith for the Group to supply power (900MW to 1200MW) to the CMS's and RTA's proposed Aluminium Smelter through a Power Purchase Agreement and/or any other definite agreement to be negotiated pursuant to the MOU by 31 August 2008 or such extended date as the Parties may mutually agree.

On 11 February 2009, the Company announced that it is still negotiating with CMS and RTA on the terms of the Power Purchase Agreement and consolidating certain agreed provisions in the Project Co-ordination Deed into the Power Purchase Agreement.

(d) Proposed Headquarters Building for the Company

On 15 April 2009, the Company announced that it has awarded the contract for the development and construction of the Proposed Headquarters Building for the Company at Isthmus, Kuching to CMS Land Sdn. Bhd. for a contract sum of RM232.0 million.

LIST OF PROPERTIES

as at 31 December 2008

Nature of Functional Activity	LAND										BUILDINGS		
	Location	Leasehold			NBV (RM'000)	No. of Lots	Freehold		Total no. of Lots	Total Area (Sq. M)	Total NBV (RM'000)	No. of Units	NBV (RM'000)
		No. of Lots	Area (sq. M)	NBV (RM'000)			Area (Sq. M)	NBV (RM'000)					
Power Generation	Sarawak	(1)	(2)	(3)	(4)	(5)	(6)	(1+4)	(2+5)	(3+6)	(10)	(11)	
		79	5,934,970	51,126	-	-	-	79	5,934,970	51,126	198	131,703	
Power Transmission	Sarawak	5	67,415	33,963	-	-	-	5	67,415	33,963	1	425	
Power Distribution	Sarawak	277	521,734	20,019	-	-	-	277	521,734	20,019	181	46,543	
Other Support Services	Sarawak	10	119,686	20,199	2	217	1,180	12	119,903	21,379	7	32,375	
Property Development #	Johore Bahru	-	-	-	1	5,377	5,372	1	5,377	5,372	1	95,307	
Total		371	6,643,805	125,307	3	5,594	6,552	374	6,649,399	131,859	388	306,353	

The land on which the 30-storey office 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.

Note: Included in the leasehold land of power generation was a piece of land (3,764,850 Sq. meter) in Mukah for the construction of 2x135 MW power plant. As at 31.12.2008, the Group has captured the cost only up to RM5.7 million. The additional land premium payable to the Government of Sarawak has yet to be finalised following extension of leasehold period from 60 years to 99 years.

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2009

Class of Share: Ordinary Share of RM1.00 each

Voting Right: 1 vote per share

	No. of Holders	% of Holders	No. of Shares	% of Shares
LARGEST SHAREHOLDERS	30	0.31%	1,372,639,716	89.86
SIZE OF HOLDINGS				
1-99	223	2.29	10,435	0.00
100-1,000	2,939	30.17	2,760,124	0.18
1,001-10,000	5,504	56.49	22,733,283	1.49
10,001-100,000	899	9.23	24,824,527	1.63
100,001- Less than 5% of issued shares	177	1.82	489,596,803	32.05
5% and above of issued shares	1	0.01	987,537,427	64.65
TOTAL	9,743	100.0	1,527,462,599	100.00

SUBSTANTIAL SHAREHOLDER

as at 5 May 2009

Substantial Shareholder	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
State Financial Secretary, Sarawak	987,537,427	64.65	-	-

LIST OF DIRECTORS' INTERESTS

as at 5 May 2009

The Directors' interest in shares and share option of the Company are as follows:

Name	Ordinary shares of RM1.00 each in the Company				Options over ordinary shares of RM1.00 each in the Company	
	Direct Interest	%	Indirect Interest	%	No. of options	% ^{&}
1. Datuk Abdul Hamed Bin Sepawi	800,000*	0.05	-	-	500,000	0.48
2. Tan Sri Datuk Amar (Dr) Haji Abdul Aziz Bin Dato Haji Husain	630,000 [#]	0.04	-	-	1,000,000	0.97
3. Datuk Amar Wilson Baya Dandot	70,000	0.00	-	-	350,000	0.34
4. Dato' Haji Idris Bin Haji Buang	-	-	-	-	350,000	0.34
5. Datuk Fong Joo Chung	70,000	0.00	-	-	350,000	0.34
6. Dato' Nordin Bin Baharuddin	-	-	-	-	350,000	0.34

* shares held through OSK Nominees (Tempatan) Sdn Bhd

503,000 shares are registered in his own name and 127,000 shares are held through CIMSEC Nominees (Tempatan) Sdn Bhd

& Percentage is computed based on the total number of share options granted by the Company of 103,187,000

The Directors by virtue of their interest in shares in the Company are also deemed to have interest in shares in all of its related corporations to the extent the Company has an interest.

