



**LAPORAN TAHUNAN
ANNUAL REPORT 2007**

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CORPORATE INFORMATION

The Sarawak Economic Development Corporation (SEDC) was established on 1st March 1972 as a State - owned statutory body with the general aim of promoting the commercial, industrial and socio-economic development of the State. SEDC was established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance (Sarawak Cap.35), a law duly passed by the Sarawak State Assembly in accordance with the powers conferred on and delegated to the State Government of Sarawak under the constitution of Malaysia.

While SEDC is a statutory body established under the laws of the State of Sarawak, it also comes under the purview of the Federal Government of Malaysia through the Federal Ministry of Entrepreneur and Cooperative Development (MeCD).

SEDC's objective is to promote investment and economic development in Sarawak by implementing projects directly or on a joint venture basis in a wide range of industries including agro-food, tourism and leisure, property development, mineral and mining, and construction. SEDC also plays a role of a trust agency in the development of a vibrant Bumiputera Commercial and Industrial Community (BCIC).

With the State aggressively pursuing its development agenda towards a developed State by 2020, SEDC plays a key role in realising this objective by implementing its projects effectively, efficiently, economically and ethically.

VISION

To be the premier State agency in Malaysia.

MISSION

To spearhead the economic and social transformation of the State by implementing projects effectively, economically, efficiently and ethically.

SHARED VALUES

To serve and grow together through integrity, teamwork, quality, professionalism and caring.

MOTTO

"COMMITTED TO EXCELLENCE"

WAR CRY

"GET IT DONE"



SEDC GROUP OF COMPANIES

TOURISM & LEISURE

Subsidiaries

Sara Resorts Sdn Bhd

❖ *Sara Hospitality Sdn Bhd*

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Urusharta Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Damai Cove Resorts Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Rasa Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Resorts Holdings Sdn Bhd

❖ *Sara Tourism & Leisure Sdn Bhd*

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Convention Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Kuching Hotels Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Damai Beach Golf Course Bhd

❖ *Damai Golf & Country Club Bhd*

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Resorts Management Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Bukit Saban Resort Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Damai Beach Resort Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Tourism & Leisure Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sejadu Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Worldwide Vacations Bhd

❖ *Asia Vacations Club Sdn Bhd*

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Permata Carpark Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Website: www.sedc.com.my

Sara Great Horizon Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Hotels Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Associate

GOS Management Holdings Sdn Bhd

18th Floor, Wisma Bapa Malaysia
Petra Jaya
93502 Kuching
Tel: 082-311990 / 082-492336
Fax: 082-442355 / 082-448308
Website: www.sedc.com.my

Investment

Borsarmulu Resort Sdn Bhd

Lot 154-156, 2nd Floor,
Jalan Sungai Padungan,
93100 Kuching
P.O. Box 2113, 93742 Kuching
Tel: 082-413877
Fax: 082-244406
Website: www.sedc.com.my

❖ *Subsidiary of holding company*

SEDC GROUP OF COMPANIES

AGRO-FOOD BASED

Subsidiaries

PPES Aqua (Santubong) Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

PPES Ternak Holdings Sdn Bhd

- ❖ PPES Ternak Sdn Bhd
- ❖ Rosewood Station Pty Ltd
- ❖ Sarabif Sdn Bhd

Lot 1260, Jalan Mersawa
Bintawa Industrial Estate
93450 Kuching
Tel: 082-482015 / 082-416777
Fax: 082-481350 / 082-424330
Website: www.sedc.com.my

Sara Spectrum Holdings Sdn Bhd

- ❖ Hakanda Sdn Bhd
- ❖ PPES Poultry Farm Sdn Bhd
- ❖ Sarawak Coconut Enterprise Sdn Bhd
- ❖ Carbon Supplies (Sarawak) Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara-HL Plantation Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Eastern Empress Silk Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Kenyalang Teguh Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

PPES Akua (Mukah) Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sarapine Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Sago Industries Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara Concrete Poles Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Azen Industries Sdn Bhd

6 -11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Associates

SOP Karabungan Sdn Bhd

No. 124-126
Jalan Bendahara
P.O. Box 547
98007 Miri
Tel: 085-436969 / 082-416777
Fax: 085-432929 / 082-424330
Website: www.sop.com.my

❖ Subsidiary of holding company

SEDC GROUP OF COMPANIES

ENTREPRENEUR DEVELOPMENT

Subsidiaries

Comerich Sdn Bhd

1st & 2nd Floor, Lot 2592
Wisma Sandhu, Green Road
93400 Kuching
Tel: 082-256176
Fax: 082-419455
Website: www.sedc.com.my

Taskwin Marketing Sdn Bhd

1st & 2nd Floor, Lot 2592
Wisma Sandhu, Green Road
93400 Kuching
Tel: 082-256176
Fax: 082-419455
Website: www.sedc.com.my

Revlin Holdings Sdn. Bhd.

6 - 11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sara-Fibre Sdn Bhd

6 - 11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

COMMUNITY DEVELOPMENT

Subsidiaries

SeDidik Sdn Bhd

No.3, Jalan Ong Kwan Hin
93000 Kuching
Tel: 082-347489 / 082-347493
Fax: 082-347497
Website: www.sedc.com.my

MINERAL & MINING

Associates

CMS Infra Trading Sdn Bhd

❖ *CMS Sumber Sdn Bhd*

No.2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
Tel: 082-348949 / 082-348950
Fax: 082-348952
Website: www.cmsb.com.my

CMS Resources Sdn Bhd

❖ *CMS Quarries Sdn Bhd*
❖ *CMS Premix Sdn Bhd*
❖ *CMS Premix (Miri) Sdn Bhd*
❖ *CMS Penkuari Sdn Bhd*
❖ *PPES Concrete Product Sdn Bhd*

7th Mile, Old Airport Road
93250 Kuching
Tel: 082-610226
Fax: 082-612434
Website: www.cmsb.com.my

❖ *Subsidiary of holding company*

SEDC GROUP OF COMPANIES

ROAD & WORKS

Associates

CMS Land Sdn Bhd

Level 5, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Tel: 082-237777
Fax: 082-252652
Website: www.cmsproperty.com.my

CMS Property Management Sdn Bhd

Level 5, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Tel: 082-237777
Fax: 082-252652
Website: www.cmsproperty.com.my

PPES Works (Sarawak) Sdn Bhd

- ❖ CMS Pavement Tech Sdn Bhd
- ❖ CMS Roads Sdn Bhd

1st - 4th Floor, Lot 691-623
Section 62, KTLD
Jalan Padungan
93100 Kuching
Tel: 082-340588
Fax: 082-340695
Website: www.cmsb.com.my

OTHERS

Subsidiaries

Permaisara Sdn Bhd

6 - 11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-255963
Website: www.sedc.com.my

Safemal Drilling Sdn Bhd

4th Floor, Unit 4.3
Wisma Yong Lung
Lot 698, Pelita Commercial Centre
98000 Miri
Tel: 085-427991
Fax: 085-412434

Goebilt Seafoods Processing Bhd

6 - 11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Sarawak Car Care Centre Sdn Bhd

6 - 11th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-424330
Website: www.sedc.com.my

