sarawak energy

Power to Grow

SUSTAINABLE ENERGY

FOR SARAWAK AND BEYOND

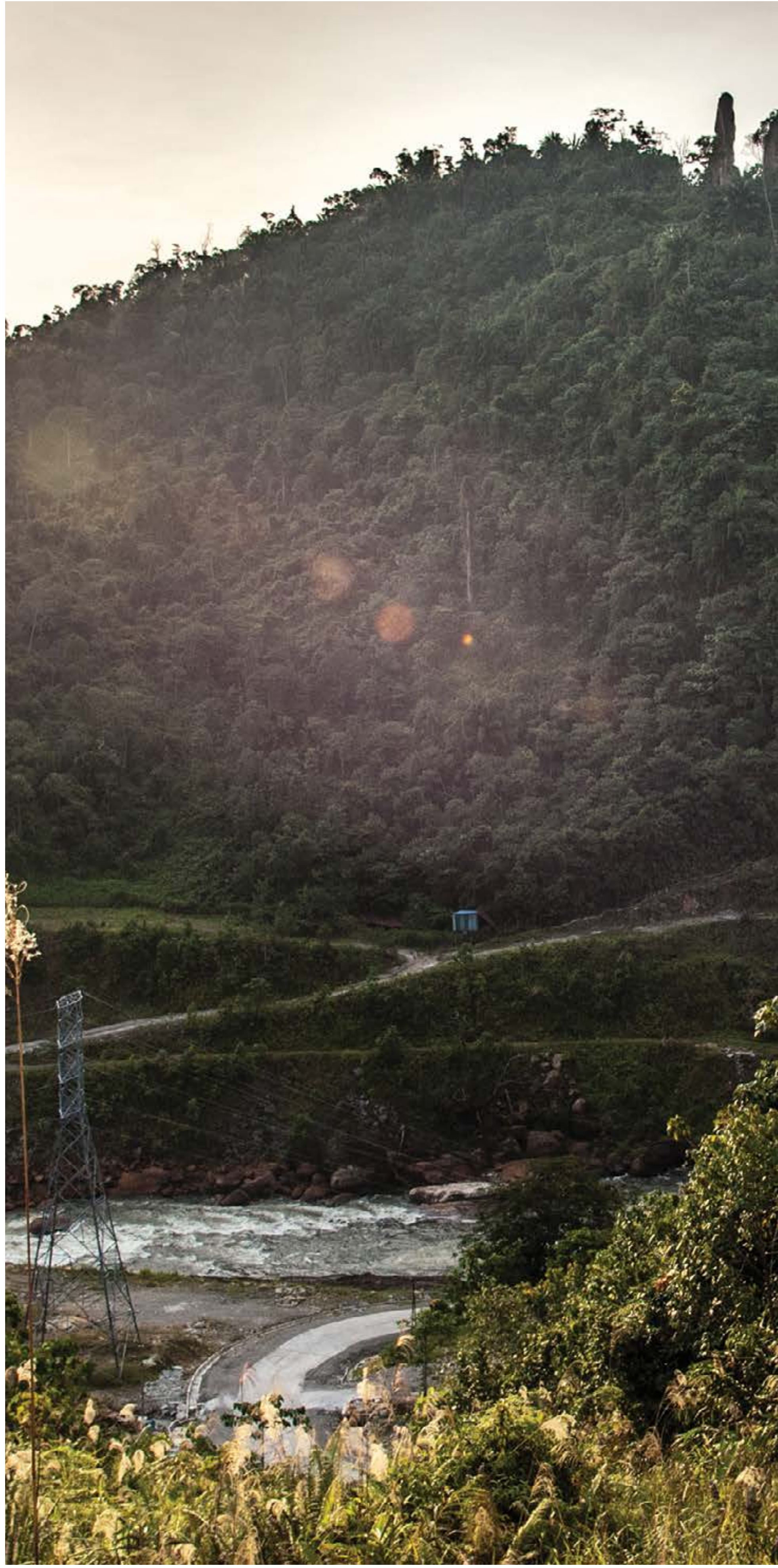
ANNUAL REPORT 2016

SUSTAINABLE ENERGY
FOR SARAWAK AND BEYOND

"Sustainable energy for Sarawak and beyond" captures our ambition to provide clean and reliable power for the growth and prosperity of the region.

This year, we officially opened the Murum Hydroelectric Plant, enabling us to deliver an additional 944MW of energy to Sarawak; began to export power to West Kalimantan in Indonesia; signed a letter of intent with the Northern Province of Kalimantan and continued our plans to work with Brunei and Sabah to advance the Borneo Grid.

As we develop our indigenous natural resources in pursuit of economic and social progress, renewable, reliable and affordable energy will play an increasingly vital role in accelerating sustainable development for Sarawak and the region.



Murum HEP is located on the Murum River in the upper Rajang River basin, 200km from Bintulu. It is designed to produce 711MW (constant) and 944MW (peak) from a 2,750sq km catchment area feeding a 270sq km reservoir. Construction began in 2008 and by mid-2015 the station was fully operational, delivering its specified power into the State Grid.

INSIDE THIS REPORT

OVERVIEW OF SARAWAK ENERGY

About this Report 03
2016 Key Highlights 06
About Sarawak Energy 08
Corporate Information 09
Vision, Mission & Living Our Values 11
Five-Year Group Financial Highlights 12
Energy for Sarawak 14
Chairman's Message 20
Group CEO's Message 24
Management Discussion & Analysis 28
Developing Our People, Leadership and Teamwork 31
Health, Safety and Environment 35

GENERATING SUSTAINABLE VALUE

Sustainability 44
Economic, Environmental, Social 48
Corporate Responsibility 50
Brand and Recognition 58
Corporate Event Highlights 60

HOW WE ARE GOVERNED

Board of Directors 65
Group Organisation Structure 68
Our Management Team 69
Chairman's Introduction 73
Statement of Corporate Governance 74
Statement of Risk Management & Internal Control 78
Board Audit Committee Report 80

FINANCIAL STATEMENTS

Directors' Report 83
Statement by Directors 86
Statutory Declaration 86
Independent Auditors' Report 87
Statements of Profit or Loss and Other Comprehensive Income 90
Statements of Financial Position 92
Statements of Changes in Equity 94
Statements of Cash Flows 97
Notes to the Financial Statements 99

In Memoriam

Sarawak Energy would like
to acknowledge the passing of the late
YAB Datuk Patinggi Tan Sri
(Dr) Haji Adenan Bin Haji Satem
on 11 January 2017.

As Chief Minister, he inspired us with
his leadership, vision and tremendous support to strive
together for a greater Sarawak and touched us all
with his kindness and humour.

He will be missed.

ABOUT THIS REPORT

As the sole provider of electricity in Sarawak, serving a population of more than 2.6 million people and more than 630,000 customers across the state, maintaining and building on the trust of our stakeholders is central to our success.

To this end, we recognise the importance of presenting an Annual Report for transparency of our activities to all our stakeholders.

This icon will help you quickly navigate through the Annual Report for references and related information.

SCOPE AND BOUNDARY

Our Annual Report for 2016 covers the period 1 January 2016 to 31 December 2016. It presents comprehensive and detailed information on our activities over the past 12 months.

The report gives our stakeholders detailed information on our financial, environmental and social performance in 2016. It highlights our successes and seeks to provide an understanding of our challenges. It also presents our expectations of our future successes and our strategy for achieving this.

The report aims to enable all our stakeholders to reach a clear understanding of our present condition and future plans and will be of particular interest to all our stakeholders in Sarawak and Malaysia, as well as those further afield in neighbouring Indonesia.

Our financial statements are independently audited and present an in-depth picture of our financial health.

MATERIALITY DETERMINATION

This Annual Report presents a fair and balanced analysis of our overall performance throughout the year and our future prospects.

The aspects we have selected to report are based on our ability to achieve our strategic objectives and fulfil the expectations of our key stakeholders.

OUR COMMITMENT TO TRANSPARENCY

Sarawak Energy is committed to a policy of responsibility through transparency of our activities and our financial accounts.

Sarawak Energy is not a listed public entity and is therefore not subject to the disclosure requirements of the Securities Commission. Nonetheless, a key priority is accountability to all our stakeholders in the desire to create effective partners that can help guide us towards opportunity and success.

To this end, we make a wide range of documents and reports regularly available to our stakeholders in which we disclose in detail our strategies and outcomes and invite feedback on our progress.

Our Annual Report for 2016 showcases our goals and targets throughout the year and presents an understanding of our operations, direction and accomplishments.

STATEMENT OF THE BOARD OF DIRECTORS OF SARAWAK ENERGY

The Board acknowledges its responsibility to ensure the integrity of the Annual Report. In the Board's opinion, the report addresses all material issues and matters and fairly presents Sarawak Energy's performance.

Approved by the Board of Directors and signed on behalf of the Board

Datuk Amar Abdul Hamed Sepawi
Chairman

Sharbini Suhaili
Group Chief Executive Officer

SUSTAINABLE ENERGY

FOR SARAWAK AND BEYOND

① **MURUM HEP OFFICIALLY LAUNCHED**

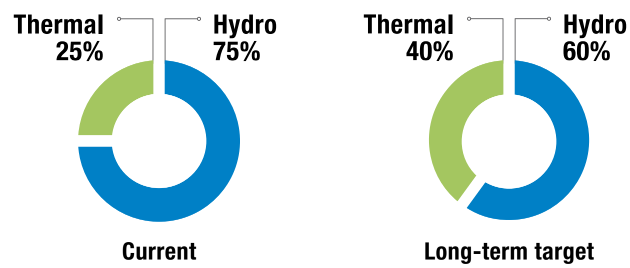
② **BALEH HEP ENDORSED BY THE STATE CABINET**

③ **STRENGTHENING ENERGY SECURITY -**
Construction of Balingian Coal-Fired Power Plant commences

④ New export customer -
FIRST POWER EXPORT TO WEST KALIMANTAN, INDONESIA

⑤ Regional partnership -
SIGNING OF LETTER OF INTENT WITH NORTH KALIMANTAN, INDONESIA

A balanced generation mix



Sarawak Energy's Generation Capacity

Currently
4,652MW

Projected to reach
5,300MW
by 2020

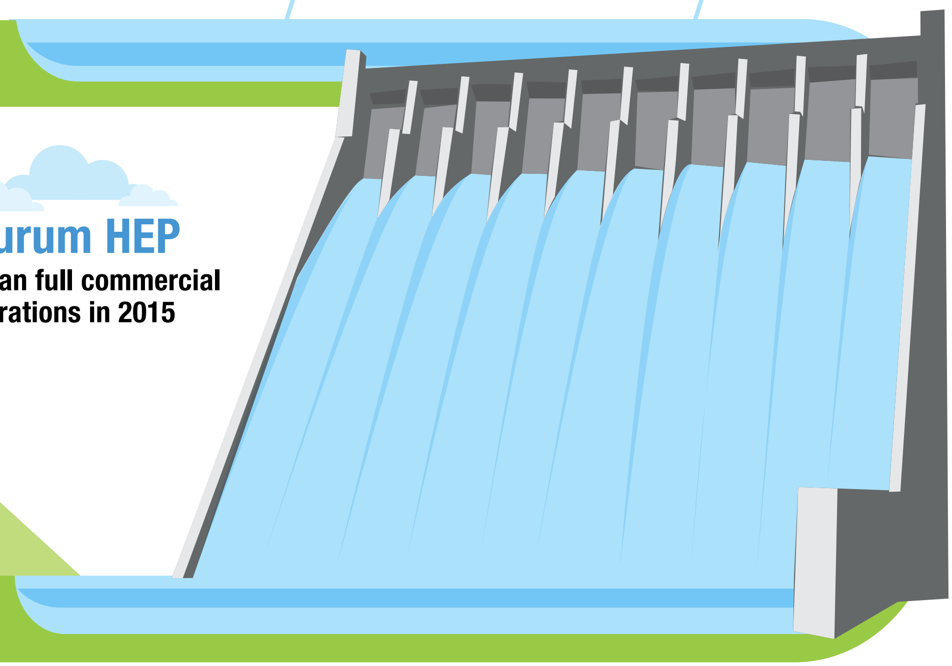
Tariff reductions give lowest electricity tariffs in the region to **all domestic, commercial and industrial customers**

Power theft decreased by
86.7%
from 2010

Carbon intensity for electricity supply decreased by
72%
since 2009

Expected to increase to
7,000MW
by 2025

Murum HEP
began full commercial operations in 2015



Distribution & Transmission System Average Interruption Duration Index (SAIDI)

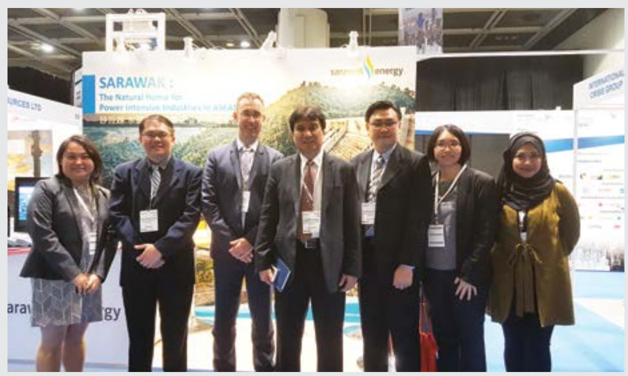
Distribution SAIDI
125 minutes
in 2016

Transmission SAIDI
117 minutes
in 2016

Overall SAIDI
242 minutes
in 2016

2016 KEY HIGHLIGHTS

1 PROGRESSING SCORE



- New SCORE customer - Signing of Power Purchase Agreement with Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- 20-year Gas Sales Agreement signed with PETRONAS
- Growing our presence - Participant and sponsor of the International Mining and Resources Conference (IMARC) in Melbourne and Mines and Money Asia in Hong Kong

2 ENERGY ACCESS

State electricity coverage now

94%

COMMITMENT TO HSE

Making safety our top priority -

EVERYBODY GOES HOME SAFELY

4 CUSTOMER FOCUS

Leveraging on technology - launch of Sarawak Energy's first mobile application **'SEB cares'**

Commitment to serve -
More than
630,000
customers across the state

Customer Care Centre Service Level
81.45% calls answered within 20 seconds

Customer Satisfaction Index
77.42%

5 SUSTAINABILITY AND CSR

Sharing expertise - member of Global Reporting Initiative Gold Community

Batu Tungun Ritual Platform at Murum HEP

6 AWARDS

- 7th Sarawak Chief Minister's Environmental Award 2015-2016 (Platinum) for Sejingkat Power Plant
- 7th Sarawak Chief Minister's Environmental Award 2015-2016 (Gold) for Mukah Power Plant
- 16th Malaysian Construction Industry Excellence Awards (Best Project for Medium Infrastructure Category) for Murum Junction Substation
- 8th Annual Global CSR Summit & Awards 2016, Bali, Indonesia Baram Literacy Programme (Silver)

7 ORGANISATIONAL GROWTH

4,468 employees

Corporate and leadership restructuring

ABOUT SARAWAK ENERGY

Built on a strong foundation of almost 100 years, Sarawak Energy has cemented a reputation as a provider of reliable, safe and competitively-priced power. Our energy predominantly comes from Sarawak's rich hydropower resources, making our energy supply environment-friendly and sustainable. For enhanced security of supply, the balance of the generation mix comes from thermal power plants powered by indigenous gas and coal resources. We are the sole provider of electricity in Sarawak, with a fast-growing consumer base of more than 630,000 account holders throughout the state and a multidisciplinary workforce of 4,500 people and growing.

Sarawak Energy plays a leading role in accelerating the industrial and economic development of Sarawak, by supplying power to the Sarawak Corridor of Renewable Energy (SCORE). As SCORE continues to draw foreign investment and create job and business opportunities, it remains integral to Sarawak's determined march to become a developed state by the year 2030.

Our initiatives make a key contribution to enhancing the daily lives of Sarawak's diverse communities. We support the Federal and State Governments in the rural electrification agenda and each year we expand the reach of our electricity supply to more remote areas of the state. With the State Government, we aim to electrify the whole of Sarawak by 2025.

In community development, we are investing in programmes that aim to preserve Sarawak's cultural identity, promote diversity and inclusiveness and empower Sarawakians.

Sarawak Energy continues our transformation into a progressive, innovative utility by anticipating and responding with speed and precision to developments in the fast-paced energy industry. We are now firmly focused on transporting our unique abilities further afield, beyond the shores of Sarawak. We are confident that the high standards that are the mark of what we do will make our overseas ventures equally successful as we develop into a regional player.

CORPORATE INFORMATION

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

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

YB 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

YB Dato' Haji Idris Bin Haji Buang

PRINCIPAL FINANCIAL INSTITUTIONS

RHB Bank Berhad
AmInvestment Bank Berhad

AUDITORS

Ernst & Young

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

YB Dato' Haji Idris Bin Haji Buang

COMPANY SECRETARY

Lim Li Na
(MAICSA 7053678)

Our People, Our Greatest Asset

VISION, MISSION & LIVING OUR VALUES

- 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 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

- LIVING OUR VALUES -

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

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.

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

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

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

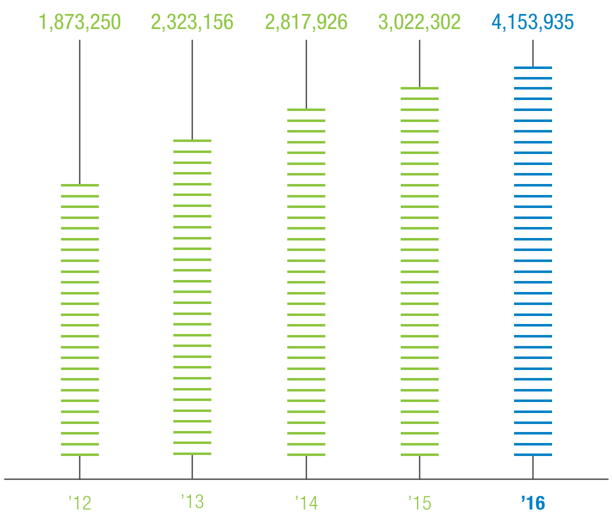
FINANCIAL YEAR ENDED 31 DECEMBER	2016	2015	2014	2013 Restated	2012 Restated
PERFORMANCE (RM'000)					
Revenue	**4,153,935**	3,022,302	2,817,926	2,323,156	1,873,250
Profit before tax	**752,249**	615,333	703,966	488,991	324,400
Profit net of tax	**545,848**	678,623	1,448,664	371,137	247,404
Net profit attributable to owners of the Company	**548,168**	678,884	1,449,088	371,569	247,718
Net dividends	**-**	-	142,696	88,581	66,436
KEY FINANCIAL POSITION DATA (RM'000)					
Property, plant and equipment	**17,019,679**	14,206,961	12,710,705	11,188,242	10,441,431
Cash and bank balances	**2,032,350**	2,554,300	2,212,914	1,277,203	2,112,334
Total assets	**21,663,158**	19,146,624	17,079,994	13,685,534	13,414,901
Loans and borrowings	**9,880,055**	8,945,071	7,502,824	6,101,212	6,278,486
Total liabilities	**15,005,875**	12,999,974	11,468,287	9,429,194	9,486,488
Share capital	**1,610,569**	1,610,569	1,610,569	1,610,569	1,610,569
Equity attributable to owners of the Company	**6,637,453**	6,132,909	5,602,985	4,247,194	3,918,835
SHARE INFORMATION					
Net asset per share attributable to owners of the Company (RM)	**4.12**	3.81	3.48	2.64	2.43
Net earnings per share (Sen)	**34.0**	42.2	90.0	23.1	15.4
Gross dividend per share (Sen)	**-**	-	8.9	5.5	5.5

Notes:
Amounts for 2013 have been restated for the amendments to MFRS116.
Amounts for 2012 have been restated for the amendments to MFRS116 and MFRS119.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

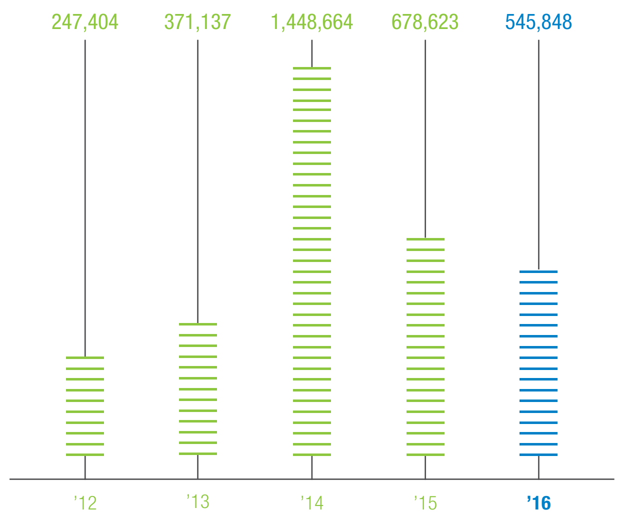
Revenue
RM4,154 million

(RM'000)



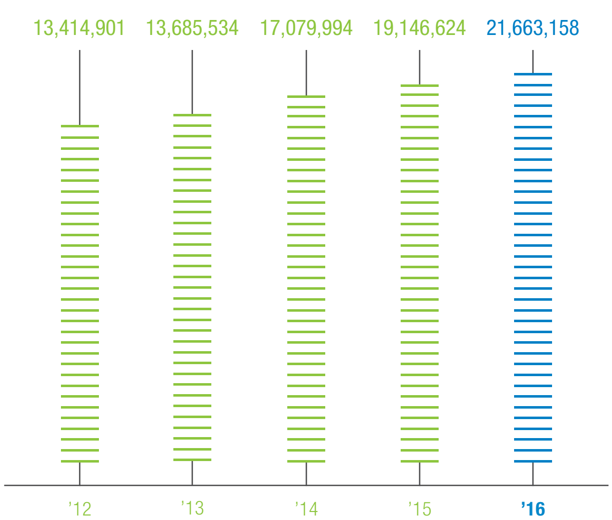
Profit Net Of Tax
RM546 million

(RM'000)



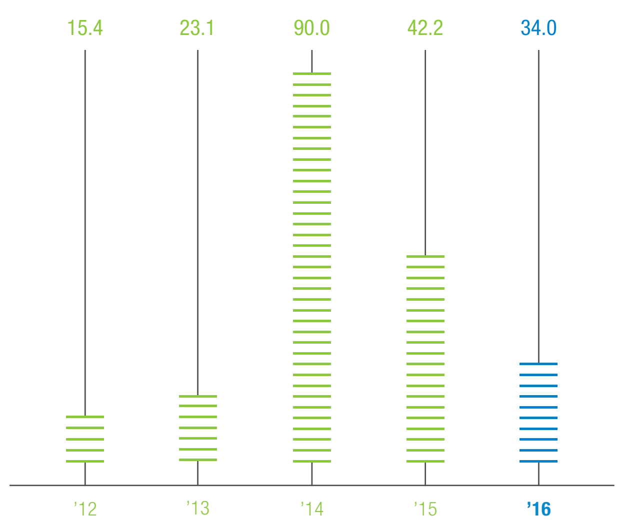
Total Assets
RM21,663 million

(RM'000)



Net Earnings Per Share
34.0 sen

(Sen)



ENERGY FOR SARAWAK

Sarawak Energy is responsible for the overall generation, transmission, distribution and retail of electricity to domestic consumers as well as SCORE and export customers. With SCORE, demand for electricity has taken a huge leap and projections indicate that by 2020, Sarawak's energy demand will increase to 4,100MW, rising to a further 6,500MW by 2025.

To meet demand, Sarawak Energy generates power from Sarawak's indigenous resources of hydro, coal and gas and supplies electricity to customers through an extensive network system. To date, Sarawak has a total of three hydroelectric plants and five major thermal plants. While hydro potential is the best option to supply Sarawak's present and future needs, coal and gas plants are required for energy security.

To strengthen reliability of supply, Sarawak Energy allocates an annual capital expenditure of around RM1.0 to RM1.4 billion for distribution and transmission infrastructure and maintenance work until 2020.

ADVANCING HYDROPOWER

Murum HEP	Bakun HEP	Batang Ai HEP
944MW	2,400MW	108MW

RELIABLE ENERGY SUPPLY

TRANSMISSION LINE

From 974km in 2010 — To 1,738km in 2016

5,232 transmission towers in 2016

New RM2.7 billion 500kV second backbone transmission grid

ENERGY FOR SARAWAK

Official opening of Murum HEP on 23 September 2016

OFFICIAL OPENING OF THE MURUM HYDROELECTRIC PLANT

In September, the 944MW Murum Hydroelectric Plant (HEP), Sarawak Energy's second hydropower development project, was officially opened by His Excellency, the Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud, at the project site in Murum, Belaga. The event celebrates the significant progress achieved in realising the State's development agenda under the Sarawak Corridor of Renewable Energy (SCORE). It is the first state hydropower development project constructed under SCORE to meet the demand for bulk energy at globally competitive prices for energy intensive investors especially in the Samalaju Industrial Park and demonstrates Sarawak Energy's ability to deliver a world class hydropower project.

Artist's impression of Baleh Hydroelectric Plant (1,285MW)

Balingian Coal-Fired Power Plant expected to be commissioned in 2018

STATE ENDORSEMENT FOR BALEH HYDROELECTRIC PROJECT

In September, Sarawak Energy received endorsement from the State Government to proceed with the Baleh Hydroelectric Project. Targeted for completion in 2025, the project will be one of the largest infrastructure projects in Sarawak and will add 1,285MW of renewable electricity to the State Grid. The concrete faced rock-fill dam (CFRD) will be located on the Baleh River, about 95km from its confluence with the Rajang River in the Kapit Division. There is no resettlement involved in the project. The first of eight construction packages began at the end of the year and in addition to the business opportunities, the construction phase is projected to create about 3,500 jobs. Sarawak Energy is working with the Kapit community to ensure that the benefits from the expected boom accrue to the local population and is also sponsoring young people from Kapit for technical training at local institutions to prepare them for the job openings. Participation from local contractors will result in management, technology and knowledge transfer from international contractors to build up the local capacity and capability so they can prepare for future opportunities locally and abroad.

Baleh will be the biggest HEP developed by Sarawak Energy and moves Sarawak further towards its ambition of achieving high income status through industrialisation by 2030. It is the Company's second hydropower project under the SCORE initiative after the Murum HEP.

Since the commencement of Sarawak's SCORE initiative, the state's hydroelectric dams have provided renewable bulk power at globally competitive prices to energy intensive investors in Samalaju Industrial Park and Mukah as well as to export customers. Energy demand has accelerated with energy sales growing from 4,700GWh in 2009 to more than 20,000GWh in 2016. From 2010 to 2016, energy capacity increased from 1,300MW to 4,652MW and is expected to rise to 5,300MW by 2020.

BALINGIAN COAL-FIRED POWER PLANT

The 2 x 300MW Balingian Coal-Fired Power Plant will be the first and largest Circulating Fluidised Bed (CFB) boiler in the South East Asian region, designed to leverage on Sarawak's indigenous coal reserves while minimising environmental impact. The project is located near the Balingian River, 25km due south-east of the existing Mukah 2 x 135MW Power Station, and about 60km from Mukah Town.

The project is valued at around RM3 billion and the construction of the main power plant commenced in 2014 by Shanghai Electric Group Co Ltd.

A comprehensive procurement process was undertaken in accordance with Sarawak Energy's internal procurement procedures and in alignment with recognised industry best practices to identify the tender offer representing best value and to maximise local content and knowledge transfer to local companies.

The whole project consists of a total of nine work packages: the construction of the main power plant; plant site earthworks; upgrading of the access road; administration and ancillary buildings; operator's village; the 33kV supply, 275kV EHV substation; 275kV transmission lines; and ash pond. About 45% of the work will be undertaken by local contractors.

Earthworks and the upgrading of the access roads began in May 2014 by Sarawakian contractors. The works are now nearing completion.

The project is expected to be ready for commercial operations in 2018.

In comparison with conventional pulverised coal (PC) boiler technology, CFB boilers have the ability to handle a wider range of coal designs, including high moisture coal which is commonly found in Balingian, to ensure total utilisation of the resource. This improves the environmental footprint of the plant.

ENERGY FOR SARAWAK

TOWARDS BECOMING A REGIONAL POWERHOUSE

Throughout 2016, Sarawak Energy continued to move forward in its vision to become a regional powerhouse in ASEAN. At the beginning of the year, it began to export power to West Kalimantan in Indonesia.

In April, Sarawak Energy reached another milestone in its journey to become a regional provider of renewable energy. A letter of intent was signed with Indonesia's Northern Province of Kalimantan (KALTARA), formalising an agreement to explore partnership opportunities in power generation projects and strategy formulation to improve the power supply infrastructure in KALTARA. Both parties will also look into potential power projects in KALTARA to pave the way for increased commercial and industrial development. Covering an area of 72,275.12sq km, with a population of more than 600,000, KALTARA recognises the need to develop its power sector to accelerate its economic potential.

