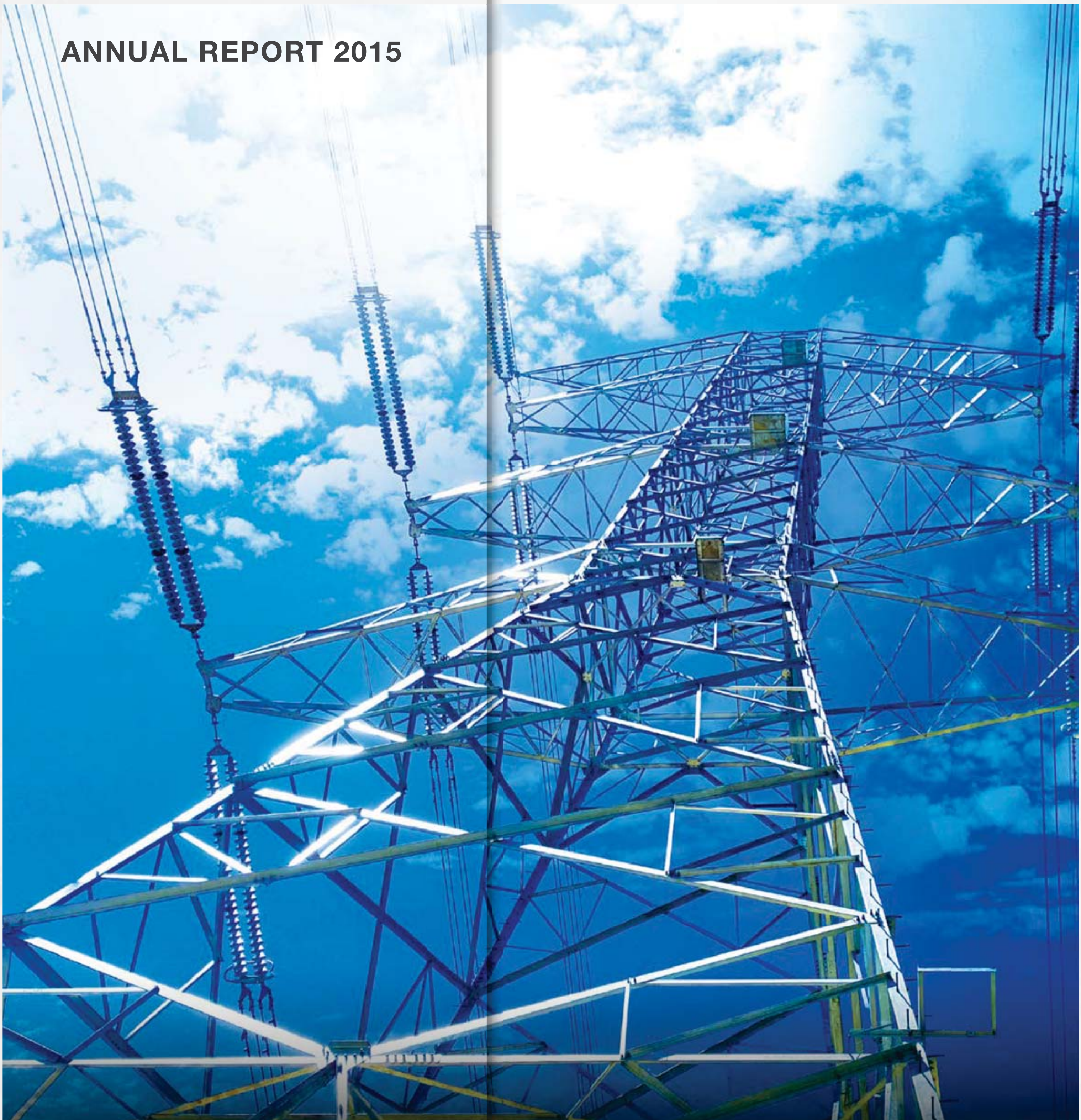
TOWARDS BECOMING A REGIONAL POWERHOUSE

ANNUAL REPORT 2015



THEME AND COVER RATIONALE

"Towards becoming a regional powerhouse" captures our transformative journey to expand beyond the boundaries of Sarawak and become a provider of renewable energy for the ASEAN region as a whole.

This year witnessed the completion of the 275 kV line project from Mambong in Sarawak to Bengkayang in Indonesian West Kalimantan. By early next year, we expect to begin exporting bulk electricity to our southern neighbour.

We are keen to maintain momentum and in the near future we hope to have similar projects with Sabah and Brunei – projects that will advance the ASEAN power grid and illustrate our commitment to empower our neighbouring communities.

TOWARDS BECOMING
A REGIONAL POWERHOUSE

500 kV transmission tower at the Similajau-Mapai stretch

2015

KEY HIGHLIGHTS

The 275 kV Line Project from Mambong, Sarawak to Bengkayang in West Kalimantan was completed in December, prepping the way for our first export of electricity

The Chief Minister of Sarawak announces the tariff reductions (Photo credit: The Borneo Post)

REGIONAL POWERHOUSE JOURNEY

- Completion of 275 kV Line Project from Mambong to Bengkayang in West Kalimantan - Provisional Acceptance Certificate issued

PROGRESSING SCORE

- Reaching New Markets - Participant and sponsor of the International Mining and Resources Conference (IMARC) in Melbourne
- Samalaju-Press Metal 275 kV transmission line completed - Provisional Acceptance Certificate issued

TARIFFS

- Tariff reductions give lowest energy tariffs in Malaysia to all domestic, commercial and industrial customers

ADVANCING SUSTAINABLE HYDROPOWER

- Sarawak Energy received SEIA Approval for Baleh HEP from NREB
- Murum HEP began full commercial operations
- Batang Ai HEP celebrated its 30th year of providing clean and renewable energy
- Participant and sponsor of the IHA World Hydropower Congress in Beijing

AWARDS

- Utility and Chief Executive Officer of the Year at the 6th Annual Power and Electricity Awards Asia in Singapore
- Excellence in Provision of Literacy and Education Award (Gold) at the 7th Annual Global CSR Summit and Awards
- Best Customer Service Management Award at the Civil Service Day from the State Government

FINANCIAL HIGHLIGHTS

REVENUE

RM3,022 million

PROFIT NET OF TAX

RM679 million

Peter Sawal, NREB Controller, handing over the SEIA approval letter to Aisah Eden, Executive Vice President, Corporate Services

Tan Sri Datuk Amar Dr James Masing, Senior Minister and Chairman of Bakun Charitable Trust, and Datuk Torstein Dale Sjøtveit, Sarawak Energy Group Chief Executive Officer, exchange documents after the MoU signing as others look on

EMPOWERING COMMUNITIES

- MoU signing with Bakun Charitable Trust for Penan education fund
- Handicrafts development programme at Murum
- Sponsorship of sape album by musicians from Belaga

SUSTAINABILITY IN PRACTICE

- Sustainability reporting initiative
- Eco-friendly electric vehicles enter corporate fleet
- Support for orangutan conservation
- Heart of Borneo Scientific Expedition to Baleh

ELECTRIFYING SARAWAK

- 4,468 more rural homes provided with 24-hour electricity
- Solar Home System for 200 villagers at Batang Ai
- More than 600,000 customers across the State

ORGANISATIONAL GROWTH

- 4,308 employees
- New Group Executive Committee and Group Management Team
- New Coal Resources Department to facilitate generation from indigenous coal resources

TOTAL ASSETS

RM19,146
million

NET EARNINGS PER SHARE

42.2
sen

CONTENTS

ABOUT SARAWAK ENERGY

Building on a foundation of 100 years, Sarawak Energy is at the forefront of power generation. We remain the sole provider of electricity in Sarawak, serving a population of more than 2.6 million people and more than 600,000 customers across the State. Our multidisciplinary workforce numbers 4,308 people.

Sarawak Energy is tasked with developing Sarawak's hydropower resources, generating globally competitively priced, sustainable and renewable energy for local customers and the Sarawak Corridor of Renewable Energy (SCORE). SCORE is designed to fast-track Sarawak's economic development by attracting foreign investment into the State, creating jobs and business opportunities.

Sarawak Energy is also committed to support the Federal and State Governments in the rural electrification agenda, delivering power to remote rural areas in the State.

Sarawak Energy is also playing a bigger social role by giving back to the community and we are proud that our initiatives have been recognised.

As we assume an increasingly important role in the industrial and economic modernisation of the State, Sarawak Energy aims to be known as a forward-thinking and progressive company.

To this end, Sarawak Energy is committed in our endeavours to become a modern and agile corporation.

OUR COMMITMENT TO TRANSPARENCY

As we move forward, we recognise that stakeholders increasingly ask for openness from companies. Through publishing our annual reports, we offer transparency of our own volition, even though we are a non-listed public entity and therefore not bound by the regulated disclosure requirements of the Securities Commission. We also recognise the importance of our stakeholders' opinions and we have begun to measure how we are seen by conducting our first Public Perception Survey.

In this Annual Report, we are pleased to share our 2015 performance on operations, projects, people, as well as our health, safety and the environment (HSE) and corporate responsibility and sustainability initiatives. Our corporate governance and detailed financial statements are also presented in this report.

VISION

Sustainable growth and prosperity for Sarawak by meeting the region's need for reliable, renewable energy

MISSION

To realise our vision, we will:

- Pursue opportunities for growth by fully developing the Sarawak Government's SCORE agenda
- Ensure our own safety and the safety of others, with a commitment to do 'no harm to anyone at any time'
- Provide a reliable supply of clean, competitively priced energy to support the economic and social development of Sarawak and our partners in the region
- Operate as a business based on principles that reward our owners and employees, and delight our customers
- Honour the trust placed in us by the people of Sarawak, by acknowledging and respecting them and contributing to their well-being
- Set and achieve high ethical and corporate standards that are a source of pride for our employees, customers and owners
- Develop our people, leadership and teamwork to build an agile, open, corporate and customer-focused culture that responds to challenges and the need for change with innovation and cooperation
- Harness and utilise natural resources in a sustainable and responsible way
- Achieve operational excellence through a commitment to continual improvement and best practice

The Sarawak Energy Leadership Conference, held twice a year, is a platform for the conference delegates, including executives, managers and senior management, to be updated by the Chief Executive Officer in person on the latest corporate happenings and to ask him questions directly. This group photo was taken during the conference held in February.

VALUES

INTEGRITY
We do what is right in every aspect of our business, and in every contact with our people, customers, contractors and the community.

UNITY
We are one business, working together and sharing information and expertise to achieve our common vision for the future.

RESPECT
We value our diversity, listen well and involve others to use our best judgment in all situations and actively care for our relationships.

ACCOUNTABILITY
We work hard, take responsibility for our performance and deliver on our commitments.

COURAGE
We respect and support each other to do what is right, and in the best interests of our company and the community, even when it is not easy to do so.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2015	2014	2013 (Restated)	2012 (Restated)	2011 (Restated)
PERFORMANCE (RM'000)					
Revenue	**3,022,302**	2,817,926*	2,323,156	1,873,250	1,685,620
Profit before tax	**615,333**	703,966*	488,991	324,400	284,010
Profit net of tax	**678,623**	1,448,664	371,137	247,404	335,584
Net profit attributable to owners of the Company	**678,884**	1,449,088	371,569	247,718	335,363
Net dividends	**-**	142,696	88,581	66,436	66,436
KEY FINANCIAL POSITION DATA (RM'000)					
Property, plant and equipment	**14,206,961**	12,710,705	11,188,242	10,441,431	9,120,254
Cash and bank balances	**2,554,300**	2,212,914	1,277,203	2,112,334	591,660
Total assets	**19,146,447**	17,079,994*	13,685,534	13,414,901	10,627,685
Loans and borrowings	**8,945,071**	7,502,824	6,101,212	6,278,486	3,954,027
Total liabilities	**12,999,797**	11,468,287*	9,429,194	9,486,488	6,875,065
Share capital	**1,610,569**	1,610,569	1,610,569	1,610,569	1,610,569
Equity attributable to owners of the Company	**6,132,909**	5,602,985	4,247,194	3,918,835	3,742,728
SHARE INFORMATION					
Net asset per share attributable to owners of the Company (RM)	**3.81**	3.48	2.64	2.43	2.33
Net earnings per share (Sen)	**42.2**	90.0	23.1	15.4	20.8
Gross dividend per share (Sen)	**-**	8.9	5.5	5.5	5.5

Notes:

* Reclassification

Amounts for 2013 have been restated for the amendments to MFRS116.

Amounts for 2012 have been restated for the amendments to MFRS116 and MFRS119.

Amounts for 2011 have been restated for the amendments to MFRS119.

REVENUE

RM3,022 million

(RM'000)

1,685,620	'11
1,873,250	'12
2,323,156	'13
2,817,926	'14
3,022,302	'15

PROFIT NET OF TAX

RM679 million

(RM'000)

335,584	'11
247,404	'12
371,137	'13
1,448,664	'14
678,623	'15

TOTAL ASSETS

RM19,146 million

(RM'000)

10,627,685	'11
13,414,901	'12
13,685,534	'13
17,079,994	'14
19,146,447	'15

NET EARNINGS PER SHARE

42.2 sen

20.8	'11
15.4	'12
23.1	'13
90.0	'14
42.2	'15

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Amar Abdul Hamed Sepawi
Chairman

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani
Non-Independent Non-Executive Director

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican
Independent Non-Executive Director

YBhg Datuk Fong Joo Chung
Non-Independent Non-Executive Director

YBhg Dato' Haji Idris Bin Haji Buang
Non-Independent Non-Executive Director

BOARD AUDIT COMMITTEE

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican
Chairman

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani

YBhg Dato' Haji Idris Bin Haji Buang

GOVERNANCE, NOMINATION & REMUNERATION COMMITTEE

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani
Chairman

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican

YBhg Datuk Fong Joo Chung

YBhg Dato' Haji Idris Bin Haji Buang

REGISTERED OFFICE/HEAD OFFICE

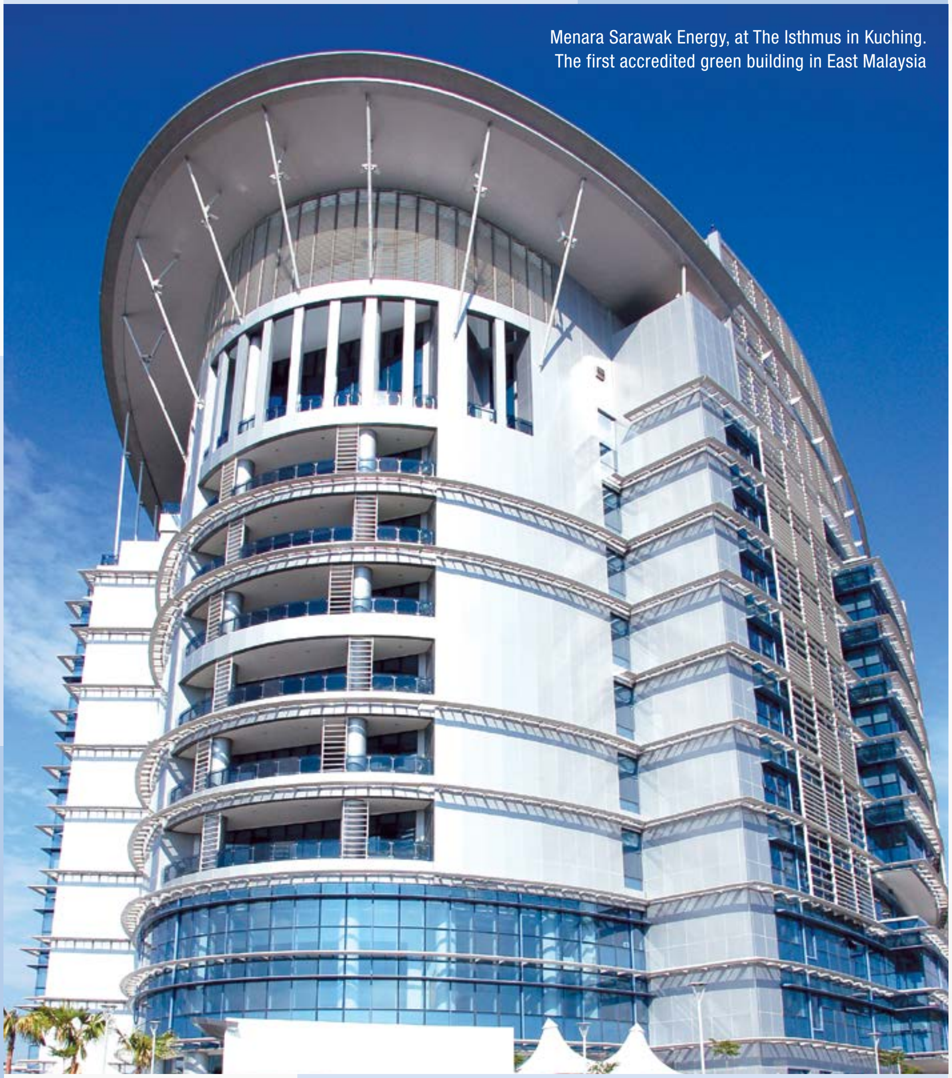
9th Floor, Menara Sarawak Energy
No. 1, The Isthmus, 93050 Kuching, Sarawak
Tel : +6 082-388 388
Fax : +6 082-341 063
Email : corpcomm@sarawakenergy.com.my

COMPANY NUMBER

007199-D

COMPANY SECRETARY

Lim Li Na
(MAICSA 7053678)



Menara Sarawak Energy, at The Isthmus in Kuching.
The first accredited green building in East Malaysia

AUDITORS

Ernst & Young

PRINCIPAL FINANCIAL INSTITUTIONS

RHB Bank Berhad
AmInvestment Bank Berhad

BOARD OF DIRECTORS

YBhg DATUK AMAR ABDUL HAMED SEPAWI

—
Chairman
—
Malaysian
—
Aged 66

YBhg Datuk Amar Abdul Hamed Sepawi joined the Board of Sarawak Energy and was appointed Chairman of the Company on 27 June 2005. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2015.

Datuk Amar Abdul Hamed graduated with a Bachelor of Science degree from University of Malaya in 1971 and pursued his undergraduate studies in Forestry at the Australian National University from 1974 to 1975. He also holds a Masters degree in Forest Products Utilisation from Oregon State University, USA. He was conferred the Panglima Gemilang Bintang Kenyalang in 1999. He also received the Sarawak Entrepreneur of the Year 2004.

Datuk Amar Abdul Hamed also serves as Chairman of Syarikat SESCO Berhad and Naim Cendera Holdings Berhad, Executive Chairman of Ta Ann Holdings Berhad, Director of Sarawak Plantation Berhad and Smartag Solutions Berhad, and sits on the boards of several other private limited companies.

BOARD OF DIRECTORS

YB TAN SRI DATUK AMAR HAJI MOHAMAD MORSHIDI BIN HAJI ABDUL GHANI

Non-Independent Non-Executive Director

Malaysian

Aged 59

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani joined the Board of Sarawak Energy on 26 May 2010. He is a Non-Independent Non-Executive Director and has attended three out of the six Board meetings held in 2015.

Tan Sri Datuk Amar Haji Mohamad Morshidi graduated with a Bachelor of Economics from Universiti Kebangsaan Malaysia as well as a Master of Science in Human Resource Administration from University of Scranton, Pennsylvania, USA. He was a Management Executive with PETRONAS from 1980 to 1988, and Director of Kuching North City Hall from 1989 to 1998. He held a number of senior positions in the Chief Minister's Department before being appointed Permanent Secretary in the Ministry of Social Development and Urbanisation in 2001. He was Director of the State Planning Unit in the Chief Minister's Department prior to his appointment as the Deputy State Secretary of Sarawak in 2006 and later, the State Secretary of Sarawak in August 2009.

Tan Sri Datuk Amar Haji Mohamad Morshidi sits on the boards of Syarikat SESCO Berhad, and several other private limited companies.

YBhg TAN SRI DATO SRI MOHD HASSAN BIN MARICAN

—
Independent Non-Executive Director
—
Malaysian
—
Aged 63

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican joined the Board of Sarawak Energy on 9 June 2010. He is an Independent Non-Executive Director and has attended three out of the six Board meetings held in 2015.

Tan Sri Dato Sri Mohd Hassan is a Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW), and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). He began his professional career in 1972 at Touche Ross & Co., London, and subsequently became a Partner at Hanafiah Raslan & Mohamad/Touche Ross & Co. in 1981. He was appointed PETRONAS Senior Vice President of Finance in February 1989, its President and Chief Executive Officer from February 1995 to February 2010, and the Acting Chairman from July 2004 to February 2010.

Tan Sri Dato Sri Mohd Hassan also serves as a board member on several other private limited companies.

BOARD OF DIRECTORS

YBhg DATUK FONG JOO CHUNG

—
Non-Independent Non-Executive Director

—
Malaysian

—
Aged 66

YBhg Datuk Fong Joo Chung joined the Board of Sarawak Energy on 31 January 1996. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2015.

Datuk Fong received his LLB (Hons) from the University of Bristol, United Kingdom, in June 1971. He was subsequently called to the Bar at Lincoln's Inn, London, in November of the same year. In 1972, he began his professional career at Reddi & Co. Advocates in Kuching. He was appointed the State Attorney-General, Sarawak in August 1992. He officially retired on 31 December 2007, but was retained by the Sarawak Government as the State Legal Counsel. He also served as Councillor with the Kuching Municipal Council and Council of Kuching City South. He is a founding member and past President of the Advocates' Association of Sarawak. Datuk Fong was conferred the award of Panglima Jasa Negara (PJN) by the Yang di-Pertuan Agong, Malaysia in 1999 and Panglima Gemilang Bintang Kenyalang (PGBK) by the Yang di-Pertua Negeri, Sarawak in 1994.

Datuk Fong sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Bintulu Port Holdings Berhad, Encorp Berhad, Lingui Development Berhad and Sarawak Cable Berhad.

YBhg DATO' HAJI IDRIS BIN HAJI BUANG

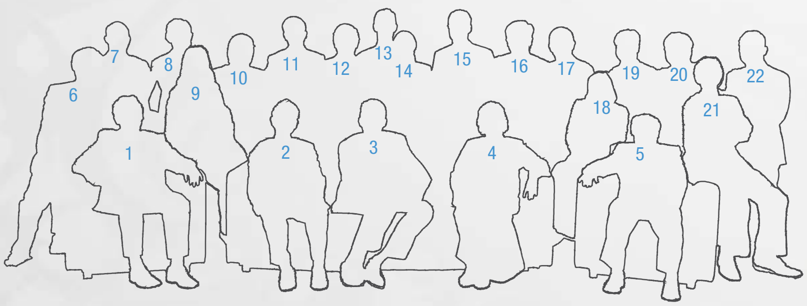
—
Non-Independent Non-Executive Director
—
Malaysian
—
Aged 61

YBhg Dato' Haji Idris Bin Haji Buang joined the Board of Sarawak Energy on 24 June 2000. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2015.

Dato' Haji Idris graduated with LLB (Hons) Law from the University of Buckingham, and was subsequently called to the Bar and qualified as a Barrister at Lincoln's Inn, London, UK. He is the proprietor of Idris-Buang & Associates (since 1985), a legal firm located in Kuching, Sarawak. He was formerly the Chief Political Secretary to YAB Chief Minister of Sarawak, a position held from August 2000 to August 2006. He was appointed Senator of the Dewan Negara on 28 November 2005, and was reappointed to another three-year term on 29 November 2008.

Dato' Haji Idris also sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Amanah Saham Sarawak Berhad and Hock Seng Lee Berhad as well as other private limited companies.

OUR MANAGEMENT TEAM



1_ **ALEXANDER CHIN**
Chief Financial Officer

2_ **LU YEW HUNG**
Executive Vice President, Sarawak Energy and Chief Executive Officer of SESCO

3_ **DATUK TORSTEIN DALE SJØTVEIT**
Group Chief Executive Officer

4_ **AISAH EDEN**
Executive Vice President, Corporate Services

5_ **VICTOR WONG**
Senior Vice President, Grid System Operator

6_ **RAPHAEL CHUNG**
Vice President, Transmission

7_ **HAJI SULAIMAN ABDUL HAMID**
Vice President, Group Governance for Procurement and Contracts

OUR MANAGEMENT TEAM

8_ DR CHEN SHIUN
General Manager, Research and Development

9_ PEING TAJANG
AGM, Corporate Communication

10_ JULIA SHIM
Chief Information Officer

11_ SHAWN LIU
AGM, Capital Works, Procurement and Contracts

12_ LAU KIM SWEE
Vice President, Distribution

13_ NICK JAMES ARNETT WRIGHT
Vice President, Business Development

14_ STEPHANIE GAE CHIN
General Manager, Legal

15_ EINAR KILDE
Executive Vice President, Project Execution

16_ JIWARI ABDULLAH
Senior Manager II, Corporate Social Responsibility

17_ TAN AH HOCK
Vice President, Corporate Shared Services

18_ HAJAH SITI AISAH ADENAN
Vice President, People and Leadership Development

19_ POLYCARP WONG
Vice President, Hydro

20_ MARCONI MADAI
General Manager, Corporate Risk and HSE

21_ ALVIN LIM
Vice President, Coal Resources

22_ HAJI YUSRI SAFRI
Vice President, Retail

NOT IN PHOTO

23_ JAMES UNG
Senior Vice President, Thermal

24_ TING CHING ZUNG
Vice President Planning, Strategy and Corporate Development

CHAIRMAN'S MESSAGE

As we come to the conclusion of another remarkable year, I am once again honoured, on behalf of the Board of Directors of Sarawak Energy, to present our Annual Report and Audited Financial Statements for the financial year ended 31 December 2015.