Associates

IDS Sebor (S'wak) Holdings Sdn Bhd

Lot 2678, Section 64 KTLD
Jalan Kwong Lee Bank
93450 Kuching
Tel: 082-335677
Fax: 082-484720
Website: www.idsmarketing/sarawak/

Permodalan ASSAR Sdn Bhd

Lot 357, Section 5, KTLD
Jalan Satok
93400 Kuching
Tel: 082-231085
Fax: 082-232514
Website: www.assar.com.my

Syarikat Sebangun Sdn Bhd

Off 21KM, Tanjung Kidurong Road
P O Box 168, 97007 Bintulu
Tel: 086-253549 / 086-253569
Fax: 086-253919
Website: www.sebangun-sand.com

Investment

Sarawak Concrete Industries Bhd

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching
Tel: 082-334485
Fax: 082-334484
Website: www.scib.com.my

Cahya Mata Sarawak Bhd

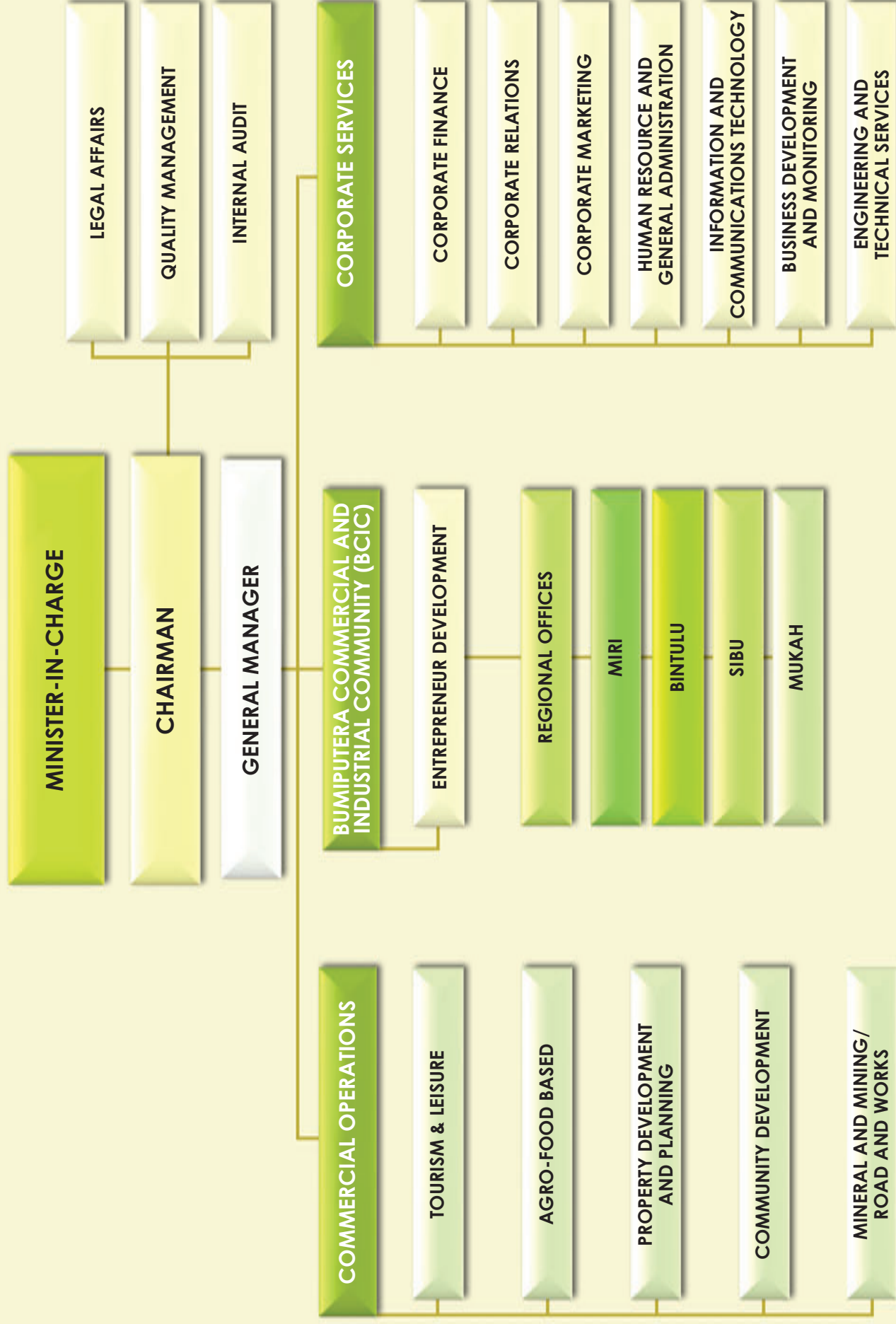
Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Tel: 082-238888
Fax: 082-338611
Website: www.cmsb.com.my

Utama Banking Group Bhd

Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Tel: 082-238888
Fax: 082-333828
Website: www.cmsb.com.my

❖ Subsidiary of holding company

SARAWAK ECONOMIC DEVELOPMENT CORPORATION ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE

BOARD AND BOARD COMMITTEES

The Corporation has established various Committees to enhance and adopt the good corporate governance practice in the Corporation. These Committees are as follows:-

Board

Chairman : YB Datuk Haji Talib Zulipilip
 Members : YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman (State Financial Secretary)
 YBhg Dato' Za'ba bin Che Rus (Federal Treasury Representative)
 YB Datuk Amar Wilson Baya Dandot
 YB Dr Stephen Rundi Utom
 YBhg Datuk Fong Joo Chung
 YBhg Datuk Haji Ismail bin Haji Hashim
 YBhg Datuk Haji Mohd Morshidi bin Abdul Ghani
 YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim
 YBhg Datu Haji Abdul Rashid bin Haji Aziz
 YBhg Dato' Adzmy bin Abdullah

Establishment Committee

Chairman : YB Datuk Amar Wilson Baya Dandot
 Members : YBhg Datu Haji Abdul Rashid bin Haji Aziz
 YBhg Tuan Haji Sarudu bin Haji Hoklai
 YBhg Puan Laura Lee Ngien Hion

Audit Committee

Chairman : YBhg Datuk Haji Mohd Morshidi bin Abdul Ghani
 Members : YB Dr Stephen Rundi Utom
 YBhg Datuk Haji Ismail bin Haji Hashim
 YBhg Datu William Lee Boon Tong
 YBhg Cik Grace Hii Hui Hing

Tender, Finance and Investment Committee

Chairman : YB Datuk Haji Talib Zulipilip
 Members : YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman
 YBhg Datuk Haji Mohd Morshidi bin Abdul Ghani
 YBhg Dato' Za'ba bin Che Rus
 YBhg Puan Laura Lee Ngien Hion

CORPORATE GOVERNANCE

BOARD AND BOARD COMMITTEES

Section 41(1) of the SEDC Ordinance provides that the Board of the Corporation shall consist of the following Members appointed by the Minister in charge, YAB Chief Minister of Sarawak:-

❖ A Chairman
❖ Two official members
❖ Not less than three, but not more than eight other members

Since there are no changes in respect of the Members, the composition of the Board remains the same.