Signing of Letter of Intent: Datuk Amar Awang Tengah Ali Hasan, Minister of Public Utilities of Sarawak, witnessing the exchange of documents between Sarawak Energy and North Kalimantan

Sarawak Energy also has plans to work with Brunei and Sabah on more interconnection projects to advance the Borneo Grid.

WEST KALIMANTAN INTERCONNECTION PROJECT TIMELINE

'08

Feasibility study was carried out from December 2008 through August 2009

'09

19 FEBRUARY
Signing of Heads of Agreement (HOA) between Sarawak Energy and PLN

'12

5 SEPTEMBER
Power Exchange Agreement (PEA) signed between Sarawak Energy and PLN

'13

JANUARY
Construction starts

8 MARCH
Final report on Planning and Development Study

13 JUNE
Restated Kalimantan Power Exchange Agreement between Sarawak Energy and PLN

'15

29 APRIL
Impact Study Final Report

19 AUGUST
Final Report on Operation Study

DECEMBER
Physical Tower and Line Completion

21 DECEMBER
Interconnection Agreement (IA) signed between Sarawak Energy and PT PLN Persero

31 DECEMBER
PEA Amendment No. 1

'16

20 JANUARY
L1 Mambong – Bengkayang circuit energised

4 FEBRUARY
Sarawak Energy – PLN Operation Committee Meeting

19 MAY
L2 Mambong – Bengkayang circuit energised

17 JUNE
PEA Amendment No. 2

29 JULY
Automatic Generation Control (AGC) study completed

STRENGTHENING RELIABILITY OF SUPPLY

GRID SYSTEM WITH THE NEW 500KV SECOND TRANSMISSION BACKBONE

To further strengthen Sarawak's overall network, the RM2.7 billion major state infrastructure project, the 500kV transmission line is being completed and will run roughly parallel to the present 275kV transmission grid. Once completed, the new grid will provide a second transmission backbone to transmit electricity from the major generation plants concentrated in the north of the state to customers particularly in the more densely populated southern region, like Kuching city. This will also enhance the reliability of power supply to Sibu, Kuching and surrounding areas, lowering the risk of major outages in the southern parts of the state by providing an alternative in the event of a double-circuit trip.

The backbone transmission lines will run all the way from Similajau in the Northern Region to Tondong in Kuching. Full completion of the project continues to face delays due to wayleave issues but with the cooperation of all parties, especially landowners, Sarawak Energy hopes this key state infrastructure project will make significant progress in the year ahead.

ENERGY FOR SARAWAK

Datuk Amar Awang Tengah Ali Hasan, Minister of Public Utilities of Sarawak, officiating at the Lambir 275/33kV Substation ground-breaking ceremony on 10 March 2016

ENHANCING SARAWAK'S TRANSMISSION AND DISTRIBUTION SYSTEM

The Transmission Department is responsible for the development, maintenance and operation of the network to ensure reliable electricity supply throughout Sarawak. The Distribution Department ensures that power is distributed efficiently throughout the state. About RM300 million is spent every year to reinforce and strengthen the distribution system. Out of this amount, RM250 million is dedicated to building new distribution substations and new lines, and to upgrade heavily loaded transformers and overhead lines. In 2016, more than 10 substation projects were completed and commissioned in western, central and northern regions. Another RM50 million is spent annually for basic substation and overhead line maintenance including vegetation clearing.

Lambir Substation (Marudi Junction Substation)

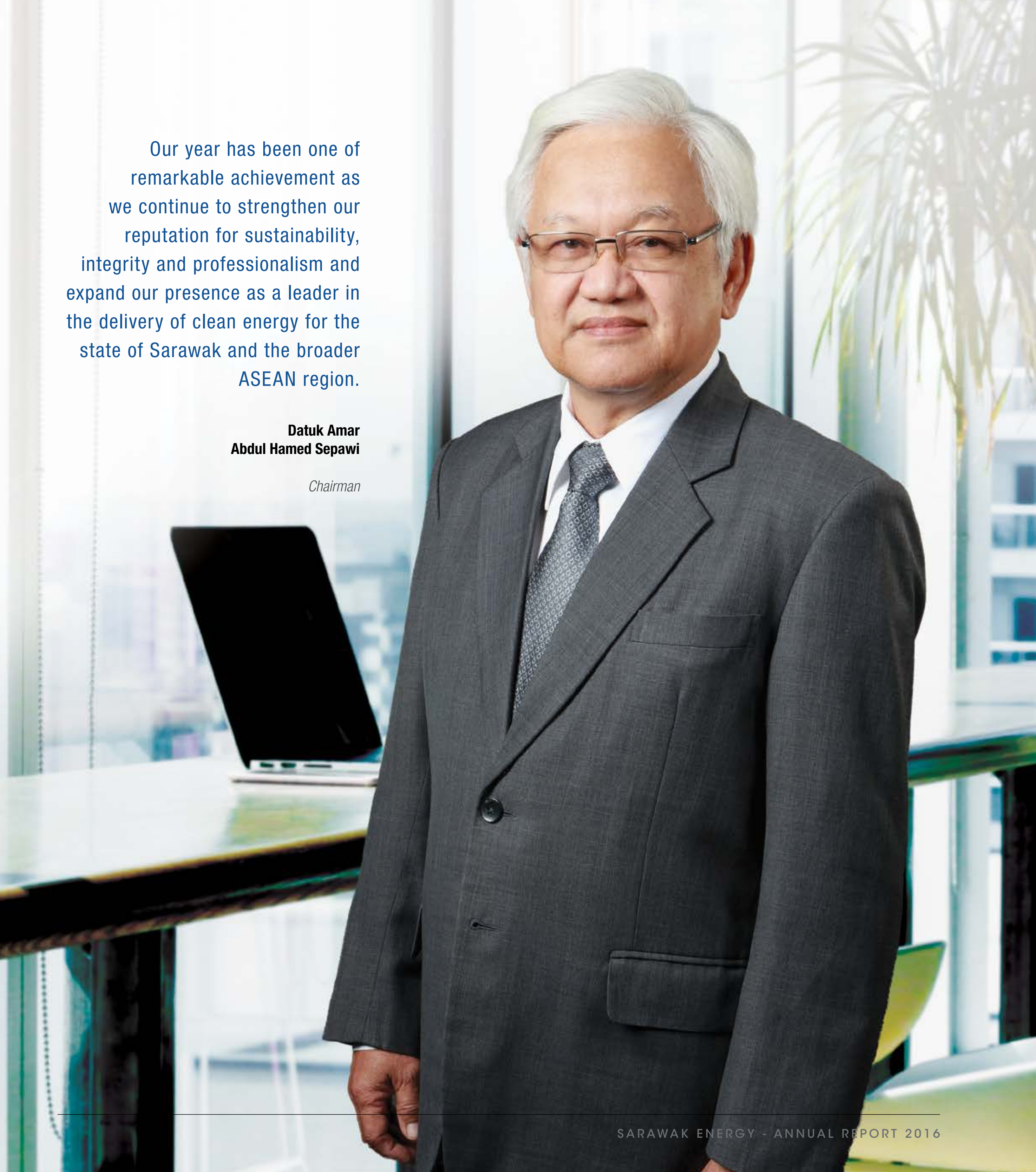
To strengthen power supply for the 350,000 residents of Miri, Sarawak Energy is investing RM120 million in the construction of the Lambir 275/33kV Substation (renamed the Marudi Junction Substation) which will serve as a second injection point of supply to relieve the heavy supply load currently shouldered by the Tudan substation. Work on the new substation began in March 2016 and the project is expected to be completed by the end of 2017.

The primary source of supply for Miri is the Pujut Power Station, with a capacity of 104MW. A secondary source of power comes from the State Grid via a transmission line to Tudan from Similajau. The Tudan 275/33kV Substation serves as the only major power injection point from the State Grid with an installed capacity of 2 x 120MVA or 2 x 102MW.

Located along the Miri-Bintulu trunk road, the Lambir Substation (Marudi Junction Substation) is part of Sarawak Energy's commitment to upgrade the infrastructure and distribution system in Miri through an investment of RM400 million. A further RM200 million has been allocated to improve the northern transmission system. The upgrading and new facilities are expected to be completed by 2018.

Datuk Amar Awang Tengah Ali Hasan performs the ground breaking for the Lambir 275/33kV Substation

CHAIRMAN'S MESSAGE



Our year has been one of remarkable achievement as we continue to strengthen our reputation for sustainability, integrity and professionalism and expand our presence as a leader in the delivery of clean energy for the state of Sarawak and the broader ASEAN region.

Datuk Amar
Abdul Hamed Sepawi

Chairman

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

At the end of another eventful year for Sarawak Energy, I am once again delighted, on behalf of the Board of Directors, to present our Annual Report and Audited Financial Statements for the financial year ended 31 December 2016.

Datuk Torstein Dale Sjøtveit presenting a corporate shirt to Sharbini Suhaili at the townhall

I would like to begin my Statement by extending my heartfelt thanks to **Datuk Torstein Dale Sjøtveit** who retired at the end of October to return to his home country of Norway.

In his seven years at the helm, Datuk Torstein fast-tracked and transformed Sarawak Energy into a modern and agile utility to play a central role in Sarawak's drive to become a developed state and a regional powerhouse for ASEAN.

At the same time, I am delighted to introduce Sarawak Energy's **new Group Chief Executive Officer, Sharbini Suhaili**, who joined us in November 2016. Sharbini has enjoyed a long and illustrious career in the energy industry and we are confident that he will continue to build on Sarawak Energy's success and uphold our strong reputation at the forefront of this industry as he leads us to the next stage of our development. I look forward to working in close partnership with Sharbini in the years to come.

ENERGY FOR SARAWAK AND BEYOND

Today, energy is critical to drive economic transformation around the world. The three major challenges constitute the Energy Trilemma:

The Energy Trilemma is inter-dependent. Therefore, it is paramount that we have a holistic framework to analyse the allocation of scarce resources, especially when energy development infrastructure requires heavy capital investment.

Sarawak's significant hydropower potential was first identified in the 1960s, after which follow-up studies were carried out. Of 13 sites with high potential, only three sites are currently utilised totalling 3,452MW of installed hydropower generation capacity. While our hydropower plants are more prominent, our thermal plants operate according to good environmental practices and provide security of supply.

OUR YEAR IN REVIEW

Our year has been one of remarkable achievement as we continue to strengthen our reputation for sustainability, integrity and professionalism and expand our presence as a leader in the delivery of clean energy for the state of Sarawak and the broader ASEAN region.

In September, we officially opened our Murum Hydroelectric Plant (HEP), a project that stands as a testament to our ability to deliver a world class hydropower project to the highest technical and sustainability standards at every level.

The 944MW Murum HEP

Significantly, Murum HEP is Sarawak Energy's first hydropower development project under Sarawak's Corridor of Renewable Energy, or SCORE, and our second after the Batang Ai HEP which was commissioned over 30 years ago. It is a major milestone in our expansion and central to our vision of hydropower development in support of the State's ambition to attain high income status by 2030.

The RM4.1 billion project began in 2009, and required a dedicated team of 2,500 people to bring it to completion to deliver an additional 944MW of power to Sarawak.

September 2016 also saw formal endorsement by the State Government to proceed with our Baleh Hydroelectric Project. Our next hydropower project under SCORE, and the biggest hydroelectric project developed by Sarawak Energy to date, Baleh is expected to take nine years to complete and will add 1,285MW of renewable energy to the State Grid.

Our hydroelectric plants have allowed us to lower our tariffs so that Sarawak's customers enjoy the lowest unsubsidised rates in South East Asia, open up hard to reach rural areas in Central Borneo with infrastructure development and provided renewable bulk power at globally competitive prices to energy intensive investors in Samalaju Industrial Park and Mukah as well as our export customer from Kalimantan Barat. Baleh is set to meet the anticipated strong growth in demand for electricity especially in Samalaju Industrial Park.

To ensure security in our generation mix, we have also started the construction of the 2 x 300MW Balingian Coal-Fired Power Plant. The plant is expected to be commissioned in 2018.

RESTRUCTURING

Far-reaching changes to the Company's structure and governance were also made as Sarawak Energy continues on our transformation journey. The new structure and organisational development within the Company and subsidiaries give room for growth at every level and flexibility to realise future strategies.

CHAIRMAN'S MESSAGE

To streamline business operation units with the Sarawak Energy Group, there are three primary subsidiaries wholly-owned by Sarawak Energy which remains the Group holding company.

SEB Power Sdn Bhd
Owns and operates Sarawak Energy's coal, gas and hydropower generation assets.

Syarikat SESCO Berhad (SESCO)
Continues as the primary operations arm to transmit, distribute and retail electricity to Sarawak's 630,000 consumers as well as our SCORE and export customers.

Sarawak Energy Resources Sdn Bhd
Consolidates Sarawak Energy's upstream coal resource activities.

SETTING THE STANDARDS FOR SUSTAINABILITY

As a member of the International Hydropower Association (IHA), we are committed to undertaking our projects responsibly, in a sustainable manner, in accordance with the guidelines set by the Hydropower Sustainability Assessment Protocol and the industry's best practices.

This year, we became a member of the newly-created Global Reporting Initiative (GRI) Gold Community, a global network of leading international organisations that help shape the future of sustainability, giving us confidence that our sustainability practices are in line with globally renowned companies.

We continue to focus on social initiatives to enrich the quality of life of the people of Sarawak, especially where our projects and operations affect them such as the resettlement of communities of Murum to facilitate their transition into mainstream development while at the same time preserving their culture and heritage, and Batang Ai where we are working on events and regeneration initiatives to benefit local communities.

BOARD MATTERS

In 2016, we announced no changes to the composition of our Board of Directors. The dedication and loyalty demonstrated by all our management and staff provide the continuity and stability that Sarawak Energy relies on in order to move forward with confidence and for that, I am grateful.

BUMIPUTERA PARTICIPATION PILOT PROJECT

Throughout 2016, we continued to support the Sarawak State Government's initiative to develop Bumiputera entrepreneurs. Our Bumiputera Participation Pilot Project initiative aims to increase the amount of tender works to Bumiputera companies.

In 2016, we allocated nine pilot projects from capital works, distribution and research and development worth RM38 million for the development of Bumiputera companies.

This year, we also held dialogue sessions with Bumiputera contractors and Dewan Usahawan Bumiputera (DUBS) to understand their issues and concerns.

Compared to 2015, this year we saw a 28% increase in the number of tenders awarded to Bumiputera companies - a reflection of more active Bumiputera participation in Sarawak Energy's procurement and contracts.

AWARDS AND RECOGNITION

This year, Sarawak Energy was a recipient of several accolades to acknowledge our delivery of excellence in all aspects of our operations. Our recognitions include Most Sustainable Brand 2015-2016 and Transformational Corporate Leader Brand Icon Leadership at the 2016 BrandLaureate Awards in Kuala Lumpur; Asia Pacific Entrepreneurship Award for the Energy Sector at Enterprise Asia; CSR Excellence Award at the Sin Chew Business Excellence Awards and Excellence in Provision of Literacy and Education Award at the 8th Annual Global CSR Summit and Awards.

OUR COMMITMENT TO TRANSPARENCY

The way we are perceived by all our stakeholders is very important to Sarawak Energy.

As a non-listed public entity, Sarawak Energy is not bound by the Securities Commission's regulated disclosure requirements, and we therefore present transparency out of our own conviction that all our stakeholders need access to comprehensive information on our operations in order to fully understand our activities.

PROSPECTS FOR 2017

Sarawak Energy enters 2017 with a proven track record of delivering on our promises. As we address the future challenges of the industry and the broader economic environment, we will remain true to the principles that sustain our success – courage, unity, respect, integrity and accountability and we will further cement our reputation as a company that the state and the region can rely upon to provide clean and sustainable energy for all the communities of this unique and diverse state.

THANKS AND ACKNOWLEDGEMENTS

On behalf of Sarawak Energy, I would like to thank all our shareholders, customers and business partners for their continued long-term support throughout this year as well as our employees for their hard work and their commitment and dedication to Sarawak Energy.

Once again, I would like to express my heartfelt gratitude to the Chief Minister of Sarawak, Tan Sri Datuk Patinggi Haji Adenan Satem, for his strong support and leadership and vision of an even greater Sarawak.

DATUK AMAR ABDUL HAMED SEPAWI
Chairman

GROUP CEO'S MESSAGE

This is my first message as Group Chief Executive Officer of Sarawak Energy, a role I assumed in November 2016. I am honoured to lead Sarawak Energy into the future as it continues to make a vital contribution to the socioeconomic development of Sarawak and the region.

Sharbini Suhaili
Group Chief Executive Officer

GROUP CEO'S MESSAGE

Murum HEP demonstrates our ability to deliver a world class project in terms of technical and sustainability aspects, and is important in transforming the economy and the lives of local communities who now have access to better education, healthcare, power and water supply.

A YEAR OF GROWTH IN FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016, Sarawak Energy recorded revenue of RM4.154 billion, compared to RM3.022 billion in the previous year, representing 37.4% year-on-year growth. This was the first time in the Company's history that revenue exceeded the RM4 billion mark.

The strong revenue growth was mainly driven by: rising electricity sales from existing SCORE customers amid an improvement in the global commodity market; two of our SCORE customers commencing operations and ramping-up production; and a new source of revenue from the export of electricity to neighbouring Indonesia, following the commissioning of the transmission line to West Kalimantan in January.

Profit before tax increased to RM752.2 million from RM615.3 million in the previous year. Our profit net of tax was RM545.8 million, versus RM678.6 million last year, mainly due to higher taxation. The Company did not distribute a dividend during the year in order to retain the year's earnings for future capital expenditure.

Looking ahead, we expect revenue growth to be strong, driven by continued demand for electricity from SCORE and export customers. We foresee that the Company's strength in hydropower generation, transmission and distribution will contribute to the expansion of our operating margin and increased earnings. Sarawak Energy will continue to manage our financial resources to ensure that projects are delivered as planned to support the State's SCORE agenda and future organic growth.

GROWING SUSTAINABLE ENERGY GENERATION CAPACITY – OPERATIONS AND PROJECTS

The year will be remembered for the official opening of the Murum Hydroelectric Project (HEP), located in the Belaga District, Kapit Division.

It took a team of 2,500 people to complete the RM4.1 billion megastructure which enables us to produce 944MW of power. Murum HEP demonstrates our ability to deliver a world class project in terms of technical and sustainability aspects, and is important in transforming the economy and the lives of local communities who now have access to better education, healthcare, power and water supply.

We began construction of the 2 x 300MW Balingian Coal-Fired Power Plant this year – a project that will utilise local resources of coal as the energy source. Located near Balingian River, the plant is expected to be ready for commercial operations in 2018.

We have also secured endorsement from the State Government to go ahead with the Baleh Hydroelectric Project. Baleh will be Sarawak Energy's biggest hydropower development project and once completed in 2025, will add a further 1,285MW of renewable electricity to the State Grid.

We are confident that our new hydropower projects will be as successful as Batang Ai, Sarawak's first hydroelectric plant, which in 2015 celebrated its 30th anniversary.

The reservoir of Murum HEP

20-year gas sales agreement signed with PETRONAS

REVENUE

RM**4.154** BILLION

PROFIT BEFORE TAX

RM**752.2** MILLION

PROFIT NET OF TAX

RM**545.8** MILLION

We also continued to develop our RM2.7 billion 500kV transmission line which will relay power from the major generation plants in the north of Sarawak to customers in the state's more densely populated southern region. This major state infrastructure project will act as a second transmission backbone to the current 275kV transmission grid for better reliability of our power system.

In April, we signed a new 20-year gas sales agreement (GSA) with PETRONAS for the supply of 100 mmscfd of natural gas to our gas-fired power plant in Bintulu. The new GSA is part of the overall commitment from PETRONAS to supply Sarawak Energy with 250 mmscfd of natural gas for Sarawak's power sector.

BUSINESS DEVELOPMENT – THE FIRST STEP IN OUR REGIONAL FOOTPRINT

Throughout 2016, we continued our march towards becoming a regional powerhouse in ASEAN. At the beginning of the year, we began to export power to West Kalimantan in Indonesia and in April, signed a letter of intent with the Northern Province of Kalimantan to collaborate on power generation projects to enhance the region's power supply infrastructure. We also plan to work with Brunei and Sabah on more interconnection projects to advance the Borneo Grid.

PEOPLE – OUR GREATEST ASSET

After seven years at the helm of Sarawak Energy, Datuk Torstein Dale Sjøtveit left us at the end of October to return to his home country of Norway. In that time, Datuk Torstein fast-tracked Sarawak Energy into a modern and agile utility which plays a central role in Sarawak's development.

As Sarawak Energy continues to meet the evolving demands of a forward-thinking organisation, we made changes to our structure. Our organisational development gives room for growth at every level and provides flexibility to realise our future strategies.

We now have three primary wholly-owned subsidiaries. SEB Power Sdn Bhd owns and operates our coal, gas and hydropower generation assets; Syarikat SESCO Berhad continues to transmit, distribute and retail electricity; and Sarawak Energy Resources Sdn Bhd consolidates our upstream coal resource activities.

We also made changes to our management team.

LU YEW HUNG
is appointed Group Chief Operating Officer and brings crucial continuity and operational direction to our leadership.

LAU KIM SWEE
becomes Chief Executive Officer of SESCO.

JAMES UNG
assumes the role of Executive Vice President of SEB Power.

DAVID LAWRENCE
is appointed Chief Operating Officer of Sarawak Energy Resources.

GROUP CEO'S MESSAGE

COMMITMENT TO HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment has always been a priority at Sarawak Energy and I will continue to pursue excellence in this area. We owe it to our people that everyone who works for our Company will be able to go back safely to their family every day. Our slogan is 'Everybody Goes Home Safely' and to keep this priority top of mind amongst our staff, this slogan is now embedded in our email signature.

LEVERAGING ON TECHNOLOGY TO BENEFIT OUR CUSTOMERS – SEB CARES

As we continue to enhance the overall customer experience for all our clients, we are pleased to announce the launch of 'SEB cares', the first mobile app for customers. The app is available in English, Bahasa Malaysia and Mandarin, and makes it easier for customers to interface with Sarawak Energy by providing a one-stop solution via the smart phone. Customers can monitor and pay their bills online and have a platform to report feedback or complaints and receive updates and alerts from us.

MEETING INTERNATIONAL STANDARDS IN SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Our approach to sustainability is founded on a firm conviction that we should preserve and enhance the environment in which we operate and the lifestyle and living standard of the communities we serve. In June, we became a member of the Global Reporting Initiative (GRI) Gold Community, a group of leading international organisations that help shape the future of sustainability. Our inclusion will help us benchmark our sustainability practices and benefit from knowledge sharing and collaboration.

We are proud to have been a sponsor of an initiative to highlight the remarkable skill of mat weaving in Sarawak. More than 400 Orang Ulu women weavers from the Bakun, Murum and Baram communities were awarded the Guinness World Record for weaving the longest woven mat in the world. The rattan mat took five months to weave and measured more than 1,128m. A three-part documentary series entitled 'The Mat Weavers' Tale' was filmed to document their achievement and was premiered at the official opening of the Murum HEP on 26 September 2016.

Sarawak Energy's first mobile app, 'SEB cares' was launched to provide better customer experience

The communities in Baram, Baleh and Murum jointly weaved the world's longest mat

IN CLOSING

I conclude my message by highlighting Datuk Torstein's outstanding leadership of Sarawak Energy over the last seven years. I inherit a company with a reputation for strength and integrity both in our internal organisation and in the external environment in which we operate. I have a responsibility to continue this legacy and with the commitment of our team and our diverse range of stakeholders, I am confident that I can embrace this challenge and deliver sustainable value-driven growth for our Company, the diverse communities of Sarawak and the region.

Sharbini Suhaili
Group CEO

His Excellency, the Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud receives a warm welcome from the local community upon his arrival at the official opening of the Murum Hydroelectric Plant

RAISING FINANCE THROUGH THE SUKUK MUSYARAKAH PROGRAMME

On 25 April 2016, the Company successfully raised RM1.5 billion through private placement in our fifth issuance of Sarawak Energy's RM15 billion Sukuk Musyarakah Programme. The issuance included two tranches carrying maturities of 15 and 20 years. The proceeds are dedicated to the construction of the Balingian Coal-Fired Power Plant which is currently in progress.

The Company paid RM500 million upon redemption of a tranche that matured on 23 June 2016 for the Sukuk Musyarakah Programme.

As at 31 December 2016, the total outstanding amount from the Sukuk programme was RM9.5 billion.

The Principal Advisor and Lead Arranger of the programme is RHB Investment Bank Berhad. The Joint Lead Managers for the programme are RHB Investment Bank Berhad, AmInvestment Bank Berhad and Kenanga Investment Bank Berhad, joined by CIMB Investment Bank Berhad and Maybank Investment Bank Berhad which were appointed on 24 and 29 June respectively.

On 26 August 2016, RAM Ratings reaffirmed the AA1 rating with a stable outlook for the Sukuk Musyarakah Programme.

THERMAL GENERATION

At the end of 2016, the total installed capacity within the Thermal Department stands at around 1,200MW with five major power stations and 11 stand-alone rural diesel and mini hydropower stations.

The Project Execution Department continues to focus on preparing for new major thermal generation projects planned for the near term, such as the 2 x 300MW Balingian Coal-Fired Power Plant.

HYDROPOWER

In the hydropower arena, our key achievement in 2016 was the official opening of the Murum HEP which adds a further 944MW of power and joins the 2,400MW provided by the Bakun HEP and the 108MW supplied by the Batang Ai HEP.

Murum HEP is the first state hydropower development project constructed under SCORE to meet the demand for bulk energy at globally competitive prices and demonstrates our ability to deliver a world class hydropower project.

In September, we also received endorsement from the State Government to proceed with the Baleh Hydroelectric Project. Targeted for completion in 2025, this project will be Sarawak Energy's biggest hydropower development project and one of the largest infrastructure projects in Sarawak. It will add 1,285MW of renewable energy to the State Grid.

'SEB cares' mobile app

Distribution & Transmission System Average Interruption Duration Index (SAIDI)

DISTRIBUTION SAIDI

125 minutes in 2016

TRANSMISSION SAIDI

117 minutes in 2016

OVERALL SAIDI

242 minutes in 2016

DISTRIBUTION SYSTEM

Sarawak Energy continually upgrades our distribution system, spending some RM300 million each year, of which RM250 million is used to build distribution substations and lines to upgrade heavily loaded transformers and overhead lines and RM50 million is spent each year on basic substation and overhead lines maintenance, including vegetation clearing.

Throughout 2016, we continued to improve the reliability of supply in our distribution network. From 2015 to 2016, we managed to bring down our distribution SAIDI figure by 12.7% and we will continue to improve this figure in the year ahead.

Sarawak Energy continually seeks new ways of incorporating technology into our operations to enhance customer satisfaction.

In 2016, the Mobile Field Force Automation system was rolled out in three phases in Kuching, Sibu. Its purpose is to monitor and track the response time to technical field areas in attending to customer complaints related to power interruption and malfunctioning of street lighting.

RETAIL

Throughout the year, Sarawak Energy continued our efforts to provide customers with the best experience.

The introduction of 'SEB cares', the first mobile app for customers, enhances the overall customer experience by providing them with easy access to information through their mobile devices. Customers can now monitor their electricity bills and usage; report electrical faults; receive real-time alerts on power disruptions and send in their feedback.

We are also pleased to report that efforts to improve our service quality are reflected in our Customer Satisfaction Index.

CUSTOMER SATISFACTION INDEX 77.42% IN 2016 COMPARED TO 77.29% IN 2015

Murum Junction Substation

MCIEA AWARD FOR MURUM JUNCTION TRANSMISSION SUBSTATION

In September, Sarawak Energy's Murum Junction 275/33kV Substation was awarded the Best Project for Medium (Infrastructure) Category for projects costing between RM20 million to RM100 million at the 16th Malaysian Construction Industry Excellence Awards (MCIEA) in Kuala Lumpur. Organised by the Construction Industry Development Board (CIDB), the event recognises best in class achievements of Malaysian construction industry players.

In the Best Project category, the award recognises clients, consultants, contractors and construction managers who demonstrate excellence in project implementation. The evaluation is based on the project's concept, design and planning and construction. The Murum Junction Substation is designed to integrate the Murum HEP into the Sarawak main grid. Located 160km away from Bintulu, it provides 275kV interconnection to the Bakun and Murum HEPs.