DATUK AMAR ABDUL HAMED SEPAWI

—

Chairman

—

Sarawak Energy

ENERGY FOR SARAWAK AND BEYOND

This has been a momentous year for Sarawak Energy as significant progress has been made in our corporate development journey; as both the developer and provider of sustainable, renewable, affordable and reliable energy for Sarawak and in fulfilling our regional ambition for ASEAN.

In June, full commercial operations began at our Murum Hydroelectric Project, marking the conclusion of a project which began back in 2008, and bringing into the mix a total 944 MW of hydropower. This is our largest construction project to date and is central to our expansion and development of hydropower generation to support the State's Sarawak Corridor of Renewable Energy (SCORE) agenda which has also seen most remarkable and visible progress at the Samalaju Industrial Park.

Murum truly demonstrates our determination to generate clean, renewable energy for Sarawak. The HEP will help drive SCORE's growth, rapidly and sustainably bringing first-world incomes and living standards to Sarawak. It will prove itself as a valuable asset to both State and nation, not only as a major source of renewable energy, but also as a gateway to the environmentally friendly development of Sarawak's upriver communities and its spectacular natural environment.

It was fitting that Sarawak Energy also marked the 30th year of operations at our Batang Ai Hydroelectric Plant this year, a milestone that highlights our ability to construct, implement and operate hydroelectric plants and showcases the success of harnessing the abundant potential of Sarawak's rivers to produce clean, reliable and sustainable energy.

Murum HEP was fully commissioned this year

Batang Ai HEP celebrated its 30th anniversary this year

We also completed the transmission infrastructure which connects Sarawak with West Kalimantan in Indonesia and we expect to begin exporting power early next year, to become Malaysia's first exporter of electricity.

TARIFF REDUCTION

Adenan (centre), flanked by Awang Tengah (left) and Entri, speaks to the media in his office at the State Legislative Assembly complex.

Reduction in commercial and industrial electricity tariffs starting June 1, 2015

In the news: The Chief Minister of Sarawak announces the tariff reductions (The Borneo Post, 30 April)

A very tangible impact of the success of our hydropower development came in the form of a series of comprehensive tariff reductions of between 2% and 47% for our domestic customers in January, between 8% to 50% and between 4% to 40% for commercial and industrial customers respectively in June making Sarawak the most competitive location to do business in Malaysia as well as the state that offers the lowest cost for domestic customers. Despite the lower tariff rates, we did not experience any significant impact on our revenue from these organic customers as we now enjoy lower generation costs with Murum HEP in operation.

IN PURSUIT OF SUSTAINABILITY

We have recorded various achievements in the sphere of corporate responsibility and sustainability that I believe will make us one of the most admired and respected companies. Illustrating Sarawak Energy's respect for the community we serve and the environment in which we operate, I note that our programmes for communities affected by the Murum HEP take into account the different intergenerational needs – those who want to continue to lead traditional semi-nomadic lifestyles, those who are embracing change and moving into settled agricultural lifestyles and the young ones who are preparing themselves to compete with their counterparts and meet the challenges of 21st century Sarawak.

Our flagship education programme for the Penan communities in the Murum and Baram areas continues to go from strength to strength. Our most positive and longest lasting legacy will be our role in equipping more and more members of these communities with the literacy, numeracy and personal skills required to navigate life today, an option previously not available to them due to lack of access to opportunity from a nomadic lifestyle.

HIGHLIGHTS

Regional Powerhouse Journey

Completion of 275 kV Line Project from Mambong to Bengkayang in West Kalimantan - Provisional Acceptance Certificate issued

Tariffs

Tariff reductions give lowest energy tariffs to all domestic, commercial and industrial customers

CHAIRMAN'S MESSAGE

Of our many commitments in this arena, I would like to draw particular attention to our signing of a memorandum of understanding with the Bakun Charitable Trust which sees the creation of an annual RM200,000 special development fund for the Penan communities in Belaga. This initiative will help us progress our commitment to supporting the communities affected, or potentially affected, by our projects and bringing them into the mainstream through education assistance.

BOARD MATTERS

In 2015, there were no changes to the composition of our Board of Directors. I continue to be very proud to be part of a team of such competent and dedicated individuals and am grateful for the synergy and committed vision that support our ongoing achievements possible.

BUMIPUTERA VENDOR DEVELOPMENT PROGRAMME

Throughout 2015, we continued to support the Sarawak State Government's initiative to develop Bumiputera entrepreneurs. Our Bumiputera Vendor Development Programme initiative aims to increase the amount of tender works to Bumiputera companies.

In 2015, we formed the Bumiputera Participation Board Committee (BPBC). YBhg Dato' Haji Idris bin Haji Buang, our Director, is chair and BPBC members are representatives from the Sarawak Government, the Bumiputera Business Chamber (DUBS) and professional and entrepreneurial groups.

AWARDS AND ACCOLADES

In 2015, Sarawak Energy was once again the recipient of various local and international awards in recognition of our service to the industry and the community. They include Utility and Chief Executive Officer of the Year at the 6th Annual Power and Electricity Awards Asia in Singapore; Excellence in Provision of Literacy and Education Award at the 7th Annual Global CSR Summit and Awards and Best Customer Service Management Award at the Civil Service Day. I would like to congratulate our CEO and staff for these achievements.

PROSPECTS FOR 2016

Each year, I look back with pride on Sarawak Energy's accomplishments, and am confident that the team will

Best Customer Service Management Award at the Civil Service Day from the State Government

AWARDS

Utility and Chief Executive Officer of the Year at the 6th Annual Power and Electricity Awards Asia in Singapore	**Excellence in Provision of Literacy and Education Award (Gold) at the 7th Annual Global CSR Summit and Awards**	**Best Customer Service Management Award at the Civil Service Day from the State Government**

progress even more as we learn from our experiences in overcoming our many challenges. With Murum HEP in full operation, we have strengthened our power generation and cost effectiveness and we are well set up to meet our SCORE customers' committed demand as they ramp up in the year ahead, boding well for the Group's future financial performance. We are, however, mindful of the additional challenges that lie ahead, especially given the uncertain global environment and the potential impact this may have on our business. However, we assure our stakeholders that we have the resilience to work towards the best possible outcome.

THANKS AND ACKNOWLEDGEMENTS

As I close my message for this year, I would like to once again express my heartfelt gratitude to Sarawak Energy's shareholders, customers, management, staff and stakeholders. Their belief in our vision and mission continues to inspire us as we strive to improve and build on an ever stronger foundation and on the success of each preceding year. I remain indebted to the Chief Minister of Sarawak, Tan Sri Datuk Patinggi Haji Adenan Satem, for his strong support for our endeavours and look forward to continuing our successful relationship in 2016 as we deliver energy for Sarawak.

Datuk Amar Abdul Hamed Sepawi
Chairman

GROUP CEO'S MESSAGE

As I reflect on the past 12 months, I would say that 2015 was a challenging but pivotal year in the history of Sarawak Energy.

DATUK TORSTEIN DALE SJØTVEIT

—
Chief Executive Officer

—
Sarawak Energy

First and foremost, 2015 will be remembered as the year in which the Murum Hydroelectric Project (HEP) began full commercial operations. It will also be celebrated as the year in which our Batang Ai HEP turned 30 years old.

The Murum HEP with 944 MW of installed capacity is Sarawak's second largest. The HEP's first turbine was declared ready for commercial operation in December 2014 and began delivering renewable power to customers immediately. On 8 June 2015, the fourth and final turbine was declared fully operational.

The 30th anniversary of Batang Ai has enabled us to revisit the success story of hydropower generation in Sarawak. Since 1985, Batang Ai, Sarawak's first hydroelectric plant has been a model of reliability, efficiency and sustainability. It has also given us invaluable knowledge and experience in hydropower development and management for our future projects. We are extremely proud of our achievement and we regard Batang Ai's continued success as testament to our ability to construct, implement and operate hydroelectric plants and our commitment to transforming the socio-economic landscape of the State.

To ensure its continued operational efficiency, we will continue to invest in the refurbishment of Batang Ai's turbines and generators with a view to increasing power output by between 8% and 10% to create additional value and sustainability in the years ahead.

Our relationship with Batang Ai goes beyond the supply of clean energy. In recognition of our long-term partnership with the surrounding communities, we have allocated RM3 million as a social investment focusing on education and electrifying remote longhouses. In addition, the State Government has launched the Research for Intensified Management of Bio-rich Areas project, or RIMBA, providing a broad blueprint for future forest and biodiversity management within Batang Ai's bio-rich areas, which Sarawak Energy is supportive of.

Batang Ai's 30th anniversary celebration logo

GROUP CEO'S MESSAGE

As Sarawak Energy carves a niche for itself at the forefront of the hydropower industry, we continue to build our presence at international events. This year, we shared our hydropower development efforts and progress at the International Hydropower Association (IHA) World Hydropower Congress in Beijing. We continue to implement our projects in accordance with the guidelines set up by the IHA's Hydropower Sustainability Assessment Protocol.

YB Datuk Amar Awang Tengah Ali Hasan at the 2015 World Hydropower Congress

Datuk Torstein Dale Sjøtveit at the 2015 World Hydropower Congress

At the 2015 World Hydropower Congress

YB Datuk Amar Awang Tengah Ali Hasan the Second Minister of Resource Planning and Environment, Minister of Public Utilities and Minister of Industrial Development (fifth from left), Sarawak Energy Board Member Datuk Fong Joo Chung (third from left), Sarawak Energy Group CEO Datuk Torstein Dale Sjøtveit (sixth from left) and other representatives from the Sarawak Government in front of Sarawak Energy's exhibition panel at the 2015 World Hydropower Congress

ELECTRIFYING SARAWAK

Today, we serve more than 600,000 customers across the state, spread out across Sarawak's challenging terrain. While our main power plants are located in the north, our major load centres are dispersed across the state with our capital Kuching in the south located quite a distance away. Given Sarawak's unique landscape and dispersed population, providing power to all of Sarawak from our generation plants requires good transmission and distribution infrastructure and innovative solutions for remote communities. We are investing in all of these.

Sarawak Energy remains committed to providing support to the Federal and State Governments on rural electrification and supporting Sarawak's rural transformation programme. These efforts have contributed to the growth of the state electricity coverage from 79.2% in 2009 to 90.4% in 2015. This year alone, 4,468 more rural homes were provided with 24-hour electricity.

Our 500 kV Transmission Line will provide a second backbone for Sarawak to link up the northern power stations with the load centres throughout the state, but until this is completed, we run the risk of a major blackout such as what was experienced in November. I would like to commend the restoration team for putting the power back on in two hours. Currently, the Wayleave team is dedicated to resolving the associated land issues, and it is hoped that the land claimants will make way for this key State infrastructure project.

In our quest to innovate for the customer and ensure reliability of supply in our distribution network, we have introduced Condition-Based Monitoring, a new initiative using advanced diagnostic equipment to monitor and detect abnormalities to prevent outages. Through this and other efforts, we have made a significant improvement in our distribution SAIDI figure - despite the challenges in our network characteristics and geographical conditions. From 2014 to 2015, Sarawak Energy managed to bring down the SAIDI figure by 23.8% and we will make every effort to maintain this momentum in the coming year.

REDUCTION OF ELECTRICITY TARIFFS

The growth of hydropower in our generation mix has brought numerous benefits, including a drop of almost 60% in carbon intensity from our power generation. The most positive development for our customers was a reduction in electricity tariffs, almost across the board, with the biggest benefit accrued to the lower income groups.

Sarawak's domestic tariffs were already the lowest in Malaysia and amongst the lowest in the region. As a result of our downward revision, around 60,000 domestic customers enjoy tariff reductions of between 2% and 47% while most of our commercial and industrial customers enjoy tariff reductions of between 8% and 50% and 4% and 40% respectively. Due to the tariff reductions, 60,000 additional low-income customers will receive a monthly bill of less than RM20 and therefore become eligible for Federal Government subsidy. This is on top of the existing 70,000 customers who are already eligible and are not charged for their electricity usage. The tariff reductions were made possible because of the increase in our revenue from SCORE, lower production costs from hydropower and our continuing successful efforts to combat power theft.

TOWARDS BECOMING A REGIONAL POWERHOUSE

In 2015, we made important progress in our vision to become a regional powerhouse. At the end of the year, the construction of the transmission infrastructure which connects Sarawak and West Kalimantan was completed and we expect to begin exporting power early next year. This is a significant milestone in Sarawak Energy's drive to become a regional powerhouse in ASEAN.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, Sarawak Energy recorded RM3.022 billion in revenue, an increase of RM2.826 billion from the previous year. The Group surpassed the RM3 billion revenue milestone for the first time, spurred on by a further increase in consumption from SCORE customers of RM157.3 million, or 16.4%, compared to the previous year. This was achieved against a backdrop of tariff reductions for domestic, commercial and industrial customers during the year.

The Group's profit before tax was RM615.3 million, a decrease from the RM704.0 million achieved in 2014. This fall was largely attributable to higher depreciation and interest charges of Murum HEP, although these were partially offset by lower generation costs following the full commercial operations of Murum.

Profit after tax was RM678.6 million, a decrease of RM770.4 million from the RM1.449 billion we achieved in 2014. This fall was mainly due to the lower recognition of deferred tax assets arising from the investment allowance granted to Murum HEP in 2014.

Going forward, we expect the demand from SCORE customers to continue to drive the Group's revenue growth momentum. In addition, our power generation capability and efficiency have been strengthened by the full commercial operation of Murum HEP. All these factors augur well for the Group's financial performance in the years ahead.

RAISING THE FINANCE THROUGH SUKUK MUSYARAKAH PROGRAMME

On 18 August 2015, the Group issued its fourth issuance totalling RM1.5 billion from its RM15 billion Sukuk Musyarakah Programme to support the Group's capital expenditure requirements.

The issuance included two tranches carrying maturities of 10 and 20 years with profit rates of 4.75% and 5.28% respectively. With this issuance, Sarawak Energy has raised a total of RM8.5 billion from the programme.

The Principal Adviser and Lead Arranger of this programme was RHB Investment Bank Berhad, with AmInvestment Bank Berhad, RHB Investment Bank Berhad and Kenanga Investment Bank Berhad as Joint Lead Managers.

On 28 August 2015, RAM Ratings reaffirmed the AA1 rating with a stable outlook for our Sukuk Musyarakah Programme.

Investor Update Session on Sukuk Musyarakah Programme in Kuala Lumpur on 26 April (Photo credit: RHB Investment Bank)

MANAGEMENT CHANGES

In 2015, we restructured our management team, reflective of a modern, agile corporation.

We introduced the Group Executive Committee (GEC) – an organisational change to tighten and speed up the decision-making process. The 10-member GEC meets on a weekly basis to make major decisions.

GROUP CEO'S MESSAGE

A group photo taken during the first Group Management Team Meeting in October

The following promotions or redesignations were recorded in the GEC:

Lu Yew Hung	was appointed Executive Vice President of Sarawak Energy and Chief Executive Officer of SESCO and becomes the executive decision-maker for operations and its day-to-day issues. He heads the Operations Management Committee which comprises heads of department from Hydro, Thermal, Transmission, Grid System Operator, Distribution, Retail and Research and Development.
Aisah Eden	assumes the role of Executive Vice President, Corporate Services. She also leads the Support Functions Management Committee which comprises heads of department from Corporate Shared Services, Legal, Information Technology Services, Corporate Social Responsibility, and Corporate Communication.
Einar Kilde	becomes Executive Vice President, Project Execution.

We were also pleased to welcome Ting Ching Zung back to Sarawak Energy and to our senior management team as Vice President, Planning, Strategy and Corporate Development.

We introduced the Group Management Team (GMT) which consists of members of the GEC, all department heads plus additional key management staff from relevant departments. The GMT meets on a quarterly basis to be updated on company happenings and direction.

Part of the development of an organisation includes growing its leadership base and giving people exposure to different areas in order to broaden their experience. During the year, the following heads of department were promoted or redesignated:

- Haji Yusri Safri is appointed Vice President, Retail.
- Lau Kim Swee becomes Vice President, Distribution.
- Tan Ah Hock is appointed Vice President, Corporate Shared Services.

In addition to my role as Group CEO of Sarawak Energy, I have been appointed to the Syarikat SESCO Berhad Board of Directors to maintain continuity and alignment in our overall agenda.

ORGANISATIONAL CHANGES

This year, our organisation's manpower strength has grown to 4,308. To support our continued growth, we made some important changes to our organisation structure.

In May, we established our new Coal Resources Department, to boost security of supply for our coal-fired plants and stabilise the cost of coal resources. To this end, we have been working for some time towards the direct ownership of coal resources and recently agreed on key terms to acquire majority ownership in the Merit Pila coal mine. Led by Alvin Lim, Vice President, Coal Resources, the new department will also look at opportunities for Sarawak Energy to take controlling interests in other upstream coal ventures through the General Prospecting Licences that we were granted this year.

Our Retail Department, now headed by Haji Yusri Safri, and Research and Development Department, under Dr. Chen Shiun, have joined the Operations team for greater integration.

The Capital Works, Procurement and Contracts team, headed by Shawn Liu, now reports to Alexander Chin, the Chief Financial Officer.

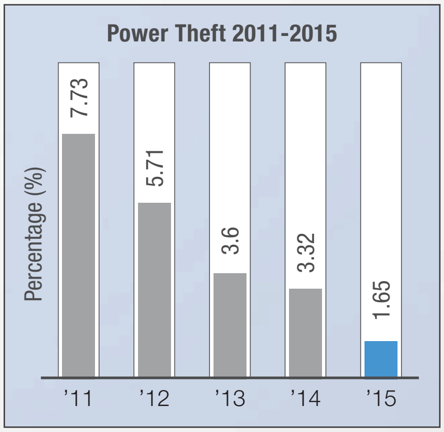
ADDRESSING POWER THEFT

In 2015, Sarawak Energy continued to successfully tackle power theft with support from the State regulator, the Electrical Inspectorate Unit of the Ministry of Public Utilities, and the Police. We were able to further reduce our non-technical losses from 1.95% to 1.52%, representing RM34 million of annual revenue loss. Since 2010, when we began our anti power theft campaign, we have achieved annual savings of RM106 million.

The number of tampering cases was lower in 2015, a clear indication of our success.

Tariff	No. of Inspections	No. of Tampering Cases Detected	Percentage (%) of Tampering Detected
Domestic	9,605	1,224	12.74%
Commercial	19,068	1,784	9.36%
Industrial	2,254	29	1.29%

We also collected a total of RM16,117,766.00 in arrears.



ORGANISATIONAL GROWTH

4,308 Employees

New Group Executive Committee and Group Management Team

New Coal Resources Department to facilitate generation from indigenous coal resources

GROUP CEO'S MESSAGE

CORPORATE RESPONSIBILITY & SUSTAINABILITY

Sarawak Energy continues to support the communities affected or potentially affected by our projects. In 2015, we established an annual RM200,000 special education development fund for the Penan communities in Belaga, especially those directly affected by the newly-completed Murum HEP, through the signing of a memorandum of understanding with Bakun Charitable Trust. The education fund supports our overall commitment to enhancing the level of education amongst the Penan communities and adds to the suite of education initiatives in the Tegulang and Metalun Resettlement areas, which include our Penan Literacy Programmes.

Murum HEP continues to shape the lives of the resettled communities. The Murum resettlement comprises three villages in the Tegulang area and four in the more remote Metalun area. All villages now have access to 24-hour electricity.

In line with our efforts to preserve the state's culture and heritage and broaden the livelihood base of affected communities, Sarawak Energy sponsored the production of a sape album featuring artisans from the Belaga resettled communities. All profits go to the musicians except for a portion of the album sales which go to the Murum Penan Development Committee. The album was launched in the presence of the Chief Minister to great acclaim.

Apart from our community initiatives, we also remained focused on environmental conservation. We are working with Sarawak Forestry Corporation to support orangutan conservation and participated in a scientific expedition to Upper Baleh to understand the area. As a socially responsible corporate citizen, we have also incorporated eco-friendly vehicles into our corporate fleet to raise awareness on the use of electric vehicles and to play our part in reducing vehicle emissions.

In a major new initiative that truly showcases our determination to embed sustainability in how we do things, we have also embarked on our Sustainability Reporting initiative - a voluntary effort to identify areas for improvement and promote transparency.

SARAWAK ENERGY PERCEPTION SURVEY

Sarawak Energy aims to be a socially responsible corporate citizen through our key strategy of enhancing and embodying positive corporate reputation. In 2015, we carried out our first ever perception survey to measure our corporation reputation i.e. perception of our performance as a company in living up to expectations of our external stakeholders.

Through the survey, Sarawak Energy's perception was benchmarked against other companies globally, including public utilities. The results of the survey show that our stakeholders and customers think the Company is heading in the right direction in terms of our key strategies and is making a positive impact externally on the perceptions of the Company.

ACKNOWLEDGEMENT

On behalf of the management team, I would like to congratulate our Chairman, YBhg Datuk Amar Abdul Hamed Sepawi for winning BrandLaureate's prestigious 'Man of the Year' Brand Icon Leadership Award 2015 in November.

Chairman YBhg Datuk Amar Abdul Hamed Sepawi wins the Man of the Year Brand Icon at the BrandLaureate Awards, Kuala Lumpur in November

THE ROAD AHEAD

We enter 2016 in the firm belief that we can and will do better, but we are mindful of the challenges especially given the global economic environment and its potential impact on our business.

In the year ahead, my priorities will be to ensure that on the project side, we

- complete the 500 kV second backbone transmission project as soon as possible to ensure reliable supply of 24-hour electricity to all our customers and to avoid major outages such as when the Oya-Selangau 275 kV transmission line tripped in November causing loss of supply and affecting customers in Kuching, Sri Aman, Sarikei, Sibu and Bintangor. Restoration to almost all affected areas was completed within two hours.
- strengthen our 275 kV and 132 kV transmission lines and substations
- progress the proposed Baleh HEP by closing out the tender process, secure State Cabinet approval and move closer to construction
- continue our progress on the development of Balingian Coal-Fired Power Plant
- complete the river diversion work for Kota 2 Mini Hydro
- award the contract of Tanjung Kidurong Combined-Cycle Gas Turbine (CCGT) Plant
- and solve wayleave and land issues to support our project development

To grow our business, I want to see us

- secure stable coal and gas supply
- and sign more term sheets with new SCORE customers

To reassure our shareholders and investors, our focus will be to

- maintain a stable credit rating
- and aim for a lower average cost of supply and an improved profit before tax

In striving for operational excellence and customer focus, I would like to

- ensure plant availability – an average of 87% or higher across generation plants
- aim for a lower System Average Interruption Duration Index (SAIDI)
- and ensure a positive score in the customer satisfaction index

Safety remains a key priority, and in pursuit of this, we want to

- ensure Department of Occupational Safety and Health (DOSH) and Electrical Inspectorate Unit (EIU) competencies
- uphold safety practices and minimise Loss Time Injury Frequency Rate (LTIFR)
- and ensure zero fatalities for staff and contractors

As sustainability becomes more firmly embedded in our organisation, I look forward to seeing our Sustainability Reports continue and that the participation of Bumiputera companies in Sarawak Energy's tenders improves.

IN CLOSING

I would like to end my message by bringing us back to Sarawak Energy's core value of respect, which means that we must never lose sight of our commitment to deliver on our promises to all our customers, stakeholders and colleagues and integrity - to always do what is right, not what is convenient at this moment.