Meetings held in 2007

In 2007, a total of three meetings were held. The record of attendance to the meetings is as follows:-

Members	No. of Meetings Attended
YB Datuk Haji Talib Zulpilip	3
YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman	3
YBhg Dato' Za'ba bin Che Rus	2
YB Datuk Amar Wilson Baya Dandot	3
YB Dr Stephen Rundi Utom	3
YBhg Datuk Fong Joo Chung	1
YBhg Datuk Haji Ismail bin Haji Hashim	3
YBhg Datuk Haji Mohd Morshidi bin Abdul Ghani	2
YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim	3
YBhg Datu Haji Abdul Rashid bin Haji Aziz	2
YBhg Dato' Adzmy bin Abdullah	3

CORPORATE GOVERNANCE

SEDC BOARD AUDIT COMMITTEE (BAC)

Composition of the SEDC Board Audit Committee

The members of the BAC shall be appointed by the SEDC Board. The Audit Committee shall comprise members (other than the Chairman) from among SEDC Board Members or any other person as shall be determined by SEDC Board under Section 16 of the SEDC Ordinance. The Audit Committee shall consist of not fewer than three (3) members, of whom a majority shall not be persons having relationship which, in the opinion of the Board, would interfere with the exercise of independent judgement in carrying out the duties of the BAC.

The Chairman of the BAC shall be elected by the members of the BAC.

Duties and Responsibilities

This Committee shall be responsible for the following functions and duties:-

- ❖ To approve the Annual Audit Plan and to ensure that no unjustified restrictions have been imposed by the Management
- ❖ To review Internal Audit Reports and consider findings and management responses thereto, and other problems, observations and major issues of concern
- ❖ To ensure affirmative action is taken by the auditee in respect of Internal Audit recommendations and BAC decisions
- ❖ To review SEDC's Final Draft Audited Financial Statement and the Auditors' Report thereon prior to tabling for approval by the SEDC Board
- ❖ To recommend the appointment and remuneration of external auditors of subsidiaries where appropriate
- ❖ To review the maintenance of an effective internal control system including financial and accounting system
- ❖ To review the accounting policies and reporting requirements and compliance with legal requirement and accounting standards
- ❖ To institute efficiency reviews and help to establish the environment in which controls can operate effectively
- ❖ To initiate special audits and investigations and consider findings arising from such audits and investigations
- ❖ To perform any other related duties as directed by the Board

CORPORATE GOVERNANCE

AUDIT COMMITTEE MEETING

Meetings held in 2007

During the financial year ended 31 December 2007, four BAC meetings were held. A record of the attendance to these meetings is as follows:-

Members	No. of Meetings Attended
YBhg Datuk Haji Mohd Morshidi bin Abdul Ghani	3
YB Dr Stephen Rundi Utom	3
YBhg Datuk Haji Ismail bin Haji Hashim	4
YBhg Datu William Lee Boon Tong	3
YBhg Cik Grace Hii Hui Hing	2

Activities

The summary of activities of the BAC in the discharge of its duties and responsibilities for the financial year ended 31 December 2007 includes the following:-

- Reviewed the financial statements of the Corporation before approval by the Board, upon being satisfied that the financial reporting and disclosure requirement of the relevant authorities have been complied with. The significant issues resulting from the audit of the annual financial statements for the year ended 31 December 2006 by the external auditors were deliberated.
- Reviewed and approved the annual audit plan of the Internal Audit Division for 2007, including its scope and coverage over the activities of the SEDC and its subsidiary companies.
- Reviewed and deliberated the audit reports of the Internal Audit Division containing findings with regards to the internal control system noted during the course of the audits and the responses from the management.

CORPORATE GOVERNANCE

SEDC ESTABLISHMENT COMMITTEE (SEC)

Composition of the SEDC Establishment Committee

SEC was established in accordance with the provision in Section 16 of the SEDC Ordinance. The Committee shall consists of three members of the Board, the General Manager and any other person as the Corporation deems fit. The Chairman of SEDC shall appoint the members of SEC. A quorum of three members is required for the meeting to proceed. The Secretary of the Committee shall be the Director of the Human Resource and General Administration Division.

Duties and Responsibilities

This Committee shall be responsible for the following functions and duties:-

- ❖ Approve appointment to all posts in the Managerial and Professional group
- ❖ Approve promotion of employees in the Managerial and Professional group
- ❖ Dismissal and Demotion of Employees
- ❖ Establishment of New Posts and Deletion of Redundant Posts in the Managerial and Professional groups
- ❖ Upgrading and re-designation of existing posts
- ❖ Ex-gratia Payment
- ❖ Guidelines on Staff Welfare

Meetings Held in 2007

In 2007, a total of three meetings were held. The record of attendance to the meetings is as follows:-

Members	No. of Meetings Attended
YB Datuk Amar Wilson Baya Dandot	3
YBhg Datu Haji Abdul Rashid bin Haji Aziz	3
YBhg Tuan Haji Sarudu bin Haji Hoklai	3
YBhg Puan Laura Lee Ngien Hion	3

CORPORATE GOVERNANCE

The Corporation's Charter for Good Corporate Governance was launched by the then State Secretary, YB Datuk Amar Haji Abdul Aziz Husain on 5 February 2001.

The Charter lay down the principles and best management practices and corporate behaviour in the following areas:-

❖ Law
❖ Morality
❖ Profitability
❖ Quality
❖ Good Management
❖ Good Corporate Citizenship

CORPORATE GOVERNANCE ACTIVITIES

During the year, numerous activities, programmes and events were held to enhance and strengthen corporate governance within the Corporation and its Group. These include the following:-

❖ Seminars, workshops and talks on Corporate Governance

❖ SEDC Integrity Day

This was held on 3 December 2007 at Dewan Asajaya, Holiday Inn Kuching, (now known as Grand Margherita Hotel) and was officiated by YB Datuk Amar Wilson Baya Dandot.

❖ Integrity Talk

This was held during the SEDC Integrity Day 2007. The keynote speaker was YM Tunku Abd. Aziz Tunku Ibrahim, former President of Transparency International Malaysia, with the topic : "Integrity : The Way Forward for Malaysia".

❖ Adoption of Transparency International's Integrity Pact

The Memorandum of Collaboration was signed between Transparency International Malaysia and SEDC on 14 March 2008 to adopt the Transparency International's Integrity Pact.

COMPLIANCE & REGULATIONS

The Corporation seeks to ensure full compliance with the laws and regulations applicable to the Corporation. These include:-

- ❖ The SEDC Ordinance (Swk. Cap. 35)
- ❖ Statutory Bodies (Conduct and Discipline) Ordinance, 2004
- ❖ Statutory Bodies (Financial and Accounting Procedure) Ordinance, 1995
- ❖ SEDC Financial Regulations, 1980

In addition, the Management is required to implement and enforce the decisions agreed at SEDC's Board Meetings.

Whereas in respect of subsidiaries, the Management is required to comply and adhere to applicable laws and the company's internal regulations such as its Memorandum & Articles of Association, Company Operations Manual and Companies Act, 1965.