RM1 BILLION GAS TURBINE CONTRACT FOR BINTULU WITH GENERAL ELECTRIC AND SINOHYDRO

In October, Sarawak Energy signed an agreement for the construction of the 400MW Combined Cycle Gas Turbine (CCGT) Block at Tanjung Kidurong, Bintulu with General Electric and Sinohydro. Expected to cost in the region of RM1 billion, the project began at the end of the year and should be completed by the middle of 2019. New advanced gas turbine technology and more efficient combined cycle gas turbines will replace the existing open cycle turbines at the Tanjung Kidurong Power Station in Bintulu. The new CCGT Block will be built within the existing Tanjung Kidurong (Bintulu) Power Station.

General Electric will be the Engineering, Procurement and Construction (EPC) contractor with consortium partner Sinohydro, China's leading power and infrastructure EPC contractor. This contract is the main package for the project, out of six packages. The remaining packages are open to local contractors as part of Sarawak Energy's continued commitment to maximise local participation and content in all our contracts.

At the same time, Sarawak Energy signed an agreement to key terms for the proposed Long Term Service Agreement (LTSA) to provide operation and maintenance services (O&M) and support for the power plant over an eight-year term. The LTSA includes training of O&M personnel, supply of major spares and setting up a Computerised Maintenance Management System (CMMS).

ADDRESSING POWER THEFT

In 2016, Sarawak Energy continued our fight against power theft in partnership with the regulator, Electrical Inspectorate Unit of the Ministry of Public Utilities, and the State Police, with contribution from the public in helping us to achieve a significant reduction in loss attributable to the crime.

In 2016, we reduced the revenue loss due to power theft to RM24 million from a peak of RM140 million in 2010. We were able to further reduce our non-technical losses from 7.73% to 1.03%, or RM140 million of annual revenue loss. Since 2010, when we began our campaign to address power theft, we have saved a total of RM117 million.

The number of tampering cases was lower in 2016, a clear indication of continued success.

SUSTAINABILITY

Support for indigenous project-affected communities remains central to our development considerations. For the second year, Sarawak Energy contributed RM200,000 to the Bakun Charitable Trust, an education fund which seeks to lift the level of education of the Penan communities. The newly-launched Literacy for Social Inclusion Programme gives additional help to primary school children in the Murum Resettlement area.

Datuk Torstein Dole Sjøtveit exchanging documents with Liu Wei, Executive Vice Pesident of Sinohydro Corporation Ltd while others look on

CASE
STUDY

RELIABLE POWER TO GROW

As a key driver of Sarawak's industrialisation and community growth and a company that strives to become the powerhouse of the region, Sarawak Energy is vigilant in fulfilling its responsibility to provide a reliable supply of electricity.

If outages occur, technical experts ensure power is restored within the shortest possible time safely.

Thank You

A Challenging Task

In Appreciation

Thank you to all involved including the Sarawak Rivers Board for the safe execution of this work and to our valued customers for your continued support.

Power to Grow

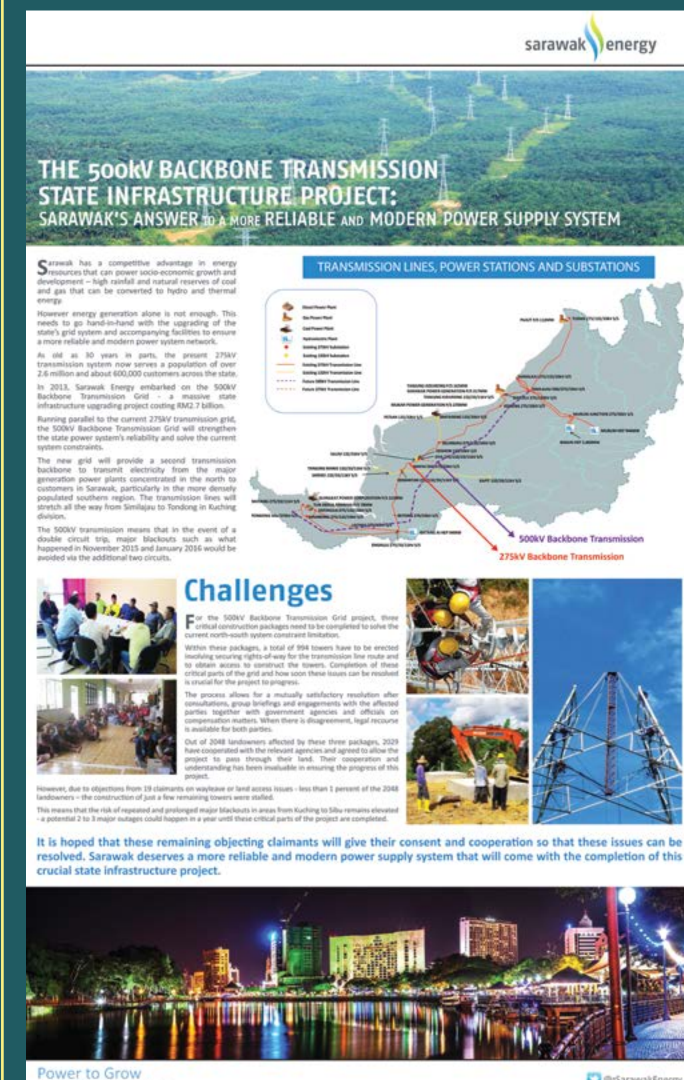
This expertise was highlighted in January when a passing barge with an unlowered crane boom damaged the Kemena-Selangau 275kV transmission line, despite signage, causing both lines to trip and resulting in a major power outage. Through quick action, a prolonged outage was averted, power was restored within two hours and crucial and technically challenging repair work was completed by the following week.

The repair process consisted of a comprehensive job analysis followed by the mobilisation of almost 50 technical and safety specialists from Sarawak Energy and line contractor Larico Infrastructure Sdn Bhd. To repair the cable, 20 technical specialists cut and replaced the broken strands with preformed armour rods. By 12.45pm, the repair work was completed, four hours ahead of target.

KEMENA-SELANGAU 275KV TRANSMISSION LINE

Sarawak Energy would like to thank everyone who contributed directly and indirectly to the tremendous effort and especially to the valued customers for their support.

To heighten the public's understanding of Sarawak Energy's role and its commitment to operational and customer excellence, from February to May 2016, the Company launched a series of advertorials as part of a media campaign, with themes focusing on Power to Grow, Energy for Sarawak, Lighting up Communities and Powering Community Growth. The advertorials were published in three languages across media and digital platforms.



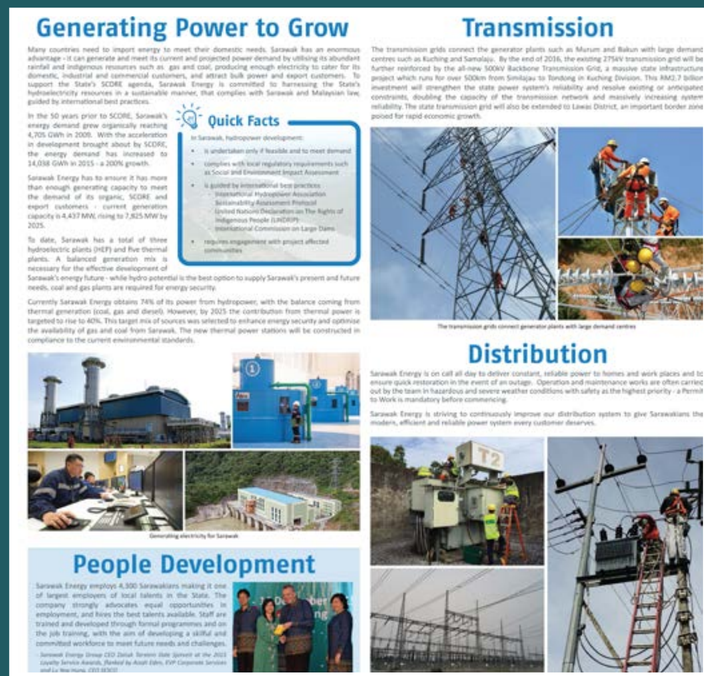
ALTERNATIVE ENERGY FOR SARAWAK
Lighting up off-grid communities

In arriving at innovative solutions for off-grid challenges, the ultimate goal is to ensure that everyone in Sarawak – however remote – has access to constant 24-hour renewable electricity supply.

Rural Electrification Programmes

Case Study

Power to Grow
www.sarawakenergy.com.my



Generating Power to Grow

Many countries need to import energy to meet their domestic needs. Sarawak has an enormous advantage - it can generate and meet its current and projected power demand by utilising its abundant rainfall and indigenous resources such as gas and coal, producing enough electricity to cater for its domestic, industrial and commercial customers, and attract bulk power and export customers. To support the State's SCORE agenda, Sarawak Energy is committed to harnessing the State's hydroelectricity resources in a sustainable manner, that complies with Sarawak and Malaysian law, guided by international best practices.

In the 50 years prior to SCORE, Sarawak's energy demand grew organically reaching 4,705 GWh in 2009. With the acceleration in development brought about by SCORE, the energy demand has increased to 14,038 GWh in 2015 - a 200% growth.

Sarawak Energy has to ensure it has more than enough generating capacity to meet the demand of its organic, SCORE and export customers - current generation capacity is 4,437 MW, rising to 7,825 MW by 2025.

To date, Sarawak has a total of three hydroelectric plants (HEP) and five thermal plants. A balanced generation mix is necessary for the effective development of Sarawak's energy future - while hydro potential is the best option to supply Sarawak's present and future needs, coal and gas plants are required for energy security.

Quick Facts

In Sarawak, hydropower development:

- is undertaken only if feasible and to meet demand
- complies with local regulatory requirements such as Social and Environment Impact Assessment
- is guided by international best practices:
  - International Hydropower Association Sustainability Assessment Protocol
  - United Nations Declaration on The Rights of Indigenous People (UNDRIP)
  - International Commission on Large Dams
- requires engagement with project affected communities

Currently Sarawak Energy obtains 74% of its power from hydropower, with the balance coming from thermal generation (coal, gas and diesel). However, by 2025 the contribution from thermal power is targeted to rise to 40%. This target mix of sources was selected to enhance energy security and optimise the availability of gas and coal from Sarawak. The new thermal power stations will be constructed in compliance to the current environmental standards.

Generating electricity for Sarawak

People Development

Sarawak Energy employs 4,300 Sarawakians making it one of largest employers of local talents in the State. The company strongly advocates equal opportunities in employment, and hires the best talents available. Staff are trained and developed through formal programmes and on the job training, with the aim of developing a skillful and committed workforce to meet future needs and challenges.

Transmission

The transmission grids connect the generator plants such as Murum and Bakun with large demand centres such as Kuching and Samalaju. By the end of 2016, the existing 275kV transmission grid will be further reinforced by the all-new 500kV Backbone Transmission Grid, a massive state infrastructure project which runs for over 500km from Similajau to Tondong in Kuching Division. This RM2.7 billion investment will strengthen the state power system's reliability and resolve existing or anticipated constraints, doubling the capacity of the transmission network and massively increasing system reliability. The state transmission grid will also be extended to Lawas District, an important border zone poised for rapid economic growth.

The transmission grids connect generator plants with large demand centres

Distribution

Sarawak Energy is on call all day to deliver constant, reliable power to homes and work places and to ensure quick restoration in the event of an outage. Operation and maintenance works are often carried out by the team in hazardous and severe weather conditions with safety as the highest priority - a Permit to Work is mandatory before commencing.

Sarawak Energy is striving to continuously improve our distribution system to give Sarawakians the modern, efficient and reliable power system every customer deserves.

Points Scored

Hydropower generation development, complemented by thermal power, has paved the way for Sarawak to practise a balanced and sustainable form of development in pursuing industrialisation to achieve the state's target of developed status by 2030.

The **benefits** are already accruing:

- Domestic, commercial and industrial consumers in Sarawak enjoy the lowest tariffs in Malaysia
- SCORE and export customers have signed up for a committed demand of 3,000 MW bringing in direct and indirect jobs and commercial opportunities
- Investments inflow, new industries and businesses, transfer of expertise and knowledge - early investors have generated more than 20,000 construction and related jobs, with the second wave of SCORE development expected to create employment opportunities for professionals and skilled workers, and entrepreneurs
- Fossil fuel dependence has reduced - carbon intensity has come down by 58.7% since 2009

Transformational Development Domino Effects

SCORE is expected to spur economic development in rural and urban areas to improve the living standards of every Sarawakian.

The quest for Sarawak's development has its own particular challenges. As big as the whole of Peninsular Malaysia, a significant portion of the rural population live in villages located along Sarawak's rivers and highlands and are quite often accessible only by four-wheel drive or several days by boat from the nearest township.

Generation projects under SCORE are already bridging the urban and rural development divide.

The Murum project, Sarawak Energy's largest construction by far, incorporated a transmission line, township and major access road. Tegulang Resettlement now enjoys 24 hour electricity powered by Murum HEP's environmental power station. Corporate Social Responsibility projects to elevate literacy levels and provide livelihood opportunities are ongoing.

In Batang Ai and Bakun, infrastructure like roads and utilities has spurred further economic activities including lakeside tourism. There is holistic community development with better healthcare, education, entrepreneurship as well as the preservation of culture and heritage.

Generation projects are being built in Sarawak's challenging interior to secure a prosperous future for the next generation of Sarawakians, creating opportunities so they don't have to leave Sarawak to work.

At the same time, our rural communities are also benefiting as employment opportunities outside of urban centres are created so that longhouses and villages remain vibrant heartlands.

The State Government, through Sarawak Energy is lighting up communities throughout the state.

sarawak energy

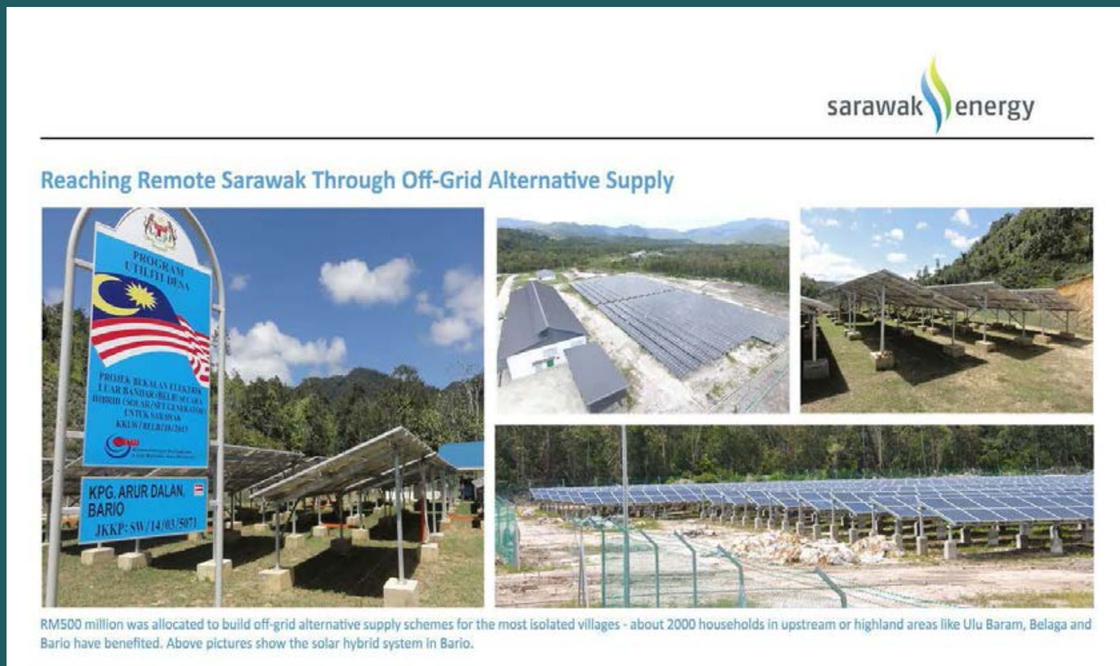
sarawak energy

Reaching Remote Sarawak Through Off-Grid Alternative Supply

Quick Facts – Rural Electrification Scheme (RES)

Assisted Wiring Scheme (AWS)

The State Government's mission is to ensure communities are connected to constant 24 hour electricity.



sarawak energy

Reaching Remote Sarawak Through Off-Grid Alternative Supply

RM500 million was allocated to build off-grid alternative supply schemes for the most isolated villages - about 2000 households in upstream or highland areas like Ulu Baram, Belaga and Bario have benefited. Above pictures show the solar hybrid system in Bario.

With proactive communication, Sarawak Energy developed content and key messages and identified the media platforms for the campaign. To ensure stakeholder concerns were taken on board, the Company worked closely with the Electrical Inspectorate Unit under the purview of the Ministry of Public Utilities.

For better impact in the digital sphere, the advertorials were uploaded to Sarawak Energy's corporate website to facilitate search engine optimisation and further amplified through social media platforms Facebook and Twitter. Internally, the advertorials were shared through the intranet portal and weekly newsletters to staff.

The advertorial campaign created better informed stakeholders and also helped Sarawak Energy turn challenges into opportunities. For instance, the state-wide outage which was caused by wayleave issues was communicated to the public through this campaign leading to better understanding of the issue.

ELECTRIFYING RURAL SARAWAK
Lighting up our communities

Approximately half of Sarawak's population is rural based, living in townships, bazaars, villages and longhouses spread across the state's vast geographical landscape, winding rivers, dense rainforests and rugged terrain. The State Government's mission is to ensure that these rural communities – from villages located within minutes of town to the most remote and inaccessible upriver communities – are connected to constant 24 hour electricity supply.

Strategising for Full Rural Electrification Coverage

There is an urgency to ensure that the life of every boy and girl growing up in rural Sarawak is illuminated for a better tomorrow through 24-hour electricity supply.

The State Government looks forward to bringing electricity and lighting up all rural communities as part of its commitment to the people of Sarawak.

Power to Grow

http://www.sarawakenergy.com.my

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

As Sarawak Energy accelerates its transformation into a modern, forward-thinking and agile company, the abilities of its human capital become increasingly vital. More than 630,000 customers across the state rely on the people of Sarawak Energy to provide a customer-focused premier service characterised by in-depth technical knowledge and strong leadership and people skills.

To achieve and sustain performance excellence, Sarawak Energy has a culture of respect and opportunity for competency development and career progression. Training and development courses, leadership conferences, competitive remuneration and benefits, scholarship programmes and collaborations with Sarawak's educational institutions help to make Sarawak Energy a top employer that attracts and retains talented and ambitious people able to take the Company to its next stage of expansion.

HR STATISTICS

As of 31 Dec 2016

FEMALE	MALE
952 (21%)	3,516 (79%)

TECHNICAL	NON-TECHINICAL
2,864 (64%)	1,604 (36%)

AGE 35 & BELOW	ABOVE 35 YEARS
2,543 (57%)	1,925 (43%)

TOTAL
4,468

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Human capital is Sarawak Energy's most crucial resource and the Company recruits and develops its people for deployment across the state and beyond to serve its 630,000 customers well and support the State's development agenda.

Its transformation journey requires a strong and skilled workforce, developed by strengthening the competency level of its employees and building up the capability of its human resource professionals, in turn widening the pool of skilled manpower in the state.

People & Leadership Development's 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;
- to ensure that the organisation has the right capability for current and future businesses; and
- to build a style of leadership and a culture that inspires optimism, enthusiasm, hard work and open communication.

At the Change Agent Convention 2016

CHANGE AGENT NETWORK

Sarawak Energy has a Change Agent network which was formed in 2014. These Change Agents, appointed from various departments across the organisation, work to ensure that the core values of the Company are embedded amongst the people, to improve culture.

A Change Agent handbook was launched in October 2016 as guidance for Change Agents on how to continuously play their roles. Amongst the tasks this year was to recommend and implement work process improvements in their respective work areas. To facilitate and provide guidance to the Change Agents, nine work process improvement workshops were conducted in 2016 and this effort will continue in the following years.

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

RAISING AWARENESS ON INTEGRITY

Integrity at the workplace is crucial for a healthy working environment and is one of Sarawak Energy's five core values which are Courage, Unity, Responsibility, Integrity and Unity.

In ongoing initiatives to embed integrity amongst Sarawak Energy staff, the corporate integrity pledge was introduced during the Sarawak Energy Leadership Conference on 18 February 2016 with the objective to nurture a working environment that is free from corruption, and to ensure that staff have high ethical standards.

On 16 February 2016, Mohamad Ariff Azahari, a professional speaker, trainer and life coach, delivered an educational talk on integrity at Menara Sarawak Energy. The interactive presentation clearly outlined integrity as one of the spiritual intelligence elements essential for the workforce of today.

HR IN THE BUSINESS

A significant human resources initiative that was implemented this year was the introduction of HR business partners, essentially new portfolios created to bridge HR at the Company level and the business units.

Amongst the tasks of the HR business partners are:

- building capability in the business;
- facilitating employee engagement through effective communication of HR policies, procedures, guidelines, processes and systems;
- ensuring efficient and effective implementation of HR policies, procedures, guidelines, processes and systems;
- ensuring the right person is in the right job and at the right time;
- motivating and retaining employees through effective performance management and development opportunities; and
- resourcing the business by executing workforce demand and supply planning, recruitment and internal resourcing.

Launch of the corporate integrity pledge at the Leadership Conference themed 'Integrity: The choice between what's convenient and what's right'

Sarawak Energy considers people to be the greatest asset and continuously improves its structure to ensure that human resources at the functional level is always conducive for the overall business.

PROMOTING UNITY IN THE WORKPLACE

- In February, a lion dance performance was held at Menara Sarawak Energy, as staff across all levels celebrate the auspicious Chinese New Year in the spirit of diversity and inclusion.

- In June, Sarawak Energy held an annual Gawai Dayak celebration which brings together staff and family members for an evening of traditional dance and fare. Organised by Sarawak Energy's Sports Club, this year's Bidayuh-themed night brought together more than 300 staff and family.

- In June, the Sarawak Energy Family Day took place at the Damai Beach Resort in Kuching. The annual event brings together families for a day full of fun activities and fare and is a token of appreciation for all the hard work Sarawak Energy's staff and families have committed over the year.

- In July, Sarawak Energy held a Majlis Ramah Tamah in conjunction with Hari Raya Aidilfitri, celebrating employee diversity and fostering staff unity. More than 1,000 Sarawak Energy staff attended and guests were entertained by the Gendang Melayu Lama group and treated to traditional raya fare.

- In December, the Salvation Army Children's Home performed a Christmas carols at Menara Sarawak Energy, and staff were serenaded by classic Christmas melodies.

LEADERSHIP CONFERENCE

In August, the Sarawak Energy Leadership Conference took place at the Borneo Convention Centre in Kuching. Held twice a year, the event is a platform for conference delegates to be updated by the Group Chief Executive Officer on the latest corporate events. Themed 'Changes Bring Opportunities', this was Sarawak Energy's 13th Leadership Conference.

Datuk Torstein Dale Sjøtveit delivering his final speech as the Group CEO of Sarawak Energy

Event highlights included sharing sessions from the Thermal Operational Excellence team, the Sri Aman Distribution team, Business Development, Rural Electrification, Corporate Social Responsibility, People and Leadership Development as well as the popular 'Ask the CEO' session.

LOYALTY AWARDS

In December, the 2016 Sarawak Energy Loyalty Awards took place in Kuching, Sibu and Miri at which Sarawak Energy paid tribute to 387 long-serving staff who reached milestone years of 10, 20, 25, 30, 35 and 40 years of service with the Company.

TOWNHALL FAREWELL AND GREETING SESSION

The last day of October marked the end of Datuk Torstein Dale Sjøtveit's tenure as Group Chief Executive Officer of Sarawak Energy. To commemorate the occasion, Datuk Torstein held an appreciation farewell townhall session with members of Sarawak Energy's management and staff. Four members of the Group Executive Committee took part in the dialogue session during which they highlighted Datuk Torstein's commitment and achievements over his seven years at the helm of Sarawak Energy. At the event, Datuk Torstein also welcomed his successor, Sharbini Suhaili, and wished him the very best in his new role.

FIRST DAY FOR NEW GROUP CHIEF EXECUTIVE OFFICER

On 1 November, Sharbini Suhaili clocked in for his first day as Sarawak Energy's new Group Chief Executive Officer and received a very warm reception from management and staff as he arrived at Menara Sarawak Energy.

Lu Yew Hung sharing his thoughts on serving with Datuk Torstein

Sharbini clocking in for his first day

HEALTH, SAFETY AND ENVIRONMENT

OUR GOALS

Achieve zero lost time injury (LTI); achieve zero property damage;
enhance operational/work discipline; and preserve and sustain the environment.

STRATEGIES

- Promote a culture that places HSE as top priority.
- Promote a culture in which HSE is everyone's responsibility.
- Address all HSE issues in a systematic manner.
- Craft goals and incentives to enhance HSE performance.
- Measure HSE performance and develop strategies to improve the performance.
- Ensure contractors manage their HSE programme in line with the Company.
- Comply with the relevant laws governing HSE.

CHALLENGES (CONSTRAINTS AND LIMITATIONS)

- Bringing change to the existing HSE practices and mentality.
- Overcoming staff reluctance to adopt new safety initiatives.
- Embedding pro-active safety culture in all operational areas.
- Managing contractors who fall short in HSE practices.
- Limited safety personnel, especially within the electrical and project teams.
- Raising public awareness of safety issues, example via radio within limited resources.

OUTCOME

Accident Statistics 2012-2016

	2012	2013	2014	2015	2016
Total Distribution and Thermal	27	21	27	21	13
Total Sarawak Energy	37	34	30	32	23

- Accident statistics can be used to measure the effectiveness of the Company's programme and its promotional activities.
- Sarawak Energy's main focus is to establish a proactive safety culture via safety leadership, the right processes and tools, and developing the competency of its workforce.

HEALTH, SAFETY AND ENVIRONMENT

THE CULTURE OF HSE

Caring for Health, Safety and the Environment (HSE) is crucial to sustain Sarawak Energy's business and it is our collective responsibility to make sure that everyone is safe when working for the Company.

Sarawak Energy works with like-minded and safety-focused organisations and agencies, including Department of Safety and Health (DOSH), Department of Environment (DOE), Natural Resource and Environment Board (NREB) and the Fire and Rescue Department (BOMBA). Sarawak Energy is currently working on three major improvement areas for HSE.

- In the field of contract management, the Company will review its HSE requirements in its tender documents such as the availability and enforcement of safety policy, the emphasis on safety throughout the contract period, the proper implementation of the Safety Passport and safety KPIs or indicators for contractors.
- In the field of behavioural change, the Company will continue to educate its staff and contractors through effective safety briefings, the use of dual languages in its communication and more engagements via town halls or forums.
- The Company will also work to improve its processes by reviewing the availability of authorised and competent persons; enforcing the Lockout-tagout (LOTO) system by standardising locks and keys, securing the circulation of keys and preventing duplication as well as closely monitoring the issuance of Electronic Permit to Work and Pre-Startup Safety Review.

HSE WEEK

In November, Sarawak Energy held its annual HSE Week which aims to raise awareness amongst employees and external contractors of the importance of the Company's HSE values.

The HSE Week 2016 was themed 'Raising Standards, Saving Lives, Nurturing Culture' and consisted of a comprehensive programme of educational talks, an exhibition and a blood donation drive.

Participants of the Sarawak Energy HSE Week 2016

Lu Yew Hung, Group Chief Operating Officer, launching the Sarawak Energy HSE Week 2016

NEW HEALTH AND SAFETY SLOGAN

In November, Sarawak Energy adopted a new slogan

'EVERYBODY GOES HOME SAFELY'

To further raise awareness and to serve as a reminder to all staff, the slogan is now embedded in Sarawak Energy's email signature.

HEALTH, SAFETY AND ENVIRONMENT

Sarawak Energy and NIOSH signing the memorandum of understanding for the Safety Passport Programme

SAFETY PASSPORT PROGRAMME

In August, Sarawak Energy and the National Institute of Occupational Safety and Health (NIOSH) signed a memorandum of understanding to introduce a Safety Passport Programme to promote work safety amongst its contractors. The initiative is part of a suite of programmes to build up the safety culture of Sarawak Energy's contractors to complement the Company's corporate policies, procedures and processes already in place. The Safety Passport training programme specifically targets contractor staff to ensure they receive competency and authorisation certification on two levels. Level one is mainly for new contractors and Level two is a refresher course for current contractors. Safety modules include 'Best Practices at the Workplace', 'Hazards and Risk Control' and 'Preventive and Protective Measures'.

OTHER HEALTH AND SAFETY INITIATIVES

Sarawak Energy's other initiatives on safety include:

- **HSE Orientation Programme** which features a range of safety aspects important in daily operations.
- **Community outreach safety programmes** conducted in collaboration with the Fire Department.
- **Publicity campaigns** through printed media, radio campaigns, exhibitions, distribution of leaflets to raise awareness on electrical safety hazards.
- **Safety awareness** talks at schools to educate the public on the danger of activities near electrical infrastructure.