Datuk Torstein Dale Sjøtveit
Group Chief Executive Officer

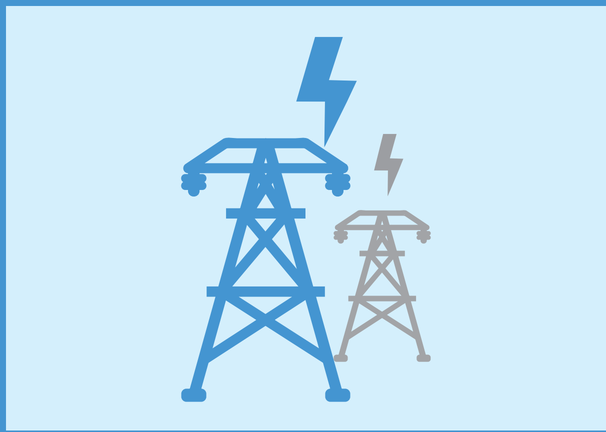
SUSTAINABILITY IN PRACTICE

Sustainability Reporting Initiative

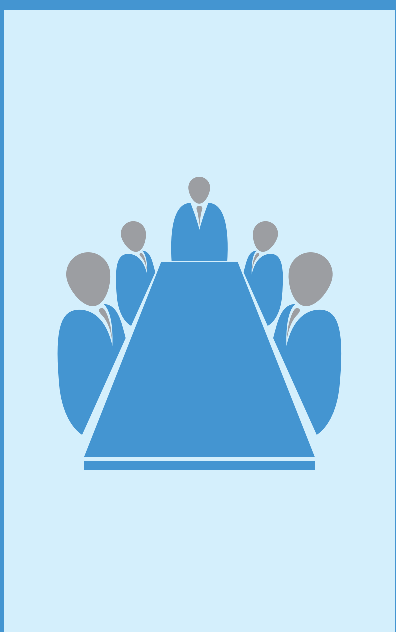
Eco-friendly Electric Vehicles Enter Corporate Fleet

Support for Orangutan Conservation

Heart of Borneo Scientific Expedition to Baleh


OUR BUSINESS & OUR STORIES




OUR OPERATIONS

Sarawak Energy as a vertically integrated holding company is principally involved in the power and electricity sector through its wholly-owned subsidiaries which own coal, gas and hydropower generation assets, and has the sole right to transmit, distribute and supply electricity throughout Sarawak through Syarikat SESCO Berhad.

Bintulu CCGT Plant (317 MW) is the largest CDM plant in Malaysia

THERMAL GENERATION

Sarawak Energy conducts thermal power generation through its wholly owned subsidiary companies, Syarikat SESCO Berhad (SESCO), Sarawak Power Generation Sdn Bhd (SPG), Sejingkat Power Corporation Sdn Bhd (SPC), PPLS Power Generation (PPLS) and Mukah Power Generation Sdn Bhd (MPG).

As of 2015, the total installed capacity within the Thermal Department is approximately 1,200 MW, with five major power stations connected to the Sarawak State Grid and 19 isolated rural diesel and mini hydropower stations.

In July, Miri Power Station, Mukah Power Generation and Bintulu Power Station were certified with ISO27001 Information Security Management System.

Since August, Sibu Outstation Rural Power Stations Nanga Jagau, Nanga Mujong, Nanga Ngungun and Nanga Entawau have been converted from 12-hour to 24-hour operation. This is in line with the State and Sarawak Energy's commitment to provide 24-hour electricity supply.

HYDRO GENERATION

The Hydro Department operates and maintains Sarawak Energy's hydropower assets.

The development of hydropower generation, complemented by thermal power, has paved the way for Sarawak Energy to practice a balanced and sustainable form of development in pursuing industrialisation to achieve the State's target of developed State status by 2030.

Sarawak Energy's first hydroelectric plant at Batang Ai, designed to have a maximum power output of 108 MW, this year celebrated its 30th anniversary of supplying energy to the State. The Murum HEP began full commercial operations this year and has added a further 944 MW of power capacity to the State. Sarawak Energy also purchases the entire 2,400 MW output from the federally-owned Bakun Hydroelectric Plant through a Power Purchase Agreement signed in 2011.

Batang Ai (108 MW) was commissioned in 1985. Its development paved the way for the construction of the Sarawak State Grid

OUR OPERATIONS

Murum HEP's average availability in 2015 was over 90%

Sarawak Energy is pursuing the development of indigenous hydropower resources and has identified further sites with the potential for construction of hydroelectric projects. Sarawak Energy is also looking at small hydropower sites to support the electrification of the State's challenging interior.

TRANSMISSION

The Transmission Department is the Transmission Network Service Provider (TNSP). The department is responsible for the development, maintenance and operation of the network to ensure reliable electricity supply throughout the State.

GRID SYSTEM OPERATOR

Under the Electricity Ordinance (State Grid Code 2003), the Grid System Operator (GSO) Department is responsible for the generation scheduling and dispatch, and monitoring and control of the grid system to ensure it is operated reliably, securely, safely and economically.

DISTRIBUTION

The Distribution Department ensures that power is distributed efficiently throughout the State.

The distribution network is divided into regions, namely Western Region, Central Region and Northern Region. Each region is responsible for developing, operating and maintaining its own distribution network to ensure reliable supply to our customers. One of the main tasks of the regions is to connect new customers in a timely manner.

The department maintains and ensures the efficient operation of the distribution network's database systems, and other assets and processes. This includes overseeing data collection by regional Global Information System (GIS), providing policy and technical specifications, undertaking maintenance and installation planning, and managing the inventory of all electrical equipment stocks.

Sarawak Energy continues to improve the reliability of its power supply to customers. In 2015, the Company launched the Advanced Distribution Management System pilot project – an initiative to improve the system operation of the distribution network and reduce the duration of outages. The project is expected to be completed by the end of 2016.

The Company also introduced Condition-Based Monitoring, a new distribution initiative using advanced diagnostic equipment to monitor and detect abnormalities to prevent outages.

Standby gensets were also deployed as a temporary measure to areas affected by prolonged outages or shutdowns.

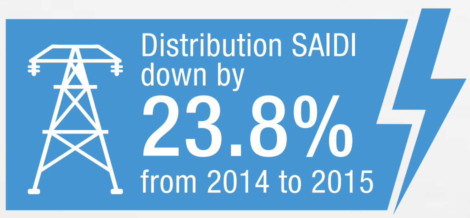
Other on-going distribution initiatives include efforts to:

- reduce operation costs
- mitigate and reduce copper theft
- improve system reliability
- reduce the duration of project implementation

Various new products were also introduced throughout the year including:

- load break switches to improve safety during switching operations
- copper clad conductors and low tension aerial cables to mitigate copper theft
- amorphous transformers to increase system efficiency
- 33 kV aerial bundled cables to improve system reliability

Through these efforts, Sarawak Energy has made a significant improvement in its distribution System Average Interruption Duration Index (SAIDI) figure - despite the challenges in network characteristics and geographical conditions. From 2014 to 2015, the Company managed to bring down the SAIDI figure by 23.8% and is determined to maintain this momentum in the coming year.



RETAIL

The Retail Department was established to manage the sale of electricity to Sarawak Energy's customers, manage customers' concerns and collect payment from electricity sales. The department comprises three distinct areas: Customer Management, Meters, and Revenue Management.

As part of Sarawak Energy's ongoing effort to provide its customers with the best customer service, Sarawak Energy has taken crucial steps to advance every facet of its delivery system. Sarawak Energy's growing emphasis on customer service is embodied in its customer care centre which operates 24 hours a day, seven days a week.

The Centre is equipped with state-of-the-art contact centre technology to handle the high level of calls it receives, especially during power outages. It also monitors transactions and keeps track of the services provided by its agents. The system is equipped with an intelligent queuing call back feature and broadcast announcements to cater for the surge in calls during power outages and a facility for agents to return the customers' calls.

This enhancement of its services enables Sarawak Energy to offer more sophisticated customer service and provide a platform for customers to contact them with any enquiry regarding their accounts.

Sarawak Energy is working on its first mobile app for customers to enhance the overall customer experience by providing them with easy access to information through their mobile devices.

In 2015, the Retail Department played a central role in Sarawak Energy's transition to comply with the Goods & Services Tax (GST) Act 2014. Effective from 1 April 2015, GST was imposed on all electricity consumption and other related charges. Electricity bills detailing transactions including GST charges are now called "tax invoices".

In recognition of its commitment to providing excellent customer experience, in November 2015 Sarawak Energy won the Best Customer Management Award at the Civil Service Day held at the Borneo Convention Centre in Kuching. The award acknowledges the dedication of Sarawak Energy's staff in meeting the needs of its customers.

The department also spearheads an enforcement campaign to address the major challenge of electricity theft in Sarawak.

In 2015, Sarawak Energy continued to successfully tackle power theft with support from the State regulator, the Electrical Inspectorate Unit of the Ministry of Public Utilities, and the Police. The Company was able to further reduce its nontechnical losses from 1.95% to 1.52%, representing RM34 million of annual revenue loss. Since 2010, when it began its anti power theft campaign, it has achieved annual savings of RM106 million.

Serves over
600,000
customers throughout Sarawak

COAL RESOURCES

Sarawak Energy has recently been mandated to become an owner and developer, rather than merely a buyer, of some of Sarawak's coal resources. Through this more active strategy it will be able to secure stable coal supplies for its operations and strengthen its ability to leverage on Sarawak's indigenous coal resources.

New Coal Resources Department to facilitate generation from indigenous coal resources

PROJECT EXECUTION

A dedicated Project Execution Department ensures that Sarawak Energy can successfully complete its investment projects in line with its business goals and strategies.

Within the department are the support functions of Project Controls and Project Management. This department establishes a common methodology, terminology and documentation framework for Sarawak Energy's project work across all departments. This creates a transparent process from the evaluation of business opportunities through to project development, execution and handover to operations.

Throughout 2015, the Project Execution Department remained focused on delivering critical projects already in the execution stage, and preparing for new major hydro and thermal generation projects planned for the near term.

TRANSFORMATION - A JOURNEY OF POWER

Sarawak Energy has come a long way since its beginnings as a local provider of electricity and is now positioned to become the regional supplier of reliable, clean and renewable power.

Prior to SCORE, Sarawak's energy demand merely grew to about 1,000 MW in fifty years. With SCORE, demand has doubled.

In total, over 3,000 MW has been committed to industrial and export customers through 14 agreements.

To meet the increase in demand, from 2010 to 2015, the installed capacity in Sarawak has grown from 1,300 MW to 4,600 MW. Projections indicate that by 2020, Sarawak's installed capacity will increase to over 5,300 MW, rising to over 8,000 MW by 2025.

By 2020, Sarawak Energy plans to achieve the following important milestones:

- To make available sufficient new power to meet the needs of more domestic consumers (both urban and rural) and industries (including high energy industries),
- To transform its energy supply from a fossil-fuel dominated mix to one with 60-70% hydropower,
- To work with the Government, non-governmental organisations (NGOs) and the people affected by the projects to minimise any disruptive effects and tap opportunities for new growth from hydropower development, and
- To establish relationships and partnerships regionally for exporting energy.

SARAWAK ENERGY POWERS SCORE

Throughout 2015, Sarawak Energy continued to work closely with SCORE investors.

No new power purchase agreements (PPA) or term sheets were signed this year, although PPA negotiations are in progress with a number of potential customers, including with Malaysian Phosphate Additives (Sarawak) Sdn Bhd which is now in an advanced stage.

Existing projects with SCORE investors notched up significant progress.

The PPA signed in 2014 with Press Metal Bintulu Sdn Bhd (Phase 2) progressed with the ramp up in November 2015 and the aluminium smelter is expected to reach its full capacity of 500 MW by the second quarter of 2016. The additional 500 MW will go towards Press Metal's Phase 3 of its aluminium smelter located at the Samalaju Industrial Park in Bintulu.

Aerial view of Samalaju Industrial Park in 2014 (Photo credit: RECODA)

Aerial view of Samalaju Industrial Park in 2013 (Photo credit: RECODA)

TRANSFORMATION - A JOURNEY OF POWER

Aerial view of Samalaju Industrial Park in 2015 with a deep water port under construction (Photo credit: RECODA)

Aerial view of Samalaju Industrial Park in 2012 (Photo credit: RECODA)

Aerial view of Samalaju Industrial Park in 2011 (Photo credit: RECODA)

A dedicated line to supply power to Press Metal Berhad Phase 2, the Samalaju-Press Metal 275 kV transmission line, was completed and a provisional acceptance certificate was issued in August.

OM Holdings Sdn Bhd project is now 97% complete. The ramp up is in progress and the project is expected to achieve full commercial operations by the first quarter of 2017.

Pertama Ferroalloy Sdn Bhd project is now 88% complete and full production is slated for the second quarter of 2016.

Sakura Ferroalloy Sdn Bhd project is 93% complete. Commercial operations are expected to begin in the first quarter of 2016, followed by full commercial operations in the third quarter.

TRANSFORMATION - A JOURNEY OF POWER

Artist's impression of the 2 x 300 MW Balingian Coal-fired Power Plant

POWER FROM INDEGENOUS RESOURCES

The 2 x 300 MW Balingian Coal-fired Power Plant Project is one of Sarawak Energy's new generation projects. The priorities in planning this project are to utilise rich local resources of coal as the energy source and to achieve sustainable development and operation.

This project is located near to the Balingian River, 25 km due southeast of the existing Mukah 2 x 135 MW Power Station, and about 60 km from Mukah Town. Balingian's first phase is expected to be operational in 2017. The project is a mine-mouth plant built at a strategic location to reduce logistics for coal transportation. As a result, this reduces the environmental footprint associated with transportation.

In October 2014, Sarawak Energy entered into an RM1.5 billion contract with Shanghai Electric Group Ltd (SEC), one of China's leading electrical equipment manufacturing conglomerates, for the construction of the Balingian Main Power Plant. Work is currently in progress.

The 2 x 300 MW Balingian Coal-fired Power Plant is the first coal-fired plant in Malaysia with circulating fluidised bed (CFB) boiler of this capacity.

Due to the high moisture content of the coal from the Balingian area, the conventional pulverised coal (PC) technology used at Sarawak Energy's Sejingkat and Mukah Power Plants is not suitable for the Balingian Project.

CFB has a high flexibility in accepting a wide range of design coals with high moisture and variable ash characteristics and it ensures complete utilisation of the coal resources from the Balingian area.

Its lower combustion temperature (800 to 900°C) means the NO_x formation is minimised and the SO_2 emissions are maintained below permissible levels by adding limestone to the bed to remove the sulphur content.

THE HYDROPOWER EVOLUTION

Enjoying high rainfall and an abundance of rivers, Sarawak has a competitive advantage in harnessing renewable energy through hydropower development.

With greater global awareness on carbon mitigation measures to combat greenhouse gas (GHG) emissions, there are now more concerted efforts to promote and encourage the use of renewables for power generation. In Malaysia, the Government approved the National Renewable Energy Policy and Action Plan on 2 April 2010.

All these factors point to shifting to a more sustainable energy supply which is readily available, economical to produce, renewable and non-polluting. The push for this shift appears to come increasingly from the need for lower carbon emission in power generation.

Sarawak's first foray into hydropower began in 1962 when a pre-feasibility study was conducted at Batang Ai. Follow-up studies were conducted in the 1970s and construction commenced in 1981. Batang Ai HEP, with installed capacity of 108 MW, was completed in 1985.

After 30 years, it continues to generate and deliver clean and renewable energy smoothly and reliably.

After its first turbine was commissioned in 2014, Murum HEP was fully commissioned in June 2015.

The plant delivers 944 MW of clean and reliable energy for Sarawak.

In developing hydropower, the Sarawak Energy project development model - Sarawak Energy Project Model or SPM - requires projects to pass through three formal decision gates before a final investment decision is taken, namely Initiation phase (decision to start), Concept phase and Pre-Engineering phase.

In 2015, Sarawak Energy received Social and Environmental Impact Assessment (SEIA) approval for Baleh HEP from the Natural Resources and Environment Board (NREB).

On mini hydro projects, the contract for Kota 2 Lawas HEP was awarded in October and pre-engineering works have commenced.

EXPANDING THE NETWORK

500 kV second transmission backbone project currently in progress

At the same time as generation projects are being developed, the State's transmission system is also being strengthened.

When completed, the RM2.7 billion 500 kV transmission grid will become a second transmission backbone for Sarawak for a more reliable and secure power system.

ADVANCING SUSTAINABLE HYDROPOWER

Sarawak Energy received SEIA approval for Baleh HEP from NREB

Murum HEP began full commercial operations

Batang Ai HEP celebrated its 30th year of providing clean and renewable energy

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Sarawak Energy continued to get more people on board and in 2015, staff numbers grew to 4,308.

In order for the Company to be able to serve its over 600,000 customers and support industrial development in the State, it has embarked on a transformational journey which includes strengthening the competency level of its employees and in turn widen the pool of skilled manpower in the State.

POWER IN UNITY

Human capital is Sarawak Energy's most crucial resource in transforming its energy supply infrastructure to provide clean, affordable and renewable energy. Sarawak Energy recruits and develops its employees for deployment over the length and breadth of the state to harness sustainable hydro energy and rich coal resources for Sarawak to grow.

On this mission, Sarawak Energy believes it needs to continue to develop a new organisational culture to unleash synergy in performance. Its priorities are:

- to engage the broader Sarawak Energy team in the meaning of its new corporate vision, mission and values, and how they guide and unify it in action, and
- to build a style of leadership and a culture that inspires optimism, enthusiasm, hard work and open communication.

Sarawak Energy continued to get more people on board and in 2015, staff numbers grew to 4,308.

Staff Strength
4,308
Employees

The Sarawak Energy Leadership Conference, held twice a year, is a platform for the conference delegates, including executives, managers and senior management, to be updated by the Chief Executive Officer in person on the latest corporate happenings and to ask him questions directly. This session's group photo shows conference delegates wearing shades of green in conjunction with Hari Raya celebration

People are Sarawak Energy's most crucial resource

SEB WAY

The SEB Way is a major organisational development plan to build a new culture to strengthen Sarawak Energy's performance.

The purpose of the SEB Way is to communicate Sarawak Energy's vision, mission and key focus areas and values to its staff.

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Launched on 20 February 2011, it is designed to achieve awareness, internalisation and sustainability in stages by employees across the organisation.

In 2012, Sarawak Energy introduced the Internalisation of Core Values Programme to inculcate its corporate values in all its staff. To this end, many workshops have been held throughout the year to give staff a thorough grounding in Sarawak Energy's values and explain how these values can be applied to everyday working life.

In 2013, Sarawak Energy launched the 'bottom-up' approach by developing a system of behavioural statements, whereby staff are assessed on their ability to meet the requirements set out in its Core Values. These assessments are incorporated into their end-of-year performance appraisals.

In 2014, Sarawak Energy introduced further structure to this initiative to strengthen cultivation of the Core Values. Behavioural statements were submitted by individual staff members and Get-Together Sessions were organised to further promote the corporate ethos.

In 2015, Sarawak Energy conducted an organisational climate survey. The result of the survey was an average score of 65.6%.

In the coming years, Sarawak Energy will incorporate additional programmes to strengthen the SEB Way.

By 2016, Sarawak Energy intends to have completed a range of programmes which will cement a strong workforce able to sustain and build on the success of the Company.

CLOSING THE COMPETENCY GAP

Sarawak Energy places strong emphasis on the importance of training and assessing its employees as a way to reduce the competency gap and meet the requirements of statutory bodies, namely the Electrical Inspectorate Unit (EIU) and the Department of Occupational Safety and Health (DOSH).

To close the competency gap, Sarawak Energy channels a large number of staff for training and examinations. It also develops tutorial sessions before EIU examinations in order to better prepare its candidates; assists the EIU in proposing and designing new policies for examinations for older members of staff and works closely with the EIU and the National Institute for Occupational Safety and Health in order to reduce the processing time for attaining competency certification.

Sarawak Energy's competency training programme enables it to meet its statutory requirements and it also allows it to develop a career progression framework, making its staff eligible for competency incentives and giving them opportunities for promotion. Its staff enjoy industry-competitive remuneration and benefits.

Each year, between 300 and 400 external contractors take part in its competency programmes.

Overall, the number of participants involved in competency training is as shown below:

	2015 (Jan-Dec)
Number of participants trained in competency courses (external and internal)	1,588
Number of participants who sat for competency examinations (external and internal)	1,117

TRAINING AND DEVELOPMENT

For the improvement of overall performance, employees must be trained and build experience. Training is a way to create confidence among employees, so that they can carry out the tasks effectively and efficiently. Sarawak Energy understands the need for effective and quality training to develop its valuable human resources. Therefore, Sarawak Energy has focused on the training needs and competency gaps of its employees.

Type of Training	Participants
In-House (external instructors at Sarawak Energy premises)	6,173
External	1,437
Internal (Sarawak Energy instructors)	2,239
Orientation	158
Total	10,007

SARAWAK ENERGY ELECTRICIAN PROGRAMME

The Sarawak Energy Training Centre consistently runs the Sarawak Energy Electrician Technical Programme (SETP) and the Sarawak Energy Mechanical Technician Programme (SMTP). In 2015, Sarawak Energy trained a total of 77 electrical technicians. The objective of this programme is to train new electrical technicians for the Company as well as to supply qualified manpower to the electrical industry in Sarawak to support the SCORE agenda. This is a nine-month training programme and upon completion, the trainees will possess the competencies required to carry out their duties.

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Chief Executive Officer Datuk Torstein Dale Sjøtveit in a group photo with scholarship recipients and representatives from IBS College and Sunway College

Shaking hands on the newly established partnership with Sunway College

SCHOLARSHIP PROGRAMME

As part of its commitment to develop the overall Sarawak talent pool, Sarawak Energy offers a range of scholarship programmes to high performing applicants. Since its introduction in 2014, the scholarship programme has rapidly grown. In 2015, some 50 new scholarships were made available, providing funding for tuition and examination fees for tertiary level scholars in various technical and non-technical disciplines at recognised colleges and universities in Malaysia. Sarawak Energy received more than 700 applications. Of those who were unsuccessful this year, 96 were shortlisted and selected for the 2016 academic year.

In addition, as part of its on-going efforts to achieve international level excellence, Sarawak Energy offers its employees regular corporate and technical training within Malaysia as well as overseas.

BRIDGING THE GAP BETWEEN ACADEMIA AND INDUSTRY

In 2015, Sarawak Energy signed five memoranda of understanding (MoU) with institutes of higher learning in Sarawak. The MoUs frame cooperation between the signatories to develop employment opportunities at Sarawak Energy for top performing graduates from the colleges; industrial training for undergraduate students and scholarships. The MoUs are with UCTS in Sibu, Curtin University in Miri, SEGi University, IBS College and Sunway College.

INDUSTRIAL TRAINING AND INTERNSHIPS FOR TERTIARY STUDENTS

In its effort to close the gap between academic and vocational skills, Sarawak Energy works hard to forge meaningful relationships with tertiary institutions across the region.

In November, Sarawak Energy welcomed a group of 40 electrical engineering academics from various institutions across Indonesia to give them an insight into Sarawak Energy's transmission plans and the development of the Sarawak Corridor of Renewable Energy.

A lecturer asking questions on Sarawak Energy's operations after a briefing to the Indonesian academics visiting Menara Sarawak Energy

Young Executive Session with the Chief Executive Officer and senior management - the Company has a strong talent development programme for its employees

SHARING KNOWLEDGE ACROSS THE REGION

Regional cooperation becomes ever more important as Sarawak Energy strives to become the leading provider of power in ASEAN. In December, Sarawak Energy welcomed more than 100 delegates from Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Singapore, Thailand, Vietnam and Malaysia to the three-day 4th Annual Meeting of Heads of ASEAN Power Utilities and Authorities (HAPUA) Working Group No. 5 on Human Resources.

Themed 'Organisational Transformation and Cultural Transformation: Corporate Culture', the event aims to explore and enhance operational excellence within the ASEAN utility industry and includes identifying joint training and development projects for members. The event was hosted by Sarawak Energy and supported by Tenaga Nasional Berhad and the Sarawak Convention Bureau.

Datuk Torstein Dale Sjøtveit presenting at the HAPUA meeting

LOYALTY SERVICE AWARDS

Sarawak Energy's Loyalty Service Awards recognise outstanding staff contributions and are one of the highlights of the corporate year. The awards are given to employees who reach career milestones of 10, 20, 25, 30 and 35 years to celebrate their role in supporting and strengthening the Company's operations and performance. In December, Sarawak Energy gave the award for 2015 to 346 employees at gala events in Miri, Sibu and Kuching.

In his award speech in Kuching, Datuk Torstein Dale Sjøtveit highlighted the accolades Sarawak Energy garnered throughout the year for its business excellence and corporate social responsibility achievements at both local and international level, noting that these achievements were made possible through the commitment, hard work and dedication of Sarawak Energy's employees.

At the Loyalty Service Awards

HEALTH, SAFETY AND ENVIRONMENT

Stringent regulations continue to help the Company improve its health and safety record and meet industry best practices. In 2015, the Operational Lost Time Injury Frequency Rate fell to 0.52 from 1.22 in 2014, achieving the target for the year which was 1.0.

HSE Coordination Meeting

Corporate Environment, Occupational Safety and Health (EOSH) Committee Coordination Meeting

This year's annual corporate-wide OSH and EOSH Coordination Meeting was attended by 48 participants from Sarawak Energy's headquarters, regional offices and power stations as well as OSH and EOSH representatives. The main objective of the meeting was to formulate Sarawak Energy's safety programmes for the year.