The Corporation will continue to undertake various activities to strengthen its corporate governance and thereby enhancing business prosperity and corporate accountability.

CHAIRMAN'S STATEMENT



This is another fruitful year for SEDC with the Corporation achieving commendable overall performance.

The Corporation posted a strong Profit Before Tax (PBT) of RM44.15 million, and this is significantly higher than the results registered in 2006. The group also recorded a profit before tax of RM3.9 million for the year. Although not as impressive, the group managed to maintain a healthy positive trend albeit in an increasingly challenging economic condition.

For the year, the Corporation embarked into three major investments. It entered into a joint venture with Sarawak Oil Palm Berhad for the development of a 2,023-hectare Oil Palm Plantation at Karabungan, Miri. It saw an acquisition of a 14,711-hectare new cattle station, Strathmere-Beardie Aggregation Cattle Farm in Queensland, Australia with its current operation at Rosewood Cattle Station in Northern Territory, Australia. Additionally, the Corporation has also expanded its stake in Kuching Hotels Sdn Bhd after the acquisition of the equity interest from Malinch Associate Holdings Sdn Bhd and became the majority shareholder of the company. The Corporation also launched the development of Sematan Food Court and the New Kubah Ria Complex with funding from the Federal Government.

As a responsible trust agency for the development of Bumiputeras in the State, SEDC continued to implement various schemes and programmes aimed at enhancing the capacity and capability of the entrepreneurs in the State. A total of RM8.9 million was spent by the Corporation for the development of entrepreneurs in 2007.

The success of SEDC is attributed to strong teamwork and commitment of the staff towards upholding a high standard of corporate governance, professionalism, integrity and excellence in undertaking their tasks. Our journey for quality improvement shall continue diligently through compliance with the MS ISO 9001:2000 quality procedures, adoption of best practices and upgrading of our delivery systems to provide fast and reliable service to our customers. This is in line with our War Cry to "Get It Done" efficiently and effectively.

Moving forward, we will continue with our efforts to enhance the performance of our group of companies, while at the same time seeking new ventures that are impactful to the economic and social development of the State.

I thank our stakeholders and partners for their support and trust in SEDC. To all our staff who have been loyal, hardworking and served the Corporation with dedication, a BIG THANK YOU to everyone.

"COMMITTED TO EXCELLENCE"

YB Datuk Haji Talib Zulpilip
CHAIRMAN

SEDC BOARD MEMBERS



Standing (L - R)

YBhg Datuk Haji Ismail bin Haji Hashim, YBhg Datu Haji Abdul Rashid bin Haji Aziz, Encik Junaidi bin Reduan (State Financial Secretary Representative), YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim, Encik John Wayne Chamberlin Sirau (Board Secretary), YBhg Dato' Adzmy bin Abdullah and YB Dr Stephen Rundi Utom

Seated (L - R)

Yang Arif Datuk Fong Joo Chung, YB Datu Amar Wilson Baya Dandot, YB Datuk Haji Talib Zulplip (Chairman), Puan Laura Lee Ngien Hion (General Manager) and YBhg Datuk Haji Morshidi bin Abdul Ghani

Not in Photograph:

YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman (State Financial Secretary) and YBhg Dato' Za'ba bin Che Rus (Federal Treasury Representative)

SEDC MANAGEMENT TEAM



Standing (L - R)

Encik Roneo J. Bunchol, Encik Wahab bin Abu Bakar, Encik John Wayne Chamberlin Sirau, Encik George Su Kieh Ping, Encik Gabriel E. Blassan, Tuan Haji Jamaludin bin Mohd Yusof, Encik Paul M. Ningkan and Encik Anas bin Haji Nasir

Seated (L - R)

Cik Siti Nurazlina binti Dollah, Puan Rakayah binti Hamdan, Puan Laura Lee Ngien Hion (General Manager), YB Datuk Haji Talib Zulpilip (Chairman), Tuan Haji Wan Lizozman bin Wan Omar (Deputy General Manager), Puan Hajah Siti Hajah binti Abang Mon and Puan Amy Melissa binti Haji Bujang

CORPORATE HIGHLIGHTS 2007

Annual Presidential Address 2007 (2 February 2007)



YB Datuk Haji Talib Zulpilip, Chairman of SEDC delivering his Address



Group-photo after the signing ceremony of Management Contract

Corporate Briefing (9 March 2007)



Keynote Address by YAB Chief Minister of Sarawak



Singing of National Anthem

Student Excellence Award (16 March 2007)



Presentation of Awards by Puan Laura Lee, General Manager of SEDC



Group-photo with the Award Recipients

Pedas Club Activities



Inter-Team Bowling Competition and Prize Giving Ceremony (17 March 2007)

CORPORATE HIGHLIGHTS 2007

Pedas Club Activities



Secretaries Week Activity - Sarawak River Cruise



Secretaries Week Activity -
Visit to Damai Golf & Country Club

5S Recertification Audit by Malaysian Productivity Corporation (MPC) (25 April 2007)



Briefing on SEDC's 5S Practice



Director of MPC Sarawak Branch signing the
Visitor's Book at 6th Floor Meeting Room

SEDC Integrity Day (3 December 2007)



Launching of Integrity Day by
YB Datuk Amar Wilson Baya Dandot,
State Secretary Sarawak



Integrity Pledge led by
Tuan Haji Wan Lizozman Wan Omar,
Deputy General Manager of SEDC



Tour of Integrity Exhibition Booth
Sarawak Chamber Lobby, Crowne Plaza Riverside Hotel



Presentation of Integrity Award by
YB Datuk Amar Wilson Baya Dandot,
State Secretary Sarawak

CORPORATE HIGHLIGHTS 2007

35th Anniversary Dinner (9 April 2007)



Welcoming Guest of Honour YAB Chief Minister of Sarawak



Cutting of the Anniversary Cake

Merdeka Day Parade (31 August 2007)



SEDC Contingent at the Parade



Anugerah Kualiti Perkhidmatan Awam Negeri Sarawak (AKPANS) Panel of Examiners' Visit (3 October 2007)



Briefing to the Panel of Examiners



Review of Documents

CULTURE BUILDING

Long Service Award (1 March 2007)



Presentation of Certificate by YB Datuk Haji Talib Zulpilip, Chairman of SEDC



Group-photo of Award Recipients

CORPORATE HIGHLIGHTS 2007

Love-In-A-Box



Handing-over of "Love-In-A-Box"
(13 November 2007)



Handing-over of "Love-In-A-Box" by
YB Datuk Haji Talib Zulpilip, Chairman of SEDC
(3 December 2007)

MEETINGS & WORKSHOPS

Majlis Penutupan & Penyerahan Sijil, Latihan Asas Keusahawanan, Skim Usahawan Siswazah (LAKSUS) (17 February 2007)



Closing Ceremony and handing-over of Certificates by
YB Datuk Haji Talib Zulpilip, Chairman of SEDC

Mesyuarat Jawatankuasa Badan-Badan Berkanun, Negeri Sarawak (26 February 2007)



Meeting in progress

SEDC Board Meeting (20 March 2007)



134th SEDC Board meeting chaired by
YB Datuk Haji Talib Zulpilip, Chairman of SEDC