LIST OF THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

as at 5 May 2009

NAME	SHAREHOLDINGS	PERCENTAGE
STATE FINANCIAL SECRETARY SARAWAK	987,537,427	64.65
EMPLOYEES PROVIDENT FUND BOARD	56,730,400	3.71
CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CMS TRUST MANAGEMENT BHD	54,259,400	3.55
MULTI-PURPOSE HOLDINGS BERHAD	45,624,492	2.99
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	25,389,700	1.66
MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	18,770,000	1.23
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	15,518,800	1.02
MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR CMS TRUST MANAGEMENT BERHAD (DEALER 039)	14,572,000	0.95
CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	11,670,997	0.76
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC GROWTH FUND	11,571,100	0.76
HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INCORPORATED (CLIENT)	11,480,000	0.75
LEMBAGA TABUNG HAJI	10,913,000	0.71
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SOUTH-EAST ASIA SELECT FUND	10,825,000	0.71
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC EQUITY FUND	9,257,900	0.61
MAGNUM 4D (SELANGOR) SDN. BHD.	8,000,000	0.52
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC DIVIDEND FUND	7,683,400	0.50
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST SELECT FUND	7,452,500	0.49
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)	7,005,800	0.46
MAGNUM 4D (SELANGOR) SDN. BHD.	5,649,400	0.37

LIST OF THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

as at 5 May 2009

NAME	SHAREHOLDINGS	PERCENTAGE
HSBC NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS - ASIA PACIFIC GROWTH & INCOME FUND	5,511,200	0.36
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PB ASEAN DIVIDEND FUND (270334)	5,312,500	0.35
MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC BALANCED FUND (N14011950210)	5,228,700	0.34
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC EQUITY FUND	5,119,600	0.34
MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	4,803,600	0.31
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST DIVIDEND FUND	4,790,800	0.31
CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS FUND	4,695,700	0.31
KUEH OOI VOON	4,543,000	0.30
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SAVINGS FUND	4,526,000	0.30
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC SECTOR SELECT FUND	4,109,100	0.27
AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC INDEX FUND	4,088,200	0.27

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of Sarawak Energy Berhad ("the Company") will be held at Ballroom I, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Friday, 26 June 2009 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and the Auditors thereon (Please refer to Note A).
2. To declare a final dividend of 5.50 sen per share, less income tax, in respect of the financial year ended 31 December 2008.
3. To approve the payment of Directors' fees of RM264,000.00 in respect of the financial year ended 31 December 2008 (2007: RM272,000.00).
4. To re-elect the following Directors retiring pursuant to Article 82 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election:-
 - (a) Dato' Haji Idris Bin Haji Buang; and
 - (b) Dato' Nordin Bin Baharuddin
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if deemed fit, to pass the following ordinary resolutions:-
 - (a) **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."
 - (b) **Proposed Renewal of Shareholders' Mandates for Sarawak Energy Berhad and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of General Mandates 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 ("SEB Group") to enter into any of the categories of recurrent transactions of a revenue or trading nature with persons connected with the SGS and to provide financial assistance to persons connected with the SGS as set out in Sections 2.2.1 and 2.2.2 of the Circular to Shareholders dated 4 June 2009, which are necessary for the day-to-day operations of the SEB Group subject further to the following:

 - (i) the transactions are in the ordinary course of business and are at arm's length basis and on the 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

NOTICE OF ANNUAL GENERAL MEETING

- (ii) disclosure is made in the annual report a breakdown of the aggregate value of transactions conducted pursuant to this proposal during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of the Practice Note 12/2001, and amongst others, based on the following information:-
- a) the type of the recurrent transactions made; and
 - b) the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company.