CONFERENCE AND EXHIBITION ON OCCUPATIONAL HEALTH AND SAFETY

The 19th Conference and Exhibition on Occupational Safety and Health (COSH) took place from 21 to 23 August and welcomed 24 participants from Sarawak Energy. The event was themed 'Bridging the OSH Gap through a Prevention Culture'.

In his opening speech, YB Dato' Sri Haji Ismail Bin Haji Abdul Muttalib, Malaysia's Deputy Minister of Human Resources, highlighted the need for employers and employees to close the OSH gap through information, education and training to enable them to understand how best to protect themselves.

LOCKOUT TAG OUT SEMINAR

In August, a one-day seminar was conducted in Puchong to teach participants how to set-up and improve the LOTO system in their workplaces and to brief them on new developments in the ANSI standard. The seminar was jointly organised by Master Lock and 2SAFE Industrial Supply Sdn Bhd and was attended by six participants from Sarawak Energy.

SRIBIMA MARITIME TRAINING CENTRE SAFETY VISIT

In March, a 19-strong delegation from the OSH Committee of Sarawak Energy Limbang visited Sribima Maritime Training Centre (SMTC) in Miri to enhance their understanding of the safety requirements and programmes available at SMTC and foster better relations between the two organisations.

VISIT TO TENAGA NASIONAL

In April, a delegation of 13 staff from Sarawak Energy's OSH division paid a visit to Tenaga Nasional Berhad (TNB) to better understand their OSH programme, learn and compare notes on past safety incidents and how to prevent their reoccurrence.

IN-HOUSE SAFETY TRAINING

In May and November, in-house training on the control of chemical spill, procedure and drills took place at Sibu Outstation and Bintulu Regional Office to enhance the emergency response in the event of a chemical spill.

In August, October and December, in-house courses on scheduled waste management provided basic training to staff to ensure that scheduled waste is managed in compliance with the legal requirements set out in the EOSH Policy and the Policy, Procedure and Guideline on Scheduled Waste Management released in July 2015.

PAN BORNEO HIGHWAY SAFETY

In June, members of the Pan Borneo Highway project, DOSH, Electrical Inspectorate Unit (EIU) and Sarawak Energy met to discuss electrical safety awareness and brief the main and sub contractors involved in the Pan Borneo Highway when working near overhead lines and underground cables.

CORPORATE WELLNESS PROGRAMME

Sarawak Energy's Corporate Wellness Programme promotes awareness of good health practices amongst employees.

In 2016, the third programme carried out from August to December saw its introduction to smaller regional offices including Sri Aman, Sarikei, Limbang and Lawas. A total of 200 participants from various working groups volunteered for the programme.

The 2016 Corporate Wellness Programme introduced a new method that saw an intensive face-to-face exercise regime with the trainer through a morning/evening workout for outstation participants. The programme also aimed at a more holistic approach by reintroducing the Mindset Change Programme where participants were required to attend a compulsory one-day course. Overall, the participants' combined total weight loss was 522.6kg and total loss of waistline inches was 395.7. Team Kush from Kuching won the best team.

2016 Corporate Wellness Programme

200
participants

522.6kg
weight loss

395.7
inches waistline loss

Inter-departmental 10-pin bowling tournament

SPORTING EVENTS

In April, a team from the Department of Occupational Health and Safety took part in a badminton friendly against a team from Sarawak Energy's Corporate Risk and HSE Division. The aim of the match was to foster a good working relationship and enhance greater rapport among the Company's stakeholders through sporting activities.

In October, a record-breaking 42 teams from Sarawak Energy took part in an inter-departmental 10-pin bowling tournament in Kuching. The tournament was jointly organised by the Environment Division of Corporate Risk and HSE and Sarawak Energy sports club and was won by SPC Power Rangers.

In conjunction with Menara Sarawak Energy's Health, Safety and Environment Week in October, the Green Run attracted 120 participants from Sarawak Energy keen to embrace a greener and healthier lifestyle. Themed 'Go Green SEB', the 5km run attracted a total of 120 participants.

In September, the Sarawak Energy Badminton Cup tournament, an initiative of the Sarawak Energy Sports Club and supported by the Sarawak Badminton Association, returned at the Sentosa Sports Centre. The event ran for one week and comprised five categories for players of all abilities. Thirteen teams took part in the tournament and participation was open to all Sarawakians, permanent residents of Sarawak and those holding work or study permits in Sarawak. More than RM20,000 in cash prizes was awarded.

In October, members of Sarawak Energy's Sports Club took part in the Gotong Royong Mount Singai programme jointly organised by Sarawak Energy Sports Club and the Association of Research and Development Movement of Singai Sarawak (REDEEMS). Around 300 club members were joined by central committee members of REDEEMS, community leaders, the people of Singai and other volunteers in a drive to promote cleanliness and conserve the Mount Singai area. The group improved the track to the top of Mount Singai with ropes, signboards, directional signs and notices to keep the mountain track clean and preserve the environment.

In the same month, proceeds from the 2015 and 2016 Sarawak Energy Isthmus Run events totaling RM45,000 were disbursed to four organisations. RM20,000 was given to St Teresa's School to help rebuild its main hall which was destroyed in a fire in October; RM15,000 to the Kuching Life Care Society; RM5,000 to Lembaga Kebajikan Anak-Anak Yatim Sarawak and RM5,000 to the Sarawak Breast Cancer Support Group.

HEALTH, SAFETY AND ENVIRONMENT

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 that provide a basis for the protection of the environment.

Sarawak Energy, as an organisation, has a legal and moral duty to comply with the following environmental laws and regulations:

- **Environmental Quality Act 1974**
- **Environmental Quality (Clean Air) Regulations 2014**
- **Environmental Quality (Scheduled Waste) Regulations 2005**
- **Environmental Quality (Industrial Effluent) Regulations 2009**
- **Environmental Quality (Sewage) Regulations 2009**

In compliance with the environmental act and regulations, the Environment Division conducts regular boundary noise monitoring, dark smoke observations, environmental assessments and environmental documentations and maintenance at the rural and urban power stations. The division also coordinates the scheduled waste disposal programme and stack emission monitoring at power stations. These activities are carried out regularly throughout the power stations to ensure compliance on an ongoing basis.

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."

Boundary noise monitoring at the perimeter fencing at Banting, Sri Aman. The allowable noise level for most power stations is 65 dBA at all times

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.

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. 1 (20%) on the Ringelmann Chart.

Dark smoke observation using the Ringelmann Chart at Belaga

The smoke emitted from the generator sets is compared to the different shades on the Ringelmann Chart, which is held or fixed in a position facing the observer. Dark smoke observation for generator sets at the rural and urban power stations is carried out on a yearly basis. In major stations like Bintulu and Kuching Power Stations, this procedure is 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, CO, NO_x, SO_2, SO_3, hydrocarbons and dark smoke observations.

Stack emission monitoring is conducted to meet the following environmental requirements and guidelines:

- **Sijil Kelulusan Bertulis Pemasangan/ Pembinaan Alat Pembakaran Bahanapi dan Cerobong di bawah Peraturan-Peraturan Kualiti Alam Sekeliling (Udara Bersih) 2014.**
- **Standard C, Environmental Quality (Clean Air) Regulations, 2014.**
- **The dust particulate emission standard, 0.40 g/Nm3.**
- **The dark smoke standard, Chart No. 1 of Ringelmann Chart.**

Scheduled Waste Disposal Programme

Scheduled waste is defined as any waste falling within the categories of waste listed in the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations 2005. Under this regulation it is an offence for a waste generator to store scheduled waste for more than 180 days, or waste exceeding 20 tonnes, whichever comes first. The common scheduled waste generated from Sarawak Energy's power generation activities are used lubricating oil, dirty diesel, oily rags, gas condensate, used oil filter and used transformer oil.

The Environment Division assists all stations throughout the state on their scheduled waste management especially on monthly inventory reporting and waste disposal. Since July 2015, a scheduled waste contractor for disposal has been appointed by each station.

Environmental Assessment

The Environment Division conducts yearly environmental assessment of the rural and urban power stations. The objectives of the assessment are:

- To evaluate the station's compliance with the applicable/relevant legal requirements.
- To evaluate the station's capability to achieve the Company's policy objectives.
- To evaluate the station's effective implementation of prevention measures.

The environmental assessment covers the operation, maintenance and general environmental conditions of the station. The 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.

Water Quality Monitoring

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

Sarawak Energy conducts water quality monitoring at Batang Ai and Murum HEP reservoirs. Under the NREB it is a legal requirement to perform water quality monitoring at the reservoirs on a quarterly basis. Unlike natural lakes, man-made reservoirs may have an environmental impact. Modifications to the natural flow of water create barriers to the mobility of water species and can change the composition of species upstream and downstream. The formation of deep reservoirs can also cause thermal stratification which influences the chemical and biological processes in the waters. In addition, changes in the quality of the water retained in the reservoirs will eventually be discharged into the rivers downstream, and may affect the receiving water body.

Water quality monitoring and assessment is therefore important to study the changes in water quality and to mitigate the potential problems related to the quality of the reservoir water. Ultimately, management programmes could be proposed to remediate the environmental impacts of reservoir water quality.

COMMUNITY INITIATIVES

In February, a team from the Environment Division of Corporate Risk and HSE collaborated with Sarawak Forestry Department to organise a three-day Environmental Communication, Education and Public Awareness Programme for school students from SMK Petra Jaya at Matang Wildlife Centre in Kuching. A total of 42 Form Six students and five teachers attended the programme which focused on various environment- related issues, especially related to wetlands conservation initiatives.

The Environment Division of Corporate Risk and HSE and the Department of the Environment organised a Household E-waste Take Back Programme in April at Kampung Panglima Seman Lama in Kuching. The programme attracted more than 200 participants and included activities such as an environmental quiz on E-waste to raise awareness and engage the public in the issue of E-waste disposal.

In August, the Environment Division of Corporate Risk and HSE collaborated with the National Resources and Environment Board (NREB) in an initiative to raise environmental awareness amongst school teachers. The Train the Trainers programme at the Purnama Hotel in Limbang welcomed 74 participants, including staff from Sarawak Energy, the NREB, the Education Ministry and school teachers from various schools in Limbang. Activities included education modules for teachers on how to run the Kelab Pencinta Alam Sekitar at their schools, how to make fertiliser and an environmental talk and quiz on renewable energy.

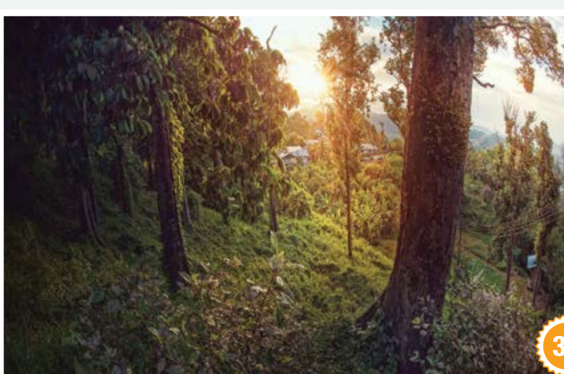
HEALTH, SAFETY AND ENVIRONMENT

A Green Photography Competition was also a feature of the Environment Week. Three winners were selected from the 53 entries.

The competition carried the theme **'Sarawak Energy with Nature'**.

*1st **Place** - Mohammad Firdaus Ibrahim*

*2nd **Place** - Chua Soon Ping*



*3rd **Place** - Ngu Seng Hing*

In October, in collaboration with the Department of Environment, the 'Hari Alam Sekitar Negara 2016' event was staged at Kuching Waterfront. With the theme 'Environment our Shared Responsibility', the event attracted 3,000 participants from Sarawak Energy, environment agencies and schools.

In December, a Train the Trainers programme was held at Taman Negara Similajau in Bintulu and attracted 50 participants from Sarawak Energy, the NREB and school teachers from various schools. The three-day event included environmental education modules, brainstorming sessions, ecological games and jungle trekking.

MANGROVE MONITORING

In November, monitoring of the mangrove planting initiative at Kuching Wetland National Park revealed that the 500 mangrove seedlings planted in October 2015 had grown to an average height of 90cm, with 1cm diameter, four branches and 35 leaf counts. Measuring is carried out every six months.

Mangrove monitoring

BUSINESS CONTINUITY MANAGEMENT

BCM Desktop walk-through Exercise for Menara Sarawak Energy held in May 2016 had more than 100 participants

BCM project kick-off meeting and awareness session in 2015

In August 2015, Sarawak Energy began the implementation of Business Continuity Management (BCM) and throughout 2016 this strategy continued to gain momentum.

BCM is an important element of business and provides a holistic framework for building organisational resilience by enabling an organisation to craft an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

For Sarawak Energy, the main purposes of implementing BCM in its operations are:

- To establish a BCM framework in line with ISO 22301:2013, inclusive of policies, procedures, guidelines, organisational set-up, crisis management plan, incident escalation procedures and an implementation road map.
- To conduct risk assessment and business impact analysis for critical business areas.
- To develop business continuity plans (BCP) for critical business areas.
- To identify and develop recovery strategies and response options.
- To conduct desktop walk-through exercises for identified areas.
- To develop training materials and train Sarawak Energy's employees on crisis and disaster preparedness, response and recovery.

Key Milestones in BCM

The BCM Framework and Crisis Management Plan were approved by the Group Executive Committee on 15 December 2015. It consisted of:

- BCM Policy
- BCM Organisation Structure
- Roles and Responsibilities
- Incident Escalation Procedures
- Code Declaration Criteria

On 21 January 2016, the Group Crisis Management Team (CMT) held its first meeting.

BCPs were developed and signed off for several business areas.

In May 2016, the Command Centre and BCM Secretariat and Corporate Communication Rooms at Menara Sarawak Energy were completed.

Throughout 2016, three Desktop Simulation Exercises were carried out for Menara Sarawak Energy, Sejingkat Power Corporation and the Kuching Regional Office.

Recognition for Sarawak Energy's BCM

Sarawak Energy's BCM initiatives have received recognition at regional level. At the 2016 DRI Regional BCM Conference and Awards of Excellence in Kuala Lumpur, Mervin Kuek, Senior Risk Executive in the Risk Management Division's BCM Unit, won the accolade of Industry Best Newcomer in BCM.

Mervin Kuek receiving the award from Mohd Izzanee Idris – President of DRI Malaysia Committee

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sarawak Energy aims to increase its positive social impact while reducing its environmental footprint. The Company strives to integrate a robust sustainability agenda into the heart of its corporate strategy, in line with the belief that appropriate management of sustainability issues is critical in realising its vision.

Sarawak Energy is the primary producer of electricity in Sarawak to meet the needs of more than 2.6 million people in the state. While ensuring reliable, renewable, affordable and sustainable energy supply to the state, the Company also exports to Kalimantan. With more than 70% of its energy mix from renewable hydro, Sarawak Energy is in a position to lead in the development of renewable and sustainable energy to realise its vision of becoming an ASEAN powerhouse.

SUSTAINABILITY

Sustainability is about meeting the needs of the present and future generations as well as balancing the need for development with environmental protection. It has a unique role in Sarawak Energy's business operations, encompassing environmental, economic and social dimensions under the overall framework of sustainable development.

The Company's various ongoing initiatives on sustainability include the Sarawak Energy Sustainability Report 2016, which is its third since the Company began publishing in 2014 on a purely voluntary basis.

In putting together this report, the Company recognised and understood the need for sustainable development at global, national and state level. It is about embedding a sustainability mindset, philosophy and practices in the way the Company manages its business.

As a sustainability partner of the International Hydropower Association (IHA), Sarawak Energy is committed to implementing its projects in accordance to the guidelines set out by the Hydropower Sustainability Assessment Protocol (HSAP). The adoption of international best practices is on a purely voluntary basis and goes beyond legislative requirements.

Sarawak Energy's integrated catchment management initiatives ensure long-term viability and reliability of water inflow for power generation and meeting the downstream needs.

Sarawak Energy has been guided by the United Nations' Sustainable Development Goals, a set of 17 targets that call for the cooperation of the public and private sectors and civil society to end poverty, protect the planet, and ensure prosperity for all by the year 2030.

In presenting its sustainability performance via key indicators, the Company has adhered to the Global Reporting Initiative (GRI) G4 guidelines. Indicators disclosed in 2015 met the Core option of GRI G4 requirements. Data provided for the year 2016 will indicate how well the Company is progressing towards its sustainability vision and goals.

These are excerpts and key highlights from the report.

An aerial view of Batang Ai

SUSTAINABILITY

SUSTAINABILITY REPORT

Sarawak Energy is also committed to enhancing its operational excellence across the entire value chain.

Efficient Operations Across Our Value Chain - Key Strategies

Generation	Transmission	Distribution	Retail	Reliable Power Supply
Maximise plant availability and reliability Improve operational performance	Enhance system reliability Optimise generation mix	Reinforce existing network In-sourcing of critical functions (e.g. response teams)	Employ technology and streamline key processes to improve customer service Effectively combat power theft	Efficient Operations Reducing our Environmental Footprint Cost Saving

Train and retain technical personnel
Launch asset management programme

ENGAGING OUR STAKEHOLDERS

The interests of our stakeholders are a vital component in establishing our strategic direction.

Our key stakeholder groups are our customers, employees and local communities and we engage with them continuously to ensure we deliver what is best for Sarawak. We use platforms such as town halls, briefing sessions, customer hotlines, newsletters and workshops to foster open and two-way communication and establish long-lasting relationships.

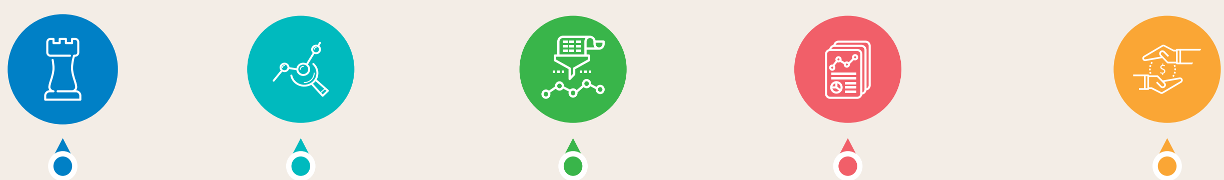
Stakeholder Group

- Newsletters/emails
- Reviews
- Surveys
- Dialogues

- Consultation
- Public Disclosures
- Activities
- Media

- Hotlines
- Retail Outlets
- Media
- Customer Relationship Management
- Mail

Sarawak Energy's Stakeholder Engagement Strategy & Process



Engagement Strategy

Stakeholder Mapping & Analysis

Review & Continuous Improvement

Engagement, Monitoring & Reporting

Stakeholder Engagement Plan (Partially)

Our stakeholder engagement activities are the result of internal surveys conducted with our employees to establish the social, environmental and governance topics important to our stakeholders. Our materiality process has helped us identify our key stakeholder groups.

The public, investors and the State Government are also important stakeholders and to better understand their concerns, we use public dialogue and one-on-one meetings.

These engagements help to foster trust between our Company and all our stakeholders.

SUSTAINABILITY

SUSTAINABILITY IN THE COMMUNITY

Sarawak Energy's Batang Ai Mountain Bike Jamboree

- In June, Sarawak Energy became a member of the Global Reporting Initiative (GRI) Gold Community. Launched in February 2016, the global network is made up of leading international organisations that help shape the future of sustainability. Joining the community gives Sarawak Energy an opportunity to benchmark its sustainability practices against members of the organisation on sustainability as well as benefit from knowledge sharing and collaboration among the GRI global community members.

- Sarawak Energy also participated in the 5th GRI Global Conference 2016 in Amsterdam. The conference served as an introductory phase into the GRI Gold Community for Sarawak Energy.

- In community partnership at Sarawak Energy's oldest HEP area, in August, the Company organised its first ever state-level mountain bike jamboree. Themed 'Riding into the Green'. The event was held in the vicinity of the Batang Ai hydroelectric dam, Sri Aman as a collaboration between Sarawak Energy and Lubok Antu District Office. It was supported by the Sarawak Cycling Association. Mountain bike enthusiasts tested their skills and endurance amidst the greenery of the Batang Ai landscape. The race had four categories: a 40km Men's Open; Ladies Open; Veteran 40 years and above and Sarawak Energy staff.

Sarawak Energy's Batang Ai Mountain Bike Jamboree

RIDING INTO THE GREEN CASH PRIZES TOTALED

RM11,500

and each participant that finished the race received a medal

ECONOMIC
ENVIRONMENTAL
SOCIAL

OUR 3-PILLAR APPROACH TO SUSTAINABILITY ECONOMIC, ENVIRONMENTAL & SOCIAL

Sarawak Energy is a company that believes in empowering people while taking care of the environment in which its affected communities live. The Company provides communities living in remote Sarawak with non-grid power and the Company leads the region in generating energy that is clean, reliable, renewable as well as affordable. As Sarawak Energy grows its business, it endeavours to make an impact on the millions of lives that the Company touches.

Economic
Catalysing Economic Sustainability

Environmental
Improving Our Environment Footprint

Social
Transitioning Social Outcomes

Please scan the QR code to redirect to our Sustainability website.

ECONOMIC HIGHLIGHTS

TOTAL ELECTRICITY SALES

20,627 GWH

ECONOMIC VALUE RETAINED

RM908.2* MIL

GENERATION MIX

Diesel 0.2%

Gas 14.0%

Coal 12.7%

Hydro 73.2%

* Assured by third party

SOCIAL HIGHLIGHTS

BARAM PENAN LITERACY PROGRAMME

284
Participants

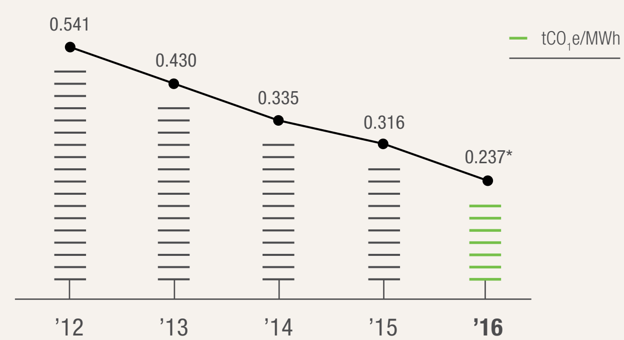
29
Facilitators

TOTAL HOURS OF TRAINING

MANAGEMENT	EXECUTIVE	NON-EXECUTIVE
1,068 Hours	**55,572** Hours	**92,943** Hours

ENVIRONMENTAL HIGHLIGHTS

SARAWAK ENERGY CO_2 GRID EMISSION INTENSITY 2012-2016



TOTAL CO_2 REDUCTIONS

615,130 CO_2
(tCO_2)

For Bintulu Gas Combined Cycle Gas Turbine Power Plant (317MW), the largest Clean Development Mechanism (CDM) plant in Malaysia

TOTAL VOLUME OF CARBON EMISSION ('000 ton CO_2)

5,203*

CARBON EMISSION INTENSITY (kg/kWh)

0.237*

* Assured by third party

CORPORATE RESPONSIBILITY

LIGHTING UP COMMUNITIES

As Sarawak continues its drive towards achieving developed economy status by 2030, Sarawak Energy continues to play a crucial role in helping the State achieve its aspiration.

Energy demand is increasing at an exponential pace with energy sales growing from 4,700GWh in 2009 to more than 20,000GWh in 2016. From 2010 to 2016, energy capacity increased from 1,300MW to 4,628MW and is expected to rise to 5,298MW by 2020.

Sarawak Energy serves more than 630,000 customers across Sarawak's diverse and often challenging terrain. More than half of the state's population is rural based. Where possible, it continues to connect rural households to the State Grid, but if this is not possible, then it explores off-grid alternatives.

Sarawak Energy is committed to supporting the Federal and State Governments on rural electrification and supporting the State's rural transformation programme.

RURAL ELECTRIFICATION

Rural electrification is a challenging task due to the vastness of Sarawak, the mountainous geographical terrain and a dispersed population, half of whom are rural based. Wherever possible, Sarawak Energy's primary approach is to connect rural households to the State Grid but if this is not possible, then off-grid alternatives are explored.

Rural Electrification Programmes	
Rural Electrification Scheme (RES)	A Government-funded programme which focuses on extending the distribution grid to reachable areas.
Off-Grid Alternative Supply	A Government-funded programme for off-grid alternative supply schemes for isolated villages.
Sarawak Alternative Rural Electrification Scheme (SARES)	Government-funded and community-owned. Alternative electricity generating solutions using solar or micro-hydro technology for about 300 of the most unreachable villages.
Rural Power Supply Scheme (RPSS)	Integrated transmission and distribution infrastructure to connect rural areas to the State Grid.
Sarawak Energy Electrification Programme	Sarawak Energy's CSR programme to provide solar home system solutions for remote longhouses.

Since 2009, about 102,000 rural households have been connected through grid expansion or off-grid hybrids. Electricity coverage in the state now reaches 94%. Besides this, studies are also being carried out for sites with micro-hydro potential.

Commencing 2016, Sarawak Energy raised its supervisory role in ensuring end-to-end management of RES implementation. When distribution poles and lines reach the village in the final stages of RES, Sarawak Energy arranges for internal wiring for individual households so that they can be connected to the new grid promptly and safely.

SARAWAK ALTERNATIVE RURAL ELECTRIFICATION SCHEME

To accelerate rural electrification, the State Government launched the innovative Sarawak Alternative Rural Electrification Scheme (SARES) which aims to supply villages that are so remote they may have to wait more than 10 years for the grid supply to reach them. Conceived at the end of 2015, the scheme began its implementation in 2016 and will provide 'self-help' micro hydro and solar electricity generating solutions as an alternative to the costly and noisy diesel generators. SARES will benefit approximately 8,700 households in more than 300 of Sarawak's remotest villages. A budget of RM500 million has been allocated to complete this agenda over five years from 2016 to 2020. It complements the existing rural electrification scheme (RES) and rural power supply scheme (RPSS).

The first phase of the scheme covers the design and installation of localised off-grid solar systems for 58 villages, benefiting 1,439 households in the remote areas of Beluru, Ulu Skrang, Katibas, Nanga Merit, Bukit Mabong, Tinjar, Long Bedian, Telang Usan, and Nanga Mendamit and should be completed by early 2017. The total cost of lighting up the 58 villages is around RM75 million.

Working on a community based maintenance concept, the SARES systems cater to typical rural household electricity needs with lighting, fans, a television, freezer and cooker.

SOLAR HOME SYSTEM

Sarawak Energy continues to electrify villages upstream of Batang Ai that are currently too remote to be connected to the grid.

The first phase of the solar home system (SHS) project began in December 2014 at Rumah Manggat in Menyang. The second phase, completed in February 2016, expanded the system to a further three off-grid villages in Nanga Jengin and Ulu Delok, namely Rumah Griffin, Rumah Jangong and Rumah Ninting. Combined, these phases installed the SHS in 63 households, benefiting more than 300 residents, at a cost of RM2 million. The third phase began in April and was completed in September and sees the installation of the SHS in three villages in the Engkari area, benefitting 16 households of 80 residents.

Solar panels used as an alternative generation source

The SHS project is part of Sarawak Energy's RM3 million commitment in social investment projects in Batang Ai, in conjunction with its Batang Ai's hydropower station's 30th anniversary celebration. The project is separate from the State's rural electrification scheme and is being implemented under Sarawak Energy's CSR programme to benefit communities in the Batang Ai area affected by the project.

Rumah Brown, Nanga Stapang, Batang Ai

In 2016, Sarawak Energy also expanded the SHS initiative by adding the solar freezer system (SFS) for each of the longhouses, to complement the SHS and enable the communities to enjoy communal refrigeration. Sarawak Energy intends to extend the SHS project to the remaining villages in Ulu Delok to further benefit 53 households.

The new technology is green and sustainable and the best solution for areas not currently accessible to the grid. It reduces the dependency of remote villages on diesel-powered generator sets which are difficult and costly to operate and maintain. Villagers can operate the SHS and monitor power usage with minimum support from Sarawak Energy and the system helps to reduce the monthly expenditure on fuel. The project was carried out with the direct participation of the villagers, who helped with logistics and installation.

ELECTRICITY SUBSIDY FOR MURUM COMMUNITY

In January, Sarawak Energy announced that domestic consumers from the Murum Resettlement community would continue to enjoy a subsidy of up to RM40 in recognition of their unique circumstances. Most of the 360 metered households in Murum qualify for this subsidy as their monthly consumption falls below RM40.

ASSISTED WIRING SCHEME

To support the State Government, Sarawak Energy also provides Sarawakians in need of assistance an interest-free loan programme called Assisted Wiring Scheme (AWS) for wiring up rural homes for safe electricity use.