Motivation Seminar (16 June 2007)



Motivation Seminar for junior staff
(Office Assistants, Drivers, Security staffs)

Corporate Retreat (28 June 2007)



Retreat Session at Holiday Inn Kuching

Seminar Pencegahan Rasuah Bagi Badan Berkanun & Syarikat Kerajaan Negeri Sarawak (3 September 2007)



YB Datuk Haji Talib Zulpilip, Chairman of SEDC
at the seminar

CORPORATE HIGHLIGHTS 2007

EXPO & EXHIBITION

Pameran Hari Perkhidmatan Awam Negeri Sarawak (27-28 October 2007)



YB Datuk Amar Wilson Baya Dandot,
State Secretary Sarawak visiting the exhibition booths



Exhibition in conjunction with Hari Perkhidmatan Awam
held at Old Court House (Sarawak Tourism Board)

Career Expo organised by SUPP Youth (1 - 2 December 2007)



Visitors at SEDC Booth



Handing-over of Certificate of Participation by
YB Datuk Patinggi Tan Sri Dr George Chan,
Deputy Chief Minister of Sarawak

LAUNCHING CEREMONIES & EVENTS

Pelancaran Majlis Pembangunan Usahawan Bahagian, MPUB Miri & Ekspo Usahawan (9 February 2007)



Certificate Presentation by YAB Chief Minister of Sarawak



Keynote Address by YAB Chief Minister of Sarawak

Majlis Perasmian Seminar Pembangunan Usahawan Pelancongan (29 March 2007)



Keynote Address and Launching by YAB Chief Minister of Sarawak



Some of the participants attending the Seminar

CORPORATE HIGHLIGHTS 2007

LAUNCHING CEREMONIES & EVENTS

Ground Breaking Ceremony of "Medan Niaga Sematan" (4 February 2007)



Arrival of YAB Chief Minister of Sarawak



YAB Chief Minister of Sarawak presenting Certificate to one of the Tenants

Sarawak Hornbill Tourism, Appreciation Award Winner Celebration & Sarakraf Pavilion Product Launching (6 February 2007)



YB Datuk Haji Talib Zulpilip, Chairman of SEDC delivering his Keynote Address



Presentation of Awards to Winners by YB Datuk Haji Talib Zulpilip, Chairman of SEDC

SEDC Chairman's Golf Challenge Trophy (6 May 2007)



YB Datuk Haji Talib Zulpilip, Chairman of SEDC giving away a prize to YB Haji Fadillah Yusof



Tuan Yang Terutama Tun Datuk Patinggi Abang Haji Muhammad Salahuddin together with YB Datuk Haji Talib Zulpilip, Chairman of SEDC and some of the guests at the tournament

Ground Breaking Ceremony of New Kubah Ria (2 August 2007)



YAB Chief Minister of Sarawak delivering his Keynote Address



YB Datuk Haji Talib Zulpilip, Chairman of SEDC briefing YAB Chief Minister of Sarawak on the new development of Kubah Ria Baru

**PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
MEMBERS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2007**



**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2007**

Penyata kewangan Perbadanan Pembangunan Ekonomi Sarawak bagi tahun berakhir 31 Disember 2007 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap penyata kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap penyata kewangan tersebut.

2. Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pergauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada penyata kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan itu termasuk memeriksa rekod secara semak uji, menyemak bukti yang menyokong angka dan memastikan pendedahan yang mencukupi dalam penyata kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan dan penyampaian penyata kewangan secara keseluruhan.

3. Pada pendapat saya, penyata kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan pada 31 Disember 2007, hasil operasi serta aliran tunai untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.

4. Saya telah mempertimbangkan penyata kewangan dan laporan juruaudit bagi semua subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam Nota Penyata Kewangan. Saya berpuas hati bahawa penyata kewangan berkenaan telah disatukan dengan penyata kewangan Perbadanan Pembangunan Ekonomi Sarawak adalah dalam bentuk dan kandungan yang sesuai dan wajar bagi tujuan penyediaan penyata kewangan disatukan. Saya juga telah menerima maklumat dan penjelasan yang memuaskan sebagaimana yang dikehendaki bagi tujuan tersebut.

5. Laporan juruaudit mengenai penyata kewangan subsidiari berkenaan tidak mengandungi sebarang pemerhatian yang boleh menjejaskan penyata kewangan disatukan.

(TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG)
KETUA AUDIT, NEGARA
MALAYSIA

KUCHING

Tarikh: 7 NOVEMBER 2008



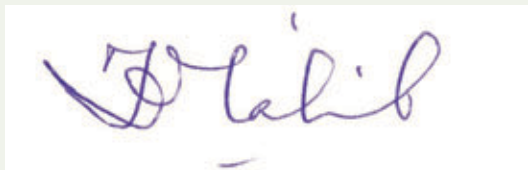
PENYATA Pengerusi dan Seorang Ahli Lembaga Pengarah

Kami, YB Datuk Haji Talib Zulpilip dan YB Dr. Rundi @ Stephen Rundthee ak Utom yang merupakan Pengerusi dan salah seorang Ahli Lembaga Pengarah PERBADANAN PEMBANGUNAN EKONOMI SARAWAK, dengan ini menyatakan bahawa, pada pendapat Lembaga Pengarah, penyata pendapatan, kunci kira-kira, penyata perubahan dalam ekuiti dan penyata aliran tunai yang berikut ini berserta dengan nota-nota di dalamnya adalah disediakan mengikut piawaian perakaunan yang diluluskan di Malaysia untuk memberi gambaran yang benar dan saksama berkenaan:

(a) kedudukan kewangan Perbadanan dan Kumpulan seperti pada 31 Disember 2007 dan hasil kendalian Perbadanan dan Kumpulan bagi tahun berakhir pada tarikh tersebut; dan

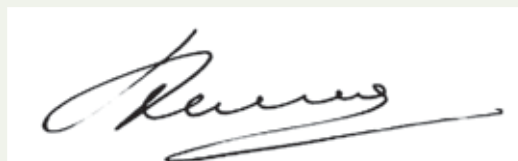
(b) aliran tunai Perbadanan dan Kumpulan bagi tahun berakhir 31 Disember 2007.

Ditandatangani bagi pihak Lembaga menerusi resolusi Lembaga



YB DATUK HAJI TALIB ZULPILIP

PENGERUSI



YB DR STEPHEN RUNDI UTOM

AHLI

KUCHING

Tarikh: 24 OCT 2008

KUCHING

Tarikh: 24 OCT 2008

**PENGAKUAN OLEH PEGAWAI UTAMA YANG
BERTANGGUNGJAWAB KE ATAS PENGURUSAN KEWANGAN
BADAN BERKANUN BERKENAN**

Saya, Lee Ngien Hion, sebagai pegawai utama yang bertanggungjawab terhadap pengurusan kewangan PERBADANAN PEMBANGUNAN EKONOMI SARAWAK, dengan sesungguhnya dan seikhlasnya mengaku bahawa, pada pengetahuan dan kepercayaan saya, Penyata Kewangan yang dibentangkan pada muka surat 6 hingga 69, adalah betul dan saya membuatakuan ini dengan sesungguhnya mempercayai bahawa ianya itu adalah benar serta menurut peruntukan-peruntukan Akta Akuan Berkanun, 1960.