HSE Campaign Week

HSE Campaign Week

Operational
Lost Time Injury
Frequency Rate
0.52

Themed 'Raising Standards, Saving Lives, Nurturing Culture', the 2015 HSE Campaign Week took place for the first time at Batang Ai Hydroelectric Plant. Designed to raise awareness amongst both employees and external contractors of the importance of Sarawak Energy's HSE values, the event brought together 380 participants.

Events throughout the week included a blood donation exercise, a relay run, cardiopulmonary resuscitation (CPR) games, defensive driving, safety and environment quizzes, a fire fighting competition, video presentations and a range of talks on aspects of health, safety and the environment.

Borneo Conference and Exhibition on Occupational Safety and Health

The 4th Borneo Conference and Exhibition on Occupational Safety and Health (BOSH) took place from 16 to 18 August at the Imperial Hotel in Kuching. The biennial event brings together OSH practitioners and participants to network and share best practices and knowledge to enhance safety and health standards in the workplace. This year, BOSH welcomed 41 participants from Sarawak Energy.

Themed 'Journey to Safety and Health Excellence: New Challenges, New People, New Approach', the conference tackled the challenges inherent in meeting new and increasingly stringent standards of health and safety being applied to the workplace. Sarawak Energy's booth was popular and focused on enhancing awareness of electrical safety amongst its staff, contractors and the public.

Health and Wellness

In August, Sarawak Energy launched the second stage of its Corporate Wellness Programme, a drive to promote awareness amongst employees of good health practices. Following the success of the initiative in Kuching, the programme was made available in Sibu, Bintulu and Miri. A two-day Mindset Change Programme was also introduced this year.

A Road to Well Being, an interdepartmental 10-pin bowling programme was held in conjunction with the Corporate Wellness Programme, jointly organised by the Corporate Risk and HSE department and the Sports Club.

Safety Programmes

ELECTRICAL SAFETY TALKS TO SCHOOLS	reaching an audience of	10,639
ELECTRICAL SAFETY TALKS TO PUBLIC AND ANNUAL CONTRACTORS		4,607
SAFETY TALKS AND BRIEFINGS TO OIL PALM ESTATES, PLANTATIONS AND COMPANIES		1,329

Inspections of workplaces are an essential part of health and safety at Sarawak Energy. They enable the Company to identify workplace hazards such as inadequate machine guards, unsafe workplace conditions, unsafe work practices and unsafe conditions.

During 2015, Sarawak Energy conducted 76 safety inspections across its project sites to ensure that procedures meet the HSE standards. Safety audit and inspections were conducted at seven major power stations and 26 rural power stations by a team from Sarawak Energy. The aim was to ensure that recommendations made in the previous year had been acted upon.

Wellness Programme

A range of other initiatives aimed at enhancing safety awareness included the Tool Box Talk with contractors and sub-contractors; the Safety Walk-About at project sites; joint safety inspections with the Department of Occupational Safety and Health; and safety awareness talks to the general public. Any project sites not complying with OSH best practices were issued with a Stop Work Order by Sarawak Energy.

Community Initiatives

- In May, a team from Sarawak Energy travelled to SJK Chung Hua Buntal near Santubong to conduct a talk on electrical safety to schoolchildren and their teachers. Safety booklets were distributed.

- In June, the second round of the electrical safety awareness talks for oil palm estates took place at TH Pelita, Estate Gedong. Some 18 management and supervisory members attended the talk which covered various aspects of work safety on an oil palm estate.

- Sarawak Energy staged an electrical safety awareness briefing for BOMBA members in the State. The awareness session was organised following a recent tragedy whereby a fireman was electrocuted while putting out a fire in Sabah. He was believed to have stepped on live wires from an illegal electricity connection.

HEALTH, SAFETY AND ENVIRONMENT

Sarawak Energy takes safety seriously - A briefing was conducted for TM personnel and contractors

- In November, an electrical and fire safety campaign for the communities in Sungai Asap, Belaga was launched by YB Liwan Lagang, the Assistant Minister for Culture and Heritage, at the Uma Lahanan Resettlement Scheme. The campaign, the first ever, was organised by the Ministry of Public Utilities and supported by Sarawak Energy, Belaga District Office, BOMBA and other relevant government departments and agencies. The objective of the campaign was to instill and enhance public safety and best practices for the use of electricity in longhouses. The launching was followed by safety talks and wiring inspections on all the 15 longhouses in Sungai Asap by the Electrical Inspection Unit and Sarawak Energy.

- Sarawak Energy paid a visit to Telekom Malaysia (TM) to brief the personnel and contractors on precautions which should be taken while working near overhead lines and undertaking excavation work close to Sarawak Energy's underground cables. A total of 169 TM staff from Sibu, Bintulu, Miri, Limbang and Kuching took part.

ENVIRONMENTAL PROTECTION

Complying with Environmental Legislation and Requirements

Sarawak Energy has committed, through the formulation of the Environment, Occupational Safety and Health (EOSH) Policy, to not only mitigate the impact of its activities on the environment, but also to comply with the environmental legislations and requirements, provide a basis for the protection of the environment.

Sarawak Energy, as an organisation, has a legal and moral duty to comply with the Environmental Quality Act 1974 which comprises the following environmental laws and regulations:

- Environmental Quality (Clean Air) Regulations 2014
- Environmental Quality (Scheduled Waste) Regulations 2005
- Environmental Quality (Industrial Effluent) Regulations 2009
- Environmental Quality (Sewage) Regulations 2009

Boundary Noise Monitoring

The Environmental Quality Act 1974 (Section 23) stipulates that "no person shall, unless licensed, emit or cause or permit to be emitted any noise greater in volume, intensity or quality in contravention of the acceptable conditions."

The allowable boundary noise level established by the Department of Environment (DOE) for most power stations is 65 dBA at all times. In compliance with this regulation, the Environment Division conducts boundary noise monitoring along the perimeter fencing of the power station at four points on a yearly basis.

In 2015, the noise levels recorded for Miri Power Station slightly exceeded the approved limit largely due to thunderstorms and other contributing noises, while the noise level recorded for Kuching and Bintulu Power Stations was within limit.

Boundary noise monitoring at the perimeter fencing. The allowable noise level for most power station is 65 dBA at all times

Dark Smoke Observation

Dark smoke observation at rural and urban power stations was initiated by the Environment Division in 2011. It is a requirement by law that the smoke emission limit shall not be darker than shade No. 120 on the Ringelmann Chart.

Dark smoke observation for generator sets at the rural and urban power stations is carried out on a quarterly basis. In major stations like Bintulu and Kuching Power Stations, this procedure is also carried out on a quarterly basis and at Miri Power Station on a yearly basis, together with stack emission monitoring.

Stack Emission Monitoring

The main objective of stack emission monitoring is to assess whether the emission meets statutory requirements, to check the effectiveness of emission control technology and to evaluate the effects of process variables in the emission rates. The parameters monitored at the power stations include dust particulates, gas emissions of O_2, CO_2, C_0, NO_x, SO_2, SO_3, hydrocarbons and dark smoke observations.

Scheduled Waste Disposal Programme

The Environment Division coordinates with the scheduled waste contractor for the periodic collection of the scheduled waste generated by the power stations throughout the State. It is an offence under the Environmental Quality (Scheduled Wastes) Regulations 2005 for a waste generator to store scheduled waste for more than 180 days, or waste exceeding 20 tonnes, whichever comes first.

Sarawak Energy continuously monitors the water quality of Batang Ai and Murum HEP reservoirs

Water Quality Monitoring

Sarawak Energy conducts water quality monitoring at Batang Ai and Murum HEP reservoirs. Unlike natural lakes, man-made reservoirs may have an environmental impact. Water quality monitoring and assessment is therefore important to study the changes in water quality and to mitigate potential problems related to the quality of the reservoir water.

Environmental Awareness Programme

Sarawak Energy organises environmental awareness programmes for school children and the public. It engages with Government agencies, including the Department of the Environment (DOE), the Sarawak Forest Department and the Natural Resources and Environment Board (NREB), as well as non-governmental organisations in promoting environmental conservation programmes. Sarawak Energy also conducts and coordinates trainings and workshops on environmental awareness.

Throughout 2015, Sarawak Energy engaged the community in various initiatives to conserve and preserve the environment.

Community project with the local community at Stass Nature Heritage Park

Outreach Programmes

In December, Sarawak Energy teamed up with the village development committee of Kampung Stass in Bau, Kuching in a community project designed to develop the Stass Nature Heritage Park. The main objective was to establish an Environmental Awareness Centre at Stass Nature Heritage Park that would serve as a platform to promote environment friendly initiatives such as forest conservation and to raise environmental awareness. Some 30 participants took part in this programme.

Youth Green X-Change Programme

In March, Sarawak Energy sponsored the Youth Green X-Change Programme at the Matang Wildlife Centre, an environmental awareness programme for youth conducted in collaboration with the NREB, the DOE, Angkatan Zaman Mansang and WWF Malaysia. Themed 'Youth in Sustainable Development', the main elements of the programme covered river water management, solid waste management and the use of renewable energy. A total of 100 young people took part.

Collaboration with Sarawak Forestry Department

In October, Sarawak Energy teamed up with the Sarawak Forestry Department in a mangrove planting initiative at Kuching Wetland National Park. Themed 'Plant a Tree, Plant a Life', the event attracted 150 participants from Sarawak Energy, Sarawak Forestry as well as teachers and school children.

Some 500 mangrove seedlings were planted and will serve as a river line and wave protection barrier to minimise erosion at Matang River. It will also benefit the resident proboscis monkeys and ecosystem and attract migratory birds to the site.

Minggu Alam Sekitar Malaysia 2015

In October, Sarawak Energy collaborated with the DOE in the Minggu Alam Sekitar Malaysia 2015 event held at Medan Niaga Satok, Kubah Ria in Kuching. Themed 'Ya! Teruskan Gaya Hidup Lestari', the event attracted some 700 participants including representatives from Sarawak Energy, the DOE, Sarawak Forestry, the NREB, the Sarawak River Board, Trienekens, Jabatan Pertahanan Awam, Jabatan Pengaliran Dan Saliran and school children. The event included bicycle riding, a waste recycling competition, poem recitation, colouring competitions, health checks, blood donations and tree planting initiatives in an effort to engage the youth in sustainable development and promote a healthy lifestyle.

School children helping to plant trees at Kuching Wetland National Park

Malaysia Airports Holdings Berhad's Green Day

In February, Sarawak Energy took part in Malaysia Airports Holdings Berhad's (MAHB) Green Day programme at Kuching International Airport. The annual programme is one of MAHB's initiatives to becoming an environment friendly airport. Sarawak Energy and other agencies and organisations such as the NREB, the Sarawak River Board, the DOE, the Sarawak Biodiversity Centre, and MAHB's Sustainability team shared and presented their green products and activities with MAHB's employees and the public.

Environmental Management System Documentation and Maintenance

Environmental Management System (EMS) is a set of processes and practices that enables an organisation to reduce its environmental impact and increase its operating efficiency.

Although not certified with the ISO 14001 EMS, Sarawak Energy's rural and urban power stations implement EMS to systematically manage the possible environmental impact arising from the Company's power generation activities.

During the annual environmental assessment, the Environment Division monitors and provides assistance to ensure that the EMS is properly implemented and that all the power stations in Sarawak are environmentally compliant.

Environmental Assessment

The environmental assessment covers the operation, maintenance and general environmental conditions of the power station. The environmental assessment team conducts inspections on the drainage system, fuel farm yard, fuel loading area, waste storage area and the chemical storage area. The assessments at the rural and urban power stations are carried out together with the dark smoke observation, boundary noise monitoring and the EMS documentation and maintenance.

Environmental Impact Assessment

Sarawak Energy undertakes Environmental Impact Assessment (EIA) for all its major projects. There are two EIA procedures adopted in Malaysia, namely the Preliminary EIA (PEIA) and the Detailed EIA (DEIA).

The PEIA is an assessment of the environmental impact of the proposed activities. The PEIA is reviewed by a technical committee from the DOE and other relevant government agencies.

The DEIA is a standard procedure for projects which will have a substantial impact on the environment. Under Section 34A of the Environmental Quality Act 1974, DEIA is required for the construction of Sarawak Energy's 2 x 300 MW coal-fired power plant in Balingian.

In July 2012, Sarawak Energy received DEIA approval for the project. This approval has allowed Sarawak Energy to commence project implementation and serves as a guideline for the Company to comply in the mitigation of potential environmental impacts.

Review Meeting and Ground Truthing are two significant processes leading to the finalisation of the DEIA report. Prior to starting the Ground Truthing exercise, there is normally a Data Review Meeting. After the Ground Truthing survey, the findings are compiled and the DEIA report is made available to interested parties for viewing and to invite comment.

The objective of the Review Meeting and Ground Truthing is to help the DOE and Sarawak Energy understand the critical or sensitive issues that may arise from these projects. This is the main focus in the DEIA study.

Social and Environmental Impact Assessment

In compliance with Sarawak's environmental laws and the requirements of NREB, Sarawak Energy undertakes Social and Environmental Impact Assessment (SEIA) for all of its major projects and submits SEIA reports to NREB for approval prior to the implementation of the projects.

SEIA is a formal, comprehensive study designed to properly understand and mitigate the impact of projects. All SEIA studies consist of focus areas as follows:

- Project Description
- Contemporary Ethnography Study
- Social Impact Assessment (SIA)
- Environmental Impact Assessment (EIA)

If the SEIA concludes that the planned projects are feasible, Sarawak Energy works with the local communities to ensure the projects meet the community's expectations.

In 2015, Sarawak Energy received SEIA approval for the Baleh HEP from NREB.

The Baleh HEP has also received an unprecedented level of community support.

To show support for the Baleh HEP - Kapit community leaders visit Menara Sarawak Energy in September

CORPORATE RESPONSIBILITY & SUSTAINABILITY

CORPORATE RESPONSIBILITY & SUSTAINABILITY

DEFINITION OF SOCIAL RESPONSIBILITY

Sarawak Energy is run as a business, but profit is not its only goal. Its mission captures some of these broader objectives and responsibilities, and commits it to:

Sarawak Energy has a special responsibility towards the communities, especially those that are directly affected by its development projects.

This year, Sarawak Energy has carried out various CSR initiatives. Some examples include:

- Participating in a gotong-royong community project with local villagers from Kampong Peninjau at Mount Serumbu in Bau, a site considered sacred by the Bidayuh community and historically significant to Sarawak. Initiated by the Sports Club, some 300 volunteers took part with Sarawak Energy staff joined by volunteers from the Resident Office Kuching, the Institution of Engineers Malaysia, St Teresa Secondary School and the local committee of the Rajah Brooke Heritage.

- Contributing RM25,000 to a six-day programme initiated by Charity without Borders. The programme involved a convoy consisting of some 300 volunteers including medical personnel travelling into Baram's interior to provide medical aid and provisions. The initiative was jointly organised by Hope Place Kuching and Bintulu 4x4 Club and covered five areas - Long Laput, Long Lapok, Long San, Long Banga and a Penan settlement in Bario. It was the largest programme of its kind ever conducted in east Malaysia.

- Sponsoring sporting events in an effort to encourage a team mindset and promote a healthy lifestyle. In January, Sarawak Energy continued its sponsorship of the Sarawak Crocs football team, a sponsorship which began in 2014. Since then, the Company has engaged in several joint initiatives - the most prominent being a radio contest for fans to come up with the best title for a tribute song for the Sarawak Crocs. The contest was jointly organised with ERA fm.

- Providing assistance to two Penan villages at the Metalun Resettlement Area in Murum which had been hit by strong winds. The winds damaged the roofing of a longhouse block at Long Luar and a chapel at Long Tangau.

CORPORATE RESPONSIBILITY & SUSTAINABILITY

Gotong-royong initiative to clean the weir structure at Metalun in August

STRATEGY TO ACHIEVE SOCIAL RESPONSIBILITY

Sarawak Energy meets its social responsibilities by:

- creating economic opportunities for Sarawakians;
- supporting partners in community investment;
- demonstrating high standards of transparency and community engagement; and
- undertaking its projects in a sustainable way.

SCORE

SCORE customers purchase billions of ringgit in goods and services from local firms

The full implementation of SCORE will offer around 130,000 permanent (direct and indirect) jobs* to the people of Sarawak

CREATING ECONOMIC OPPORTUNITIES

By developing Sarawak's abundant energy resources, Sarawak Energy is creating new and better economic opportunities for current and future generations.

Sarawak Energy itself provides secure employment for over 4,308 full time staff.

PARTNERSHIPS FOR COMMUNITY INVESTMENT

Sarawak Energy acknowledges a special responsibility towards the communities which are directly affected by its development projects. Sarawak Energy has identified four areas in which it is developing long-term, sustainable partnerships that meet real community needs, specifically:

- education and young people;
- environmental management and conservation;
- culture and heritage; and
- community development and entrepreneurship.

* The figure of job creation in SCORE is taken from the Strategic Manpower Study for SCORE carried out by Unimas in 2009

These pillars are to support sustainable development, focusing on the learning, training, educating and conservation that will be the platform for Sarawak's long-term socio-economic growth. This is the approach to CSR that Sarawak Energy is championing, which should be distinguished from philanthropy and short-term assistance.

Education and Young People

Baram Literacy Programme

In 2015, some 300 Penans from eight settlements graduated from the first stage of Sarawak Energy's Baram Penan Literacy Programme after successfully completing a beginners' level literacy programme which has armed them with reading, writing and basic arithmetic skills. The Baram programme commenced in February 2014, with a total of 312 Penan adults from eight settlements namely Long Lilim, Long Luteng, Long Sengayan, Long Kawi, Ba' Kabing, Long Daloh Bestari, Long Daloh Asal and Ba' Abang attending the programme. Thirty-eight facilitators were trained in setting up the literacy classes in all eight settlements.

A certificate presentation ceremony was held at Long Luteng community hall on December 15 to recognise the achievement of the participants and facilitators.

Baram Penan Literacy Programme in session

Tan Sri Datuk Amar Dr James Masing, Senior Minister and Chairman of Bakun Charitable Trust address a press conference after the MoU signing as Datuk Torstein Dale Sjøtveit, Sarawak Energy Group Chief Executive Officer, Liwan Lagang, Assistant Minister of Culture and Heritage and Belaga Assemblyman and others look on

The Penan Education Fund

As part of Sarawak Energy's ongoing efforts to empower the communities affected, or potentially affected, by its projects, in August, the Company signed a memorandum of understanding (MoU) with Bakun Charitable Trust, allocating a revolving fund of RM200,000 to provide educational assistance for Penan communities from the Belaga district - this includes the six Penan villages involved in the Murum resettlement area and another 19 Penan longhouses in the Belaga district. The resettled Kenyah Badeng of Long Malim Kenyah is also eligible for this special fund.

The fund provides academic incentive awards for primary and secondary students in the form of financial aid for students to pursue higher learning such as certificate, diploma, degree programmes or skills development training.

Murum Penan Literacy Programme

The Murum Penan Literacy Programme provides basic reading, writing and numeracy skills for the Penan community resettled by the Murum HEP. Since its inception in February 2012, some 400 adults in Murum have benefited from the globally recognised programme. Aside from reading, writing and arithmetic, the programme has three stages which address pertinent self-development needs like hygiene, nutrition and health education, essential living skills, home economy and parenting among others. The programme was initiated in partnership with the non-governmental organisation, the Society for the Advancement of Women and the Family Sarawak (SAWF). In March, the programme won the coveted Excellence in Provision of Literacy and Education Award (Gold) at the 7th Annual Global CSR Summit and Awards.

Support for Education at SMK Balleh, Kapit

In November, Sarawak Energy collaborated with Institut Pendidikan Guru, Kampus Batu Lintang (IPGKBL) in Kuching to hold a two-day educational workshop for the students and teachers of SMK Balleh in Kapit aimed to motivate both teachers and students to strive for educational excellence, particularly in critical subjects such as mathematics, English, Bahasa Malaysia and science. There are currently 267 students and 36 academic staff at SMK Balleh.

CORPORATE RESPONSIBILITY & SUSTAINABILITY

Environmental Management and Conservation

In October, Datuk Torstein Dale Sjøtveit addressed the Asia for Animals Conference Borneo 2015 at the Borneo Convention Centre in Kuching - the first time the conference has been held in Malaysia. He outlined Sarawak Energy's determination to continue to improve on its sustainability and conservation initiatives in its project development. His comments follow on from the success of Sarawak Energy's wildlife monitoring and rescue operation conducted within the area of the Murum HEP, during which Sarawak Energy worked with Sarawak Forestry Corporation to rescue and relocate plants and animals to the banks of the reservoir area and a designated island as the water levels rose during impoundment. The whole project resulted in the rescue and relocation of 49 species of mammals, 91 species of birds, 23 species of reptiles and six species of amphibians. Over 50,000 trees and plants were relocated including important species such as ensurai, kapur, keruing, meranti, belian, orchids and bamboos.

Chief Executive Officer Datuk Torstein Dale Sjøtveit and head of Corporate Communication Peing Tajang with Sarawak Society For the Prevention of Cruelty To Animals (SSPCA) President Dona Drury Wee (right) tour the exhibition area at AFA Conference Borneo 2015

Culture and Heritage

In 2015, Sarawak Energy played an important role in the Murum Penan Festival. Organised by the Murum Penan Development Committee, the festival took place concurrently in the two resettlement areas of Tegulang and Metalun. It aims to foster a closer bond among the villagers and preserve the communities' cultural heritage through traditional games such as the Orang Ulu wrestling test of strength 'Payu' and blow pipe skills competition.

Payu (wrestling) was among the crowd favourites at the Murum Penan Festival

Handicrafts made by Murum Penan artisans

Sarawak Energy also supports Penan artisans in their craft making and this year organised two training workshops, in partnership with the Malaysian Handicraft Development Corporation, to help them diversify and improve the quality of their handicraft products by exposure to new ideas and design concepts on rattan weaving, sewing and finishing techniques. The final products were showcased at the Festival Kraft Sarawak held in Miri and Bintulu. To further promote local skills and ensure the communities have a sustainable livelihood, Sarawak Energy purchases these handicrafts as corporate gifts.

EMPOWERING COMMUNITIES

Sarawak Chief Minister launches sape album

Sape and dance performance at Menara Sarawak Energy

The front and back cover of 'Sape Classics from Belaga'

Sarawak Energy has also funded the production cost of a sape music album to help preserve the state's musical heritage. The album 'Sape Classics from Belaga' features sape tunes performed by Penan master sape musicians Kuit Kilah and his brother Laing Kilah from Long Wat in the Murum resettlement area together with Munan Epui, a Kayan from Uma Nyavieng of Sungai Asap. Sarawak Energy has purchased 400 CDs to give out as corporate gifts. Proceeds from the recordings go to the musicians. A portion of the album sales go to the Murum Penan Development Committee.

Community Development and Entrepreneurship

Hydropower development can contribute significantly to economic development by opening up business and employment opportunities. To empower the local community, Sarawak Energy studies a number of suitable strategic programmes for the community's development and growth.

While Murum HEP has commenced full commissioning, Sarawak Energy remains committed to supporting the communities affected by its projects as well as supporting the Government in implementing the Murum Resettlement Action Plan (RAP).

The RAP is a long term comprehensive plan that incorporates the views of the affected communities based on extensive stakeholders' dialogues at every stage of the project, both directly and through government intermediaries.

In the development of Murum HEP, the Murum RAP is fundamental to help the affected communities with the challenges they experienced and improve their livelihood.

TRANSPARENCY AND COMMUNITY ENGAGEMENT

Sarawak Energy has an obligation to make sure that its stakeholders understand what it does. When Sarawak Energy develops new projects, it goes through a disciplined process to make sure that the aspirations of affected communities are taken into account.

After the full commissioning of Murum HEP, Sarawak Energy continues to work with the Murum Penan Development Committee and engage the Murum community on various community initiatives.

MoU Signing with Bakun Charitable Trust for Penan Education Fund

Handicrafts Development Programme at Murum

Sponsorship of Sape Album by Musicians from Belaga

CORPORATE RESPONSIBILITY & SUSTAINABILITY

SUSTAINABILITY

In 2015, Sarawak Energy continued to work on its initiative on Sustainability Reporting, a move which began in 2014 to further highlight its commitment to being a socially responsible and transparent corporate citizen in all its undertakings.

In February, Sarawak Energy further advanced its commitment to incorporate sustainability into its projects and operations when it successfully trained its first team of in-house sustainability protocol assessors at a workshop, using a globally recognised standard. The initiative is an essential step towards ensuring the Company's hydropower projects are implemented and run in accordance with guidelines set out by the Hydropower Sustainability Assessment Protocol.