The AWS loan is paid in 36 monthly instalments. Each customer pays just RM80 collateral deposit and RM10 stamp duty for registration and meter installation.

Sarawak Energy also has a corporate social responsibility fund to assist lower income households cover their AWS loans.

Under the AWS loan programme, the maximum cap has been raised to RM1,200 for five lighting points and four power sockets and RM800 for three lighting points and two power sockets. The cost includes other fixtures such as distribution boards and wiring conduits. Sarawak Energy's technical staff oversee and inspect the work to ensure every rural household receives the installations.

SOLAR HYBRID POWER SYSTEM

Through the Rural Off-Grid Operation Division, Sarawak Energy has been appointed by the Ministry of Rural and Regional Development (KKLW) to carry out the operation and maintenance of this federally-funded RM27 million system and other surrounding solar hybrid systems.

Solar hybrid system in Bario

Electrification of Bario Highlands

In October, Sarawak Energy completed and commissioned a 887 kW Solar Hybrid Power System for the Bario community. This is the biggest solar project to date of the Government's alternative rural electrification initiative in Sarawak and brings a 24-hour supply of affordable and renewable energy to Bario.

The system powers more than 300 households in 11 villages, namely: Kampung Baru, Kampung Padang Pasir, Padang Ramapoh A&B, Ulung Palang A&B, Padang Umor, Padang Ukat, Padang Derong, Arur Layun and Bario Asal. The system also powers a nearby bazaar and a few administrative buildings. The supply will soon be extended to more government facilities such as the clinic, immigration office, airport, subdistrict office and two primary schools. Aside from the Bario Central Solar Hybrid Power Station, there are smaller standalone solar hybrid stations in the vicinity supplying five other villages, namely: Arur Dalan, Padang Lungan, Padang Mada, Padang Dalih and Padang Remudu.

The system uses two energy sources - solar photovoltaic as the primary source and diesel generator as the back-up with battery banks for energy storage. At least 70% of the energy derived from the system is solar power and the remainder comes from diesel generation.

Currently, there are 17 similar solar hybrid power stations in operation throughout the interior of Sarawak. Another 12 to 15 are in various stages of implementation and are expected to be commissioned within the next two years.

Dato Sri Dr. Stephen Rundi Utom, Minister of Public Utilities and other distinguished guests at the launch of the Bario Central Solar Hybrid Power Station located at Kampung Baru, Bario in October

CORPORATE RESPONSIBILITY

EDUCATION AND YOUNG PEOPLE

Lu Yew Hung greeting the Sarawak Energy scholars

Scholarship Programmes

- In 2016, Sarawak Energy awarded scholarships to 61 bright Sarawakian students studying at colleges and universities throughout Malaysia. A total of 207 students were funded by Sarawak Energy. This is the third batch of scholars to receive funding from Sarawak Energy. The scholarship fund has an annual allocation of RM8 million. Recipients of the scholarship pursue their qualifications in both technical and non-technical fields ranging from finance to various engineering disciplines.

- Sarawak Energy also invites students to informal talks with management and staff to provide career advice and share their professional experiences. In September, 76 students from SMK Bakun visited Menara Sarawak Energy to learn more about the Company's operations.

Scholars of both technical and non-technical fields

Literacy for Social Inclusion Programme

Literacy for Social Inclusion Programme

Launched in February 2016, the Literacy for Social Inclusion Programme gives additional help to Penan primary school children in the Murum Resettlement area to enable them to excel in their first public examinations at UPSR level. Using fun, innovative and participative learning, the programme was developed specifically for the Penan children at SK Tegulang, one of two schools within the Murum Resettlement Scheme, and encourages the development of reading and writing skills in both English and Bahasa Malaysia to levels on a par with their counterparts elsewhere in Malaysia. The programme is facilitated by the Dyslexia Association of Sarawak and organised in collaboration with the United States Embassy in Kuala Lumpur and the Sarawak Education Department. Sarawak Energy supports the programme as part of its ongoing responsibility to the communities affected by the Murum HEP.

HRH Princess Anne visits Sarawak Energy

39 PRIMARY SCHOOL AGE PENAN STUDENTS completed the programme and received a certificate of participation

In November, 39 primary school age Penan students from the Murum community completed the programme and received a certificate of participation at a closing ceremony held at Long Wat.

HRH Princess Anne Visits Sarawak Energy

At the end of October, Her Royal Highness Princess Anne of Great Britain visited Sarawak on a two-day study tour of the state – her first visit since 1972. The Princess Royal visited Sarawak Energy's office and was given a briefing on Sarawak Energy's sustainability initiatives by Datuk Torstein Dale Sjøtveit in the presence of Sarawak Energy's chairman, Datuk Amar Abdul Hamed Sepawi. Her Royal Highness was also taken to Sarawak Energy's Galleria where she was briefed on, among other things, how Sarawak Energy helps the Penan indigenous people at the Murum Resettlement Scheme. CEO Designate Sharbini Suhaili was also present.

Penan Education Fund

In November, Sarawak Energy continued to support the education of the Penans in Belaga and those affected by the Murum HEP by contributing to the Bakun Charitable Trust for the second year. The annual donation of RM200,000 is specifically used to deliver educational support to the residents of six Penan villages and the sole Kenyah Badeng village from the Murum Resettlement and a further 19 Penan communities throughout the Belaga District.

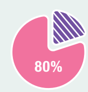
The fund is used for Attendance and Academic Incentive Award for students in primary and secondary schools; financial aid for students pursuing diploma or degree programmes or certificates or diplomas in training at approved skills development centres or institutions of higher learning in Malaysia; funding for any other educational development programmes or provision of teaching and learning facilities.

In 2016, 266 students from the two primary schools in Murum received incentive awards for attendance and academic performance, representing almost 80% of the students in the schools. So far, 17 Penan youth have completed a six-month skill training programme at the Centre for Technical Excellence in Kuching.

BAKUN CHARITABLE TRUST ANNUAL DONATION OF

RM200,000

is specifically used to deliver educational support



266 *of the students in the Murum schools received incentive awards for attendance and academic performance*

Students from the Murum Resettlement giving the thumbs up

ENVIRONMENTAL MANAGEMENT AND CONSERVATION

- Sarawak Energy is actively involved in initiatives to conserve the flora and fauna surrounding Batang Ai HEP and collaborates with the Sarawak Forest Corporation (SFC) and NGOs such as WWF-Malaysia and Wildlife Conservation Society on the Heart of Borneo initiative. Sarawak Energy's role is focused on promoting long-term initiatives that contribute to the conservation and protection of biodiversity in these areas.

- Sarawak Energy is also committed to the preservation of the orangutan which is totally protected in Sarawak and listed as a threatened species under the International Union for the Conservation of Nature.

Annual log and debris clearing at Batang Ai

- In the Batang Ai area, Sarawak Energy works with the local villagers on annual log and debris clearing, to keep the rivers and lake safe for navigation.

- In December, Sarawak Energy engaged a research scientist to investigate greenhouse gas (GHG), in particular carbon dioxide and methane emissions from its hydropower reservoir. Yve Prairie, a global expert in the study of GHG emissions from aquatic systems and a full professor at the Universite du Quebec a Montreal in Canada, has been conducting research on GHG emissions from tropical hydropower reservoirs in Sarawak, specifically from the Batang Ai Hydroelectric Plant's reservoir since 2014. Besides comparing the emission values from reservoirs with those from fossil fuel generation plants such as natural gas and coal, the research aims to improve understanding of the biogeochemical processes behind these emissions that would be useful for designing better

Sarawak Energy together with participants and mentors of the 'Warisan Sape Telang Usan'

Dr. Helen Locher presenting on 'Global Perspectives of Hydropower'

hydropower projects. Preliminary findings from Phase 1 of the research study indicate that hydropower reservoirs in Sarawak are of low GHG emissions compared to fossil fuel power sources. The research has now entered its second phase which further investigates the underlying processes leading to GHG emissions as well as verifying emission patterns from tropical freshwater reservoirs.

- Professor Prairie also gave a technical talk entitled 'Greenhouse Gases from Aquatic Systems' to a group of 30, comprising Sarawak Energy staff, students and lecturers from Swinburne University of Technology Sarawak, Universiti Malaysia Sarawak and Universiti Teknologi MARA Sarawak. The talk focused on understanding the phenomenon on the production of GHGs from aquatic systems; best practices to sample GHGs; and the basic physical and biological processes that affect their magnitude and variability.

- In October, Sarawak Energy and Swinburne University of Technology Sarawak Campus jointly organised a talk focussing on the multiple perspectives of hydropower and the initiatives that provide for the sustainable development of a hydropower project. The talk by Dr. Helen Locher, an independent consultant with extensive experience in researching and managing the social and environmental issues associated with hydropower development, was entitled 'Global Perspectives of Hydropower' and focused on the many perspectives of hydropower including environment, people, biodiversity, economics and governance with a view to showing how hydropower development can co-exist with the community and nature in a sustainable manner.

CULTURE AND HERITAGE

- This year, Sarawak Energy worked with the Baram community on a cultural project 'Warisan Sape Telang Usan' to help preserve and promote interest, especially among the young, in playing the sape, the traditional Orang Ulu musical instrument. The project aimed to develop young sape players in the Long San community of Ulu Baram and was undertaken in partnership with the village development and security committee of Long San and supported by the management of SMK Temenggong Dato Lawai Jau and St Pius Primary School. A total of 20 young people were selected to learn the skills under the mentorship and guidance of two renowned sape players, Alex Apoi Lanyau from Long San and Matius Erang from Long Makaba. The lessons were conducted every weekend over 72 weeks.

- Participants of the 'Warisan Sape Telang Usan' performed at the official closing ceremony of the 4th Mobile Youth Transformation Vocational programme in Baram and also performed in the Baram Sape Master Kuala Lumpur-London 2016 competition.

- Sarawak Energy also sponsored the production of a sape album from the master sape musicians of Belaga resettled communities, the proceeds of which were returned to the musicians.

- In September, the Murum Penan community's Batu Tungun blessing ceremony assumed special significance, taking place on a newly built ritual platform overlooking the rock formation. Designed and built by Sarawak Energy in partnership with the community, the new platform provides a permanent area for the Penan to perform the annual ritual. The Batu Tungun rock formation on the bank of the Murum River has been held sacred by the Penan of the area for generations and is a vital part of the cultural heritage of the area's indigenous community.

- In conjunction with the blessing ceremony, more than 260 Penan students from SK Tegulang and SK Metalun received education incentives worth more than RM50,000. The incentives recognised the students' efforts in attending school regularly.

Batu Tungun

Students from the Murum Resettlement receiving education incentives

COMMUNITY DEVELOPMENT AND ENTREPRENEURSHIP

- Sarawak Energy supports Penan artisans in their craft making and in March, artisans from the Murum Resettlement Scheme received further exposure to handicraft entrepreneurship and the opportunity to showcase their crafts at the National Craft Day exhibition held at the Kuala Lumpur Craft Complex. Sarawak Energy sponsored four artisans from Long Wat and Long Malim to take part in the exhibition. They were among the 500 entrepreneurs and artisans who participated in the exhibition with the objective of exploring opportunities to expand their business locally and to the international market. Visitors to the booths include entrepreneurs, craft enthusiasts and tourists from Europe and the US. This was the third handicraft exhibition which Penan artisans participated in since March 2015.

- In December, the Sarawak Handicraft Festival took place at which the workmanship of the Murum Penan artisans earned them additional income from handicraft sales. The Murum Penans displayed a range of crafts including gawung, ba'rang, bo'rat, ba'sah and more at the 10-day event at the Kuching Waterfront. Sarawak Energy, in a joint effort with the Malaysian Handicraft Development Corporation, assisted the artisans with logistic arrangements.

- Sarawak Energy also organises training workshops for Penan artisans to help improve the quality and commercial viability of their handicraft products through exposure to new ideas and design concepts on rattan weaving, sewing and finishing techniques on parang making. A number of workshops were held throughout the year at Long Wat and Long Malim in partnership with the Sarawak Craft Council and the Malaysian Handicraft Development Corporation. The final products were showcased at the Festival Kraft Sarawak held in Miri and Bintulu.

Supporting Penan artisans in handicraft-making

Some of the handicraft products with improved quality and commercial viability

- Sarawak Energy also partners with designers and researchers from the Faculty of Applied and Creative Arts at the Universiti Malaysia Sarawak to develop value-added craft products with contemporary designs that will be commercially-viable.

- To further promote local skills and ensure the communities have a sustainable livelihood, Sarawak Energy buys the handicrafts as the company's corporate gifts. To date, Sarawak Energy has bought more than 1,500 units of handicraft products from Penan artisans.

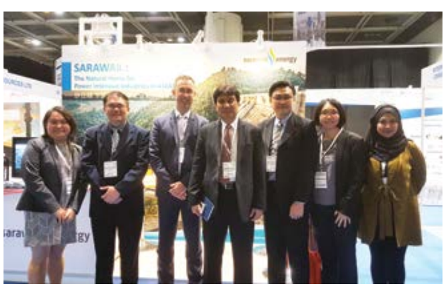
BRAND AND RECOGNITION

SPONSORSHIP

Sarawak Energy considers sponsorship of events and activities as branding and business opportunities to communicate its key messages, in line with the Company's business objectives to achieve balance in terms of economic, social and environment impacts.

Sarawak Energy's sponsorship objectives are to build its reputation within local, regional and international communities by associating with organisations conducting worthwhile activities to create space for growth, and to pursue opportunities for business development.

IMARC, Melbourne



Mines and Money Asia, Hong Kong

Sarawak Energy is a major sponsor for the Sarawak football team

- As part of brand positioning efforts and growing our presence, Sarawak Energy sponsors regional and international conferences within the energy industry, such as International Mining and Resources Conference (IMARC) in Melbourne, Mines and Money Asia in Hong Kong as well as Asia Power Week in Seoul.

- In June, Sarawak Energy renewed its sponsorship of the Football Association of Sarawak.

- Sarawak Energy is also a sponsor for local and international events such as Rainforest World Music Festival and Siol International Mountain Bike Challenge 2016.

- Sarawak Energy was appointed Bapa Angkat for the state's contingent to the 18th SUKMA Games in Kuching. A pool of volunteers assisted Sarawak's teams by providing support in communication between the team, the contingent, technical officials and SUKMA's secretariat. Sarawak Energy also assisted in the coordination for transport, accommodation, welfare and security of the athletes.

- In May 2016, more than 400 Orang Ulu women weavers from the Bakun, Murum and Baram communities were named the new title holder of the Guinness World Record for weaving the longest woven mat in the world. Sponsored by Sarawak Energy, the initiative united weavers from the three communities to weave the rattan mat as a symbol of a shared heritage to be preserved for future generations of Orang Ulus. A three-part documentary series entitled 'The Mat Weavers Tale' was filmed to document the tremendous effort of the communities.

The communities in Baram, Baleh and Murum jointly weaved the world's longest mat

Sarawak Energy is the 'Bapa Angkat' for SUKMA 2016

BRAND AND RECOGNITION

The Sarawak Energy delegation at the Global CSR Summit and Awards 2016

Group CEO Sharbini Suhaili at the Sin Chew Business Excellence Awards 2016

AWARDS AND ACCOLADES

- In June, Sarawak Energy was awarded the prestigious Most Sustainable Brand Award 2015-2016 at the annual BrandLaureate Awards in Kuala Lumpur. The award recognises Sarawak Energy's leadership in power generation and renewable energy and its commitment to develop Sarawak's indigenous resources, particularly hydropower, to generate energy that is globally competitively priced, sustainable and clean.

- In September, Datuk Torstein Dale Sjøtveit was one of two recipients of the prestigious Asia Pacific Entrepreneurship Award (APEA) for the Energy Sector Category. Organised by independent NGO Enterprise Asia, the award honours business leaders for their outstanding leadership qualities. Torstein was recognised for his strategic and dynamic leadership in spearheading Sarawak Energy's transformation from a traditional utility to a modern and agile energy development corporation.

- In October, Datuk Torstein also received the Transformational Corporate Leader Brand Icon Leadership Award at the 2016 BrandLaureate Awards in Kuala Lumpur. The award recognises corporate leaders who have made groundbreaking changes to their organisations and acknowledges the contribution Datuk Torstein has made to Sarawak Energy's brand emergence in the region.

- In November, Sarawak Energy's corporate social responsibility initiatives were recognised at the Sin Chew Business Excellence Awards 2016. Sarawak Energy won the CSR Excellence Award 2016 for its community relations milestones which continue to uplift the lives of the communities across the state in a sustainable manner with priority given to those affected by its projects. This is Sarawak Energy's second Sin Chew CSR Excellence Award after winning the award in 2014. Its notable CSR initiatives throughout the year include providing skills and technical training for rural youths and job seekers; a solar home system and rewiring projects at Batang Ai and staff volunteerism in outreach programmes. Communities in Murum in particular now enjoy amenities such as modern housing, improved access to healthcare, clean water and electricity supply.

Datuk Torstein Dale Sjøtveit at the Asia Pacific Entrepreneurship Award 2016

- In April, Sarawak Energy also won the Excellence in Provision of Literacy and Education Award 2016 at the Annual Global CSR Summit and Awards.

CORPORATE EVENT HIGHLIGHTS

CORPORATE ENGAGEMENTS

16 NOVEMBER 2016

COURTESY CALL

Courtesy call on His Excellency, the Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud.

17 NOVEMBER 2016

COURTESY CALL

Courtesy call on the Chief Minister of Sarawak, YAB Tan Sri Datuk Patinggi Haji Adenan Satem.

28 OCTOBER 2016

COURTESY CALL

Courtesy call on Minister of Public Utilities, YB Dato Sri Dr. Stephen Rundi Utom.

2 NOVEMBER 2016

COURTESY CALL

Courtesy call on State Secretary of Sarawak, YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani.

22 APRIL 2016

CM MEET & GREET SESSION

CM Meet and Greet Session at Menara Sarawak Energy on 22 April 2016.

THROUGHOUT THE YEAR

SEJIWA SENADA PROGRAMME

Sarawak Energy participated in Sejiwa Senada programmes organised by the State. The objective of this event was to strengthen knowledge of State Government programmes by reaching every corner of Sarawak. Sarawak Energy participated in 10 Sejiwa Senada locations throughout the state.

19 MARCH 2016

EARTH HOUR

Sarawak Energy is giving its full support to Earth Hour, a worldwide event organised by the World Wildlife Fund (WWF) since 2013. At this time and date, households and businesses are encouraged to turn off their lights for one hour.

9 MAY 2016

KETHHA MINISTER VISITS SARAWAK ENERGY

Datuk Seri Panglima Dr. Maximus Johnity Ongkili, Minister of Green Technology and Water visits Menara Sarawak Energy.

A HEALTHY AND SAFE WORKFORCE

22 OCTOBER 2016

BOWLING

Sarawak Energy Inter-departmental 10-pin bowling tournament.

12 NOVEMBER 2016

ISTHMUS RUN

Partipants ran around the Isthmus area, with flagging-off just outside Menara Sarawak Energy.

25 SEPTEMBER 2016

SARAWAK ENERGY CUP

The Sarawak Energy Cup 2016 team badminton tournament, held from 19 to 25 September 2016 to promote interest in playing badminton and to foster sportsmanship.

23 OCTOBER 2016

FAREWELL GOLF WITH DATUK TORSTEIN DALE SJØTVEIT

The farewell golf event was participated by YB State Secretary of Sarawak, YBhg Chairman of Sarawak Energy, heads of Sarawak Energy's partner organisations and senior officers of the management team.

CELEBRATING DIVERSITY

29 JULY 2016

MAJLIS RAMAH TAMAH

A Majlis Ramah Tamah in conjunction with Hari Raya Aidilfitri.

17 JUNE 2016

HARI GAWAI

Annual Gawai Dayak celebration with Minister of Public Utilities, Dato Sri Dr. Stephen Rundi Utom.

19 FEBRUARY 2016

LION DANCE

A lion dance performance at the Group CEO's office.

16 DECEMBER 2016

CHRISTMAS CAROLS 2016

In December, the Salvation Army Children's Home performed Christmas carols at Menara Sarawak Energy.

28 JULY 2016

INFORMATION DAY

At the exhibition area during Sarawak Energy's inaugural Information Day.

8 SEPTEMBER 2016

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management Desktop walk-through Exercise for Kuching Regional Office.

3 DECEMBER 2016

ANNUAL DINNER

Sarawak Energy's annual dinner was held at Riverside Majestic Hotel themed 'Tang Dynasty - Empress of China'.
It was a fun-filled event with good food, interesting entertainment, performances and lucky draws. Everyone had a fun and enjoyable night.

9 DECEMBER 2016

LOYALTY SERVICE AWARD

Sarawak Energy Group CEO Sharbini Suhaili presents Group COO Lu Yew Hung with a loyalty service award for 35 years as Executive Vice President for Corporate Services Aisah Eden looks on.

BOARD OF DIRECTORS

MEET THE FACES BEHIND SARAWAK ENERGY

BOARD COMPOSITION

5 DIRECTORS

- 1 — Chairman
- 1 — Independent Non-Executive Directors
- 4 — Non-Independent Non-Executive Directors

TENURE

- 2 — 6 - 10 years
- 1 — 11 - 15 years
- 2 — 16 - 20 years

EXPERIENCE

MORE THAN 30* YEARS OF EXPERIENCE

*on average

KEY FEATURES OF THE BOARD

- The Board comprises a majority of Independent Directors
- The Chairman is a Non-Independent Non-Executive Director
- The role of the Chairman and the Group Chief Executive Officer are distinct

MALAYSIAN

AGE: 67

Chairman of Sarawak Energy / Non-Independent Non-Executive Director

YBhg DATUK AMAR

ABDUL HAMED SEPAWI

Tenure

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 2016.

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.

MALAYSIAN
AGE: 60

Non-Independent Non-Executive Director

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

Tenure

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 attended all Board meetings held in 2016.

Tan Sri Datuk Amar Haji Mohamad Morshidi graduated with a Bachelor of Economics from Universiti Kebangsaan Malaysia and has a Master of Science in Human Resource Administration from University of Scranton, Pennsylvania, U.S.. 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, a position he still holds.

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

MALAYSIAN
AGE: 64

Independent Non-Executive Director

YBhg TAN SRI DATO SRI
MOHD HASSAN BIN MARICAN

Tenure

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 five out of the six Board meetings held in 2016.

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

MALAYSIAN
AGE: 67

Non-Independent Non-Executive Director

YBhg DATUK
FONG JOO CHUNG

Tenure

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 five out of the six Board meetings held in 2016.

Datuk Fong received his LLB (Hons) from the University of Bristol, U.K., 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.

MALAYSIAN
AGE: 62

Non-Independent Non-Executive Director

YB DATO'
HAJI IDRIS BIN HAJI BUANG

Tenure

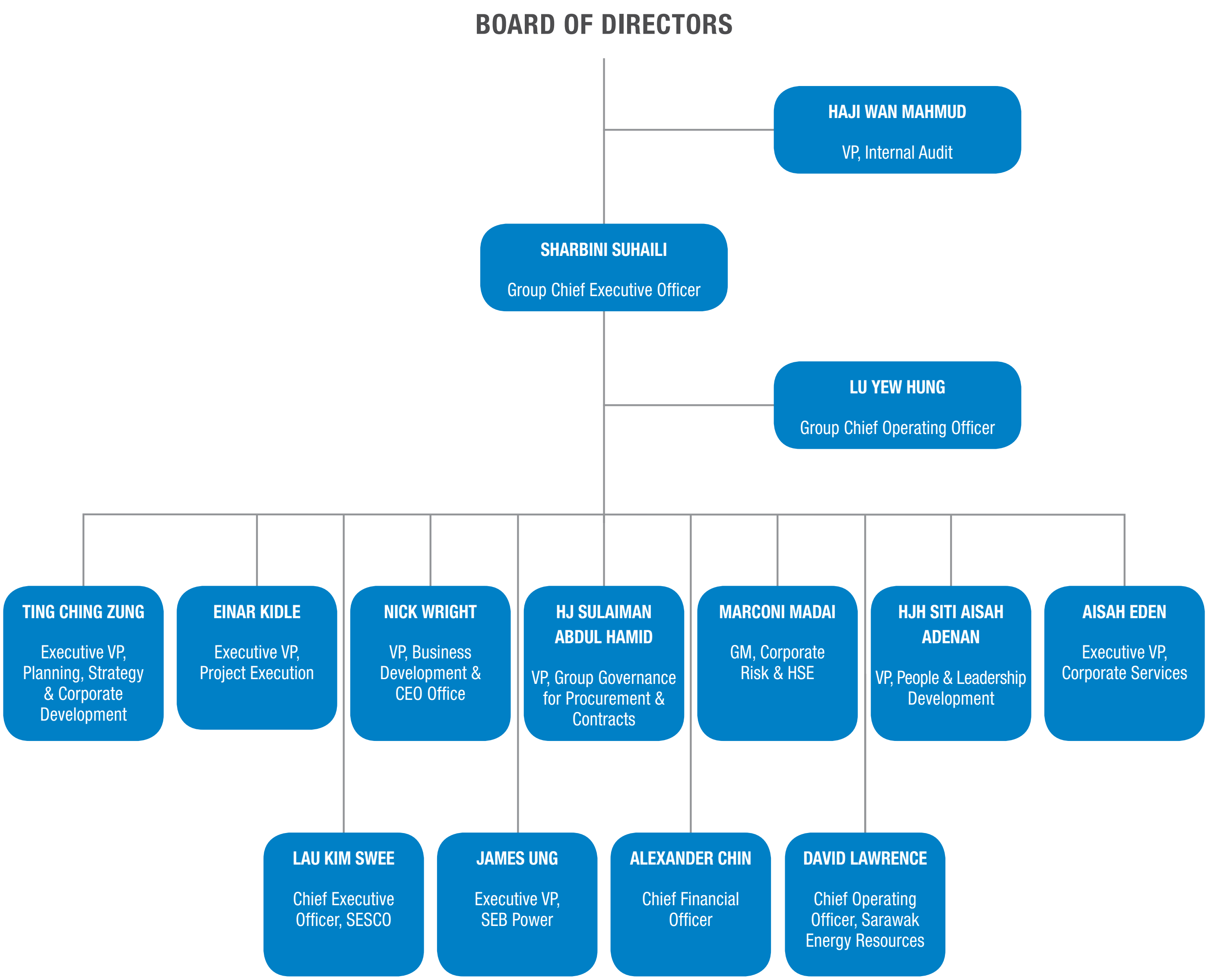
YB Dato' Haji Idris Bin Haji Buang joined the Board of Sarawak Energy on 24 June 2000. He is a Non-Independent Non-Executive Director and has attended five out of the six Board meetings held in 2016.

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, U.K.. 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. He was elected as State Legislative Assemblyman in 2016.

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.

GROUP ORGANISATION STRUCTURE

sarawak energy



OUR MANAGEMENT TEAM

SHARBINI SUHAILI

MALAYSIAN

Group Chief Executive Officer

On 1 November 2016, Sharbini Suhaili assumed the role of Sarawak Energy Group Chief Executive Officer, following Datuk Torstein Dale Sjøtveit's return to his native Norway.

Sharbini has more than 30 years of experience in the oil and gas industry working with Shell and PETRONAS where he was previously Group Vice President for Health, Safety, Security and Environment (HSSE). Sharbini began his career with Royal Dutch Shell in 1986 as a pipeline engineer and held various positions within the company in Malaysia and overseas, including senior roles in commercial, planning, strategy and business development. He was general manager of Shell Malaysia's Sabah upstream operations and headed their non-operated joint ventures before joining PETRONAS in 2010 as Vice President of International Production for their upstream arm. In his previous role as Vice President of Upstream International, he was responsible for the growth of the petroleum company's international business before taking over the HSSE role.

Sharbini holds a degree in Engineering (Hons.) from the University of Leeds in the U.K. and a Master of Business Administration (MBA) from Henley Management College in the U.K.

Born in Sarawak, Sharbini is 53 and is married with one son.

LU YEW HUNG

MALAYSIAN

Group Chief Operating Officer

Lu Yew Hung is the Group Chief Operating Officer of Sarawak Energy, a position he was appointed to in 2013. In his current role, Lu is responsible for establishing the vision and strategy to lead the Group's operational units in the execution of critical and transformative operational strategic initiatives, including asset management, infrastructure upgrades, and technology improvements while maintaining engineering and operational excellence.

Starting as an electrical engineer, in 1980 he joined Sarawak Electricity Supply Corporation (SESCO), now a wholly owned subsidiary of Sarawak Energy Group.

Lu holds a Bachelor's degree in Electrical and Electronics Engineering from the University of Dundee in the U.K.. He was a Class 1 Switching Engineer up to 275kV before relinquishing his switching duties to assume leadership positions. Since 1988, he has been a professional engineer and also a Corporate Member of the Institution of Engineers, Malaysia (IEM). Since 1996, he has also served as a principal interviewer with the IEM.