Diakui dan diisytiharkan dengan)

sesungguhnya oleh penama yang)

tersebut, Lee Ngien Hion,)
di Kuching dalam Negeri Sarawak)

pada 27 OCT 2008)



.....

Lee Ngien Hion

Pemangku Pengurus Besar

Di hadapan saya,



.....
PESURUHJAYA SUMPAH

LOT 330, (2ND FLOOR)
SECTION 10,
OFF RUBBER ROAD,
93400 KUCHING,
SARAWAK.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report

The Members of the Board ("Members") present their report together with the audited financial statements of Sarawak Economic Development Corporation ("the Corporation") and of the Group for the financial year ended 31 December 2007.

Principal activities

The Corporation is principally engaged in property development, research, planning and implementing industrial, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies and provision of management, technical, financial and other advice and information to potential investors and businesses.

The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	Group RM'000	Corporation RM'000
(Loss)/profit for the year	(2,025)	33,891
Minority interests	(5,213)	-
	-----	-----
(Loss)/profit attributable to members	(7,238)	33,891
	=====	=====

Reserves and provisions

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

Members

The Members who have held office since the date of the last report and at the date of this report are:

YB Datuk Haji Talib Zulpilip	(Chairman)
<i>Setiausaha Kewangan Negeri</i> YBhg Dato Sri Ahmad Tarmizi Haji Sulaiman	
<i>Wakil daripada Perbendaharaan Persekutuan, Malaysia</i> Encik Rahim bin Abu Bakar	(appointed on 25 June 2008)
YBhg Dato' Za'ba bin Che Rus	(resigned on 25 June 2008)
YB Datuk Amar Wilson Baya Dandot	
YB Dr Stephen Rundi Utom	
Yang Arif Datuk Fong Joo Chung	
YBhg Datuk Haji Mohd. Morshidi bin Abdul Ghani	
YBhg Datuk Haji Ismail bin Haji Hashim	
YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim	
YBhg Datu Haji Abdul Rashid bin Haji Aziz	
Encik Mohd Amin Ma'mon bin Mohamad	(appointed on 25 June 2008)
YBhg Dato' Adzmy bin Abdullah	(resigned on 25 June 2008)

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report (contd.)

Significant events

The Corporation

On 20 April 2007, the Corporation entered into a Share Sale Agreement with Malinch Associate Holdings Sdn. Bhd. to acquire an additional 34,799,303 shares of RM1 each, representing 43.51% equity interest in Kuching Hotels Sdn. Bhd. for a total consideration of RM38,000,000. With this additional equity interest, Kuching Hotels Sdn. Bhd. is now a wholly-owned subsidiary of the Corporation.

Statutory information on the financial statements

- (a) Before the income statements and balance sheets of the Corporation and of the Group were made out, the Members 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any 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 Members are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Corporation and of the Group inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Corporation and of the Group misleading.
- (c) At the date of this report, the Members 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 Corporation and of the Group misleading or inappropriate.
- (d) At the date of this report, the Members are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Corporation or of the Group which would render any amount stated in the financial statements misleading.

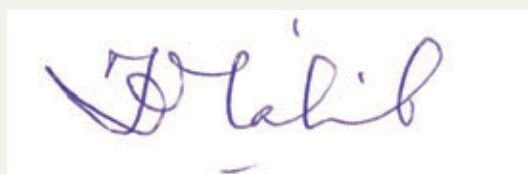
Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Members' Report (contd.)

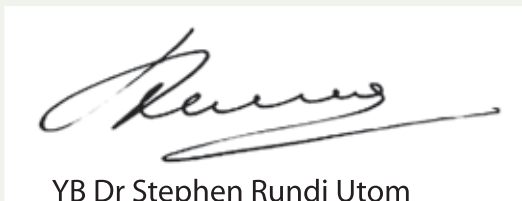
Statutory information on the financial statements (contd.)

- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Corporation and of the Group which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability in respect of the Corporation and of the Group which has arisen since the end of the financial year apart from the contingent liabilities as disclosed in Note 27 to the financial statements.
- (f) 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, in the opinion of the Members, will or may substantially affect the ability of the Corporation or of the Group to meet their obligations as and when they fall due.
- (g) In the opinion of the Members,
- (i) the results of the operations of the Corporation and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Corporation and of the Group for the financial year in which this report is made.

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



YB Datuk Haji Talib Zulpilip
Chairman



YB Dr Stephen Rundi Utom
Member

Kuching

Date:

24 OCT 2008

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Income Statements for the year ended 31 December 2007

	Note	Group		Corporation	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	3	370,003	338,203	64,813	21,304
Cost of sales	3	(296,209)	(266,739)	(768)	(4,154)
Gross profit		73,794	71,464	64,045	17,150
Other operating income		33,959	71,063	4,245	55,511
Distribution costs		(2,676)	(3,073)	-	-
Administrative expenses		(60,226)	(59,581)	(12,249)	(12,191)
Other operating expenses		(30,769)	(33,769)	(11,108)	(35,646)
Profit from operations		14,082	46,104	44,933	24,824
Finance costs		(875)	(438)	(778)	(448)
Share of associates' results		(9,814)	23,594	-	-
Profit before taxation	4	3,393	69,260	44,155	24,376
Taxation	5	(5,418)	(10,524)	(10,264)	(285)
(Loss)/profit after taxation		(2,025)	58,736	33,891	24,091
Minority interests		(5,213)	(3,584)	-	-
(Loss)/profit attributable to members		(7,238)	55,152	33,891	24,091

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Balance Sheets as at 31 December 2007

		Group		Corporation	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current assets					
Inventories	6	50,094	48,288	15,380	15,967
Property development costs	7(a)	6,736	3,205	6,736	3,205
Receivables	8	109,712	131,920	24,317	27,617
Grant receivable		19,922	25,269	19,922	25,269
Deposits with financial institutions	9	119,329	89,782	77,893	57,598
Cash and bank balances		103,558	87,217	61,055	58,156
		409,351	385,681	205,303	187,812
Less: Current liabilities					
Payables	10	115,094	132,769	24,405	24,150
Lease payables	11	256	254	242	224
Government term loans	12	3,923	2,498	3,923	2,498
Other borrowings	13	9,498	8,525	9,498	8,525
Tax payable		683	1,741	-	-
		129,454	145,787	38,068	35,397
Net current assets		279,897	239,894	167,235	152,415
Subsidiaries	14	-	-	569,584	494,672
Associates	15	142,913	231,827	44,184	80,366
Investments in other corporations	16	157,087	164,520	147,377	153,891
Property, plant and equipment	17	163,207	128,883	21,750	22,010
Hotel and investment properties	18	436,125	316,469	-	-
Plantation development expenditure	19	36	94	-	-
Land held for development	7(b)	3,538	3,537	3,538	3,537
Deferred tax assets	24	295	529	-	-
		1,183,098	1,085,753	953,668	906,891

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Balance Sheets as at 31 December 2007(contd.)