At the launching of Sarawak Energy's first batch of electric vehicles

Electric Vehicles

In February, Sarawak Energy achieved another milestone in its drive to promote the sustainable use of energy when it marked the incorporation of the first batch of electric vehicles (EV) to its corporate fleet.

In conjunction with the Leadership Conference at the Borneo Convention Centre in Kuching, Sarawak Energy unveiled its first two Nissan Leaf EVs – to showcase the advancement of EV technology as well as to study its suitability for daily usage in Sarawak.

The EVs, to be driven by Sarawak Energy's staff, will also be used in the campaign to support the Company's environmental initiatives as well as road safety campaigns.

The cars do not have an exhaust system and do not create any direct pollution or emission that could contribute to global warming, as long as the electricity used to power the vehicles comes from clean and renewable resources.

Murum Tagang System

The Tagang System is implemented to protect, restore and manage aquatic species especially fresh water fish in selected river systems.

Initiated by Sarawak Forestry and Sarawak Energy, with technical assistance from the Department of Agriculture Sarawak, the Murum Tagang System at Sungai Lekasi within the Tegulang resettlement area is established for the communities of Long Wat and Long Malim. Through this system, fish harvesting is only allowed at designated zones and must be done responsibly.

The Murum Tagang System will also create a sense of shared responsibility in reducing river pollution to preserve the natural environment for future generations. As such, the two longhouses have become custodians of this tagang system – the first community-based river conservation undertaking in the area.

The initiative was launched by Datu Len Talif Salleh, Assistant Minister of Environment (Ministry of Resource Planning and Environment) on 12 June 2015, witnessed by Lu Yew Hung, Executive Vice President, Sarawak Energy and Chief Executive Officer of SESCO; Wong Ting Chung, Chief Executive Officer, Sarawak Forestry; and Labang Paneh, Chairman, Murum Penan Development Committee (MPDC).

Lu Yew Hung planting a tree during the launch of Murum Tagang System

Releasing fish fry into Sungai Lekasi

RURAL ELECTRIFICATION IN SARAWAK

Since the launch of the National Key Result Area (NKRA) Rural Basic Infrastructure initiative in 2009, Sarawak Energy has continued to extend its support to the Government in its effort to provide basic infrastructure to the remote rural areas of Sarawak. Since 2009, a total of RM2.5 billion has been allocated for rural electrification, consisting of RM2 billion for grid extension in reachable areas and RM0.5 billion for alternative power supply systems, such as off-grid power supply like micro hydro and solar hybrid.

With the development of rural electrification, Sarawak's electricity coverage has grown from 79.2% in 2009 to 90.4% in 2015.

Rural Electrification Scheme

Given the remote locations of the remaining un-electrified villages, extending the grid lines has become more challenging and there has been an uptrend in implementing alternative solutions to provide these remote villages with electricity. Between 2009 and 2015, the rural electrification scheme (RES), through the normal grid scheme as well as via alternative solar and micro hydro systems, benefited 70,882 rural households.

NEW RURAL HOUSEHOLDS CONNECTED							
YEAR	2009	2010	2011	2012	2013	2014	2015
Grid	12,675	12,255	17,388	7,936	10,179	3,910	4,239
Micro Hydro	138	-	-	-	-	-	-
Solar Hybrid	427	255	-	-	981	270	229
TOTAL	13,240	12,510	17,388	7,936	11,160	4,180	4,468

Rural Power Supply Scheme

It is becoming more challenging to extend the grid to Sarawak's rural villages because many of the existing transmission and distribution lines are reaching their technical limitations. To address this problem, in 2015 a rural master plan called the Rural Power Supply Scheme (RPSS) was formulated. The initiative sees the construction of new transmission lines, substations and distribution substations which will complement the RES grid extension programme and penetrate the grid supply into the State's interior.

Off-Grid Alternative Supply

Due to the vastness of Sarawak, the Federal Ministry of Rural and Regional Development has adopted isolated renewable hybrid schemes to provide 24-hour electricity to remote rural communities that cannot be connected to the State grid for at least the next five years. The alternative hybrid system utilises renewable energy resources such as solar and micro hydro power as the primary energy source, with diesel generator sets as back-up power systems.

Since 2009, the project has benefited over 2,100 households via the solar hybrid scheme in several areas including Kapit, Belaga, Lawas, Bario and Betong.

ELECTRIFYING SARAWAK

4,468 more rural homes provided with 24 HOUR electricity

Solar Home System for 200 villagers at Batang Ai

The Bario Central system is the largest solar hybrid system in Sarawak and supplies nine villages consisting of more than 240 households.

Sarawak Energy is continuously looking into villages with hydro potential that can be supplied with micro hydro facilities. In November last year, a micro hydro station was built and commissioned in Long Banga, housing two turbines with combined capacity of 320 kW and two diesel generators with capacity of 80 kW and 160 kW to provide contingency. The micro hydro station currently supplies 138 households. Sarawak Energy plans to extend the Long Banga station with two more 160 kW turbines to supply three additional adjacent villages, namely Long Beruang, Long Lamai and Long Balong. Once the extension is completed, Long Banga will supply an estimated 152 new households.

Newly completed solar hybrid system at Nanga Janan in Kapit

Recently completed solar hybrid system at Kampung Long Peluan in Baram

Sarawak Alternative Rural Electrification Scheme

The Sarawak Alternative Rural Electrification Scheme (SARES) is a new initiative by the State Government that Sarawak Energy is working to supply villages that are so remote they may have to wait more than 10 years for the grid supply to reach them. Jointly conceived at the end of 2015, the scheme will start to be implemented in 2016 and will provide ‘self-help’ micro hydro and solar electricity generating solutions as an alternative to the costly and noisy diesel generators. This new initiative is expected to benefit approximately 8,700 remote households in 323 of Sarawak’s remotest villages.

CSR Rural Electrification

In 2015, Sarawak Energy continued its drive to bring the benefits of electricity to remote areas of Sarawak. The Company installed a Solar Home System set comprising eight ceiling lights and four switch socket outlets which power basic electrical appliances in two longhouses in Batang Ai. The installation was carried out in a gotong-royong manner with participation and support from the local community. Some 200 additional villagers in the households in Rumah Kino and Rumah Manggat now enjoy a 24-hour power supply.

Villagers assisting in transporting the equipment from Batang Ai Jetty to the longhouses

Solar panels on Rumah Kino roof top

An elderly resident weaving into the night under the light that is powered by solar

EVENT HIGHLIGHTS 2015

CORPORATE ENGAGEMENTS

The Yang di-Pertua Negeri of Sarawak and State dignitaries visiting Sarawak Energy's booth at the International Energy Week, Kuching in January

Communicating with confidence - Aisah Eden, Executive Vice President, Corporate Services handing over a token of appreciation to Dato' Haji Ibrahim Abdul Rahman, Director General, Department of Information during the Chalk 11 session themed 'Let's Chat, Listen and Gain PR Knowledge' at Menara Sarawak Energy in April

At the Media Appreciation Night in January

Growing our presence: At the International Mining and Resources Conference (IMARC), Melbourne in November

EVENT HIGHLIGHTS 2015

CORPORATE ENGAGEMENTS

A special briefing for Baram community leaders at Menara Sarawak Energy in July

Continuous dialogue - Batang Ai Ulu Engkari community visits Menara Sarawak Energy in September

Sukuk investors visit Murum in May

COMMUNITY OUTREACH

Blood donation at Menara Sarawak Energy in November

The Salvation Army performing Christmas carols at Menara Sarawak Energy in December

A HEALTHY WORKFORCE

Corporate golf at Kelab Golf Sarawak in December

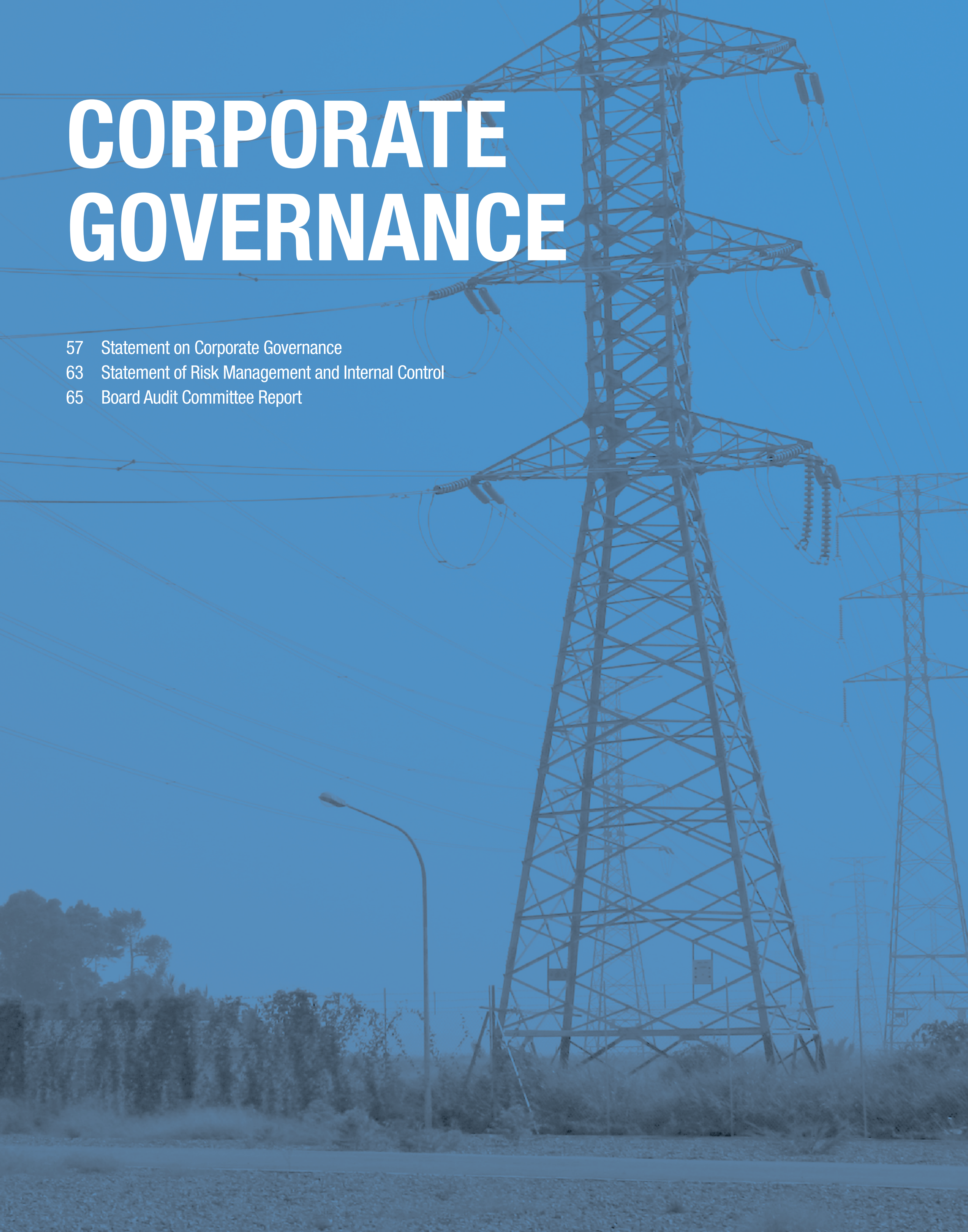
Corporate Games 2015 in October

DIVERSITY AND INCLUSION

Ramah Tamah at Menara Sarawak Energy with the Chief Minister in August

At the closing of Gawai celebration in June

CORPORATE GOVERNANCE



STATEMENT ON CORPORATE GOVERNANCE

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 present 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 to set out strategic direction of the Group and establish the goals and achievements of the objectives and aims for the Company.

The current Board consists of five (5) members, whereby four (4) of the members are Non-Independent Non-Executive Directors and one (1) member is an Independent Non-Executive Director. The Directors collectively have wide range of experience and expertise drawn from the area of business, accounting, economics, legal 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 9 to 13 in the Annual Report.

The Chairman's responsibility is to ensure the effectiveness and efficiency of the Board Meetings and its conduct, whereas the role of Independent Non-Executive Director is to ensure that 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.

For the Year 2015, the Board had decided to meet at least every quarterly, with additional meetings held as and when required. There were a total of six (6) Board meetings held during the financial year ended 31 December 2015. A summary of the attendance of each Director of the Company at the Board meetings held during the financial year ended 31 December 2015 are as follows:

Directors	Position	Meetings Attended	% of Attendance
Datuk Amar Abdul Hamed bin Sepawi	Non-Independent Non-Executive Chairman	6/6	100
Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	Non-Independent Non-Executive Director	3/6	50
Dato' Haji Idris bin Haji Buang	Non-Independent Non-Executive Director	6/6	100
Datuk Fong Joo Chung	Non-Independent Non-Executive Director	6/6	100
Tan Sri Dato Sri Mohd Hassan bin Marican	Independent Non-Executive Director	3/6	50

STATEMENT ON CORPORATE GOVERNANCE

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 of the Directors are notified of the Board meetings within stipulated time prior to the meetings' date. The Directors are also provided with an agenda and a set of Board papers in ample time prior to each Board Meeting to enable them to gain information and insights, where and when necessary, in order to be properly briefed before the meeting.

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

Board members also have the access to the Company Secretary for any further details 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.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to the 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 thereafter. All Directors must submit themselves for re-election at least once in every three years, and Directors who are over 70 years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act 1965.

DIRECTORS' TRAINING

The Board of Directors has been attending various accredited programs organised by various course leaders in the country to enhance their knowledge and skills in carrying out effective role as directors. The Company will continuously arrange for directors to attend such trainings to accommodate them with current updates and information for them to be equipped with good governance as effective directors of the Company.

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. Board Audit Committee ("BAC")

The BAC plays 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 BAC 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 BAC has full access to both internal and external auditors, who in turn, have access at all times, to the Chairman of the BAC.

The BAC 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 BAC, including their attendance at the Committee Meetings is set out on page 65 of this Annual Report.

2. Governance, Nomination & Remuneration Committee ("GNRC")

The GNRC responsibilities are to identify potential candidates for directorships to the Board and make recommendations on all new or re-appointments of the members of the Board. Further, the GNRC also make recommendations 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.

The GNRC further duties are to provide remuneration input on any contract of employment with executive directors and to determine the terms of any compensation in the event of early termination of the employment contracts thereon as well as making recommendations for Human Resource policies from time to time and to discuss and approve the revision of the Company's organisation structure, should there need be. The GNRC also act as a Disciplinary Committee to decide and recommend punishments for staff misconduct to the Board for approval.

The composition of the GNRC members for the financial year ended 31 December 2015 is as follows:

i. **Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani**
(Non-Executive Director) - Chairman

ii. **Tan Sri Dato' Sri Mohd. Hassan bin Marican**
(Non-Executive Director)

iii. **Datuk Fong Joo Chung**
(Non-Executive Director)

iv. **Dato' Haji Idris bin Haji Buang**
(Non-Executive Director)

The GNRC had held five (5) meetings during the financial year ended 31 December 2015.

MANAGEMENT COMMITTEE

To assist the Board in the execution of its responsibilities, a Management Committee named as Executive Management Committee ("EMC") was established to ensure that adoption of corporate-level policies are well developed before adoption, and to award tenders within the approving limits as prescribed by the prevailing terms of reference provided in the Procurement, Policies and Procedures (PPP) of the Company.

This Committee has written terms of reference which have been approved by the Board and set out their authority and duties as follows:

(a) to interpret define and/or implement Corporate/Group policies and decisions.
(b) to formulate and/or approve the general management operating policies procedures and guidelines.
(c) to decide and/or approve operational or matters requiring management decisions or approval by EMC. In the event of uncertainties the CEO shall have the mandate to decide on the subject matters or issues to be referred to EMC.

(d) to review and/or decide on proposals, plans, projects, budgets and policies prior to submission to the Board.
(e) to implement management leadership change and continuous improvements programs and initiatives for the Group.
(f) to endorse and/or review decisions of the disciplinary committees appointed to conduct disciplinary inquiry into disciplinary cases involving support group.
(g) to discuss and/or review progress reports on projects and decide on any issues requiring management input or decisions.
(h) to appoint consultants subject to the limits of EMC defined in the GIPC.
(i) such other matters not mentioned above provided approval of the CEO has been obtained to refer the matter to EMC and such matters is within the scope or general authority of EMC to decide/approve.

At the Extraordinary Executive Management Committee Meeting in July 2015, the Management had decided to rename the Executive Management Committee ("EMC") to Group Executive Committee ("GEC") with immediate effect.

The new composition of the GEC members for the financial year ended 31 December 2015 are as follows:

i. **Datuk Torstein Dale Sjøtveit**
(Group Chief Executive Officer) - Chairman

ii. **Lu Yew Hung**
(Executive Vice President, SEB/Chief Executive Officer, SESCO)

iii. **Aisah Eden**
(Executive Vice President, Corporate Services)

iv. **Einar Kilde**
(Executive Vice President, Project Execution)

v. **Alexander Chin**
(Chief Financial Officer)

vi. **Ting Ching Zung**
(Vice President, Planning, Strategy & Corporate Development)

vii. **Nick James Arnett Wright**
(Vice President, Business Development)

viii. **Tuan Haji Sulaiman bin Haji Abdul Hamid**
(Vice President, Group Governance for Procurement & Contracts)

ix. **Siti Aisah Adenan**
(Vice President, People & Leadership Development)

x. **Marconi Madai**
(General Manager, Corporate Risk & HSE)

There were five (5) EMC meetings, two (2) extraordinary EMC meetings and twelve (12) GEC meetings held during the financial year ended 31 December 2015.

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

Internal Controls

Information on the Group's internal controls system is presented in the Statement on Internal Control as set out pages 63 and 64 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

STATEMENT ON CORPORATE GOVERNANCE

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 2015.

- **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 2015.

- **Revaluation Policy on Landed Properties**
  The Group does not adopt any revaluation policy on landed properties during the financial year ended 31 December 2015.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to its responsibility of maintaining a sound system of internal control, covering financial and operating activities to safeguard shareholders' investment, the Group's assets and customers' interests. This Statement on Internal Control outlines the processes that have been implemented to ensure the adequacy and integrity of the system of internal control of the Group during the financial year.

The Group's system of internal control applies to SEB and its subsidiaries. Associated companies are excluded because the Group does not have full management and control over them.

BOARD RESPONSIBILITY

The Board has an overall responsibility for the Group's system of internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations. The on-going process for identifying, evaluating, monitoring and managing the significant risks faced by the Group is periodically reviewed by the Board during the financial year under review. However, the Board recognises that the Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives, hence it can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

The Board is assisted by the Management in the implementation of the approved policies and procedures on risks and controls, in which the Management identifies and assesses the risks faced as well as implements and monitors appropriate control measures to mitigate and control these risks.

Further, the Board is assisted by the BAC to review the adequacy and integrity of the system of internal controls in the Group as part of the internal and risk management processes.

INTERNAL AUDIT FUNCTION

The BAC, assisted by the GIAD, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The BAC has an oversight function of all activities carried out by the GIAD.

The GIAD adopts a risk-based approach in preparing its audit strategy and annual plan. The GIAD independently reviews the risk exposures and control processes implemented by management and conducts assignments which cover auditing and review of critical areas within the Group, including financial, operations, projects and IT/information systems. The internal audit functions and activities are guided by its internal audit charter and annual audit plan which are approved by the BAC and the internal audit reports are tabled at the BAC meetings for review and deliberation.

Further, the GIAD engages in regular communication with senior management team and various departments within the Group related to internal audit activities and efforts for continuous improvement in operations and systems. External Auditors' recommendations for improvements noted during their audit, if any, are also closely monitored and followed up to ensure that they are promptly implemented.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

ENTERPRISE WIDE RISK MANAGEMENT ("EWRM")

The Board also acknowledges that effective risk management is part of good business practices and recognises the need for a sound system of internal control capable of managing the principle risks of the Group.

As part of its effort to discharge its duties and responsibilities of maintaining a robust and sound system of internal control and ensuring their continuing adequacy and integrity, the Board has implemented a formalised EWRM framework for the Group. The framework provides guidance for the establishment and implementation of risk management processes in the Group and incorporates risk identification, assessment, reporting, treatment, monitoring and review of risks in the Group, particularly strategic risks and risk trends.

The EWRM framework ensures that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the management to achieve acceptable exposures consistent with the Group's risk management practices.

The Group is in the process of implementing a Fraud Risk Management Framework to be embedded within the existing EWRM framework, which comprise of fraud control policy and fraud control plan as well as fraud awareness training, fraud reporting procedures & system and other programs to sustain the efforts.

SYSTEM OF INTERNAL CONTROLS

The Board is responsible for managing the key business risks of the Group and implementing appropriate internal control system to manage those risks.

Some of the key elements of the Group's System of Internal Control are as follows:

- The Group's Organisational & Management Structure formally defines lines of responsibility and delegation of authority for all aspects of the Group's affairs which is aligned to the Group's strategic and operational requirements. The structure will be reviewed and updated as and when needed to reflect the changing business environment and operating activities within the Group.
- The Group has in place written policies and operating procedures, which are reviewed and updated as and when necessary to improve on the control environment and operating efficiency. New policies, procedures and guidelines are also introduced from time to time to meet the operational requirements.
- Senior management prepares and presents the business plans and budgets on an annual and bi-annual basis and the business plans include budget, new project proposals and capital budget. Measurement of performance is regularly monitored through the CEO Report to the Board incorporating key project progress, financial and operational key performance indicators and departmental initiatives.
- The Board approves the annual budget and reviews key business variables and monitors the performance at its scheduled meetings.
- The BAC is responsible for reviewing the statutory annual financial statements and the quarterly group management reports and recommends to the Board for approval.
- The management of the Group has established, documented and implemented the information security management system according to the ISO 27001 Information Security Management System (ISMS) Standard and shall continually improve and upgrade its effectiveness and efficiency based on changes which may affect the information security risk exposure.
- The Group has implemented a New Procurement Policies & Procedures (PPP) replacing the previous General Instructions for Purchasing and Contracts (GIPC) which includes the establishment of the new tender committees and enhancement of the terms of reference of the existing tender committees and the limits of authority of all these committees.

BOARD AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Board Audit Committee ("BAC") members are appointed by the Board from amongst its non-executive members. The BAC comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director of the Board as set out in the table below.

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

During the financial year under review, the BAC convened four meetings. The attendance record of the members is as follows:

No.	Member	Meetings Attended
1.	YBhg Tan Sri Dato Sri Mohd Hassan bin Marican	4/4
2.	YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	4/4
3.	YBhg Dato' Haji Idris bin Haji Buang	4/4

The Vice President/Head of Internal Audit and the Group Company Secretary, being Secretary of the BAC were present at all meetings. Upon invitation, representatives from the External Auditors, Group Chief Executive Officer, Chief Financial Officer/Head of Finance and other members of senior management and external parties also attended specific meetings whenever required.

SUMMARY OF ACTIVITIES OF THE BAC

During the financial year, the BAC carried out the following main activities as set out in its terms of reference:

- Reviewed and recommended the Quarterly Group Management Reports and Audited Financial Statements of the SEB Group to the Board for approval.
- Reviewed and endorsed the External Auditors Audit Plan, Scope of Work and Fees for SEB Group and recommended the same for approval by the Board.
- Reviewed and endorsed the Quarterly Enterprise Risk Management Report – Update & Outlook and Quarterly Reports on SEB's Risk Profiles, Key Strategic & High Risks and Key Mitigation Actions taken by Management to address the risks.
- Reviewed and noted the Report on Network Security Review and status of SEB's Overall Information/Cyber Security Programs.
- Reviewed and discussed SEB Group Annual Revenue and Capital Budget and recommended the same for submission to the Board.
- Reviewed and endorsed SEB Forex Hedging Strategies and Reports on Hedging activities.
- Reviewed and noted the Auditor General's Report for the Year 2015 (1st Series) on PPLS Power Generation & Murum Hydroelectric Project.
- Reviewed and endorsed SEB Group Insurance Programs for presentation to the Board.
- Reviewed and noted the Bulk Customers Credit Evaluation – Issues and mitigation actions for presentation to the Board.
- Reviewed and noted the status and progress of GST Implementation in SEB Group.
- Reviewed and approved the Group Internal Audit Annual Plan to ensure adequacy of resources and coverage for identified auditable areas with significant and high risks and the KPIs achievement and Internal Audit Update Reports.
- Reviewed and deliberated with the external auditors and management the impact on adoption and implementation of the Malaysian Financial Reporting Standards (MFRS).
- Reviewed and deliberated reports issued by External Auditors, Consultants (on specific assignments) and GIAD on significant findings and remedial actions taken and to be taken by management to address the issues raised.
- Reported to the Board on its activities and any significant issues and remedial actions taken by management arising from the audits undertaken by the external and internal auditors and other external parties/consultants on specific areas and reports/papers presented by management at each BAC meeting.