LAU KIM SWEE

MALAYSIAN

Chief Executive Officer, SESCO

Lau Kim Swee, formerly Senior Vice President, Distribution, is Chief Executive Officer of SESCO and is responsible for the reliability and security of the power system as well as oversight of end-user customer care. He reports to the Group CEO.

Lau has served with Sarawak Energy for almost 30 years in various roles. Prior to his last appointment as Senior Vice President, Distribution, he held the retail portfolio and was responsible for significant success in the Company's efforts to combat power theft, cutting losses from RM40 million to RM20 million a year and winning Sarawak Energy the first prize in the 2012 Key Focus Award. Lau also brought visible change to the Company's customer service approach, spearheading Sarawak Energy's 24-7 Customer Care Centre in 2013 and other customer-oriented initiatives.

Born and raised in Kuching, Lau holds a Bachelor's degree in Electrical and Computer Systems Engineering from Monash University in Melbourne, Australia.

JAMES UNG

MALAYSIAN

Executive Vice President, SEB Power

James Ung, formerly Senior Vice President, Thermal, is Executive Vice President of SEB Power and oversees Sarawak Energy's power generation business.

He joined Sarawak Electricity Supply Corporation (SESCO) in 1990, now a wholly owned subsidiary of Sarawak Energy Group, and has more than 25 years experience in the power generation business and project management in power plant construction. He served as General Manager of Sejingkat Power Plant and led the Mukah Coal Power Plant project to its successful commissioning in December 2008.

James holds a Bachelor's degree in Mechanical Engineering from the University of South Alabama in the U.S..

AISAH EDEN

MALAYSIAN

Executive Vice President, Corporate Services

Aisah Eden, Executive Vice President, Corporate Services of Sarawak Energy has been part of Sarawak Energy's tremendous growth over the last three decades.

After completing her tertiary education and professional examination in Law in the U.K., Aisah joined Sarawak Electricity Supply Corporation (SESCO) in 1984, now a wholly owned subsidiary company of Sarawak Energy Group. Throughout her career, she has held various positions including Group Company Secretary, Group General Manager for Human Resource and Senior Vice President for Retail.

In her current role as EVP, Corporate Services, Aisah drives the Company's agenda on sustainability, particularly the social and environmental aspects. Conservation, education of the young, and improving the lives of the project-affected communities, especially those that are directly affected by projects, are matters close to her heart.

EINAR KILDE

NORWEGIAN

Executive Vice President, Project Execution

Einar Kilde is the Executive Vice President of Project Execution, a position he was appointed to in September 2010. In his current position, he leads a multi-disciplinary team to ensure the delivery of Sarawak Energy's project portfolio in line with the Group's strategic objectives.

Einar started as a mechanical engineer in 1984 and has more than 30 years of international experience in Norway, the U.S., Singapore and Malaysia. He has extensive experience in serving multinational companies in top management positions as Executive or Senior Vice President responsible for overseeing large project portfolios.

Einar's career has spanned various disciplines including project development and execution for mega projects in oil and gas, aluminium, polysilicon, solar, hydropower, thermal power and power transmission. He is also experienced in lean manufacturing production systems, particularly for solar and wafer.

OUR MANAGEMENT TEAM

TING CHING ZUNG

MALAYSIAN

Executive Vice President, Planning, Strategy & Corporate Development

Ting Ching Zung is the Executive Vice President of Planning, Strategy & Corporate Development, a position he was appointed to in May 2015. In his current position, he leads the development strategies for sustainable business growth and heads the implementation of strategic plans to achieve the Group's overall goals.

Ting has extensive experience in major corporate restructuring and rationalisation exercises, financial planning and analysis, and profit-and-loss leadership. Before joining Sarawak Energy, he was the Chief Executive Officer of Trienekens (Sarawak) Sdn Bhd, a company that specialises in waste management which handles scheduled wastes throughout East Malaysia and municipal wastes in Sarawak's major cities. Prior to that, he held various leadership positions in the finance and accountancy sector in the East Asia region.

Ting is a Chartered Accountant of Chartered Accountants Australia and New Zealand and holds a Bachelor's degree in Accountancy from the University of Otago, New Zealand.

ALEXANDER CHIN

MALAYSIAN

Chief Financial Officer

Appointed Chief Financial Officer in January 2014, Alexander Chin oversees Sarawak Energy's financial risk management, a portfolio which supports the development of the Group's financial and strategic plan as well as the use of financial metrics to drive the Group's performance. Alexander also holds responsibility for developing and monitoring the financial control systems designed to preserve the Group's assets and for ensuring that financial results are reported accurately, timely and in compliance with the relevant regulations.

Before joining Sarawak Energy, Alexander held a range of responsibilities with one of Malaysia's Big 4 assurance companies - in 2007 as a Partner in its East Malaysia office, responsible for audit clients from the manufacturing, construction, banking, mining, telecommunications and palm oil industries, and from 2010 to 2014 as Partner-in-Charge of its Advisory and Risk Services. In this role, he led teams which carried out strategic planning and business performance improvement services as well as corporate governance reviews, risk management implementation and internal audits for clients from both the public and private sectors.

Alexander is a Fellow of the Association of Chartered Certified Accountants (U.K.) and a Member of the Malaysian Institute of Accountants and the Chartered Tax Institute of Malaysia.

TUAN HAJI SULAIMAN BIN HAJI ABDUL HAMID

MALAYSIAN

Vice President, Group Governance for Procurement & Contracts

Haji Sulaiman Bin Haji Abdul Hamid has 30 years experience with Sarawak Energy, joining SESCO in 1988.

Haji Sulaiman has held the positions of Consumer Accountant, SESCO Regional Accountant (Western Region), Senior Accountant (Management Accounting), Manager Internal Audit, Manager Corporate Finance and Head of Finance.

He is also actively involved in social initiatives both within Sarawak Energy and externally, notably with the Sarawak Orphanage Association and as Chairman of the Sports Club.

Haji Sulaiman holds a Diploma in Accounting from Universiti Teknologi MARA, a Bachelor's in Accounting from Universiti Kebangsaan Malaysia and an Executive MBA from Ohio University in the U.S.. He is also a Certified Accountant of the Malaysian Institute of Accountants.

OUR MANAGEMENT TEAM

NICK WRIGHT

AUSTRALIAN

Vice President, Business Development & CEO Office

Nick joined Sarawak Energy in June 2010. As Vice President of Business Development, he led the negotiation of the Power Exchange Agreement with Indonesian national utility Perusahaan Listrik Negara (PLN) governing the interconnection between Sarawak and West Kalimantan, which commenced operation in early 2016.

He is also leading the negotiation of similar agreements for Sarawak to export power to Brunei and Sabah, and recently secured a deal with Malaysia's national oil company PETRONAS to supply 250 million standard cubic feet a day of natural gas to Sarawak.

For the four years prior to joining Sarawak Energy, Nick was the Senior Advisor for Energy, Water and Mining to the Minister for Energy and Resources, Tasmania.

Nick holds a Master of Business Administration (MBA) from the Graduate School of Business, University of New England. He also has a Bachelor of Arts (with First Class Honours) in Government and Economic Policy, as well as a Bachelor of Laws, from University of Tasmania.

HAJJAH SITI AISAH BINTI ADENAN

MALAYSIAN

Vice President, People & Leadership Development

Hajjah Siti Aisah Binti Adenan is the Vice President of People and Leadership Development. Since September 2016, she double-hatted as the Vice President of Distribution. After serving in the human resources function for more than three years and focusing on strengthening people and leadership development during her tenure, she returned to the technical skill pool.

Hajjah Siti Aisah joined Sarawak Electricity Supply Corporation (SESCO), now a wholly owned subsidiary company of Sarawak Energy Group, as an electrical engineer in 1990. She has 27 years of power utility experience and has been appointed to various leadership positions throughout her career in Sarawak Energy.

Hajjah Siti graduated with a Bachelor's degree in Electrical Engineering from George Washington University, Washington, D.C.

MARCONI MADAI

MALAYSIAN

General Manager, Corporate Risk & HSE

Marconi Madai is the General Manager of Corporate Risk and HSE, a position he was appointed to in September 2011. He leads a multi-disciplinary team to drive excellence in health, safety and environment in Sarawak Energy as well as ensure business continuity management in line with the Group's business objectives.

Marconi has extensive industry experience, having served in management positions in the chemical industry in Malaysia, where he developed standard operating procedures, oversaw compliance to standards, managed business risks and drove initiatives on human resources and CSR.

Marconi graduated with a Bachelor of Science degree in Chemical Engineering from the University of Utah, Salt Lake City, U.S. in 1997.

CHAIRMAN'S INTRODUCTION

Datuk Amar Abdul Hamed Sepawi
Chairman
Sarawak Energy Berhad

DEAR SHAREHOLDERS

On behalf of Sarawak Energy, I am very pleased to present our Corporate Governance Report for the 2016 financial year. As a socially responsible corporate citizen, we have a responsibility to meet the highest standards of transparency, accountability and integrity in all our undertakings. Our inaugural Corporate Governance Report is testament to this commitment.

Our stakeholders are diverse. They encompass our staff, contractors, shareholders, customers, the communities of Sarawak, the state's natural environment, as well as the wider ASEAN region. They require assurance that we have the principles, structures and processes in place to ensure fairness and professionalism in all our relationships.

Robust corporate governance is embedded in our Company philosophy. Throughout 2016, we made governance more visible through a range of initiatives embracing all aspects of our operations.

In May, we welcomed the Auditor General's Report on our management of the Murum hydroelectric project. The Audit was an endorsement of the manner in which we conducted ourselves throughout the construction and completion of the project; the way we sold power to SCORE investors and the significant investment we made in making sure the people directly affected by our project were resettled in the proper way. The Audit gave us the opportunity to critically assess our processes and to apply the lessons we learned at Murum to further projects.

In June, we joined the Global Reporting Initiative (GRI) Gold Community, a global network made up of leading international organisations that helps shape the future of sustainability. Joining GRI enables us to meet our commitment to adhering to sustainable practices in our operations and to strive towards becoming a sustainability leader in the region's utility industry. Since becoming a Sustainability Partner of the International Hydropower Association in 2011, we have also voluntarily adopted the Hydropower Sustainability Assessment Protocol, a move which goes beyond statutory requirements.

This year, we also took proactive steps to help raise awareness on information security and governance, including cyber security and personal data protection. Themed 'Our Information, Our Responsibility – secure, trustworthy and accessible,' our first ever Information Day was organised by our Information Technology Services Department with support from Legal, People and Leadership Development and Corporate Communication. It followed a month-long internal campaign to highlight and spread awareness on information governance (IG) and security among our personnel.

Our IG Policies and Guidelines provide us with the appropriate guidance on how to manage or share our information, including how to classify, label and handle information of value to our business. Furthermore, the Personal Data Protection Act (PDPA) has made it mandatory for us to ensure that our customers' and employees' personal data are adequately protected in accordance with globally accepted IG standards.

We treat communities affected by our projects with respect and we strive to ensure informed, proactive consultation and engagement with them. Regular briefings invite members of the community to give their opinions and voice any grievances they may have.

As we forge ahead, we recognise that it is imperative to foster a culture of inclusivity in order to maintain and strengthen the trust and support of all our stakeholders. This is how we will build on our success as a Company and how we will continue to play a leading role in the economic and social growth of the state of Sarawak. We also hope to collaborate with our regional counterparts, learn from each other and enhance corporate governance together.

We thank our many diverse stakeholders for their support throughout last year and we welcome the opportunity to work with them in the year ahead.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Sarawak Energy Berhad ("Sarawak Energy") 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 and 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 with 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 the strategic direction of the Group and establish the objectives and the achievements of the objectives and goals.

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 65 to 67 of the Annual Report.

The Chairman's responsibility is to ensure the effectiveness and efficiency of the Board meetings and their conduct, whereas the role of the Independent Non-Executive Director is to ensure that the views provided are professional and independent and that the advice given and judgment made on issues and decisions are in the best interest of the stakeholders and the Group.

The Board meets at least four (4) times in a year, with additional meetings held as and when required. There were six (6) Board meetings held during the financial year ended 31 December 2016. A summary of the attendance of each Director at Board meetings in 2016 is 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	6/6	100
Dato' Haji Idris bin Haji Buang	Non-Independent Non-Executive Director	5/6	83
Datuk Fong Joo Chung	Non-Independent Non-Executive Director	5/6	83
Tan Sri Dato Sri Mohd Hassan bin Marican	Independent Non-Executive Director	5/6	83

SUPPLY OF INFORMATION

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

All of the Directors are notified of the Board meetings within the stipulated time prior to the date of the meetings. 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, in order to be properly briefed before the meeting.

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

Board members also have access to the Company Secretary to obtain any further details they may require. Directors may also seek independent professional advice on any matter connected with the discharge of their responsibilities if deemed 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 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 every three years.

DIRECTORS' TRAINING

The Board of Directors attends various accredited programmes organised by various course leaders in the country to enhance their knowledge and skills to enable them to effectively carry out their role as Directors. The Company will continuously arrange for Directors to attend such training to provide them with current updates and information so that they are equipped with the skills in good governance required to act as effective Directors of the Company.

STATEMENT OF CORPORATE GOVERNANCE

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 assessing the integrity of the Group's accounting procedures and financial control. The BAC is responsible for the review of accounting policy and the presentation of external financial reporting including the Group's interim results and its disclosures, overseeing the activities 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 pages 80 to 81 of this Annual Report.

2. Governance, Nomination and Remuneration Committee (GNRC)

The responsibilities of the GNRC are to identify potential candidates for Directorships to the Board and make recommendations on all new or re-appointments of members of the Board. Further, the GNRC also make recommendations on the Company's framework for remuneration and its cost and to determine on behalf of the Board specific remuneration packages and the terms and conditions of employment for the Group's employees.

The GNRC's further duties are to provide remuneration input on contracts of employment with Executive Directors determine the terms of any compensation in the event of early termination of the employment contracts make recommendations on human resource policies from time to time, and discuss and approve the revision of the Group's organisation structure, as and when needed. The GNRC also acts as a disciplinary committee to decide and recommend disciplinary action for managerial staff misconduct to the Board for approval.

The composition of the GNRC members for the financial year ended 31 December 2016 is as follows:

Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani Non-Executive Director Chairman	**Tan Sri Dato' Sri Mohd. Hassan bin Marican** Non-Executive Director
Datuk Fong Joo Chung Non-Executive Director	**Dato' Haji Idris bin Haji Buang** Non-Executive Director

The GNRC held five (5) meetings during the financial year ended 31 December 2016.

MANAGEMENT COMMITTEE

To assist the Board in the execution of its responsibilities, a Management Committee named Group Executive Committee (GEC) has been established to ensure that corporate-level policies are well developed before they are adopted, 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) Interpret, define and/or implement Corporate/Group policies and decisions.
b) Formulate and/or approve the general management operating policies, procedures and guidelines.
c) Decide and/or approve operational or matters requiring management decisions or approval by the GEC. In the event of uncertainties, the GCEO shall have the mandate to decide on the subject matters or issues to be referred to the GEC.
d) Review and/or decide on proposals, plans, projects, budgets and policies prior to submission to the Board.
e) Implement change in management leadership and continuous improvement programmes and initiatives for the Group.
f) Endorse and/or review decisions made by the disciplinary committees appointed to conduct disciplinary inquiry into disciplinary cases involving support groups.

g) Discuss and/or review progress reports on projects and decide on any issues requiring management input or decisions.
h) Appoint consultants subject to the limits of the GEC as defined in the PPP.
i) Engage in such other matters not mentioned above provided that the approval of the GCEO has been obtained to refer the matter to the GEC and that such matters are within the scope or general authority of the GEC to decide/approve.

As at 31 December 2016, the GEC comprises the following members:-

GROUP EXECUTIVE COMMITTEE	
i.	**Sharbini Bin Suhaili** (from 01.11.2016 – 31.12.2016) Group Chief Executive Officer - Chairman
ii.	**Lu Yew Hung** Group Chief Operating Officer
iii.	**Aisah Eden** Executive Vice President, Corporate Services
iv.	**Lau Kim Swee** Chief Executive Officer, SESCO
v.	**James Ung Sing Kwong** Executive Vice President, SEB Power Sdn Bhd
vi.	**Einar Kilde** Executive Vice President, Project Execution
vii.	**Alexander Chin** Chief Financial Officer
viii.	**Ting Ching Zung** Executive Vice President, Planning, Strategy & Corporate Development
ix.	**Tuan Haji Sulaiman bin Haji Abdul Hamid** Vice President, Group Governance for Procurement & Contracts
x.	**Hajjah Siti Aisah Binti Adenan** Vice President, Distribution & Representing Vice President, People & Leadership Development
xi.	**Nick Wright** Vice President, Business Development
xii.	**Marconi Madai** General Manager, Corporate Risk & HSE

There were twenty-three (23) GEC meetings and six (6) extraordinary GEC meetings held during the financial year ended 31 December 2016.

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 for 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 Board Audit Committee in overseeing 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 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 briefs 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 of Risk Management and Internal Control as set out on pages 78 to 79 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 BAC reviews the statutory compliance and scrutinises the financial aspects of the Audited Accounts prior to deliberation at Board level.

STATEMENT OF CORPORATE GOVERNANCE

ADDITIONAL COMPLIANCE INFORMATION

- **Material Contracts**

  Neither the Company nor its Subsidiaries entered into any material contracts not in the ordinary course of business during the financial year ended 31 December 2016.

- **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 2016.

- **Revaluation Policy on Landed Properties**

  The Group did not adopt any revaluation policy on landed properties during the financial year ended 31 December 2016.

STATEMENT OF RISK MANAGEMENT & 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 Sarawak Energy 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 Group Internal Audit Department (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.

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.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

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 has also started establishing a Fraud Risk Management Framework in 2016, which aligns with the EWRM Framework. It comprises fraud control policy and fraud control plans.

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 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 BAC is responsible for reviewing the statutory annual financial statements and the quarterly group management reports and recommends to the Board for approval.
- 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.
- 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.
- 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 expenditures. 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 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.
- The Board approves the annual budget and reviews key business variables and monitors the performance at its scheduled meetings.

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 one Independent Non-Executive Director and two Non-Independent Non-Executive Directors 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 five meetings. The attendance record of the members is as follows:

NO.	MEMBER	MEETINGS ATTENDED
1.	YBhg Tan Sri Dato Sri Mohd Hassan bin Marican	5/5
2.	YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	5/5
3.	YB Dato' Haji Idris bin Haji Buang	5/5

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:-

ACTIVITIES	
• Reviewed and recommended the Quarterly Group Management Reports and Audited Financial Statements of the Sarawak Energy Group to the Board for approval.	• Reviewed and endorsed the Report of Sarawak Energy Forex Hedging Committee on hedging activities transacted during the year.
• Reviewed and endorsed the External Auditors Audit Plan, Scope of Work and Fees for Sarawak Energy Group and recommended the same for approval by the Board.	• Reviewed and noted the Status Updates on Procurement of Terrorism Insurance Policy and Owners Controlled Insurance Programme (OCIP).
• Reviewed and endorsed the Quarterly Enterprise Risk Management Report –Updates on Sarawak Energy's Risk Profiles, Key Strategic and High Risks and Key Mitigation Actions taken by Management to address the risks.	• Reviewed and noted the Report on the Exit Conference on Auditor General's Report (1st Series) on Murum HEP & PPLSPG held on 6 January 2016 and Final Auditor's General Reports on Murum HEP and PPLSPG.
• Reviewed and approved Fraud Risk Management Framework and Implementation Roadmap	• Reviewed and endorsed Score Customer's Demand and Credit Evaluation – Issues and Mitigation actions for presentation to the Board.
• Reviewed and noted the Progress Report on Cyber/Information Security and Implementation Roadmap.	• Reviewed and approved/noted the Group Internal Plans, KPIs Achievement and Quarterly Internal Audit Update Reports.

BOARD AUDIT COMMITTEE REPORT

ACTIVITIES	
• Reviewed and endorsed the BAC Reports, Statement on Internal Controls and Corporate Governance Statements for inclusion in Sarawak Energy Annual Reports.	• Reviewed and deliberated reports issued by External Auditors, Consultants (on specific assignments) and Group Internal Audit on significant findings and remedial actions taken and to be taken by management to address the issues raised.
• Reviewed and discussed Sarawak Energy Group Annual Revenue and Capital Budget & Year End Estimates and recommended the same for submission to the Board.	• 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.

INTERNAL AUDIT FUNCTION

The internal audit function of the Sarawak Energy 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 Sarawak Energy'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	**83**
Statement by Directors	**86**
Statutory Declaration	**86**
Independent Auditors' Report	**87**
Statements of Profit or Loss and Other Comprehensive Income	**90**
Statements of Financial Position	**92**
Statements of Changes in Equity	**94**
Statements of Cash Flows	**97**
Note to the Financial Statements	**99**

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 2016.

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.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	545,848	250,271
Profit attributable to:		
Owners of the Company	548,168	250,271
Non-controlling interests	(2,320)	-
	545,848	250,271

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

No dividend was paid during the financial year and the Directors do 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
YB Dato' Haji Idris Bin Haji Buang
YBhg Datuk Fong Joo Chung

In accordance with Article 82 of the Company's Articles of Association, YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani and YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican 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 the financial year had any interest in the shares of the Company or of its related corporations during the financial year.

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

On 8 March 2017, the State Government of Sarawak announced that it has agreed in principle with the Kementerian Kewangan Malaysia to acquire the entire equity interest of Sarawak Hidro Sdn Bhd, the owner and operator of the Bakun Hydroelectric Plant. The proposed acquisition will be made via the Company's wholly-owned subsidiary, SEB Power Sdn Bhd and negotiations are currently still ongoing to finalise the terms and conditions of the acquisition.

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 27 April 2017.

Datuk Fong Joo Chung

Dato' Haji Idris Bin Haji Buang

STATEMENT BY DIRECTORS

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

We, **Datuk Fong Joo Chung** 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 90 to 176 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 2016 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 April 2017.

Datuk Fong Joo Chung

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 90 to 176 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 27 April 2017

Alexander Chin

Before me,

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

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Sarawak Energy Berhad**, which comprise the statements of financial position as at 31 December 2016 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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
AF: 0039
Chartered Accountants

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

Kuching, Malaysia
Date: 27 April 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Revenue	4	**4,153,935**	3,022,302	**1,856,769**	641,039
Cost of sales		**(3,218,442)**	(2,230,743)	**(1,592,012)**	(421,181)
Gross profit		**935,493**	791,559	**264,757**	219,858
Other items of income					
Interest income	5	**95,887**	87,075	**67,741**	67,064
Other income	6	**249,066**	195,849	**16,092**	19
Other items of expense					
Administrative and other expenses		**(154,202)**	(115,609)	**(30,660)**	(17,686)
Finance costs	7	**(380,819)**	(350,345)	**(65,317)**	(65,884)
Share of results of associates, net of tax		**6,824**	6,804	**-**	-
Profit before tax	8	**752,249**	615,333	**252,613**	203,371
Income tax expense	11	**(206,401)**	60,615	**(2,342)**	-
Profit from continuing operations, net of tax		**545,848**	675,948	**250,271**	203,371
Discontinued operation					
Profit from discontinued operation, net of tax	36	**-**	2,675	**-**	-
Profit net of tax		**545,848**	678,623	**250,271**	203,371
Profit attributable to:					
Owners of the Company		**548,168**	678,884	**250,271**	203,371
Non-controlling interests		**(2,320)**	(261)	**-**	-
		545,848	678,623	**250,271**	203,371

		Group 2016	Group 2015
Basic earnings per ordinary share attributable to owners of the Company (sen):			
Continuing operations	12	**34.0**	42.0
Discontinued operation	12	**-**	0.2
		34.0	42.2

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit net of tax		**545,848**	678,623	**250,271**	203,371
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent year:					
Loss on fair value changes of available-for-sale financial assets		**(22,007)**	-	**(22,007)**	-
Net movement on cash flow hedges - foreign exchange forward contracts		**6,264**	(6,264)	**-**	-
Other comprehensive income not to be reclassified to profit or loss in subsequent year:					
Actuarial loss arising from remeasurement of defined benefit plan	30	**(36,565)**	-	**(381)**	-
Income tax relating to actuarial loss recognised	11	**8,684**	-	**-**	-
Other comprehensive income, net of tax		**(43,624)**	(6,264)	**(22,388)**	-
Total comprehensive income for the financial year		**502,224**	672,359	**227,883**	203,371
Total comprehensive income attributable to:					
Owners of the Company		**504,544**	672,620	**227,883**	203,371
Non-controlling interests		**(2,320)**	(261)	**-**	-
		502,224	672,359	**227,883**	203,371

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**17,019,679**	14,206,961	**9,630**	10,044
Mine development expenditure	14	**2,300**	2,462	**-**	-
Exploration and evaluation expenditure	15	**83,084**	32,458	**-**	-
Investment in subsidiaries	16	**-**	-	**1,515,729**	1,885,610
Investment in associates	17	**33,314**	26,490	**14,100**	14,100
Other investments	18	**54,494**	76,501	**54,494**	76,501
Deferred tax assets	19	**1,098,065**	1,155,322	**-**	-
Other receivables	21	**-**	-	**7,067,133**	6,276,628
		18,290,936	15,500,194	**8,661,086**	8,262,883
Current assets					
Inventories	20	**133,762**	257,520	**-**	-
Trade and other receivables	21	**893,384**	610,102	**405,827**	255,317
Income tax recoverable		**813**	5,289	**-**	750
Other current assets	22	**311,913**	219,219	**2,105,999**	599,058
Cash and bank balances	24	**2,032,350**	2,554,300	**1,414,355**	1,914,780
		3,372,222	3,646,430	**3,926,181**	2,769,905
TOTAL ASSETS		**21,663,158**	19,146,624	**12,587,267**	11,032,788

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	25	**2,243,702**	1,397,907	**468,130**	142,582
Other current liabilities	26	**4,940**	7,306	**-**	-
Loans and borrowings	27	**80,017**	565,016	**-**	500,000
Derivative financial liabilities	28	**-**	6,264	**-**	-
Income tax payable		**31,494**	1,767	**562**	-
Retirement benefit obligations	30	**6,711**	5,615	**26**	15
		2,366,864	1,983,875	**468,718**	642,597
Non-current liabilities					
Deferred tax liabilities	19	**605,506**	633,652	**-**	-
Loans and borrowings	27	**9,800,038**	8,380,055	**9,500,000**	8,000,000
Deferred income	29	**2,005,144**	1,826,952	**-**	-
Retirement benefit obligations	30	**228,323**	175,440	**1,407**	932
		12,639,011	11,016,099	**9,501,407**	8,000,932
Total liabilities		**15,005,875**	12,999,974	**9,970,125**	8,643,529
Equity attributable to owners of the Company					
Share capital	31	**1,610,569**	1,610,569	**1,610,569**	1,610,569
Share premium	31	**149,644**	149,644	**149,644**	149,644
Reserves	32	**4,877,240**	4,372,696	**856,929**	629,046
		6,637,453	6,132,909	**2,617,142**	2,389,259
Non-controlling interests		**19,830**	13,741	**-**	-
Total equity		**6,657,283**	6,146,650	**2,617,142**	2,389,259
TOTAL EQUITY AND LIABILITIES		**21,663,158**	19,146,624	**12,587,267**	11,032,788

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 2016

Group 2016	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 Company										
			Non-Distributable					Distributable				
Opening balance at 1 January 2016		**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**
Profit for the year		-	-	-	-	-	-	-	548,168	548,168	(2,320)	545,848
Other comprehensive income		-	-	-	-	6,264	(22,007)	-	(27,881)	(43,624)	-	(43,624)
Total comprehensive income for the financial year		-	-	-	-	6,264	(22,007)	-	520,287	504,544	(2,320)	502,224
Transactions with owners												
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	8,400	8,400
Struck off of subsidiary		-	-	-	-	-	-	-	-	-	9	9
Closing balance at 31 December 2016		**1,610,569**	**149,644**	**85,355**	**73,128**	**-**	**(1,397)**	**94,147**	**4,626,007**	**6,637,453**	**19,830**	**6,657,283**
		(Note 31)	(Note 31)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	(Note 32)			

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Equity attributable to owners of the Company										
			Non-Distributable					Distributable				
Group 2015	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
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 financial year		-	-	-	-	(6,264)	-	-	678,884	672,620	(261)	672,359
Transactions with owners												
Dividends on ordinary shares	35	-	-	-	-	-	-	-	(142,696)	(142,696)	-	(142,696)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	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
		(Note 31)	(Note 31)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	(Note 32)			