AND THAT such authority shall commence upon the passing of this ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next 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;
- (ii) 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
- (iii) 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."

(c) Proposed Renewal of Shareholders' Mandates for Sarawak Energy Berhad and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with certain Directors

"**THAT**, approval be and is hereby given to the Company and/or its subsidiary companies ("SEB Group") to enter into any of the categories of recurrent transactions of a revenue or trading nature with certain Directors as set out in Sections 2.2.1 and 2.2.2 of the Circular to Shareholders dated 4 June 2009, which are necessary for the day-to-day operations of the SEB Group subject further to the following:

- (i) the transactions are in the ordinary course of business and are at arm's length basis and on the 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
- (ii) disclosure is made in the annual report a breakdown of the aggregate value of transactions conducted pursuant to this proposal during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of the Practice Note 12/2001, and amongst others, based on the following information:
 - a) the type of the recurrent transactions made; and
 - b) the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company.

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

NOTICE OF ANNUAL GENERAL MEETING

- (i) the conclusion of the next 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;
- (ii) 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
- (iii) 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."

- 7. 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 ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting, a final dividend of 5.50 sen per share, less income tax, will be paid on 31 July 2009 to shareholders and/or depositors whose names appear in the Register of Members and Record of Depositors at the close of business on 6 July 2009.

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 2 July 2009 (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 6 July 2009 in respect of transfers; and
- (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

AISAH EDEN
Company Secretary
Kuching

4 June 2009

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- A. This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act 1965 does not require formal approval of the shareholders and hence, is not put forward for voting.
- (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 must be deposited at the registered office of the Company not less than 48 hours before the time 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 of the Company 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 holdings to be represented by each proxy.
- (6) If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Agenda 6 (a) (Ordinary Resolution)

The ordinary resolution proposed under agenda 6 (a), 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 6 (b) (Ordinary Resolution)

The ordinary resolution proposed under agenda 6 (b), if passed, will enable SEB Group to enter into recurrent transactions with persons connected with the State Government of Sarawak, which are necessary for the day-to-day operations of SEB and/or its subsidiary companies 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.

Please refer to the Circular to Shareholders dated 4 June 2009 for further information.

Agenda 6 (c) (Ordinary Resolution)

The ordinary resolution proposed under agenda 6 (c), if passed, will enable SEB Group to enter into recurrent transactions with certain Directors, which are necessary for the day-to-day operations of SEB and/or its subsidiary companies 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.

Please refer to the Circular to Shareholders dated 4 June 2009 for further information.

FORM OF PROXY

I/We (full name in block capitals).....
 identity card no./company registration no.
 of.....
 being a member/members of **SARAWAK ENERGY BERHAD**, hereby appoint
 of.....
 or failing him/her.....
 of
 or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty-Second Annual General Meeting of the Company to be held at Ballroom I, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Friday, 26 June 2009 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	*FOR	*AGAINST
1	To declare a final dividend of 5.50 sen per share, less income tax		
2	To approve the payment of Directors' fees of RM264,000.00		
3	To re-elect the following Directors retiring in accordance with Article 82 of the Company's Articles of Association: (a) Dato' Haji Idris Bin Haji Buang; and (b) Dato' Nordin Bin Baharuddin		
4	To re-appoint Messrs. Ernst & Young as auditors of the Company		
	SPECIAL BUSINESS:		
5	(a) Ordinary Resolution - Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
	(b) Ordinary Resolution - Proposed renewal of shareholders' mandates for recurrent related party transactions of a revenue or trading nature and proposed renewal of general mandates for the provision of financial assistance involving the interests of the State Government of Sarawak		
	(c) Ordinary Resolution - Proposed renewal of shareholders' mandates for recurrent related party transactions of a revenue or trading nature with certain Directors		

* 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 2009

.....
 Signature (s) 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, this Form of Proxy, duly completed must be deposited at the registered office of the Company not less than 48 hours before the time 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 of the Company 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, this 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 made in this form must be initialled.

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Stamp

The Company Secretary
SARAWAK ENERGY BERHAD
(Company No. 007199-D)

4th Floor, Wisma SESCO
Petra Jaya 93673
Kuching, Sarawak.

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