BOARD AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

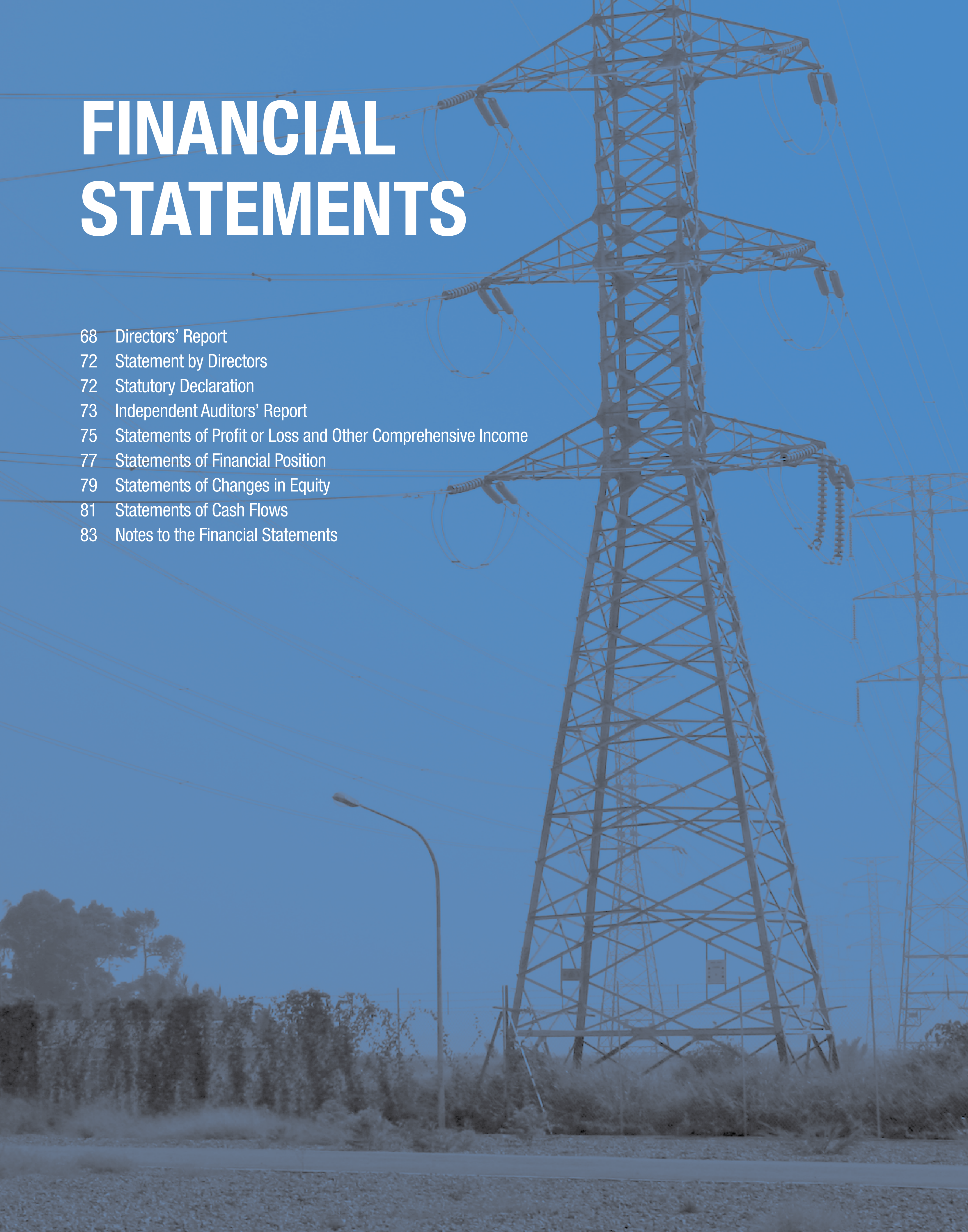
The internal audit function of the SEB Group is undertaken by the Group Internal Audit Department (GIAD), which reports functionally to the BAC and administratively to the Group Chief Executive Officer.

GIAD was established by the Board to provide independent assurance on the adequacy of SEB's risk management, internal control and governance systems. The functions and activities of the department are guided by its internal audit charter and the charter sets out the framework within which the department will operate to achieve its objectives.

During the year, GIAD team conducted their planned audit activities as per approved audit plan. The Vice President/Head of Internal Audit presented internal audit reports at every BAC meeting during the year which reports on the status and progress of internal audit assignments, including summaries of the audit reports issued, audit recommendations and management's response to the issues/recommendations and their agreed actions plan to address and resolve the issues highlighted.

The internal audit activities were carried out using risk-based methodology. The development of the audit plan took into consideration the corporate risks profiles and inputs from senior and line management and the BAC members.

The results of the audits provided in the reports were reviewed and noted by the BAC. The relevant managements of the specific audit subject were made responsible for ensuring that corrective actions on reported weaknesses were within the agreed timeframe. Internal audit also conducts follow up audits to ensure that management's corrective actions were implemented promptly.



FINANCIAL STATEMENTS

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 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year except the Company has commenced the business of development and construction of power generation facilities.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	678,623	203,371
Profit attributable to:		
Owners of the Company	678,884	203,371
Non-controlling interests	(261)	-
	678,623	203,371

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.

RESERVES AND PROVISIONS

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

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year in respect of the financial year ended 31 December 2014 were as follows:

	RM'000
Final single-tier dividend of 5.50 sen on 1,610,568,979 ordinary shares of RM1.00 each	88,581
Special single-tier dividend of 3.36 sen on 1,610,568,979 ordinary shares of RM1.00 each	54,115
	142,696

The Directors did not recommend any dividend to be paid for the financial year under review.

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:

YBhg Datuk Amar Abdul Hamed Bin Sepawi - Chairman
YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani
YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican
YBhg Dato' Haji Idris Bin Haji Buang
YBhg Datuk Fong Joo Chung

In accordance with Article 82 of the Company's Articles of Association, YBhg Datuk Amar Abdul Hamed Bin Sepawi and YBhg Dato' Haji Idris Bin Haji Buang 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.

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 10 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.

DIRECTORS' INTERESTS

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position 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.

(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.

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.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 40 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 April 2016.

Datuk Amar Abdul Hamed Bin Sepawi

Dato' Haji Idris Bin Haji Buang

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Amar Abdul Hamed Bin Sepawi and Dato' Haji Idris Bin Haji Buang, 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 75 to 168 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 of 31 December 2015 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 April 2016.

Datuk Amar Abdul Hamed Bin Sepawi

Dato' Haji Idris Bin Haji Buang

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Alexander Chin, being the officer primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 75 to 168 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 **Alexander Chin**
at Kuching in the State of Sarawak
on 29 April 2016

Alexander Chin

Before me,

PESURUHJAYA SUMPAH
Q 137
EVELYN
LAU SIE JIONG
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
Lot 571, No. 202, Lorong 5,
Jalan Kumpang
Off Jalan Ong Tiang Swee,
93200 Kuching, Sarawak.

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 statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 168.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SARAWAK ENERGY BERHAD (INCORPORATED IN MALAYSIA)

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 financial statements of the subsidiaries that have been consolidated with the financial statements of the Group and 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 financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

AU YONG SWEE YIN
3101/02/18 (J)
Chartered Accountant

Kuching, Malaysia
Date: 29 April 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	4	3,022,302	2,817,926	641,039	172,765
Cost of sales		(2,230,743)	(2,149,400)	(421,181)	-
Gross profit		791,559	668,526	219,858	172,765
Other items of income					
Interest income	5	87,075	58,633	67,064	44,634
Other income	6	195,849	205,459	19	75
Other items of expense					
Administrative and other expenses		(115,609)	(89,154)	(17,686)	(3,331)
Finance costs	7	(350,345)	(145,051)	(65,884)	(49,877)
Share of results of associates, net of tax		6,804	5,553	-	-
Profit before tax	8	615,333	703,966	203,371	164,266
Income tax expense	11	60,615	742,067	-	(2)
Profit from continuing operations, net of tax		675,948	1,446,033	203,371	164,264
Discontinued operation					
Profit from discontinued operation, net of tax	35	2,675	2,631	-	-
Profit net of tax		678,623	1,448,664	203,371	164,264
Profit attributable to:					
Owners of the Company		678,884	1,449,088	203,371	164,264
Non-controlling interests		(261)	(424)	-	-
		678,623	1,448,664	203,371	164,264
Basic earnings per ordinary share attributable to owners of the Company (sen):					
Continuing operations	12	42.0	89.8		
Discontinued operation	12	0.2	0.2		
		42.2	90.0		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Profit net of tax		**678,623**	1,448,664	**203,371**	164,264
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent year:					
Loss on fair value changes of available-for-sale financial assets		**-**	(4,716)	**-**	(4,716)
Net movement on cash flow hedges					
- foreign exchange forward contracts		**(6,264)**	-	**-**	-
Other comprehensive income, net of tax		**(6,264)**	(4,716)	**-**	(4,716)
Total comprehensive income for the year		**672,359**	1,443,948	**203,371**	159,548
Total comprehensive income attributable to:					
Owners of the Company		**672,620**	1,444,372	**203,371**	159,548
Non-controlling interests		**(261)**	(424)	**-**	-
		672,359	1,443,948	**203,371**	159,548

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	14,206,961	12,710,705	10,044	14,034
Mine development expenditure	14	2,462	-	-	-
Exploration and evaluation expenditure	15	32,458	-	-	-
Investment in subsidiaries	16	-	-	1,885,610	1,885,610
Investment in associates	17	26,490	19,686	14,100	14,100
Other investments	18	76,501	76,501	76,501	76,501
Deferred tax assets	19	1,155,322	967,902	-	-
Other receivables	22	-	-	6,276,628	5,200,712
		15,500,194	13,774,794	8,262,883	7,190,957
Current assets					
Development properties	20	-	104,967	-	-
Inventories	21	257,520	205,097	-	-
Trade and other receivables	22	642,787	495,577	261,929	355,845
Income tax recoverable		5,289	307	750	-
Other current assets	23	186,357	286,338	592,446	169,890
Cash and bank balances	24	2,554,300	2,212,914	1,914,780	1,737,779
		3,646,253	3,305,200	2,769,905	2,263,514
TOTAL ASSETS		19,146,447	17,079,994	11,032,788	9,454,471

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	25	1,405,036	1,396,962	142,582	125,042
Loans and borrowings	26	565,016	57,753	500,000	-
Derivative financial liabilities	27	6,264	-	-	-
Income tax payable		1,767	32,988	-	-
Retirement benefit obligations	29	5,615	5,103	15	14
		1,983,698	1,492,806	642,597	125,056
Non-current liabilities					
Deferred tax liabilities	19	633,652	568,373	-	-
Loans and borrowings	26	8,380,055	7,445,071	8,000,000	7,000,000
Deferred income	28	1,826,952	1,798,833	-	-
Retirement benefit obligations	29	175,440	163,204	932	831
		11,016,099	9,975,481	8,000,932	7,000,831
Total liabilities		12,999,797	11,468,287	8,643,529	7,125,887
Equity attributable to owners of the parent					
Share capital	30	1,610,569	1,610,569	1,610,569	1,610,569
Share premium	30	149,644	149,644	149,644	149,644
Reserves	31	4,372,696	3,842,772	629,046	568,371
		6,132,909	5,602,985	2,389,259	2,328,584
Non-controlling interests		13,741	8,722	-	-
Total equity		6,146,650	5,611,707	2,389,259	2,328,584
TOTAL EQUITY AND LIABILITIES		19,146,447	17,079,994	11,032,788	9,454,471

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Hedge reserve RM'000	Available-for-sale reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000	Non controlling interests RM'000	Total equity RM'000
		Equity attributable to owners of the parent										
			Non-Distributable					Distributable				
2015												
Opening balance at 1 January 2015		1,610,569	149,644	85,355	73,128	-	20,610	94,147	3,569,532	5,602,985	8,722	5,611,707
Profit for the year		-	-	-	-	-	-	-	678,884	678,884	(261)	678,623
Other comprehensive income		-	-	-	-	(6,264)	-	-	-	(6,264)	-	(6,264)
Total comprehensive income for the year		-	-	-	-	(6,264)	-	-	678,884	672,620	(261)	672,359
Transactions with owners												
Dividends on ordinary shares	34	-	-	-	-	-	-	-	(142,696)	(142,696)	-	(142,696)
Capital contribution from non-controlling interests	16	-	-	-	-	-	-	-	-	-	5,280	5,280
Closing balance at 31 December 2015		1,610,569	149,644	85,355	73,128	(6,264)	20,610	94,147	4,105,720	6,132,909	13,741	6,146,650
2014												
Opening balance at 1 January 2014		1,610,569	149,644	85,355	73,128	-	25,326	94,147	2,209,025	4,247,194	9,146	4,256,340
Profit for the year		-	-	-	-	-	-	-	1,449,088	1,449,088	(424)	1,448,664
Other comprehensive income		-	-	-	-	-	(4,716)	-	-	(4,716)	-	(4,716)
Total comprehensive income for the year		-	-	-	-	-	(4,716)	-	1,449,088	1,444,372	(424)	1,443,948
Transactions with owners												
Dividends on ordinary shares	34	-	-	-	-	-	-	-	(88,581)	(88,581)	-	(88,581)
Closing balance at 31 December 2014		1,610,569	149,644	85,355	73,128	-	20,610	94,147	3,569,532	5,602,985	8,722	5,611,707

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Non-Distributable				Distributable		
Company		**Share capital**	**Share premium**	**Capital redemption reserve**	**Available-for-sale reserve**	**General reserve**	**Retained earnings**	**Total**
2015	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Opening balance at 1 January 2015		**1,610,569**	**149,644**	**73,128**	**20,610**	**5,000**	**469,633**	**2,328,584**
Profit for the year		-	-	-	-	-	203,371	203,371
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	203,371	203,371
Transaction with owners								
Dividends on ordinary shares	34	-	-	-	-	-	(142,696)	(142,696)
Closing balance at 31 December 2015		**1,610,569**	**149,644**	**73,128**	**20,610**	**5,000**	**530,308**	**2,389,259**
2014								
Opening balance at 1 January 2014		1,610,569	149,644	73,128	25,326	5,000	393,950	2,257,617
Profit for the year		-	-	-	-	-	164,264	164,264
Other comprehensive income		-	-	-	(4,716)	-	-	(4,716)
Total comprehensive income for the year		-	-	-	(4,716)	-	164,264	159,548
Transaction with owners								
Dividends on ordinary shares	34	-	-	-	-	-	(88,581)	(88,581)
Closing balance at 31 December 2014		1,610,569	149,644	73,128	20,610	5,000	469,633	2,328,584

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Operating activities					
Profit before tax from continuing operation		615,333	703,966	203,371	164,266
Profit before tax from discontinued operation	35	3,590	3,502	-	-
Profit before tax, total		618,923	707,468	203,371	164,266
Adjustments for:					
Amortisation of deferred income	6	(117,853)	(125,065)	-	-
Amortisation of mine development expenditure	8	162	-	-	-
Bad debts written off	8	3,985	471	7,804	-
Depreciation of property, plant and equipment	8	520,361	407,262	702	755
Dividend income from:					
- subsidiaries	4	-	-	(214,260)	(171,979)
- other investment	4	(1,834)	(786)	(1,834)	(786)
Interest expense on loans and borrowings	7	4	832	-	-
Profit payments on Islamic debt securities	7	350,341	144,219	65,884	49,877
Interest income from loans and receivables					
- continuing	5	(87,075)	(58,633)	(67,064)	(44,634)
- discontinuing		(421)	-	-	-
Inventories written off	8	1,451	8,417	-	-
Net loss/(gain) on disposal of property, plant and equipment	8	3,587	5,680	(18)	-
Net impairment loss on receivables	8	1,444	474	-	-
Property, plant and equipment written off	8	201	-	-	-
Retirement benefit obligations	9	19,166	18,141	115	106
Share of results of associates		(6,804)	(5,553)	-	-
Unrealised loss on foreign exchange	8	7,934	3,116	-	-
Operating cash flows before changes in working capital		1,313,572	1,106,043	(5,300)	(2,395)
Changes in working capital:					
Inventories		(31,324)	(10,593)	-	-
Receivables		(148,443)	(131,516)	(662,087)	(540,544)
Other current assets		100,124	5,803	(430,774)	(169,885)
Payables		78,023	709,133	28,123	279,574
Development properties		104,967	-	-	-
Total changes in working capital		103,347	572,827	(1,064,738)	(430,855)
Cash flows from/(used in) operations		1,416,919	1,678,870	(1,070,038)	(433,250)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest paid		(4)	(832)	-	-
Taxes paid, net of refund		(98,644)	(41,264)	(750)	(2)
Retirement benefit paid	29	(6,418)	(5,707)	(13)	(11)
Net cash flows from/(used in) operating activities		1,311,853	1,631,067	(1,070,801)	(433,263)
Investing activities					
Acquisition of exploration and evaluation expenditure	15	(32,458)	-	-	-
Acquisition of mine development expenditure	14	(2,624)	-	-	-
Capital contributions received	28	145,972	181,714	-	-
Acquisition of property, plant and equipment	13	(2,045,024)	(1,940,362)	-	(188)
Proceeds from disposal of property, plant and equipment		2,069	4,957	18	-
Interest received		78,857	58,628	59,284	44,634
Dividends received		1,834	786	216,094	172,765
Net cash flows (used in)/from investing activities		(1,851,374)	(1,694,277)	275,396	217,211
Financing activities					
Profit payments on Islamic debt securities		(424,041)	(313,002)	(384,898)	(269,291)
Net drawdown and repayment of Islamic debt securities		1,445,000	1,435,000	1,500,000	1,500,000
Net repayment of other loans and borrowings		(2,753)	(33,388)	-	-
Decrease/(increase) in short-term deposits with licensed bank pledged for borrowings		28,921	15,279	38,550	(38,287)
Capital contribution from non-controlling interests		5,280	-	-	-
Dividends paid		(142,696)	(88,581)	(142,696)	(88,581)
Net cash flows from financing activities		909,711	1,015,308	1,010,956	1,103,841
Net increase in cash and cash equivalents		370,190	952,098	215,551	887,789
Effect of exchange rate changes on cash and cash equivalents		117	(1,108)	-	-
Cash and cash equivalents at 1 January		2,067,312	1,116,322	1,640,160	752,371
Cash and cash equivalents at 31 December	24	2,437,619	2,067,312	1,855,711	1,640,160

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. 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 9th Floor, Menara Sarawak Energy, No. 1, The Isthmus, 93050 Kuching, Sarawak.

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year except the Company has commenced the business of development and construction of power generation facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

- Annual Improvement to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle
- Amendments to MFRS 119: Defined Benefits Plans: Employee contributions

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

(a) Annual Improvements to MFRSs 2010-2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The application of these amendments have no impact on the Group's and the Company's financial statements.

(i) MFRS 3: Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

(ii) MFRS 124: Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

(b) Annual Improvements to MFRSs 2011-2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The application of these amendments have no impact on the Group's and the Company's financial statements.

(i) MFRS 3: Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

(ii) MFRS 13: Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

(c) Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments has no impact on the disclosures or the amount recognised in the Group's and the Company's financial statements as no contributions have been made by employees or third parties to defined benefits plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Accounting standards issued but not yet effective

The accounting standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 10, MFRS 12, and MFRS 128: Investments Entities - Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018

Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group and the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(ii) MFRS 7: Financial Instruments - Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

(iii) MFRS 119: Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied prospectively.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendment are not expected to have any impact on the Group.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Accounting standards issued but not yet effective (cont'd.)

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Group and the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Accounting standards issued but not yet effective (cont'd.)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Business combinations (cont'd.)

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If this consideration is lower than fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.7(a).

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has power to exercise control over the financial and operating policies of the investee as defined in Note 2.4.

In the Company's separate financial statements, investments in subsidiaries are accounted for 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of 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 for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) 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.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Leasehold land with an unexpired lease term of less than 50 years is classified as short term. Whilst those with unexpired lease terms in excess of 50 years are classified as long term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Freehold land is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Leasehold land	-	over period of the lease
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%

Capital work-in-progress are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows of cash-generating units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets (cont'd.)

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Impairment of financial assets (cont'd.)

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.12 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost are disclosed in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the ability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Fair value measurements (cont'd.)

All assets and liabilities for which fair values in measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.13 Foreign currency

(a) 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.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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 non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.15 Development properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land
- Amount paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Land held for development are development properties which consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle, and are hence classified within non-current assets. Land held for development is reclassified to current property inventory at the point when development activities have commenced and where it can be demonstrated that the development activities can be complete within the normal operating cycle.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Deferred income

Certain customers are required to contribute towards the cost of revenue earning capital projects. These contributions together with government grants in respect of capital expenditure received prior to 1 January 2012 are credited to the deferred income account and released to the profit or loss 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.

All contributions received from customers from that date onwards, when that amount of contributions must be used only to construct or acquire an item of property, plant and equipment, and the item of property, plant and equipment is used to either connect the customers to a network or to provide the customer with ongoing access to supply of goods and services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in the profit or loss when the performance obligations associated with receiving those customer contributions are met. For an ongoing service, the revenue shall be recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, amount due to related companies and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. 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, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) 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. All actuarial gains or losses are recognised immediately through Other Comprehensive Income. All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Leases

(a) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(b) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

(c) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Revenue

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. Revenue is measured at the fair value of the consideration received or receivable.

Revenue

(a) Sale of electricity

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

(b) 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.

(c) Construction

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.28.

(d) Dividend income

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

(e) Revenue from parking and maintenance fees and rental income

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

(f) Development properties

A development property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Revenue (cont'd.)

Other income

(a) Transfers of assets from customers

Revenue arising from assets transferred from customers are recognised in profit or loss when the performance obligations associated with receiving those customer contributions are met. In determining the amount of revenue to be recognised, the fair value of the assets is required to be estimated and the circumstances and nature of the transferred assets including the relevant rate-regulated framework governing those assets, are taken into account.

(b) Interest income

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

2.24 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Income taxes (cont'd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.27 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 estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense 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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of 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 classified as amount due to customers on contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under MFRS 139 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt and delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirement are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

i. Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

ii. Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Derivative financial instruments and hedge accounting (cont'd.)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on a licenses where the resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish the resource. Costs expensed during this phase are included in "other operating expenses" in the statement of profit or loss and other comprehensive income.

Upon the establishment of the resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when the reserve is established. Capitalised exploration and evaluation expenditure is considered to be a tangible asset.

Exploration and evaluation expenditure acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation expenditure (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment. Exploration and evaluation expenditure are tested for impairment and transferred to mine development expenditure. No amortisation is charged during the exploration and evaluation phrase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Mine development expenditure

(i) Initial recognition

Upon completion of the mine construction phase, the assets are transferred into mine development expenditure. Items of production mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine development expenditure also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

(ii) Amortisation

Accumulated mine development expenditure are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose mining license lease is shorter than the life of the mine, in which case the straight-line method over the remaining mining license lease is applied. Rights and concessions are depleted on the unit-of-production ("UOP") basis over the economically recoverable reserves of the relevant area. The unit-of-production rate calculation for the amortisation of mine development expenditure takes into account expenditures incurred to date, together with sanctioned future development expenditure.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation expenditure. The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

The asset's residual values, useful lives and methods of amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

2.31 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgement in applying accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The accounting policy for revenue recognition on transfer of assets from customers requires subjective judgements, often as a result of the need to assess all conditions and circumstances surrounding the use of the assets including the relevant rate-regulated framework governing those assets.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of property, plant and equipment and amortisation of deferred income

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Deferred income (i.e capital contributions received from customers prior to 1 January 2011 and grants received from government) was transferred to the profit or loss based on the estimated useful lives of the related property, plant and equipment. Management estimates the useful lives of the property, plant and equipment to be within 2 to 100 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges and amortisation of deferred income could be revised.

(b) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unutilised investment allowances to the extent that is probable that taxable profit will be available against which the tax losses and investment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and investment allowances of the Group was RM1.27 billion (2014: RM1.08 billion).

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 22.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

(d) Defined benefit plan

The cost of post-retirement medical benefit plan ("the Plan") as well as the present value of the obligation under the Plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost/(income) and the present value of the obligation for the Plan includes discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of the obligation under the Plan.

(i) Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial year. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of private debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

(ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation and specialist medical claims, as determined by the Group and Company, is based on the annualised increase in average claims over the past 5 years.

Other key assumptions for employee benefits obligations are based in part on current market conditions. Additional information is as disclosed in Note 29 to the financial statements.

(e) Fair values of assets transferred from customers and revenue recognition

The fair values of assets transferred from customers are estimated by the Group's in-house professionals and expertise and the corresponding fair values related to the services identified for revenue recognition are based on certain assumptions and valuation techniques, after taken into account the relevant rate-regulated framework governing those assets.

4. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Dividend income from:				
- subsidiaries	-	-	214,260	171,979
- other investment	1,834	786	1,834	786
Sale of electricity	3,001,499	2,814,582	-	-
Sale of coal	13,363	-	-	-
Construction contract	-	-	424,945	-
Others	5,606	2,558	-	-
	3,022,302	2,817,926	641,039	172,765

5. INTEREST INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from loans and receivables:				
- Short-term deposits	86,649	58,509	67,058	44,629
- Others	426	124	6	5
	87,075	58,633	67,064	44,634

6. OTHER INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gain on disposal of property, plant and equipment	18	-	18	-
Gain on foreign exchange				
- realised	2,371	16,536	1	75
Sundry income	49,667	36,961	-	-
Amortisation of deferred income (Note 28)	117,853	125,065	-	-
Customers' contribution for connection charges	21,541	22,123	-	-
Rental income from land and building	4,399	4,774	-	-
	195,849	205,459	19	75

Sundry income comprise primarily of income from penalty and service charges, work sales and arrears of electricity.

7. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense/profit payments on:				
- Finance lease	4	5	-	-
- Islamic debt securities	413,373	350,738	374,278	307,082
- Term loan	-	827	-	-
	413,377	351,570	374,278	307,082
Amount charged to:				
- Subsidiaries	-	-	(286,206)	(246,229)
- Other receivables	(3,694)	(8,620)	(3,694)	(10,976)
Amount capitalised in:				
- Construction contract cost (Note 23)	-	-	(18,494)	-
- Capital work-in-progress (Note 13)	(59,338)	(197,899)	-	-
	350,345	145,051	65,884	49,877

8. PROFIT BEFORE TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
- statutory audits current year	680	605	130	130
- continuing	675	596	130	130
- discontinuing	5	9	-	-
- underprovision in respect of previous years	42	8	-	-
- continuing	42	7	-	-
- discontinuing	-	1	-	-
Amortisation of mine development expenditure (Note 14)	162	-	-	-
Bad debts written off	3,985	471	7,804	-
Depreciation of property, plant and equipment (Note 13)	520,361	407,262	702	755
- continuing	520,323	407,220	702	755
- discontinuing	38	42	-	-
Directors' remuneration (Note 10)	1,374	1,080	1,251	974
- continuing	1,350	1,056	1,251	974
- discontinuing	24	24	-	-
Employee benefits expense (Note 9)	339,630	321,242	3,218	879
- continuing	339,564	321,029	3,218	879
- discontinuing	66	213	-	-
Inventories written off	1,451	8,417	-	-
Impairment loss on				
- trade receivables, net (Note 22)	3,095	474	-	-
- continuing	2,812	(54)	-	-
- discontinuing	283	528	-	-
Reversal of allowance for impairment loss on other receivables	(1,651)	-	-	-
Net loss/(gain) on disposal of property, plant and equipment	3,587	5,680	(18)	-
(Gain)/loss on foreign exchange				
- realised	(2,371)	(16,536)	(1)	(75)
- unrealised	7,934	3,116	-	-
Property, plant and equipment written off				
- discontinuing	201	-	-	-
Rental expense	5,914	4,866	12	5
- continuing	5,908	4,853	12	5
- discontinuing	6	13	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries, wages, overtime and bonus	**248,115**	232,711	**29,214**	23,870
Social security contributions	**2,258**	2,253	**99**	100
Contributions to defined contribution plan	**30,321**	30,408	**2,228**	2,079
Other benefits	**43,701**	43,582	**3,049**	2,933
Retirement benefit obligations (Note 29)	**19,166**	18,141	**115**	106
	343,561	327,095	**34,705**	29,088
Less: Amount capitalised in capital work-in-progress (Note 13)	**(3,931)**	(5,853)	**-**	-
Less: Amount capitalised in construction contract costs (Note 23)	**-**	-	**(1,217)**	-
Less: Amount charged to subsidiaries	**-**	-	**(30,270)**	(28,209)
	339,630	321,242	**3,218**	879

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by the Directors' of the Company during the year are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
Emoluments	**193**	50	**172**	47
Fees	**1,181**	1,030	**1,079**	927
Total Directors' remuneration (Note 33)	**1,374**	1,080	**1,251**	974

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax - continuing operations:				
- Malaysian income tax	56,356	78,817	-	-
- Under/(over) provision in respect of previous years	5,170	(4,120)	-	2
	61,526	74,697	-	2
Deferred tax - continuing operations (Note 19):				
- Origination and reversal of temporary differences	(117,989)	(792,450)	-	-
- Over provision in respect of previous years	(4,152)	(3,139)	-	-
- Reduction in Malaysian tax rate	-	(21,175)	-	-
	(122,141)	(816,764)	-	-
Income tax expense attributable to continuing operations	(60,615)	(742,067)	-	2
Income tax expense attributable to discontinued operation (Note 35)	915	871	-	-
Income tax expense recognised in profit or loss	(59,700)	(741,196)	-	2

11. INCOME TAX EXPENSE (CONT'D.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from current year's rate of 25%, effective year of assessment 2016. The impact of the change in tax rate has been accounted for in the deferred tax balance.

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015 RM'000	2014 RM'000
Profit before tax from continuing operations	615,333	703,966
Profit before tax from discontinued operation (Note 35)	3,590	3,502
	618,923	707,468
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	154,731	176,867
Adjustments:		
Tax effect of non-deductible expenses	28,163	24,668
Tax effect of income not subject to tax	(34,899)	(36,847)
Tax effect of tax exempt income	(458)	(197)
Deferred tax assets recognised on investment allowance	(206,559)	(873,441)
Deferred tax assets recognised on unutilised losses	-	(2,420)
Tax effect of share of results of associates	(1,701)	(1,388)
Effect of reduction in Malaysian tax rate	-	(21,175)
Under/(over) provision of income tax in respect of previous years	5,175	(4,124)
Over provision of deferred tax in respect of previous years	(4,152)	(3,139)
Income tax expense recognised in profit or loss	(59,700)	(741,196)

11. INCOME TAX EXPENSE (CONT'D.)

	Company	
	2015 RM'000	2014 RM'000
Profit before tax	203,371	164,266
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	50,843	41,067
Adjustments:		
Tax effect of non-deductible expenses	3,180	2,124
Tax effect of tax exempt income	(54,023)	(43,191)
Under provision of current income tax in respect of previous years	-	2
Income tax expense recognised in profit or loss	-	2

12. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic earnings per ordinary share for the years ended 31 December:

	Group	
	2015	2014
Profit net of tax attributable to owners of the Company from		
- Continuing operations (RM'000)	676,209	1,446,457
- Discontinued operation (RM'000)	2,675	2,631
Profit net of tax attributable to owners of the Company	678,884	1,449,088
Weighted average number of ordinary shares ('000)	1,610,569	1,610,569
Basic earning per ordinary share attributable to owners of the Company		
- Continuing operations (sen)	42.0	89.8
- Discontinued operation (sen)	0.2	0.2
	42.2	90.0

There is no dilution in the earnings per ordinary share for the current and previous year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting periods.

13. PROPERTY, PLANT AND EQUIPMENT

	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 vehicles RM'000	Furniture fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Cost												
At 1 January 2014	177,029	926,184	438,913	5,126,001	2,566,929	770,285	79,052	125,892	59,694	353,980	5,061,101	15,685,060
Additions	4,659	95,289	-	160,380	189,127	39,787	2,809	2,775	6,908	16,996	1,421,632	1,940,362
Disposals/write-offs	-	(5,379)	-	(23,277)	(1,752)	(1,031)	(371)	(1,344)	(2,225)	(860)	-	(36,239)
Reclassification/ transfer	-	147,951	3,251,995	322,550	45,775	20,212	721	3,473	589	20,974	(3,814,240)	-
At 31 December 2014/1 January 2015	**181,688**	**1,164,045**	**3,690,908**	**5,585,654**	**2,800,079**	**829,253**	**82,211**	**130,796**	**64,966**	**391,090**	**2,668,493**	**17,589,183**
Additions	(55)	20,334	9,848	242,054	110,280	34,846	4,066	4,795	22,343	45,716	1,550,797	2,045,024
Disposals/write-offs	-	(4,028)	-	(9,237)	(1,451)	(644)	(1,584)	(59)	(1,572)	(3,428)	-	(22,003)
Reclassification/ transfer	11,423	143,506	71,214	879,890	55,181	25,191	3,227	7,191	2,190	21,495	(1,243,058)	(22,550)
Adjustment	-	38	-	(38)	(23)	-	26	(1)	-	(1,725)	-	(1,723)
At 31 December 2015	**193,056**	**1,323,895**	**3,771,970**	**6,698,323**	**2,964,066**	**888,646**	**87,946**	**142,722**	**87,927**	**453,148**	**2,976,232**	**19,587,931**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	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 vehicles RM'000	Furniture fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Group (cont'd.)												
Accumulated depreciation												
At 1 January 2014	53,052	238,275	173,444	2,314,756	967,166	350,894	59,095	58,954	32,222	248,960	-	4,496,818
Depreciation charge for the year (Note 8)	3,344	23,854	7,574	208,492	92,598	27,844	3,633	4,798	10,354	24,771	-	407,262
Disposals/write-offs	-	(1,632)	-	(17,332)	(1,292)	(886)	(371)	(1,117)	(2,172)	(800)	-	(25,602)
Reclassification/ transfer	-	78	-	(851)	1	5	-	(5)	-	772	-	-
At 31 December 2014/1 January 2015	56,396	260,575	181,018	2,505,065	1,058,473	377,857	62,357	62,630	40,404	273,703	-	4,878,478
Depreciation charge for the year (Note 8)	3,412	32,400	37,563	270,559	96,646	29,419	3,425	5,011	11,426	30,500	-	520,361
Disposals/write-offs	-	(3,223)	-	(4,871)	(1,159)	(603)	(1,582)	(48)	(1,567)	(3,093)	-	(16,146)
Adjustment	-	38	-	(38)	(23)	-	26	(1)	-	(1,725)	-	(1,723)
At 31 December 2015	59,808	289,790	218,581	2,770,715	1,153,937	406,673	64,226	67,592	50,263	299,385	-	5,380,970
Carrying amount												
At 31 December 2014	125,292	903,470	3,509,890	3,080,589	1,741,606	451,396	19,854	68,166	24,562	117,387	2,668,493	12,710,705
At 31 December 2015	133,248	1,034,105	3,553,389	3,927,608	1,810,129	481,973	23,720	75,130	37,664	153,763	2,976,232	14,206,961

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Details of land are as follows:

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Total land RM'000
Cost				
At 1 January 2014	1,180	150,378	25,471	177,029
Additions	-	4,659	-	4,659
At 31 December 2014/1 January 2015	**1,180**	**155,037**	**25,471**	**181,688**
Additions	**-**	**(55)**	**-**	**(55)**
Reclassifications/transfer	**-**	**11,423**	**-**	**11,423**
At 31 December 2015	**1,180**	**166,405**	**25,471**	**193,056**
Accumulated depreciation				
At 1 January 2014	-	48,374	4,678	53,052
Depreciation charge for the year	-	2,907	437	3,344
At 31 December 2014/1 January 2015	**-**	**51,281**	**5,115**	**56,396**
Depreciation charge for the year	**-**	**2,975**	**437**	**3,412**
At December 2015	**-**	**54,256**	**5,552**	**59,808**
Carrying amount				
At 31 December 2014	1,180	103,756	20,356	125,292
At 31 December 2015	**1,180**	**112,149**	**19,919**	**133,248**

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

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Leasehold land RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2014	11,526	2,083	4,665	3,141	21,415
Additions	-	-	41	147	188
At 31 December 2014/1 January 2015	**11,526**	**2,083**	**4,706**	**3,288**	**21,603**
Disposals	-	(289)	-	-	(289)
Transfers	-	-	-	(3,288)	(3,288)
At 31 December 2015	**11,526**	**1,794**	**4,706**	**-**	**18,026**
Accumulated depreciation					
At 1 January 2014	1,638	1,512	3,664	-	6,814
Depreciation charge for the year (Note 8)	205	275	275	-	755
At 31 December 2014/1 January 2015	**1,843**	**1,787**	**3,939**	**-**	**7,569**
Depreciation charge for the year (Note 8)	205	244	253	-	702
Disposals	-	(289)	-	-	(289)
At 31 December 2015	**2,048**	**1,742**	**4,192**	**-**	**7,982**
Carrying amount					
At 31 December 2014	9,683	296	767	3,288	14,034
At 31 December 2015	**9,478**	**52**	**514**	**-**	**10,044**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Assets under construction

The following expenses incurred during the year have been included in capital work-in-progress:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Employee benefits expense (Note 9)	3,931	5,853	-	-
Finance costs (Note 7)	59,338	197,899	-	-
Operating lease	-	3	-	-

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance lease at the reporting date was Nil (2014: RM42,600).

Security

Leased asset is pledged as security for the related finance lease liability (see Note 26).

14. MINE DEVELOPMENT EXPENDITURE

	Group	
	2015 RM'000	2014 RM'000
Cost		
At 1 January	-	-
Additions	2,624	-
At 31 December	2,624	-
Accumulated amortisation		
At 1 January	-	-
Charge for the year (Note 8)	162	-
At 31 December	162	-
Carrying amount	2,462	-

15. EXPLORATION AND EVALUATION EXPENDITURE

	Group	
	2015 RM'000	2014 RM'000
At cost		
At 1 January	-	-
Additions	32,458	-
At 31 December	32,458	-

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	1,839,610	1,839,610
Share options granted to employees of subsidiaries	46,000	46,000
	1,885,610	1,885,610

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

Name	Principal activities	Proportion (%) of ownership interest 2015	Proportion (%) of ownership interest 2014
Held by the Company:			
Syarikat SESCO Berhad	Power generation, transmission, distribution and sale of electricity	100	100
Sarawak Power Generation Sdn Bhd	Power generation	100	100
Sejingkat Power Corporation Sdn Bhd*	Power generation	100	100
Mukah Power Generation Sdn Bhd	Power generation	100	100

16. 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: (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2015	2014
Held by the Company:			
Sarawak Hydro Power Generation Sdn Bhd	Power generation	100	100
Dunlop Estates Holdings Sdn Bhd	Investment holding	100	100
Sarawak Energy Resources Sdn Bhd (formerly known as Naungan Pertiwi Sdn Bhd)	Investment holding	100	100
Global Energy Minerals Sdn Bhd	Exploration, production and sale of coal	-	60
Balingian Power Generation Sdn Bhd#	Intended - Power generation	100	-
SEB Power Sdn Bhd#	Intended - Investment holding, development of power plant, operation,maintenance, procurement and generation support services	100	-
Kidurong Power Generation Sdn Bhd (formerly known as SEB Development Sdn Bhd)#	Intended - Power generation	100	-
Held through Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn Bhd	Manufacturing of transformers and switch gears and contracting electrical works	51	51
Sarawak Energy Services Sdn Bhd	Provision of project management, engineering services, operation and maintenance of power stations and contracting	100	100
PPLS Power Generation Sdn Bhd	Power generation	100	100

16. 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: (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2015	Proportion (%) of ownership interest 2014
Held through Sejingkat Power Corporation Sdn Bhd:			
SE Lite Crete Sdn Bhd#	Manufacture of Light Weight Block	50	50
Held through Sarawak Hydro Power Generation Sdn Bhd:			
Murum Hydro Consortium Sdn Bhd	Dormant	100	100
Held through SEB Power Sdn Bhd:			
Batang Ai Power Generation Sdn Bhd#	Intended - Power generation	100	-
Held through Sarawak Energy Resources Sdn Bhd (formerly known as Naungan Pertiwi Sdn Bhd):			
Global Energy Minerals Sdn Bhd	Exploration, production and sale of coal	60	-
Mukah Energy Minerals Sdn Bhd (formerly known as SEB Coal Exploration Sdn Bhd)#	Intended - Exploration, production and sale of coal	100	-

* *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.*

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) During the financial year, the following subsidiaries were incorporated in conjunction with the Group's ownership restructuring exercise, namely:

(i) SEB Power Sdn Bhd;

(ii) Kidurong Power Generation Sdn Bhd (formerly known as SEB Development Sdn Bhd);

(iii) Balingian Power Generation Sdn Bhd;

(iv) Batang Ai Power Generation Sdn Bhd; and

(v) Mukah Energy Minerals Sdn Bhd (formerly known as SEB Coal Exploration Sdn Bhd).

Following the ownership restructuring exercise, the Company and its wholly-owned subsidiary, Syarikat SESCO Berhad entered into several share sales and purchase agreements with SEB Power Sdn Bhd on 28 January 2016 in the realignment of all the Group's power generation entities under SEB Power Sdn Bhd. This ownership restructuring exercise does not have any material impact to the financial statements of the Group as a whole.

(b) On 10 August 2015, the Company transferred its entire equity interest in Global Energy Minerals Sdn Bhd ("GEM") to its wholly owned subsidiary, Sarawak Energy Resources Sdn Bhd ("SER").

(c) On 1 September 2015, GEM issued 13,199,900 new ordinary shares of RM1.00 to partly finance the acquisition of mining assets from Global Mineral (Sarawak) Sdn Bhd.

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) Summarised financial information of SESCO-EFACEC Sdn Bhd and Global Energy Minerals Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interest in respect of SE Lite Crete Sdn Bhd is not material to the Group.

(i) Summarised Statement of Financial Position

	SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets	3,498	4,228	40,603	-	44,101	4,228
Current assets	20,181	20,578	12,889	-	33,070	20,578
Total assets	23,679	24,806	53,492	-	77,171	24,806
Current liabilities	5,832	6,537	40,160	4	45,992	6,541
Non-current liabilities	475	451	238	-	713	451
Total liabilities	6,307	6,988	40,398	4	46,705	6,992
Net assets/(liabilities)	17,372	17,818	13,094	(4)	30,466	17,814
Equity attributable to owners of the Company	17,372	17,818	13,094	(4)	30,466	17,814
Non-controlling interests	8,513	8,730	5,238	(2)	13,751	8,728

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	8,738	8,581	39,244	-	47,982	8,581
Loss for the year	(446)	(837)	(102)	(4)	(548)	(841)
Loss attributable to owners of the Company	(227)	(427)	(61)	(2)	(288)	(429)
Loss attributable to the non-controlling interests	(219)	(410)	(41)	(2)	(260)	(412)

(iii) Summarised Cash Flows

	SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net cash (used in)/from operating activities	(766)	2,340	32,417	-	31,651	2,340
Net cash from/(used in) investing activities	5	23	(43,417)	-	(43,412)	23
Net cash (used in)/from financing activities	(15)	(14)	13,200	-	13,185	(14)
Net (decrease)/increase in cash and cash equivalents	(776)	2,349	2,200	-	1,424	2,349
Cash and cash equivalents at beginning of the year	6,207	3,858	-	-	6,207	3,858
Cash and cash equivalents at end of the year	5,431	6,207	2,200	-	7,631	6,207

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	37,470	37,470	30,413	30,413
Share of post-acquisition reserves	3,388	(3,416)	-	-
	40,858	34,054	30,413	30,413
Less: Accumulated impairment losses	(14,368)	(14,368)	(16,313)	(16,313)
	26,490	19,686	14,100	14,100

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

Name	Principal activities	Proportion (%) of ownership interest 2015	2014
Held by the Company:			
Dectra Sdn Bhd#	Inactive	26.24	26.24
Sarawak Coal Resources Sdn Bhd#	Extraction and sales of coal	30.00	30.00
Seatrac Sdn Bhd#	Inactive	50.00	50.00
Held through Sejingkat Power Corporation Sdn Bhd:			
Gobel Industry Sdn Bhd#	Sales of coal, and provision of transportation, manpower supply and machinery services	20.00	20.00
Held through Syarikat SESCO Berhad:			
Sarawak Gas Distribution Sdn Bhd	Distribution of gas	30.00	30.00

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

17. INVESTMENT IN ASSOCIATES (CONT'D.)

The summarised financial information of the material associates, not adjusted for the proportion of ownership interest held by the Group is as follows:

(i) Summarised Statements of Financial Position

	Sarawak Coal Resources Sdn Bhd		Sarawak Gas Distribution Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets	55,192	61,430	14,803	14,583	69,995	76,013
Current assets	50,830	65,637	54,777	49,395	105,607	115,032
Total assets	106,022	127,067	69,580	63,978	175,602	191,045
Non-current liabilities	-	-	17,958	15,751	17,958	15,751
Current liabilities	65,528	105,290	3,815	4,384	69,343	109,674
Total liabilities	65,528	105,290	21,773	20,135	87,301	125,425
Net assets	40,494	21,777	47,807	43,843	88,301	65,620

17. INVESTMENT IN ASSOCIATES (CONT'D.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Sarawak Coal Resources Sdn Bhd		Sarawak Gas Distribution Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	215,450	174,492	7,398	6,931	222,848	181,423
Profit for the year	18,717	15,080	3,964	3,431	22,681	18,511
Total comprehensive income	18,717	15,080	3,964	3,431	22,681	18,511

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

	Sarawak Coal Resources Sdn Bhd		Sarawak Gas Distribution Sdn Bhd		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net assets at 1 January	21,777	6,697	43,843	40,412	65,620	47,109
Profit for the year	18,717	15,080	3,964	3,431	22,681	18,511
Net assets at 31 December	40,494	21,777	47,807	43,843	88,301	65,620
Interest in associates	30%	30%	30%	30%		
Share of net assets, representing the carrying value of the Group's interest in associates	12,148	6,533	14,342	13,153	26,490	19,686

18. OTHER INVESTMENTS

	Group/Company	
	2015 RM'000	2014 RM'000
Available-for-sale financial asset		
- quoted equity instrument in Malaysia, at fair value	**76,501**	76,501

The fair value of quoted equity instrument is determined by reference to its quoted price on the Bursa Malaysia.

19. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities relates to the following:

Group	At 1 January 2014 RM'000	Recognised in profit or loss RM'000	At 31 December 2014 RM'000	Recognised in profit or loss RM'000	At 31 December 2015 RM'000
Deferred tax liabilities:					
Property, plant and equipment	(668,197)	(44,239)	(712,436)	(79,538)	**(791,974)**
Others	(5,747)	(824)	(6,571)	263	**(6,308)**
	(673,944)	(45,063)	(719,007)	(79,275)	**(798,282)**
Deferred tax assets:					
Retirement benefit obligations	38,785	1,483	40,268	2,958	**43,226**
Unutilised investment allowance	215,417	857,865	1,073,282	199,574	**1,272,856**
Unutilised tax losses	-	2,420	2,420	(2,180)	**240**
Allowance for impairment losses	2,507	59	2,566	1,064	**3,630**
	256,709	861,827	1,118,536	201,416	**1,319,952**
	(417,235)	816,764	399,529	122,141	**521,670**
		(Note 11)		(Note 11)	
Presented after appropriate offsetting as follows:					
Deferred tax liabilities	(576,414)		(568,373)		**(633,652)**
Deferred tax assets	159,179		967,902		**1,155,322**
	(417,235)		399,529		**521,670**

20. DEVELOPMENT PROPERTIES

	Group	
	2015 RM'000	2014 RM'000
At cost:		
Freehold land	-	5,600
Development cost	-	99,367
	-	104,967

On 2 July 2014, a sale and purchase agreement was entered to sell the above property at RM107.5 million to a third party and the disposal has been completed on 3 June 2015.

21. INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
At cost		
Fuel	35,408	43,728
Coal	10,143	9,244
Consumables	206,970	144,808
Finished goods	2,350	4,226
Work-in-progress	2,649	3,091
	257,520	205,097

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
(a) Trade receivables				
Third parties	555,750	356,651	-	-
Less: Allowance for impairment	(40,433)	(37,338)	-	-
Trade receivables, net (i)	515,317	319,313	-	-

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
(b) Other receivables				
Amounts due from				
- subsidiaries (ii)	-	-	206,200	98,330
- associates (iii)	10,780	10,780	10,729	10,729
Amount due from shareholders (iv)	20,829	142,772	20,829	142,771
Deposits	679	590	92	92
Sundry receivables (v)	113,922	42,513	34,808	114,652
	146,210	196,655	272,658	366,574
Less: Allowance for impairment loss				
- associate	(10,729)	(10,729)	(10,729)	(10,729)
- third parties	(8,011)	(9,662)	-	-
	127,470	176,264	261,929	355,845
	642,787	495,577	261,929	355,845
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	6,276,628	5,200,712
Total trade and other receivables	642,787	495,577	6,538,557	5,556,557

(i) Trade receivables

The Group's normal trade credit term ranges from 14 to 60 days (2014: 14 to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(i) Trade receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2015				
Not past due	236,084	-	(537)	235,547
Past due not impaired				
1 to 30 days past due	137,209	-	(554)	136,655
31 to 60 days past due	73,958	-	(557)	73,401
61 to 90 days past due	30,797	-	(541)	30,256
90 to 365 days past due	34,803	-	(4,198)	30,605
	276,767	-	(5,850)	270,917
Impaired	42,899	(25,310)	(8,736)	8,853
	555,750	(25,310)	(15,123)	515,317
2014				
Not past due	239,284	-	-	239,284
Past due not impaired				
1 to 30 days past due	28,163	-	(478)	27,685
31 to 60 days past due	14,167	-	(515)	13,652
61 to 90 days past due	10,057	-	(473)	9,584
90 to 365 days past due	17,412	-	(3,573)	13,839
	69,799	-	(5,039)	64,760
Impaired	47,568	(26,649)	(5,650)	15,269
	356,651	(26,649)	(10,689)	319,313

The movement in allowance accounts in respect of trade receivables is as follows:

	Group 2015 RM'000	Group 2014 RM'000
At 1 January	37,338	36,864
Impairment during the year	6,259	4,951
Reversal of impairment loss	(3,164)	(4,477)
Net (Note 8)	3,095	474
At 31 December	40,433	37,338

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(i) Trade receivables (cont'd.)