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 2016

		← Non-Distributable			→	← Distributable →		
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Available-for-sale reserve RM'000**	**General reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
Opening balance at 1 January 2016		**1,610,569**	**149,644**	**73,128**	**20,610**	**5,000**	**530,308**	**2,389,259**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**250,271**	**250,271**
Other comprehensive income		**-**	**-**	**-**	**(22,007)**	**-**	**(381)**	**(22,388)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(22,007)**	**-**	**249,890**	**227,883**
Closing balance at 31 December 2016		**1,610,569**	**149,644**	**73,128**	**(1,397)**	**5,000**	**780,198**	**2,617,142**
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 financial year		-	-	-	-	-	203,371	203,371
Transaction with owners								
Dividends on ordinary shares	35	-	-	-	-	-	(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
		(Note 31)	(Note 31)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	

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 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Operating activities					
Profit before tax from continuing operation		**752,249**	615,333	**252,613**	203,371
Profit before tax from discontinued operation	36	**-**	3,590	**-**	-
Profit before tax, total		**752,249**	618,923	**252,613**	203,371
Adjustments for:					
Amortisation of deferred income	6	**(116,912)**	(117,853)	**-**	-
Amortisation of mine development expenditure	8	**162**	162	**-**	-
Bad debts written off	8	**263**	3,985	**-**	7,804
Depreciation of property, plant and equipment	8	**631,976**	520,361	**494**	702
Dividend income from:					
- subsidiaries	4	**-**	-	**(248,000)**	(214,260)
- other investment	4	**(2,620)**	(1,834)	**(2,620)**	(1,834)
Interest expense on loans and borrowings	7	**3**	4	**-**	-
Profit payments on Islamic debt securities	7	**380,816**	350,341	**65,317**	65,884
Interest income from loans and receivables					
- continuing	5	**(95,887)**	(87,075)	**(67,741)**	(67,064)
- discontinuing		**-**	(421)	**-**	-
Inventories written off	8	**2,472**	1,451	**-**	-
Net loss/(gain) on disposal of property, plant and equipment	8	**5,850**	3,587	**(68)**	(18)
Net impairment loss on receivables	8	**15,846**	1,444	**-**	-
Property, plant and equipment written off	8	**17,343**	201	**4**	-
Retirement benefit obligations	9	**23,920**	19,166	**124**	115
Share of results of associates		**(6,824)**	(6,804)	**-**	-
Unrealised (gain)/loss on foreign exchange, net	8	**(26,675)**	7,934	**2,532**	-
Operating cash flows before changes in working capital		**1,581,982**	1,313,572	**2,655**	(5,300)
Changes in working capital:					
Inventories		**(23,914)**	(97,692)	**-**	-
Receivables		**(308,798)**	(115,758)	**(609,576)**	(655,475)
Other current assets		**(92,694)**	67,262	**(1,450,862)**	(437,386)
Payables		**914,726**	70,894	**269,418**	28,123
Other current liabilities		**(2,366)**	7,306	**-**	-
Development properties		**-**	104,967	**-**	-
Total changes in working capital		**486,954**	36,979	**(1,791,020)**	(1,064,738)
Cash flows from/(used in) operations		**2,068,936**	1,350,551	**(1,788,365)**	(1,070,038)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from/(used in) operations (cont'd.)		**2,068,936**	1,350,551	**(1,788,365)**	(1,070,038)
Interest paid		**(3)**	(4)	**-**	-
Taxes paid, net of refund		**(134,403)**	(98,644)	**(1,030)**	(750)
Retirement benefit paid	30	**(6,506)**	(6,418)	**(19)**	(13)
Net cash flows from/(used in) operating activities		**1,928,024**	1,245,485	**(1,789,414)**	(1,070,801)
Investing activities					
Acquisition of exploration and evaluation expenditure	15	**(50,626)**	(32,458)	**-**	-
Acquisition of mine development expenditure	14	**-**	(2,624)	**-**	-
Capital contributions received	29	**295,104**	145,972	**-**	-
Acquisition of property, plant and equipment	13	**(3,330,678)**	(1,978,656)	**(84)**	-
Proceeds from disposal of property, plant and equipment		**1,138**	2,069	**68**	18
Interests received		**110,407**	78,857	**79,273**	59,284
Dividends received		**2,620**	1,834	**250,620**	216,094
Proceeds from disposal of investment in subsidiaries		**-**	-	**369,881**	-
Increase/(Decrease) in short-term deposits with maturity more than 3 months		**1,377,531**	(373,304)	**1,377,531**	(373,304)
Net cash flows (used in)/from investing activities		**(1,594,504)**	(2,158,310)	**2,077,289**	(97,908)
Financing activities					
Profit payments on Islamic debt securities		**(445,253)**	(424,041)	**(410,771)**	(384,898)
Net drawdown and repayment of Islamic debt securities		**935,000**	1,445,000	**1,000,000**	1,500,000
Net repayment of other loans and borrowings		**(16)**	(2,753)	**-**	-
(Increase)/Decrease in short-term deposits with licensed bank pledged for borrowings		**(37,077)**	28,921	**(39,358)**	38,550
Capital contribution from non-controlling interests		**8,400**	5,280	**-**	-
Dividends paid	35	**-**	(142,696)	**-**	(142,696)
Net cash flows from financing activities		**461,054**	909,711	**549,871**	1,010,956
Net increase/(decrease) in cash and cash equivalents		**794,574**	(3,114)	**837,746**	(157,753)
Effect of exchange rate changes on cash and cash equivalents		**23,930**	117	**2**	-
Cash and cash equivalents at 1 January		**660,088**	663,085	**78,180**	235,933
Cash and cash equivalents at 31 December	24	**1,478,592**	660,088	**915,928**	78,180

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

1. CORPORATE INFORMATION

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.

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.

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 disclosed below:

On 1 January 2016, the Group and the Company adopted the applicable new and amended MFRSs and Annual Improvements which were effective for annual financial periods beginning on or after 1 January 2016 and explained as follows:

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, MFRS 12 and MFRS 128: Investment 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 Initiative	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

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

2.2 Changes in accounting policies (cont'd.)

(a) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

(b) Amendments to MFRS 101: Disclosure Initiative

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 amendments do not have a material impact on the Group's and the Company's financial statements.

(c) 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 associates 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 do not have any impact on the Group's and the Company's financial statements.

(d) 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 provide 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 applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

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

2.2 Changes in accounting policies (cont'd.)

(e) 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. These amendments do not 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 method 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 applied prospectively.

(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. This amendment is applied retrospectively.

(iii) MFRS 119: Employee Benefits

The amendment to MFRS 119 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. This amendment is applied prospectively.

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 and the Company'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**
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 - 2016 Cycle:	
(i) Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
(ii) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(iii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendment to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

(a) Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. The amendments are not expected to 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.)

(c) 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 MFRS 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.

(d) 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 and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

(e) MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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

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.

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.

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

2.4 Basis of consolidation (cont'd.)

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.

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 2.8.

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.

2.7 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

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

2.8 Intangible assets

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.

2.9 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.)

2.9 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.

2.10 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.

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. Impairment loss on goodwill is not reversed in a subsequent period.

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

2.11 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.

(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.)

2.11 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 when 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.

2.12 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.

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

2.12 Impairment of financial assets (cont'd.)

(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.

(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.

2.13 Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost at each reporting date are disclosed in Note 37.

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.)

2.13 Fair value measurement (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.

2.14 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.

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.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, short term deposits with a maturity of three months or less, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 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 when it can be demonstrated that the development activities can be completed within the normal operating cycle.

2.17 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 and consumables: purchase costs on a weighted average cost basis.

- The cost of coal inventories includes all costs incurred related to bringing the inventory to its current condition, including contract costs, direct and allocated indirect operating overhead and amortisation expense.

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

2.18 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.

2.19 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 2011 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.

2.20 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 statements 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.

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

2.20 Financial liabilities (cont'd.)

(b) Other financial liabilities (cont'd.)

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.

2.21 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.

2.22 Employee benefits

(a) Short-term benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(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 Cost 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.)

2.23 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.

2.24 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.

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

2.24 Revenue (cont'd.)

Revenue

(a) Sale of electricity

Sale of electricity is recognised upon invoiced value of electricity consumed by customers.

(b) Sale of goods

Revenue is recognised net of goods and services tax 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 contracts

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 based on the rates agreed with tenants.

(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.

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.

(c) Corporate support service fees

Corporate support service fees are recognised on an accrual basis when the services are rendered.

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

2.25 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.

(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 and associates, 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 and associates, 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.

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

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

2.26 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.

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

2.28 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.

2.29 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 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.)

2.29 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 non-financial 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.

2.30 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.

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

2.30 Exploration and evaluation expenditure (cont'd.)

(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.)

2.31 Mine development expenditure

(i) Initial recognition

Once the economically recoverable resources in an area of interest have been identified and a decision taken to develop and exploit the specific area, the exploration and evaluation expenditure previously incurred in that area is transferred to mine development expenditure.

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.

2.32 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 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 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 deferred tax assets on recognised investment allowances of the Group was RM1.26 billion (2015: RM1.27 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 21.

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 include 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 benefit obligations.

(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 annualized increase in average claims over the past 5 years.

Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is as disclosed in Note 30 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Dividend income from:				
- subsidiaries	**-**	-	**248,000**	214,260
- other investment	**2,620**	1,834	**2,620**	1,834
Sale of electricity	**4,117,517**	3,001,499	**-**	-
Sale of coal	**30,936**	13,363	**-**	-
Construction revenue	**-**	-	**1,606,149**	424,945
Others	**2,862**	5,606	**-**	-
	4,153,935	3,022,302	**1,856,769**	641,039

5. INTEREST INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from loans and receivables:				
- Short-term deposits	**95,872**	86,649	**67,737**	67,058
- Others	**15**	426	**4**	6
	95,887	87,075	**67,741**	67,064

6. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of property, plant and equipment	**167**	18	**68**	18
Gain on foreign exchange				
- realised	**20,737**	2,371	**1,328**	1
- unrealised	**29,208**	-	**-**	-
Sundry income	**58,605**	49,667	**-**	-
Amortisation of deferred income (Note 29)	**116,912**	117,853	**-**	-
Customers' contribution for connection charges	**18,959**	21,541	**-**	-
Rental income from land and building	**4,478**	4,399	**-**	-
Corporate support service fees	**-**	-	**14,696**	-
	249,066	195,849	**16,092**	19

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

7. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense/profit payments on:				
- Islamic debt securities	**498,921**	413,373	**464,367**	374,278
- Finance leases	**3**	4	**-**	-
	498,924	413,377	**464,367**	374,278
Amount charged to:				
- Subsidiaries	**-**	-	**(341,628)**	(286,206)
- Other receivables	**(1,343)**	(3,694)	**(1,343)**	(3,694)
Amount capitalised in:				
- Construction contract cost (Note 23)	**-**	-	**(56,079)**	(18,494)
- Capital work-in-progress (Note 13)	**(116,762)**	(59,338)	**-**	-
	380,819	350,345	**65,317**	65,884

8. PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
- statutory audit current year	**741**	680	**150**	130
- continuing	**741**	675	**150**	130
- discontinuing	**-**	5	**-**	-
- underprovision in respect of previous years - continuing	**13**	42	**10**	-
Amortisation of mine development expenditure (Note 14)	**162**	162	**-**	-

8. PROFIT BEFORE TAX (CONT'D.)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Bad debts written off	**263**	3,985	**-**	7,804
Depreciation of property, plant and equipment (Note 13)	**631,976**	520,361	**494**	702
- continuing	**631,976**	520,323	**494**	702
- discontinuing	**-**	38	**-**	-
Directors' remuneration (Note 10)	**1,369**	1,374	**1,245**	1,251
- continuing	**1,369**	1,350	**1,245**	1,251
- discontinuing	**-**	24	**-**	-
Employee benefits expense (Note 9)	**378,953**	339,630	**16,342**	3,218
- continuing	**378,953**	339,564	**16,342**	3,218
- discontinuing	**-**	66	**-**	-
Inventories written off	**2,472**	1,451	**-**	-
Impairment loss on				
- trade receivables, net (Note 21)	**15,846**	3,095	**-**	-
- continuing	**15,846**	2,812	**-**	-
- discontinuing	**-**	283	**-**	-
Reversal of allowance for impairment loss on other receivables	**-**	(1,651)	**-**	-
Net loss/(gain) on disposal of property, plant and equipment	**5,850**	3,587	**(68)**	(18)
(Gain)/loss on foreign exchange, net				
- realised	**(20,652)**	(2,371)	**(1,328)**	(1)
- unrealised	**(26,675)**	7,934	**2,532**	-
Property, plant and equipment written off	**17,343**	201	**4**	-
- continuing	**17,343**	-	**4**	-
- discontinuing	**-**	201	**-**	-
Rental expense	**4,046**	5,914	**11**	12
- continuing	**4,046**	5,908	**11**	12
- discontinuing	**-**	6	**-**	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Salaries, wages, overtime and bonus	**268,905**	248,115	**40,971**	29,214
Social security contributions	**2,889**	2,258	**148**	99
Contributions to defined contribution plan	**35,388**	30,321	**3,031**	2,228
Other benefits	**51,252**	43,701	**2,951**	3,049
Retirement benefit obligations (Note 30)	**23,920**	19,166	**124**	115
	382,354	343,561	**47,225**	34,705
Less: Amount capitalised in capital work-in-progress (Note 13)	**(3,401)**	(3,931)	**-**	-
Less: Amount capitalised in construction contract costs (Note 23)	**-**	-	**(2,550)**	(1,217)
Less: Amount charged to subsidiaries, net	**-**	-	**(28,333)**	(30,270)
	378,953	339,630	**16,342**	3,218

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by the Directors' of the Company during the year are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors of the Company				
Fees	**1,159**	1,181	**1,063**	1,079
Emoluments	**210**	193	**182**	172
Total Directors' remuneration (Note 34)	**1,369**	1,374	**1,245**	1,251

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Statements of profit or loss and other comprehensive income:				
Current income tax - continuing operations:				
- Malaysian income tax	**125,337**	56,356	**2,071**	-
- Under provision in respect of previous years	**1,721**	5,170	**271**	-
- Additional tax assessment arising from disallowed expenses*	**41,548**	-	**-**	-
	168,606	61,526	**2,342**	-
Deferred tax - continuing operations (Note 19):				
- Origination and reversal of temporary differences	**53,926**	(117,989)	**-**	-
- Over provision in respect of previous years	**(16,131)**	(4,152)	**-**	-
	37,795	(122,141)	**-**	-
Income tax expense attributable to continuing operations	**206,401**	(60,615)	**2,342**	-
Income tax expense attributable to discontinued operation (Note 36)	**-**	915	**-**	-
Income tax expense recognised in profit or loss	**206,401**	(59,700)	**2,342**	-
Deferred tax (Note 19)				
- Income tax relating to actuarial loss arising from remeasurement of defined benefit plan	**(8,684)**	-	**-**	-

* The Group in exercising an abundance of caution (*ex abundanti cautela*) has decided to account for the tax and penalty arising from the notices of additional tax assessment for YA 2012-YA 2014 arising from disallowed expenses. However, this should not be construed as an admission of liability on the part of the Group. The Group disagrees with the said notices and has filed an appeal to challenge the said notices before the Special Commissioners of Income Tax.

11. INCOME TAX EXPENSE (CONT'D.)

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 2016 and 2015 are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Profit before tax from continuing operations	**752,249**	615,333
Profit before tax from discontinued operation (Note 36)	**-**	3,590
	752,249	618,923
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**180,540**	154,731
Adjustments:		
Tax effect of non-deductible expenses	**28,767**	28,015
Tax effect of income not subject to tax	**(34,511)**	(34,899)
Tax effect of tax exempt income	**-**	(458)
Deferred tax assets recognised on investment allowance	**-**	(206,559)
Tax effect of share of results of associates	**3,393**	(1,701)
Under provision of current income tax in respect of previous years	**1,721**	5,175
Additional tax assessment arising from disallowed expenses	**41,548**	-
Over provision of deferred tax in respect of previous years	**(16,131)**	(4,152)
Deferred tax assets not recognised	**1,074**	148
Income tax expense recognised in profit or loss	**206,401**	(59,700)

	Company	
	2016 RM'000	**2015 RM'000**
Profit before tax	**252,613**	203,371
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**60,627**	50,843
Adjustments:		
Tax effect of non-deductible expenses	**959**	3,032
Tax effect of tax exempt income	**(60,148)**	(54,023)
Under provision of current income tax in respect of previous years	**271**	-
Deferred tax assets not recognised	**633**	148
Income tax expense recognised in profit or loss	**2,342**	-

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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	
	2016 RM'000	**2015 RM'000**
Profit net of tax attributable to owners of the Company from		
- Continuing operations (RM'000)	**548,168**	676,209
- Discontinued operation (RM'000)	**-**	2,675
Profit net of tax attributable to owners of the Company	**548,168**	678,884
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)	**34.0**	42.0
- Discontinued operation (sen)	**-**	0.2
	34.0	42.2

There is no dilution in the earnings per ordinary share for the current and previous financial year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

Group	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
Cost												
At 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	175,686	110,280	34,846	4,066	4,795	22,343	45,716	1,550,797	1,978,656
Transfer from inventories	-	-	-	66,368	-	-	-	-	-	-	-	66,368
Disposals	-	(4,028)	-	(9,237)	(1,451)	(644)	(1,584)	(59)	(1,572)	(3,070)	-	(21,645)
Write-offs	-	-	-	-	-	-	-	-	-	(358)	-	(358)
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 2015/1 January 2016	**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**
Additions	**1,538**	**3,009**	**-**	**23,269**	**-**	**-**	**-**	**-**	**23,637**	**41,149**	**3,238,076**	**3,330,678**
Transfer from inventories	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**145,200**	**145,200**
Write-offs	**(440)**	**(26,864)**	**(316)**	**(82,887)**	**-**	**-**	**-**	**-**	**(71)**	**(2,061)**	**-**	**(112,639)**
Disposals	**-**	**(250)**	**-**	**(39,622)**	**(2,024)**	**(710)**	**(1,576)**	**(502)**	**(5,653)**	**(472)**	**-**	**(50,809)**
Reclassification/ transfer	**-**	**116,426**	**5,945**	**759,754**	**275,731**	**56,272**	**3,542**	**12,211**	**-**	**(9,021)**	**(1,220,860)**	**-**
Adjustment	**-**	**(6)**	**(3,100)**	**(1,972)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,775)**	**(6,853)**
At 31 December 2016	**194,154**	**1,416,210**	**3,774,499**	**7,356,865**	**3,237,773**	**944,208**	**89,912**	**154,431**	**105,840**	**482,743**	**5,136,873**	**22,893,508**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (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
Accumulated depreciation												
At 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	-	(3,223)	-	(4,871)	(1,159)	(603)	(1,582)	(48)	(1,567)	(2,936)	-	(15,989)
Write-offs	-	-	-	-	-	-	-	-	-	(157)	-	(157)
Adjustments	-	38	-	(38)	(23)	-	26	(1)	-	(1,725)	-	(1,723)
At 31 December 2015/1 January 2016	**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**
Depreciation charge for the year (Note 8)	**3,588**	**37,781**	**38,438**	**358,558**	**105,456**	**31,576**	**3,415**	**5,241**	**14,233**	**33,690**	**-**	**631,976**
Write-offs	**(184)**	**(19,124)**	**(146)**	**(73,789)**	**-**	**-**	**-**	**-**	**(71)**	**(1,982)**	**-**	**(95,296)**
Disposals	**-**	**(250)**	**-**	**(33,253)**	**(1,585)**	**(689)**	**(1,575)**	**(467)**	**(5,588)**	**(414)**	**-**	**(43,821)**
Reclassification/ transfer	**-**	**2,510**	**-**	**11,407**	**8**	**8**	**-**	**(13)**	**-**	**(13,920)**	**-**	**-**
At 31 December 2016	**63,212**	**310,707**	**256,873**	**3,033,638**	**1,257,816**	**437,568**	**66,066**	**72,353**	**58,837**	**316,759**	**-**	**5,873,829**
Carrying amount												
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
At 31 December 2016	**130,942**	**1,105,503**	**3,517,626**	**4,323,227**	**1,979,957**	**506,640**	**23,846**	**82,078**	**47,003**	**165,984**	**5,136,873**	**17,019,679**

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 2015	1,180	155,037	25,471	181,688
Additions	-	(55)	-	(55)
Reclassifications/transfer	-	11,423	-	11,423
At 31 December 2015/1 January 2016	**1,180**	**166,405**	**25,471**	**193,056**
Additions	**-**	**1,538**	**-**	**1,538**
Write-offs	**-**	**(440)**	**-**	**(440)**
Transfer	**-**	**(124,168)**	**124,168**	**-**
At 31 December 2016	**1,180**	**43,335**	**149,639**	**194,154**
Accumulated depreciation				
At 1 January 2015	-	51,281	5,115	56,396
Depreciation charge for the year	-	2,975	437	3,412
At 31 December 2015/1 January 2016	**-**	**54,256**	**5,552**	**59,808**
Depreciation charge for the year	**-**	**690**	**2,898**	**3,588**
Write-offs	**-**	**(184)**	**-**	**(184)**
Transfer	**-**	**(52,318)**	**52,318**	**-**
At December 2016	**-**	**2,444**	**60,768**	**63,212**
Carrying amount				
At 31 December 2015	1,180	112,149	19,919	133,248
At 31 December 2016	**1,180**	**40,891**	**88,871**	**130,942**

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	Short term 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 2015	11,526	2,083	4,706	3,288	21,603
Disposals	-	(289)	-	-	(289)
Transfers	-	-	-	(3,288)	(3,288)
At 31 December 2015/1 January 2016	**11,526**	**1,794**	**4,706**	**-**	**18,026**
Additions	**-**	**84**	**-**	**-**	**84**
Disposals	**-**	**(246)**	**-**	**-**	**(246)**
Write-offs	**-**	**-**	**(765)**	**-**	**(765)**
At 31 December 2016	**11,526**	**1,632**	**3,941**	**-**	**17,099**
Accumulated depreciation					
At 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 2015/1 January 2016	**2,048**	**1,742**	**4,192**	**-**	**7,982**
Depreciation charge for the year (Note 8)	**205**	**41**	**248**	**-**	**494**
Disposals	**-**	**(246)**	**-**	**-**	**(246)**
Write-offs	**-**	**-**	**(761)**	**-**	**(761)**
At 31 December 2016	**2,253**	**1,537**	**3,679**	**-**	**7,469**
Carrying amount					
At 31 December 2015	9,478	52	514	-	10,044
At 31 December 2016	**9,273**	**95**	**262**	**-**	**9,630**

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Assets under construction

The following expenditures incurred during the year have been capitalised in capital work-in-progress:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Employee benefits expense (Note 9)	**3,401**	3,931	**-**	-
Finance costs (Note 7)	**116,762**	59,338	**-**	-

Security

The Group's long term leasehold land with carrying amount of RM5,462,000 (2015: RM5,539,000) are pledged as security for the Sukuk Mudharabah as disclosed in Note 27.

Leased asset is pledged as security for the related financial lease liability as referred in Note 27.

14. MINE DEVELOPMENT EXPENDITURE

	Group	
	2016 RM'000	**2015 RM'000**
Cost		
At 1 January	**2,624**	-
Additions	**-**	2,624
At 31 December	**2,624**	2,624
Accumulated amortisation		
At 1 January	**162**	-
Charge for the year (Note 8)	**162**	162
At 31 December	**324**	162
Carrying amount		
At 31 December	**2,300**	2,462

15. EXPLORATION AND EVALUATION EXPENDITURE

	Group	
	2016 RM'000	2015 RM'000
At cost		
At 1 January	**32,458**	-
Additions	**50,626**	32,458
At 31 December	**83,084**	32,458

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares	**1,515,729**	1,885,610

The investment in subsidiaries is measured at cost except for capital contribution amounting to RM40.8 million (2015: RM46.0 million) arising from equity-settled share options granted to employees of subsidiaries which were dissolved in March 2010 following the de-listing of the entire issued and paid-up share capital of the Company in January 2010.

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	
		2016	2015
Held by the Company:			
SEB Power Sdn Bhd	Investment holding, development of power plant, operation, maintenance, procurement and generation support services	**100**	100
Syarikat SESCO Berhad	Power generation, transmission, distribution and sale of electricity	**100**	100
Sarawak Energy Resources Sdn Bhd	Investment holding	**100**	100
Dunlop Estates Holdings Sdn Bhd	Investment holding	**100**	100
Mukah Power Generation Sdn Bhd	Power generation	**-**	100
Sarawak Power Generation Sdn Bhd	Power generation	**-**	100

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name	Principal activities	Proportion (%) of ownership interest 2016	Proportion (%) of ownership interest 2015
Held by the Company: (cont'd.)			
Balingian Power Generation Sdn Bhd#	Intended - Power generation	**-**	100
Kidurong Power Generation Sdn Bhd#	Intended - Power generation	**-**	100
Murum Hydro Power Generation Sdn Bhd (formerly known as Sarawak Hydro Power Generation Sdn Bhd)	Power generation	**-**	100
Sejingkat Power Corporation Sdn Bhd	Power generation	**-**	51
Held through SEB Power Sdn Bhd:			
PPLS Power Generation Sdn Bhd	Power generation	**100**	-
Mukah Power Generation Sdn Bhd	Power generation	**100**	-
Sarawak Power Generation Sdn Bhd	Power generation	**100**	-
Murum Hydro Power Generation Sdn Bhd (formerly known as Sarawak Hydro Power Generation Sdn Bhd)	Power generation	**100**	-
Sejingkat Power Corporation Sdn Bhd	Power generation	**100**	-
Balingian Power Generation Sdn Bhd#	Intended - Power generation	**100**	-
Batang Ai Power Generation Sdn Bhd#	Intended - Power generation	**100**	100
Kidurong Power Generation Sdn Bhd#	Intended - Power generation	**100**	-

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name	Principal activities	Proportion (%) of ownership interest 2016	2015
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
Sejingkat Power Corporation Sdn Bhd	Power generation	**-**	49
Held through Sarawak Energy Resources Sdn Bhd:			
Global Energy Minerals Sdn Bhd	Exploration, production and sale of coal	**60**	60
Balingian Energy Minerals Sdn Bhd	Exploration, production and sale of coal	**60**	-
Mukah Energy Minerals Sdn Bhd	Investment holding, exploration, production and sale of coal	**100**	100
Held through Mukah Energy Minerals Sdn Bhd:			
Mukah Mining Services Sdn Bhd	Exploration, production and sale of coal	**60**	-

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name	Principal activities	Proportion (%) of ownership interest 2016	2015
Held through Murum Hydro Power Generation Sdn Bhd (Formerly known as Sarawak Hydro Power Generation Sdn. Bhd.):			
Murum Hydro Consortium Sdn Bhd	Dormant	**100**	100
Held through Sejinkat Power Corporation Sdn Bhd:			
SE Lite Crete Sdn Bhd^	Manufacture of Light Weight Block	**-**	50

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

^ The subsidiary was struck off during the financial year.

(a) In conjunction with the ownership restructuring exercise, on 28 January 2016, the Company and its wholly-owned subsidiary, Syarikat SESCO Berhad, entered into several share sales and purchase agreements with SEB Power Sdn Bhd to realign 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 21 January 2016, a subsidiary of the Company, Sarawak Energy Resources Sdn Bhd ("SER") entered into a joint venture with Buroi Mining Sdn Bhd's ("BMSB") subsidiary, Nexton Sdn Bhd ("NSB") to undertake coal mining business activities. Under the arrangement, Balingian Energy Minerals Sdn Bhd was incorporated where SER and NSB hold 60% and 40% equity interest respectively.

(c) On 20 May 2016, a subsidiary of the Company, SER had also through its wholly-owned subsidiary, Mukah Energy Minerals Sdn Bhd ("MEMSB") entered into a joint venture with Maglead Power Sdn Bhd ("MPSB") to undertake the exploration of coal mining operations. Under the arrangement, the exploration works will be carried by a newly incorporated subsidiary, Mukah Mining Services Sdn Bhd where MEMSB and MPSB hold 60% and 40% equity interest respectively.

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised financial information of Balingian Energy Minerals Sdn Bhd, SESCO-EFACEC Sdn Bhd and Global Energy Minerals Sdn Bhd and 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 interests in respect of Mukah Mining Services Sdn Bhd is not material to the Group.