		Group		Corporation	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Financed by:					
State government equity fund	20	106,139	106,139	106,139	106,139
State government contribution for equity participation	20	268,577	268,577	268,577	268,577
Development funds	21	196,651	195,927	166,408	166,581
Reserves	22	489,525	452,310	371,515	337,624
		1,060,892	1,022,953	912,639	878,921
Minority interests		22,130	5,122	-	-
		1,083,022	1,028,075	912,639	878,921
Deferred and long-term liabilities					
Lease payables	11	390	486	362	443
Government term loans	12	25,603	27,028	25,603	27,028
Other borrowings	13	44,990	-	14,027	-
Government grants	23	19,777	21,124	-	-
Deferred tax liabilities	24	8,202	8,530	-	-
Employee benefits	25	1,114	510	1,037	499
		1,183,098	1,085,753	953,668	906,891

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2007

Group	Non-distributable					Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000	
At 1 January 2006	353	8,895	19,360	33,719	331,167	393,494
Issuance of preference shares	-	120	-	-	-	120
Provision for diminution in investment in a subsidiary	3,500	-	-	-	-	3,500
Arising on consolidation	-	-	-	44	-	44
Profit for the year	-	-	-	-	55,152	55,152
At 31 December 2006	3,853	9,015	19,360	33,763	386,319	452,310
Issuance of preference shares	-	138	-	-	-	138
Acquisition of subsidiary	-	-	-	19,040	-	19,040
Arising on consolidation	144	-	22,924	2	-	23,080
Revaluation surplus	-	-	2,195	-	-	2,195
Loss for the year	-	-	-	-	(7,238)	(7,238)
At 31 December 2007	3,997	9,153	44,479	52,815	379,081	489,525

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Changes in Equity
for the year ended 31 December 2007

Corporation	Non-distributable				
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000
At 1 January 2006	-	-	-	-	313,533
Profit for the year	-	-	-	-	24,091
	-----	-----	-----	-----	-----
At 31 December 2006	-	-	-	-	337,624
Profit for the year	-	-	-	-	33,891
	-----	-----	-----	-----	-----
At 31 December 2007	-	-	-	-	371,515
	=====	=====	=====	=====	=====
					371,515
					=====

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement
for the year ended 31 December 2007

	Group	
	2007 RM'000	2006 RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	3,393	69,260
Adjustments for:		
Allowance for diminution in investment	1,422	815
Allowance for doubtful debts net of allowance no longer required	7,443	2,024
Amortisation of goodwill/(reserve on consolidation) - net	12	13
Amortisation of government grant	(1,347)	(1,254)
Bad debts written off	595	477
Deposit written off	5	100
Depreciation	8,083	7,755
Dividend income	(4,106)	(3,377)
Gain on disposal of other investments	(5,301)	(1,304)
Gain on disposal of property, plant and equipment	(90)	(918)
Gain on disposal of non-consolidated subsidiaries	-	(46,122)
Impairment of plantation development expenditure	43	43
Impairment of goodwill	-	31
Interest expense	875	438
Interest income	(4,256)	(4,107)
Inventories written off	252	57
Other income	(1,675)	(19)
Property, plant and equipment written off	446	264
Share of associates' results	9,814	(23,594)
Unrealised (gain)/loss on foreign exchange	(1,420)	(306)
Waiver of debts	(182)	-
Operating profit before working capital changes	14,006	276
Decrease in inventories	143	2,202
Decrease in property development costs	643	1,366
Decrease/(increase) in receivables	25,831	(756)
(Decrease)/increase in payables	(20,555)	55,591
Deferred membership fees received	(1,266)	4,351
Cash generated from operations	18,802	63,030

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement
for the year ended 31 December 2007 (contd.)

	Group	
	2007 RM'000	2006 RM'000
Cash flows from operating activities (contd.)		
Interest paid	(553)	(13,105)
Interest received	4,261	3,985
Taxes paid, net of refund	(4,517)	(4,066)
	-----	-----
Net cash generated from operating activities	17,993	49,844
	-----	-----
Cash flows from investing activities		
Acquisition of subsidiary (Note 14)	(28,489)	-
Acquisition of investment in shares and unit trust	(2,674)	(33,494)
Acquisition of property, plant and equipment	(38,445)	(7,941)
Advances to other investments	(431)	(1,423)
Advances/loan to associates	(4)	(89)
Dividends received	38,840	5,812
Investment in hotel and investment properties	(866)	(378)
Plantation development expenditure	(63)	(2)
Proceeds from disposal of other investments	14,552	8,807
Proceeds from disposal of property, plant and equipment	1,286	1,387
	-----	-----
Net cash used in investing activities	(16,294)	(27,321)
	-----	-----
Cash flows from financing activities		
Dividend paid to minority shareholders	-	(300)
Drawdown of term loan	45,963	-
Increase in fixed deposits pledged to financial institutions	(15,199)	(84)
Proceeds from development fund	(1,855)	3,204
Proceeds from shares issued to minority shareholders	138	120
Repayment of Government grants	-	(164)
Repayment of Government term loans	-	(2,713)
Repayment of hire purchase and lease instalments	(275)	(297)
	-----	-----
Net cash generated from/(used in) financing activities	28,772	(234)
	-----	-----

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Cash Flow Statement

for the year ended 31 December 2007 (contd.)

	Group	
	2007 RM'000	2006 RM'000
Net increase in cash and cash equivalents	30,471	22,289
Effect of translation adjustments	218	450
Cash and cash equivalents at beginning of year	170,009	147,270
Cash and cash equivalents at end of year	200,698	170,009
Cash and cash equivalents:		
Cash and bank balances	103,558	87,217
Fixed deposits with financial institutions (Note 9)	97,140	82,792
	200,698	170,009
Analysis of acquisition of property, plant and equipment:		
By cash	38,445	7,941
By lease	171	-
	38,616	7,941

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Cash Flow Statement

for the year ended 31 December 2007

	Corporation	
	2007	2006
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	44,155	24,376
Adjustments for:		
Allowance for diminution in investment	1,447	2,218
Allowance for doubtful debts, net of allowance no longer required	3,462	14,776
Bad debts written off	-	356
Deposit written off	-	100
Depreciation	1,244	1,494
Dividend income	(53,495)	(8,234)
Gain on disposal of a subsidiary	-	(46,321)
Gain on disposal of other investments	(4,576)	(1,327)
Gain on disposal of property, plant and equipment	(377)	(1,160)
Interest expense	778	447
Interest income	(2,802)	(2,936)
Other income	(1,675)	-
Property, plant and equipment written off	-	239
Unrealised exchange gain	-	(167)
Operating loss before working capital changes	(11,839)	(16,139)
Decrease in inventories	587	449
Decrease in property development costs	642	1,366
Decrease in receivables	7,713	36,453
Increase in payables	481	19,662
Cash (used in)/generated from operations	(2,416)	41,791
Interest paid	(456)	(13,262)
Interest received	2,802	2,936
Taxes paid, net of refund	681	-
Net cash generated from operating activities	611	31,465