The Group's trade receivables amounting to RM276.8 million (2014: RM69.8 million) represent trade receivables that are past due and no specific allowance for impairment is necessary as the amount is partly secured by collateral deposits.

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM6,429.2 million (2014: RM5,220.7 million) which earn interest at rates ranging from 4.68% to 6.00% (2014: 4.68% to 5.17%) per annum. These amounts are repayable on demand except for RM6,276.6 million (2014: RM5,200.7 million) which are not repayable within the next twelve months.

(iii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

(iv) Amount due from shareholders

Amount due from shareholder represent the advance or payment on behalf for the controlling shareholder of the Company for the Murum Hydroelectric Project's resettlement costs which bears fixed interest at 4.68% (2014: 4.68%) per annum.

(v) Sundry receivables

Included in sundry receivables of the Group and the Company are the following amounts:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due from former associates	7,000	7,000	-	-
Interest receivables	30,855	16,805	24,189	16,409
Other receivables	76,067	18,708	10,619	98,243
	113,922	42,513	34,808	114,652

23. OTHER CURRENT ASSETS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advance payments	167,496	280,670	167,496	169,885
Amount due from customers on contract (i)	-	-	424,945	-
Prepayments	18,861	5,668	5	5
	186,357	286,338	592,446	169,890

(i) Amount due from customers on contract

	Company	
	2015 RM'000	2014 RM'000
Construction contract cost incurred to-date	421,181	-
Attributable profit	3,764	-
Amount due from customers on contract	424,945	-

The costs incurred to-date on construction contracts include the following charges made during the financial year:

	Company	
	2015 RM'000	2014 RM'000
Employee benefits expense (Note 9)	1,217	-
Finance costs (Note 7)	18,494	-
Unrealised loss on foreign exchange	556	-

During the financial year, the Company undertook the construction of a power generation facilities of its subsidiary on a turnkey basis. At the Group level, the construction costs incurred have been reclassified to property, plant and equipment.

24. CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term deposits with licensed banks	**2,518,469**	2,184,492	**1,913,597**	1,735,371
Cash at banks and on hand	**35,831**	28,422	**1,183**	2,408
Cash and bank balances	**2,554,300**	2,212,914	**1,914,780**	1,737,779
Less: Short-term deposit pledged for bank borrowings	**(116,681)**	(145,602)	**(59,069)**	(97,619)
Cash and cash equivalents	**2,437,619**	2,067,312	**1,855,711**	1,640,160

Short-term deposits are made for varying periods depending on the cash flow requirements of the Group and the Company, and earn interest at the respective short-term deposits rates. The interest rates of short-term deposits at reporting date range from 2.80% to 4.22% (2014: 2.63% to 4.15%) per annum.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Trade payables				
Third parties	**315,097**	251,006	**-**	-
Amount due to associates	**10,407**	12,882	**-**	-
	325,504	263,888	**-**	-

25. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables				
Other payables	410,110	322,960	15,068	11,754
Accruals	217,482	369,863	86,766	107,156
Amounts due to subsidiaries	-	-	6,406	1,033
Collateral deposits	364,920	341,179	-	-
Deposit payable	877	3,068	-	-
Retention monies	86,143	96,004	34,342	5,099
	1,079,532	1,133,074	142,582	125,042
Total trade and other payables	1,405,036	1,396,962	142,582	125,042

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit terms granted to the Group range from 14 to 120 days (2014: 14 to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on credit terms ranging from 14 to 120 days (2014: 14 to 120 days).

(c) Amounts due to subsidiaries

These amounts are non-interest bearing, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. LOANS AND BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Secured:				
Islamic debt securities	65,000	55,000	-	-
Term loan	-	2,738	-	-
Obligation under finance lease	16	15	-	-
	65,016	57,753	-	-
Unsecured:				
Islamic debt securities	500,000	-	500,000	-
	565,016	57,753	500,000	-
Non-current				
Secured:				
Islamic debt securities	380,000	445,000	-	-
Obligation under finance lease	55	71	-	-
	380,055	445,071	-	-
Unsecured:				
Islamic debt securities	8,000,000	7,000,000	8,000,000	7,000,000
	8,380,055	7,445,071	8,000,000	7,000,000
Total loans and borrowings	8,945,071	7,502,824	8,500,000	7,000,000

Islamic debt securities

The details of the Islamic debt securities of the Group and of the Company are as follows:

(i) 15-year RM215 million Sukuk Musharakah

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 in prior year.

26. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(i) 15-year RM215 million Sukuk Musharakah (cont'd.)

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 2015 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2006	30,000	7.20 - 8.10	11 - 15	2017 - 2021
2007	10,000	7.05	9	2016
	40,000			

The Sukuk Musharakah is redeemable as follows:

	Group	
	2015 RM'000	2014 RM'000
Repayable within 1 year	10,000	5,000
Repayable after 1 year	30,000	40,000
	40,000	45,000

26. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(ii) 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 in prior year.

The Sukuk Mudharabah is secured by the following:

(i) Assignment of all rights, benefits and titles of the subsidiary under its project documents and assigned property;

(ii) Assignment of all rights, benefits and titles of the subsidiary's land;

(iii) 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

(iv) 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 2015 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2006	195,000	8.10 - 8.60	13 - 15	2019 - 2021
2007	210,000	7.60 - 8.25	9 - 12	2016 - 2019
	405,000			

26. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah (cont'd.)

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2015 RM'000	2014 RM'000
Redeemable within 1 year	55,000	50,000
Redeemable after 1 year	350,000	405,000
	405,000	455,000

(iii) 25-year RM15 billion Sukuk Musyarakah

This represents the serial Sukuk Musyarakah of up to an aggregate nominal amount of RM15.0 billion ("Sukuk Musyarakah") issued under the Islamic principle of Musyarakah obtained by the Company. The proceeds from the issuance under the Sukuk Musyarakah shall be utilised by the Company and its subsidiaries to finance the Group's capital expenditure requirement and other general corporate purposes.

The Sukuk Musyarakah is unsecured and shall have a tenor of up to 25 years from the date of first issuance. On 18 August 2015, the Company has raised a total amount of RM1.5 billion from its fourth issuance. A total of RM8.5 billion had been issued as at current reporting date.

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2015 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2011	3,000,000	4.40 - 5.65	5 - 15	2016 - 2026
2012	2,500,000	4.50 - 4.85	10 - 15	2022 - 2027
2014	1,500,000	4.50 - 5.50	5 - 15	2019 - 2029
2015	1,500,000	4.75 - 5.28	10 - 20	2025 - 2035
	8,500,000			

26. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(iii) 25-year RM15 billion Sukuk Musyarakah (cont'd.)

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2015	2014
	RM'000	RM'000
Redeemable within 1 year	500,000	-
Redeemable after 1 year	8,000,000	7,000,000
	8,500,000	7,000,000

Term Loan - secured

This represents the Musharakah Mutanaqisah Term Financing - I of up to an aggregate nominal amount of RM232.0 million ("the MMTF-i") issued under the Shariah principle of Musharakah by a subsidiary to partly finance the construction of the Headquarters Building. A total of RM98.9 million had been drawndown in prior years.

It was secured by Musharakah Mutanaqisah Co-ownership Agreement and specific negative pledge over all assets related to the Headquarters Building.

This borrowing bore profit rate at the banker's cost of fund plus 1.25% per annum. The profit rate during the year was Nil (2014: 4.97% to 4.85%) per annum and was repayable in 37 monthly equal instalments, with the first instalment which commenced on January 2012 and last instalment in January 2015.

The Musharakah Mutanaqisah Term Financing - I is repayable as follows:

	Group	
	2015	2014
	RM'000	RM'000
Repayable within 1 year	-	2,738

The term loan had been fully settled in January 2015.

26. LOANS AND BORROWINGS (CONT'D.)

Obligation under finance lease

The obligation under finance lease is secured by a charge over the leased asset (Note 13). The average discount rate implicit in the lease is 5.03% per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2015 RM'000	2014 RM'000
Minimum lease payments:		
Not later than 1 year	19	19
Later than 1 year but not later than 2 years	57	57
Later than 2 years but not later than 5 years	2	21
Total minimum lease payments	78	97
Less: Amounts representing finance charges	(7)	(11)
Present value of minimum lease payments	71	86
Present value of payments:		
Not later than 1 year	16	15
Later than 1 year but not later than 2 years	53	51
Later than 2 years but not later than 5 years	2	20
Present value of minimum lease payments	71	86
Less: Amount due within 12 months	(16)	(15)
Amount due after 12 months	55	71

27. DERIVATIVE FINANCIAL LIABILITIES

	Notional amount		Assets/(liabilities)	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Derivatives - financial instruments at fair value through other comprehensive income				
Cash flow hedges				
- Forward foreign currency contracts	**204,008**	-	**(6,264)**	-

As at 31 December 2015, the Group held forward foreign currency contracts designated as hedges of contracted future purchases. The forward foreign currency contracts were used to hedge the foreign currency risk of the highly probable forecasted transactions, payment for the development and construction of power generation facilities.

The terms of the forward foreign currency contracts were negotiated to match the terms of the commitments. The cash flow hedges of the contracted future payment of contract fees in 2016 were assessed to be highly effective as at 31 December 2015, and a net unrealised loss of RM6,264,435 (2014: Nil) was included in other comprehensive income in respect of these contracts.

28. DEFERRED INCOME

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

	Group	
	2015 RM'000	2014 RM'000
At 1 January	**1,798,833**	1,742,184
Received during the year	**145,972**	181,714
Amortisation during the year (Note 6)	**(117,853)**	(125,065)
At 31 December	**1,826,952**	1,798,833

Government grants and capital contributions of RM145,971,844 (2014: RM181,714,796) were received during the year whereas an amount of RM117,852,935 (2014: RM125,065,096) was recognised to the profit or loss in accordance with the accounting policy as described in Note 2.18.

29. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Company operate on unfunded, post-retirement medical benefit plan for its eligible employees and their eligible family members.

Movements in the net liability of retirement benefit obligations in the current year were as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	**168,307**	155,873	**845**	750
Recognised in profit and loss (Note 9)	**19,166**	18,141	**115**	106
Benefits paid	**(6,418)**	(5,707)	**(13)**	(11)
At 31 December	**181,055**	168,307	**947**	845

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Present value of unfunded defined benefit obligations				
Current	**5,615**	5,103	**15**	14
Non-current	**175,440**	163,204	**932**	831
	181,055	168,307	**947**	845

29. RETIREMENT BENEFIT OBLIGATIONS (CONT'D.)

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Recognised in profit and loss:				
Current service cost	9,515	9,260	66	62
Interest cost	9,651	8,881	49	44
Total, included in employee benefits expense (Note 9)	19,166	18,141	115	106

Principal actuarial assumptions used:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Discount rate	5.80	5.80	5.80	5.80
Medical cost inflation rate	7.00	8.50	7.00	8.50

The average life expectancy of an individual retiring at age 60 (2014: 60) is 16 years (2014:16 years).

A quantitative sensitivity analysis of the change in the discount rate and medical cost inflation rate as at 31 December is shown below:

	Impact on retirement benefit obligation Increase/(decrease)			
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
1% increase in discount rate	(25,361)	(23,748)	(172)	(156)
1% increase in medical cost inflation rate	35,386	31,271	247	214

30. SHARE CAPITAL AND SHARE PREMIUM

Group and Company	Number of ordinary shares '000	Par value RM	Share capital RM'000 (Amount)	Share premium RM'000 (Amount)	Total share capital and share premium RM'000 (Amount)
Issued and fully paid					
At 31 December 2014 and 31 December 2015	1,610,569	1	1,610,569	149,644	1,760,213

	Number of ordinary shares of RM1.00 each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised share capital				
Ordinary shares of RM1.00 each	2,900,000	2,900,000	2,900,000	2,900,000
5-year 5% redeemable convertible preference share of RM0.10 each	1,000,000	1,000,000	100,000	100,000
At 1 January/31 December	3,900,000	3,900,000	3,000,000	3,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

31. RESERVES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-distributable:				
Capital reserve (a)	**85,355**	85,355	**-**	-
Capital redemption reserve (b)	**73,128**	73,128	**73,128**	73,128
Available-for-sale reserve (c)	**20,610**	20,610	**20,610**	20,610
Hedge reserve (d)	**(6,264)**	-	**-**	-
	172,829	179,093	**93,738**	93,738
Distributable:				
General reserve (a)	**94,147**	94,147	**5,000**	5,000
Retained earnings (e)	**4,105,720**	3,569,532	**530,308**	469,633
	4,199,867	3,663,679	**535,308**	474,633
	4,372,696	3,842,772	**629,046**	568,371

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 reserve and general reserve

These reserves include reserves created in accordance with Section 21(2)(a) of the SESCo Ordinance, 1962 which was 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 Redeemable Convertible Preference Shares redeemed in prior years.

(c) Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes of available-for-sale financial asset until they are disposed of or impaired.

(d) Hedge reserve

This reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(e) Retained earnings

The balance of the entire retained earnings as at 31 December 2015 and 31 December 2014 can be distributed as dividends under single tier system.

32. FUTURE CAPITAL COMMITMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure:				
Approved and contracted for	**3,356,187**	2,020,337	**-**	-
Approved and not contracted for	**20,976,639**	11,914,388	**-**	-
	24,332,826	13,934,725	**-**	-

33. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates, other investments and key management personnel.

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

	Group	
	2015 RM'000	2014 RM'000
(i) Transactions with associates:		
Expenditure		
Purchases	**196,091**	207,198
Rental	**24**	26
(ii) Transactions with companies in which the Company has substantial financial interest:		
Expenditure		
Purchases	**39,559**	9,413

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.

33. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Compensation of key management personnel

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' remuneration (Note 10)	1,374	1,080	1,251	974
Short-term employee benefits	21,724	18,585	14,800	12,020
Post-employment benefits				
- defined contribution plan	1,264	1,240	281	301
- defined benefit plan	127	116	-	1
Other benefits	496	494	423	420
	24,985	21,515	16,755	13,716

34. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Final single-tier dividend for 2014: 5.50 sen on 1,610,568,979 ordinary shares	-	88,581	88,581	-
Special single-tier dividend for 2014: 3.36 sen on 1,610,568,979 ordinary shares	-	54,115	54,115	-
Final single-tier dividend for 2013: 5.50 sen on 1,610,568,979 ordinary shares	-	-	-	88,581
	-	142,696	142,696	88,581

35. PROFIT FROM DISCONTINUED OPERATION, NET OF TAX

During the financial year, the Group completed the disposal of Menara MSC Cyberport ("MSC") owned by a subsidiary, Dunlop Estates Holdings Sdn Bhd ("DEH"). With the disposal, DEH has ceased its property holding operation.

The results of the discontinued operation during the financial year are as follows:

Statement of Profit or Loss and Other Comprehensive Income

	Group	
	2015 RM'000	2014 RM'000
Revenue	110,291	8,381
Cost of sales	(106,350)	(4,348)
Gross profit	3,941	4,033
Other income	568	72
Administrative expenses	(919)	(603)
Profit before tax	3,590	3,502
Income tax expense (Note 11)	(915)	(871)
Profit after tax from discontinued operation	2,675	2,631

Statement of Cash Flows Disclosure

	2015 RM'000	2014 RM'000
Net cash from operating activities	47,967	591
Net cash from/(used in) investing activities	421	(56)
Net cash used in financing activities	(50,000)	-
Net cash (used in)/from discontinued operation	(1,612)	535

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Loans and borrowings (non-current)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, amount due to from/to related companies, trade and other payables and loans and borrowings) are, because of the short period to maturity, assumed to approximate to their fair values; or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date. No disclosure of fair value is made for non-current amounts due from/to related companies as it is not practicable to determine their fair value with sufficient reliability since these balances have no fixed terms of repayment. All other financial assets and liabilities are discounted to determine their fair values, except for other investment (available-for-sale financial assets) whose fair value is determined by reference to its quoted price on Bursa Malaysia.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Fair values versus carrying amounts

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values except as follows:

	2015		2014	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial liabilities				
Loans and borrowings	**8,945,071**	**9,227,361**	7,502,824	7,727,804
Company				
Financial liabilities				
Loans and borrowings	**8,500,000**	**8,737,674**	7,000,000	7,166,265

(c) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

(c) Fair value hierarchy (cont'd.)

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2015 and 31 December 2014 were as follows:

	Date of valuation 31 December	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company					
Assets measured at fair values:					
Financial assets					
Other investments	**2015**	**76,501**	**-**	**-**	**76,501**
	2014	76,501	-	-	76,501
Group					
Liabilities measured at fair values:					
Derivative financial liabilities	**2015**	**-**	**6,264**	**-**	**6,264**
	2014	-	-	-	-
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	**2015**	**-**	**9,227,361**	**-**	**9,227,361**
	2014	-	7,727,804	-	7,727,804
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	**2015**	**-**	**8,737,674**	**-**	**8,737,674**
	2014	-	7,166,265	-	7,166,265

37. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

The table below sets out the comparison by category of carrying amounts of all the Group's financial instruments, shown in the statements of financial position:

	Loans and receivables RM'000	Available-for-sale RM'000	Derivatives designated as hedging instruments RM'000	Other financial liabilities at amortised cost RM'000
Group				
2015				
Assets				
Other investments	-	76,501	-	-
Trade and other receivables	642,787	-	-	-
Cash and bank balances	2,554,300	-	-	-
Liabilities				
Trade and other payables	-	-	-	1,405,036
Loans and borrowings	-	-	-	8,945,071
Derivative financial liabilities	-	-	6,264	-
2014				
Assets				
Other investments	-	76,501	-	-
Trade and other receivables	495,577	-	-	-
Cash and bank balances	2,212,914	-	-	-
Liabilities				
Trade and other payables	-	-	-	1,396,962
Loans and borrowings	-	-	-	7,502,824

37. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONT'D.)

The table below sets out the comparison by category of carrying amounts of all the Company's financial instruments, shown in the statements of financial position:

	Loans and receivables RM'000	Available-for-sale RM'000	Other financial liabilities at amortised cost RM'000
Company			
2015			
Assets			
Other investments	-	76,501	-
Trade and other receivables	6,538,557	-	-
Cash and bank balances	1,914,780	-	-
Liabilities			
Trade and other payables	-	-	142,582
Loans and borrowings	-	-	8,500,000
2014			
Assets			
Other investments	-	76,501	-
Trade and other receivables	5,556,557	-	-
Cash and bank balances	1,737,779	-	-
Liabilities			
Trade and other payables	-	-	125,042
Loans and borrowings	-	-	7,000,000

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's and the Company's principal financial instruments comprise loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group and the Company have other financial assets and liabilities such as other investments, trade receivables and trade payables, which arise directly from their operations.

The Group has established risk management policies which are periodically reviewed and approved by the Board of Directors and executed by the relevant departments within the Group to manage its exposure to these financial risks. The Group Risk Management Division provides assurance to the Board via the Board Audit Committee on the effectiveness of the enterprise risk management framework in the Group.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group has applied hedge accounting and held or issued derivative financial instruments for capital expenditure purpose during the financial year.

The key financial risks include credit risk, liquidity risk and market risk such as interest rate risk, foreign currency risk and market price risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risks.

(a) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limit and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

As at 31 December 2015, approximately 58% (2014: 42%) of the Group's trade receivables were due from 5 major customers. In addition to customers' deposits, the Group holds guarantees from creditworthy financial institutions to secure the obligations of these customers.

Information regarding financial assets that are either past due or impaired and aging analysis is disclosed in Note 22. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) 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.

Analysis of financial instruments by remaining contractual maturities

The following are the expected contractual undiscounted cash flows of financial liabilities of the Group, including interest payments:

	Carrying amount RM'000	Total contracted cash flow RM'000	Within 1 year RM'000	Within 1-5 years RM'000	More than 5 years RM'000
Group					
2015					
Non-derivative financial liabilities					
Trade and other payables	1,405,036	1,405,036	1,405,036	-	-
Loans and borrowings	8,945,071	13,020,430	1,011,267	2,785,754	9,223,409
	10,350,107	14,425,466	2,416,303	2,785,754	9,223,409
Derivative financial liabilities					
Derivative financial liabilities	6,264	6,264	6,264	-	-
2014					
Non-derivative financial liabilities					
Trade and other payables	1,396,962	1,396,962	1,396,962	-	-
Loans and borrowings	7,502,824	10,784,585	443,051	3,049,245	7,292,289
	8,899,786	12,181,547	1,840,013	3,049,245	7,292,289

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

The following are the expected contractual undiscounted cash flows of financial liabilities of the Company, including interest payments:

	Carrying amount RM'000	Total contracted cash flow RM'000	Within 1 year RM'000	Within 1-5 years RM'000	More than 5 years RM'000
Company					
2015					
Non-derivative financial liabilities					
Trade and other payables	142,582	142,582	142,582	-	-
Loans and borrowings	8,500,000	12,452,912	911,765	2,408,245	9,132,902
	8,642,582	12,595,494	1,054,347	2,408,245	9,132,902
2014					
Non-derivative financial liabilities					
Trade and other payables	125,042	125,042	125,042	-	-
Loans and borrowings	7,000,000	10,120,167	346,150	2,659,018	7,114,999
	7,125,042	10,245,209	471,192	2,659,018	7,114,999

(c) 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 short-term deposits 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in currency other than Malaysian Ringgit, primarily in US Dollar ("USD") and Renminbi ("RMB"). Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

The Group uses forward foreign currency contracts to hedge its foreign currency risk. The maturities of the forward currency contracts were intended to match the expected monthly receivables and contract payments.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based in carrying amounts as at the end of the reporting period which were material were:

Group	Denominated in RMB RM'000	Denominated in USD RM'000
Balances recognised in the statement of financial position		
2015		
Trade receivables	-	160,707
Cash and bank balances	-	3,690
Other payables	(36,717)	-
	(36,717)	164,397
2014		
Trade receivables	-	54,186
Cash and bank balances	-	2,937
Other payables	(35,814)	-
	(35,814)	57,123

Company		
Balances recognised in the statement of financial position		
2015 - other payables	(15,634)	-
2014 - other payables	-	-

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Foreign currency risk (cont'd.)

Currency risk sensitivity

A 10% strengthening analysis or 10% weakening of the foreign currency against RM at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

		Profit or loss before tax	
		2015 RM'000	2014 RM'000
Group			
USD/RM	- strengthened 10% (2014: 10%)	16,440	5,712
	- weakened 10% (2014: 10%)	(16,440)	(5,712)
RMB/RM	- strengthened 10% (2014: 10%)	(3,672)	(3,581)
	- weakened 10% (2014: 10%)	3,672	3,581
Company			
RMB/RM	- strengthened 10% (2014: 10%)	(1,563)	-
	- weakened 10% (2014: 10%)	1,563	-

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk and the risks of impairment in the value of investments held arising from its investment in quoted equity investment which is listed on Bursa Malaysia. These investments are classified as available-for-sale financial assets. The Group and the Company manage the risk of impairment by continuously monitoring the performance of investments held and assessing market risk relevant to which the investments operate.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, loans and borrowings less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and borrowings	26	**8,945,071**	7,502,824	**8,500,000**	7,000,000
Less: Cash and bank balances	24	**(2,554,300)**	(2,212,914)	**(1,914,780)**	(1,737,779)
Net debt		**6,390,771**	5,289,910	**6,585,220**	5,262,221
Total equity		**6,146,650**	5,611,707	**2,389,259**	2,328,584
Gearing ratio (times)		**1.04**	0.94	**2.76**	2.26

40. SUBSEQUENT EVENT

As disclosed in Note 16(a), the Group has on 28 January 2016 realigned all its power generation entities under a wholly owned subsidiary, namely SEB Power Sdn Bhd pursuant to the Group's ownership restructuring exercise. The ownership restructuring exercise does not have any material impact to the financial statements of the Group as a whole.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2016.

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