(i) Summarised Statements of Financial Position

	Balingian Energy Minerals Sdn Bhd		SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current assets	**26,909**	-	**2,802**	3,498	**39,295**	40,603	**69,006**	44,101
Current assets	**5,026**	-	**17,048**	20,181	**67,771**	12,889	**89,845**	33,070
Total assets	**31,935**	-	**19,850**	23,679	**107,066**	53,492	**158,851**	77,171
Current liabilities	**12,740**	-	**5,185**	5,832	**64,969**	40,160	**82,894**	45,992
Non-current liabilities	**-**	-	**38**	475	**27,672**	238	**27,710**	713
Total liabilities	**12,740**	-	**5,223**	6,307	**92,641**	40,398	**110,604**	46,705
Net assets	**19,195**	-	**14,627**	17,372	**14,425**	13,094	**48,247**	30,466
Equity attributable to owners of the Company	**11,517**	-	**7,460**	8,859	**8,655**	7,856	**27,632**	16,715
Non-controlling interests	**7,678**	-	**7,167**	8,513	**5,770**	5,238	**20,615**	13,751

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Balingian Energy Minerals Sdn Bhd		SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	**-**	-	**6,437**	8,738	**118,779**	39,244	**125,216**	47,982
(Loss)/Profit for the year	**(806)**	-	**(296)**	(446)	**1,331**	(102)	**229**	(548)
(Loss)/Profit attributable to owners of the Company	**(484)**	-	**(1,399)**	(227)	**799**	(61)	**(1,084)**	(288)
(Loss)/Profit attributable to the non-controlling interests	**(322)**	-	**(1,344)**	(219)	**532**	(41)	**(1,134)**	(260)

(iii) Summarised Cash Flows

	Balingian Energy Minerals Sdn Bhd		SESCO-EFACEC Sdn Bhd		Global Energy Minerals Sdn Bhd		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net cash from/(used in) operating activities	**9,680**	-	**(965)**	(766)	**1,586**	32,417	**10,301**	31,651
Net cash (used in)/from investing activities	**(26,911)**	-	**137**	5	**(196)**	(43,417)	**(26,970)**	(43,412)
Net cash from/(used in) financing activities	**20,000**	-	**(16)**	(15)	**-**	13,200	**19,984**	13,185
Net increase/(decrease) in cash and cash equivalents	**2,769**	-	**(844)**	(776)	**1,390**	2,200	**3,315**	1,424
Cash and cash equivalents at beginning of the year	**-**	-	**5,431**	6,207	**2,200**	-	**7,631**	6,207
Cash and cash equivalents at end of the year	**2,769**	-	**4,587**	5,431	**3,590**	2,200	**10,946**	7,631

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	**2016 RM'000**	2015 RM'000
Unquoted shares in Malaysia, at cost	**37,470**	37,470	**30,413**	30,413
Share of post-acquisition reserves	**10,212**	3,388	**-**	-
	47,682	40,858	**30,413**	30,413
Less: Accumulated impairment losses	**(14,368)**	(14,368)	**(16,313)**	(16,313)
	33,314	26,490	**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 2016	2015
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#	Sale 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current assets	**55,450**	55,192	**15,542**	14,803	**70,992**	69,995
Current assets	**63,429**	50,830	**60,783**	54,777	**124,212**	105,607
Total assets	**118,879**	106,022	**76,325**	69,580	**195,204**	175,602
Non-current liabilities	**-**	-	**19,672**	17,958	**19,672**	17,958
Current liabilities	**60,327**	65,528	**4,159**	3,815	**64,486**	69,343
Total liabilities	**60,327**	65,528	**23,831**	21,773	**84,158**	87,301
Net assets	**58,552**	40,494	**52,494**	47,807	**111,046**	88,301

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Sarawak Coal Resources Sdn Bhd		Sarawak Gas Distribution Sdn Bhd		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	**199,531**	215,450	**7,676**	7,398	**207,207**	222,848
Profit for the year	**18,058**	18,717	**4,687**	3,964	**22,745**	22,681
Total comprehensive income	**18,058**	18,717	**4,687**	3,964	**22,745**	22,681

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net assets at 1 January	**40,494**	21,777	**47,807**	43,843	**88,301**	65,620
Profit for the year	**18,058**	18,717	**4,687**	3,964	**22,745**	22,681
Net assets at 31 December	**58,552**	40,494	**52,494**	47,807	**111,046**	88,301
Interest in associates	**30%**	30%	**30%**	30%	**30%**	30%
Share of net assets, representing the carrying value of the Group's interest in associates	**17,566**	12,148	**15,748**	14,342	**33,314**	26,490

18. OTHER INVESTMENTS

	Group/Company	
	2016 RM'000	**2015 RM'000**
Available-for-sale financial assets		
- quoted equity instrument in Malaysia, at fair value	**54,494**	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 2015 RM'000**	**Recognised in profit or loss RM'000**	**At 31 December 2015 RM'000**	**Recognised in profit or loss RM'000**	**Recognised in other comprehensive income RM'000**	**At 31 December 2016 RM'000**
Deferred tax liabilities:						
Property, plant and equipment	(732,507)	(360,770)	(1,093,277)	(110,525)	-	**(1,203,802)**
Others	(6,571)	263	(6,308)	-	-	**(6,308)**
	(739,078)	(360,507)	(1,099,585)	(110,525)	-	**(1,210,110)**

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Group (cont'd.)	At 1 January 2015 RM'000	Recognised in profit or loss RM'000	At 31 December 2015 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31 December 2016 RM'000
Deferred tax assets:						
Property, plant and equipment	-	-	-	4,296	-	**4,296**
Retirement benefit obligations	40,268	2,958	43,226	4,154	8,684	**56,064**
Unutilised investment allowances	1,073,282	199,574	1,272,856	(8,008)	-	**1,264,848**
Unutilised tax losses	2,420	(2,180)	240	(144)	-	**96**
Trade receivables	2,566	1,064	3,630	2,243	-	**5,873**
Unabsorbed capital allowances	20,071	281,232	301,303	(38,876)	-	**262,427**
Other payables	-	-	-	109,065	-	**109,065**
	1,138,607	482,648	1,621,255	72,730	8,684	**1,702,669**
	399,529	122,141	521,670	(37,795)	8,684	**492,559**
		(Note 11)		(Note 11)	(Note 11)	

Presented after appropriate offsetting as follows:

	At 1 January 2015	At 31 December 2015	At 31 December 2016
Deferred tax liabilities	(568,373)	(633,652)	**(605,506)**
Deferred tax assets	967,902	1,155,322	**1,098,065**
	399,529	521,670	**492,559**

Deferred tax assets have not been recognised in respect of the following:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Retirement benefit obligations	**1,433**	947	**1,433**	947
Other payables	**3,027**	476	**3,027**	476
Unutilised tax losses	**1,819**	-	**-**	-
	6,279	1,423	**4,460**	1,423

20. INVENTORIES

	Group	
	2016 RM'000	**2015 RM'000**
At cost		
Fuel	**32,651**	35,408
Coal	**24,495**	10,143
Consumables	**70,817**	206,970
Finished goods	**3,294**	2,350
Work-in-progress	**2,505**	2,649
	133,762	257,520

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM413,967,000. Besides, inventories amounting to RM145,200,000 (2015: RM66,368,000) have been capitalised as property, plant and equipment as referred in Note 13.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
(a) Trade receivables				
Third parties	**787,478**	555,750	**-**	-
Amount due from a minority shareholder of a subsidiary	**43,969**	-	**-**	-
	831,447	555,750	**-**	-
Less: Allowance for impairment loss	**(56,279)**	(40,433)	**-**	-
Trade receivables, net (i)	**775,168**	515,317	**-**	-

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(b) Other receivables				
Amounts due from				
- subsidiaries (ii)	**-**	-	**340,988**	206,200
- associates (iii)	**10,780**	10,780	**10,729**	10,729
Amount due from shareholders (iv)	**47,580**	20,829	**47,580**	20,829
Deposits	**782**	679	**92**	92
Sundry receivables (v)	**77,814**	81,237	**17,167**	28,196
	136,956	113,525	**416,556**	266,046
Less: Allowance for impairment loss				
- associate	**(10,729)**	(10,729)	**(10,729)**	(10,729)
- third parties	**(8,011)**	(8,011)	**-**	-
	118,216	94,785	**405,827**	255,317
	893,384	610,102	**405,827**	255,317
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	**-**	-	**7,067,133**	6,276,628
Total trade and other receivables	**893,384**	610,102	**7,472,960**	6,531,945

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

(i) Trade receivables

The Group's normal trade credit term ranges from 14 to 60 days (2015: 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.

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
2016				
Not past due	**352,829**	**-**	**(673)**	**352,156**
Past due not impaired				
1 to 30 days past due	**208,583**	**-**	**(655)**	**207,928**
31 to 60 days past due	**41,718**	**-**	**(696)**	**41,022**
61 to 90 days past due	**30,694**	**-**	**(704)**	**29,990**
91 to 365 days past due	**72,387**	**-**	**(5,402)**	**66,985**
	353,382	**-**	**(7,457)**	**345,925**
Impaired	**125,236**	**(37,028)**	**(11,121)**	**77,087**
	831,447	**(37,028)**	**(19,251)**	**775,168**
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
91 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

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

(i) Trade receivables (cont'd.)

The movement in allowance accounts in respect of trade receivables is as follows:

	Group	
	2016 RM'000	**2015 RM'000**
At 1 January	**40,433**	37,338
Impairment during the year	**17,197**	6,259
Reversal of impairment loss	**(1,351)**	(3,164)
Net (Note 8)	**15,846**	3,095
At 31 December	**56,279**	40,433

The Group's trade receivables amounting to RM353.4 million (2015: RM276.8 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 RM6,888.3 million (2015: RM6,429.2 million) which earn interest at rates ranging from 4.68% to 6.00% (2015: 4.68% to 6.00%) per annum. These amounts are repayable on demand except for RM7,067.1 million (2015: RM6,276.6 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 advances 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% (2015: 4.68%) per annum.

(v) Sundry receivables

Included in sundry receivables of the Group and the Company are the following amounts:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Amount due from former associates	**7,000**	7,000	**-**	-
Interest receivables	**16,335**	30,855	**12,656**	24,189
Other receivables	**54,479**	43,382	**4,511**	4,007
	77,814	81,237	**17,167**	28,196

22. OTHER CURRENT ASSETS

	Group		Company	
	2016 **RM'000**	**2015** **RM'000**	**2016** **RM'000**	**2015** **RM'000**
Advance payments	**180,256**	167,496	**56,347**	167,496
Amount due from customers on contract (Note 23)	**-**	-	**2,031,094**	424,945
GST recoverable	**98,149**	32,862	**18,521**	6,612
Prepayments	**33,508**	18,861	**37**	5
	311,913	219,219	**2,105,999**	599,058

23. AMOUNT DUE FROM CUSTOMERS ON CONTRACT

	Company	
	2016 **RM'000**	**2015** **RM'000**
Construction contract cost incurred to-date	**2,013,194**	421,181
Attributable profit	**17,900**	3,764
Amount due from customers on contract (Note 22)	**2,031,094**	424,945

The costs incurred to-date on construction contracts include the following charges made during the financial year:

	Company	
	2016 **RM'000**	**2015** **RM'000**
Employee benefits expense (Note 9)	**2,550**	1,217
Finance costs (Note 7)	**56,079**	18,494
Unrealised loss on foreign exchange	**-**	556

The Company undertakes 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Short-term deposits placed with licensed banks	**1,896,873**	2,518,469	**1,412,639**	1,913,597
Cash at banks and on hand	**135,477**	35,831	**1,716**	1,183
Cash and bank balances	**2,032,350**	2,554,300	**1,414,355**	1,914,780
Less: Short-term deposits pledged for bank borrowings	**(153,758)**	(116,681)	**(98,427)**	(59,069)
Less: Short-term deposits with maturity more than 3 months	**(400,000)**	(1,777,531)	**(400,000)**	(1,777,531)
Cash and cash equivalents	**1,478,592**	660,088	**915,928**	78,180

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 2.90% to 4.26% (2015: 2.80% to 4.22%) per annum.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Trade payables				
Third parties	**399,507**	315,097	**-**	-
Amount due to associates	**43,274**	10,407	**-**	-
	442,781	325,504	**-**	-
Other payables				
Other payables	**925,525**	402,981	**26,914**	15,068
Accruals	**365,738**	217,482	**316,527**	86,766
Amounts due to subsidiaries	**-**	-	**6,921**	6,406
Collateral deposits	**387,593**	364,920	**-**	-
Deposit payable	**614**	877	**-**	-
Retention monies	**121,451**	86,143	**117,768**	34,342
	1,800,921	1,072,403	**468,130**	142,582
Total trade and other payables	**2,243,702**	1,397,907	**468,130**	142,582

25. TRADE AND OTHER PAYABLES (CONT'D.)

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit terms granted to the Group range from 14 to 120 days (2015: 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 (2015: 14 to 120 days).

(c) Amounts due to subsidiaries

These amounts are non-interest bearing, unsecured and repayable on demand.

26. OTHER CURRENT LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
GST payables	**4,940**	7,306	**-**	-

27. LOANS AND BORROWINGS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
Secured:				
Islamic debt securities	**80,000**	65,000	**-**	-
Obligation under finance lease	**17**	16	**-**	-
	80,017	65,016	**-**	-
Unsecured:				
Islamic debt securities	**-**	500,000	**-**	500,000
	80,017	565,016	**-**	500,000
Non-current				
Secured:				
Islamic debt securities	**300,000**	380,000	**-**	-
Obligation under finance lease	**38**	55	**-**	-
	300,038	380,055	**-**	-
Unsecured:				
Islamic debt securities	**9,500,000**	8,000,000	**9,500,000**	8,000,000
	9,800,038	8,380,055	**9,500,000**	8,000,000
Total loans and borrowings	**9,880,055**	8,945,071	**9,500,000**	8,500,000

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 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 was undertaken by another subsidiary of the Group in prior year.

The Sukuk Musharakah is secured by a security trust deed, the assignment of certain leases 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 Sukuk Service Cover Ratio of not less than 1.25:1 since the tenure of the facilities commenced.

27. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(i) 15-year RM215 million Sukuk Musharakah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2016 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

The Sukuk Musharakah is redeemable as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Repayable within 1 year	**10,000**	10,000
Repayable after 1 year	**20,000**	30,000
	30,000	40,000

(ii) 15-year RM665 million Sukuk Mudharabah

This represents the Serial Sukuk Mudharabah of up to an aggregate nominal amount of RM665 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.

27. LOANS AND BORROWINGS (CONT'D.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2016 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	155,000	7.80 - 8.25	10 - 12	2017 - 2019
	350,000			

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2016 RM'000	2015 RM'000
Redeemable within 1 year	**70,000**	55,000
Redeemable after 1 year	**280,000**	350,000
	350,000	405,000

(iii) 25-year RM15 billion Sukuk Musyarakah

This represents the serial Sukuk Musyarakah of up to an aggregate nominal amount of RM15 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 25 April 2016, the Company raised a total amount of RM1.5 billion from its fifth issuance. On 26 June 2016, the Company had repaid a total amount of RM500 million from its first issuance. A total of RM9.5 billion has 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 2016 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2011	2,500,000	4.70 - 5.65	7 - 15	2018 - 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
2016	1,500,000	5.04 - 5.18	15 - 20	2031 - 2036
	9,500,000			

27. LOANS AND BORROWINGS (CONT'D.)

(iii) 25-year RM15 billion Sukuk Musyarakah (cont'd.)

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2016 RM'000	**2015 RM'000**
Redeemable within 1 year	**-**	500,000
Redeemable after 1 year	**9,500,000**	8,000,000
	9,500,000	8,500,000

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% (2015: 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	
	2016 RM'000	**2015 RM'000**
Minimum lease payments:		
Not later than 1 year	**19**	19
Later than 1 year but not later than 2 years	**19**	19
Later than 2 years but not later than 5 years	**21**	40
Total minimum lease payments	**59**	78
Less: Amounts representing finance charges	**(4)**	(7)
Present value of minimum lease payments	**55**	71
Present value of payments:		
Not later than 1 year	**17**	16
Later than 1 year but not later than 2 years	**18**	17
Later than 2 years but not later than 5 years	**20**	38
Present value of minimum lease payments	**55**	71
Less: Amount due within 12 months	**(17)**	(16)
Amount due after 12 months	**38**	55

28. DERIVATIVE FINANCIAL LIABILITIES

	Notional amount		Assets/(liabilities)	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group				
Derivatives - financial instruments at fair value through other comprehensive income				
Cash flow hedges				
- Forward foreign currency contracts	**-**	204,008	**-**	(6,264)

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 2015 were assessed to be highly effective as at 31 December 2015, and a net unrealised loss of RM6,264,000 was included in other comprehensive income in respect of these contracts.

29. DEFERRED INCOME

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

	Group	
	2016 RM'000	2015 RM'000
At 1 January	**1,826,952**	1,798,833
Received during the year	**295,104**	145,972
Amortisation during the year (Note 6)	**(116,912)**	(117,853)
At 31 December	**2,005,144**	1,826,952

Government grants and capital contributions of RM295,104,000 (2015: RM145,972,000) were received during the financial year whereas an amount of RM116,912,000 (2015: RM117,853,000) was recognised to the profit or loss in accordance with the accounting policy as described in Note 2.19.

30. 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
At 1 January	**181,055**	168,307	**947**	845
Recognised in profit and loss (Note 9)	**23,920**	19,166	**124**	115
Benefits paid	**(6,506)**	(6,418)	**(19)**	(13)
Actuarial loss recognised in other comprehensive income	**36,565**	-	**381**	-
At 31 December	**235,034**	181,055	**1,433**	947

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Present value of unfunded defined benefit obligations				
Current	**6,711**	5,615	**26**	15
Non-current	**228,323**	175,440	**1,407**	932
	235,034	181,055	**1,433**	947

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Recognised in profit and loss:				
Current service cost	**13,468**	9,515	**70**	66
Interest cost	**10,452**	9,651	**54**	49
Total, included in employee benefits expense (Note 9)	**23,920**	19,166	**124**	115
Recognised in other comprehensive income:				
Actuarial loss arising from remeasurement of defined benefit plan	**36,565**	-	**381**	-

30. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

Principal actuarial assumptions used:

	Group		Company	
	2016 %	2015 %	**2016 %**	2015 %
Discount rate	**5.70**	5.80	**5.70**	5.80
Medical cost inflation rate	**10% reducing to 4% in 4 years**	10% reducing to 4% in 4 years	**10% reducing to 4% in 4 years**	10% reducing to 4% in 4 years

The average life expectancy of an individual retiring at age 60 (2015: 60) is 16 years (2015:16 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 obligations Increase/(Decrease)			
	Group		Company	
	2016 RM'000	2015 RM'000	**2016 RM'000**	2015 RM'000
1% increase in discount rate	**(32,647)**	(25,361)	**(241)**	(172)
1% increase in medical cost inflation rate	**40,227**	35,386	**309**	247

31. SHARE CAPITAL AND SHARE PREMIUM

			Amount		
Group and Company	**Number of ordinary shares '000**	**Par value RM**	**Share capital RM'000**	**Share premium RM'000**	**Total share capital and share premium RM'000**
Issued and fully paid	**1,610,569**	**1**	**1,610,569**	**149,644**	**1,760,213**

31. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

	Number of ordinary shares of RM1.00 each		Amount	
	2016 '000	**2015 '000**	**2016 RM'000**	**2015 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 shares 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.

32. RESERVES

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 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)	**(1,397)**	20,610	**(1,397)**	20,610
Hedge reserve (d)	**-**	(6,264)	**-**	-
	157,086	172,829	**71,731**	93,738
Distributable:				
General reserve (a)	**94,147**	94,147	**5,000**	5,000
Retained earnings (e)	**4,626,007**	4,105,720	**780,198**	530,308
	4,720,154	4,199,867	**785,198**	535,308
	4,877,240	4,372,696	**856,929**	629,046

32. RESERVES (CONT'D.)

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 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 of the Company as at 31 December 2016 and 31 December 2015 can be distributed as dividends under single tier system.

33. FUTURE CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Capital expenditure:				
Approved and contracted for	**2,211,027**	1,431,641	**-**	-
Approved and not contracted for	**1,298,384**	1,559,276	**-**	-
	3,509,411	2,990,917	**-**	-

34. 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, controlling shareholders and key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

		Group	
		2016 RM'000	**2015 RM'000**
(i)	Associate:		
	Expenditure		
	Purchases of coal	**199,633**	196,091
	Rental	**28**	24
(ii)	A corporate shareholder in a subsidiary:		
	Income		
	Sales of coal	**30,936**	13,363
	Expenditure		
	Service fee paid/payable	**110,399**	32,456

34. RELATED PARTY DISCLOSURES (CONT'D.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year: (cont'd.)

	Company	
	2016 RM'000	**2015 RM'000**
(i) Subsidiaries:		
Income		
Corporate support service fees	**14,696**	-
Dividend	**248,000**	214,260
Expenditure		
Corporate support service fees	**5,033**	-

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.

Information regarding outstanding balances arising from related party transactions as at 31 December 2016 is disclosed in Note 21 and Note 25.

(c) Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors' remuneration (Note 10)	**1,369**	1,374	**1,245**	1,251
Short-term employee benefits	**31,844**	21,724	**23,378**	14,800
Post-employment benefits				
- defined contribution plan	**1,784**	1,264	**578**	281
- defined benefit plan	**597**	127	**19**	-
Other benefits	**752**	496	**638**	423
	36,346	24,985	**25,858**	16,755

35. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Final single-tier dividend for 2014: 5.50 sen on 1,610,568,979 ordinary shares	-	-	-	88,581
Special single-tier dividend for 2014: 3.36 sen on 1,610,568,979 ordinary shares	-	-	-	54,115
	-	-	-	142,696

36. PROFIT FROM DISCONTINUED OPERATION, NET OF TAX

In 2015, 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 result of the discontinued operation for the prior year was as follows:

Statement of Profit or Loss and Other Comprehensive Income

	Group
	2015 RM'000
Revenue	110,291
Cost of sales	(106,350)
Gross profit	3,941
Other income	568
Administrative expenses	(919)
Profit before tax	3,590
Income tax expense (Note 11)	(915)
Profit after tax from discontinued operation	2,675

Statement of Cash Flows Disclosure

Net cash from operating activities	47,967
Net cash from investing activities	421
Net cash used in financing activities	(50,000)
Net cash used in discontinued operation	(1,612)

37. 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 from/to subsidiaries, 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 subsidiaries 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.

(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:

	2016		2015	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Group				
Financial liabilities				
Loans and borrowings	**9,880,055**	**10,168,831**	8,945,071	9,227,361
Company				
Financial liabilities				
Loans and borrowings	**9,500,000**	**9,753,204**	8,500,000	8,737,674

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

(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.

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2016 and 31 December 2015 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	**2016**	**54,494**	**-**	**-**	**54,494**
	2015	76,501	-	-	76,501
Group					
Liabilities measured at fair values:					
Derivative financial liabilities	**2016**	**-**	**-**	**-**	**-**
	2015	-	6,264	-	6,264
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	**2016**	**-**	**10,168,831**	**-**	**10,168,831**
	2015	-	9,227,361	-	9,227,361
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	**2016**	**-**	**9,753,204**	**-**	**9,753,204**
	2015	-	8,737,674	-	8,737,674

38. 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:

Group	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
2016				
Assets				
Other investments	**-**	**54,494**	**-**	**-**
Trade and other receivables	**893,384**	**-**	**-**	**-**
Cash and bank balances	**2,032,350**	**-**	**-**	**-**
Liabilities				
Trade and other payables	**-**	**-**	**-**	**2,243,702**
Loans and borrowings	**-**	**-**	**-**	**9,880,055**
2015				
Assets				
Other investments	-	76,501	-	-
Trade and other receivables	610,102	-	-	-
Cash and bank balances	2,554,300	-	-	-
Liabilities				
Trade and other payables	-	-	-	1,397,907
Loans and borrowings	-	-	-	8,945,071
Derivative financial liabilities	-	-	6,264	-

38. 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:

Company	Loans and receivables RM'000	Available-for-sale RM'000	Other financial liabilities at amortised cost RM'000
2016			
Assets			
Other investments	**-**	**54,494**	**-**
Trade and other receivables	**7,472,960**	**-**	**-**
Cash and bank balances	**1,414,355**	**-**	**-**
Liabilities			
Trade and other payables	**-**	**-**	**468,130**
Loans and borrowings	**-**	**-**	**9,500,000**
2015			
Assets			
Other investments	-	76,501	-
Trade and other receivables	6,531,945	-	-
Cash and bank balances	1,914,780	-	-
Liabilities			
Trade and other payables	-	-	142,582
Loans and borrowings	-	-	8,500,000

39. 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 years, 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 2016, approximately 51% (2015: 58%) of the Group's trade receivables were due from 5 major customers. In addition to customers' collateral 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 ageing analysis is disclosed in Note 21. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

(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. The Group's policy is to finance long-term assets with long-term funding and short-term assets with short-term funding.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The following are the expected contractual undiscounted cash flows of financial liabilities of the Group and the Company, including interest payments:

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group					
2016					
Non-derivative financial liabilities					
Trade and other payables	**2,243,702**	**2,243,702**	**2,243,702**	**-**	**-**
Loans and borrowings	**9,880,055**	**14,788,798**	**572,961**	**4,005,531**	**10,210,306**
	12,123,757	**17,032,500**	**2,816,663**	**4,005,531**	**10,210,306**
2015					
Non-derivative financial liabilities					
Trade and other payables	1,397,907	1,397,907	1,397,907	-	-
Loans and borrowings	8,945,071	13,020,430	1,011,267	2,785,754	9,223,409
	10,342,978	14,418,337	2,409,174	2,785,754	9,223,409
Derivative financial liabilities					
Derivative financial instrument	6,264	6,264	6,264	-	-
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables	**468,130**	**468,130**	**468,130**	**-**	**-**
Loans and borrowings	**9,500,000**	**14,320,782**	**463,422**	**3,647,054**	**10,210,306**
	9,968,130	**14,788,912**	**931,552**	**3,647,054**	**10,210,306**
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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(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.

(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, mostly 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:

	Denominated in RMB RM'000	Denominated in USD RM'000
Group		
Balances recognised in the statement of financial position		
2016		
Trade receivables	**-**	**159,519**
Cash and bank balances	**17**	**260,559**
Other payables	**(80,446)**	**(7,575)**
	(80,429)	**412,503**
2015		
Trade receivables	-	160,707
Cash and bank balances	-	3,690
Other payables	(36,717)	-
	(36,717)	164,397

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Foreign currency risk (cont'd.)

Exposure to foreign currency risk (cont'd.)

	Denominated in RMB RM'000	Denominated in USD RM'000
Company		
Balances recognised in the statement of financial position		
2016		
Cash and bank balances	**-**	**22**
Other payables	**(79,960)**	**(1,697)**
	(79,960)	**(1,675)**
2015		
Other payables	(15,634)	-

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.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Foreign currency risk (cont'd.)

Currency risk sensitivity (cont'd.)

		Profit or loss before tax	
		2016 RM'000	**2015 RM'000**
Group			
USD/RM	- strengthened 10% (2015:10%)	**41,250**	16,440
	- weakened 10% (2015:10%)	**(41,250)**	(16,440)
RMB/RM	- strengthened 10% (2015:10%)	**(8,043)**	(3,672)
	- weakened 10% (2015:10%)	**8,043**	3,672
Company			
USD/RM	- strengthened 10% (2015:10%)	**(168)**	-
	- weakened 10% (2015:10%)	**168**	-
RMB/RM	- strengthened 10% (2015:10%)	**(7,996)**	(1,563)
	- weakened 10% (2015:10%)	**7,996**	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.

40. 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 2016 and 31 December 2015.

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	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and borrowings	27	**9,880,055**	8,945,071	**9,500,000**	8,500,000
Less: Cash and bank balances	24	**(2,032,350)**	(2,554,300)	**(1,414,355)**	(1,914,780)
Net debt		**7,847,705**	6,390,771	**8,085,645**	6,585,220
Total equity		**6,657,283**	6,146,650	**2,617,142**	2,389,259
Gearing ratio (times)		**1.18**	1.04	**3.09**	2.76

41. SUBSEQUENT EVENT

On 8 March 2017, the State Government of Sarawak announced that it has agreed in principle with the Kementerian Kewangan Malaysia to acquire the entire equity interest of Sarawak Hidro Sdn Bhd, the owner and operator of the Bakun Hydroelectric Plant. The proposed acquisition will be made via the Company's wholly-owned subsidiary, SEB Power Sdn Bhd and negotiations are currently still ongoing to finalise the terms and conditions of the acquisition.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2017.

Menara Sarawak Energy
No. 1, The Isthmus, 93050 Kuching, Sarawak, Malaysia.
General Line: +6 082-388 388 Fax: +6 082-341 063
Email: corpcomm@sarawakenergy.com.my

Follow us on

Sarawak Energy Berhad

@1SarawakEnergy