Sarawak Economic Development Corporation
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Cash Flow Statement

for the year ended 31 December 2007

	Corporation	
	2007	2006
	RM'000	RM'000
Cash flows from operating activities		
Acquisition of subsidiary	(38,000)	-
Acquisition of investment in shares and unit trusts	(1,452)	(32,502)
Acquisition of property, plant and equipment	(1,249)	(1,479)
Advances to by associates	-	(24)
Advances to other investments	(429)	(1,424)
Advances (to)/repaid by subsidiaries	(1,635)	546
Dividend received	39,973	6,242
Proceeds from disposal of other investments	11,524	8,457
Proceeds from disposal of property, plant and equipment	949	1,243
	-----	-----
Net cash generated from/(used in) investing activities	9,681	(18,941)
	-----	-----
Cash flows from financing activities		
Increase in deposits pledged to financial institutions	(14,995)	(40)
Proceeds from term loan	15,000	-
(Repayment)/proceeds from development funds	(1,854)	3,205
Repayment of Government term loans	-	(2,713)
Repayment of lease payables	(244)	(209)
	-----	-----
Net cash (used in)/generated from financing activities	(2,093)	243
	-----	-----
Net increase in cash and cash equivalents	8,199	12,767
Effects of exchange rate changes	-	167
Cash and cash equivalents at beginning of year	110,138	97,204
	-----	-----
Cash and cash equivalents at end of year	118,337	110,138
	=====	=====

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Cash Flow Statement

for the year ended 31 December 2007 (contd.)

	Corporation	
	2007	2006
	RM'000	RM'000
Analysis of cash and cash equivalents:		
Cash and bank balances	61,055	58,156
Fixed deposits with financial institutions (Note 9)	57,282	51,982
	-----	-----
	118,337	110,138
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	1,249	1,479
By lease	171	-
	-----	-----
	1,420	1,479
	=====	=====

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

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

1. Corporation information

The Corporation is principally engaged in property development, research, planning and implementing industrial, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies and the provision of management, technical, financial and other advices and information to potential investors and businesses.

The Corporation is established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance, 1972 (Sarawak Cap. 35). The registered office of the Corporation is located at 6th - 11th Floor, Menara SEDC, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

The financial statements were authorised for issue by the Board of Members in accordance with a resolution of the Members on.

2. Significant accounting policies

The significant accounting policies of the Corporation and of the Group, which are consistent with those adopted in previous years are summarised below:

(a) Basis of accounting

The financial statements of the Corporation and of the Group have been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment and hotel properties.

Whilst the financial statements of the Corporation need not comply with the provisions of the Companies Act, 1965, the financial statements of all its subsidiaries comply. The financial statements of the Corporation and of the Group comply with applicable Private Entities Reporting Standards in Malaysia.

(b) Basis of consolidation

(i) Subsidiaries

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

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

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(b) Basis of consolidation (contd.)

(i) Subsidiaries (contd.)

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences. Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then

(ii) Associates

An associate is a company in which the Group has a long-term equity interest of between 20% to 50% and where the Group has representation to the Board and is able to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee company.

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

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

(c) Goodwill

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

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet while goodwill

Goodwill is not amortised but write-offs are made where, in the opinion of the Members, there has been a permanent diminution in value.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(d) Investments in subsidiaries and associates

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

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value with the exception of live stocks. Cost of other inventories include, where relevant, direct production expenses and overheads and is determined on a weighted average or first-in, first-out basis as appropriate.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

With the exception of the foreign incorporated subsidiary, livestock are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost. Cost of livestock comprises the original purchase price and estimated natural increase and herd appreciation plus incidentals in bringing the livestock to their present location and condition. For the foreign subsidiary, livestock are measured at fair value less estimated point-of-sale costs, in compliance with International Accounting Standard 41, Agriculture.

In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(f) Land held for property development and property development costs

(i) Land held for property development

Land held for property development 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. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(f) Land held for property development and property development costs (contd.)

(ii) Property development costs

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

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

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

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

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

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

(g) 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 method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(g) Construction contracts (contd.)

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

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

(h) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(i) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Investments

Investments are stated at cost except where the Members are of the opinion that there is a permanent diminution in the value in which case, a provision is made for the diminution.

(k) Property, plant and equipment and depreciation

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

Freehold land is stated at valuation less impairment losses. Valuation of the land is made by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to revenue reserve.

Long leasehold land, pasture development assets and construction work-in-progress are not depreciated. Short leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over their estimated useful life at the following principal annual rates:

Buildings and improvements	2% - 33 1/3%
Leasehold improvements	2% - 20%
Plant, machinery and equipment	2% - 33 1/3%

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(k) Property, plant and equipment and depreciation (contd.)

Crockery, glassware, cutlery and linen for subsidiaries involved in hotel operations are capitalised at the minimum level requirement for normal operation. Additions and replacements are written off in the year in which they are acquired.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to revenue reserve.

(l) Hotel and investment properties

Hotel and investment properties comprise of hotel land, buildings and their integral plant and machinery.

Hotel and investment properties are stated at Members' valuation based on independent professional valuers' reports. Additions subsequent to the date of valuation are stated at cost. It is the policy to appraise the hotel and investment properties once in every five years or such shorter period when appropriate, based on open market valuation.

Surplus arising from revaluation is credited to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is recognised in income statement.

No depreciation is provided on hotel and investment properties. It is the Group's policy to maintain these properties in such condition that the residual value is at a level where depreciation would be insignificant. The related maintenance expenditure is dealt with in the income statement.

(m) Plantation development expenditure

All expenditure incurred on new planting from land clearing to the point of maturity is capitalised under plantation development expenditure. Subsequent replanting expenditure and upkeep of trees is recognised in the income statement in the year in which the expenditure is incurred.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(n) Accounting for grants

Grants, relating to property, plant and equipment and property development (development grants) are either deducted from the original cost of purchase of the relevant assets and project development expenditure in arriving at the carrying amount of the assets or presented in the financial statements as deferred income and amortised over the estimated useful lives of the assets purchased.

Operating grants are recognised in the income statements over the periods necessary to match them with the related costs to which they are intended to compensate.

(o) Income tax

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

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

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

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(p) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Foreign currency term loan at the balance sheet date is translated into Ringgit Malaysia at the rates of exchange approximating those ruling at that date. Exchange gains and losses arising from the translation of long term foreign currency term loan is deferred and amortised on a straight-line basis over the term of the loan. Other exchange gains and losses have been dealt with in the income statement.

(ii) Financial statements of foreign operations

The Group's foreign operations are considered an integral part of its local subsidiary's operations. Accordingly, the assets and liabilities of the foreign operations, including goodwill arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the income statement.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2007 RM	2006 RM
1 Australian Dollar	2.92	2.77
1 United States Dollar	3.31	3.49
	=====	=====

(q) Impairment of assets

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

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(r) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave and long services leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Employee entitlements that are expected to be settled within one year have been measured at their nominal value.

(ii) Defined contribution plans

As required by law, the Group's local subsidiaries make contributions to the Employees Provident Fund. In addition, the Corporation also contributes to the Pension Scheme. Such contributions are recognised as an expense in the income statement as incurred.

(s) Other non-current investment

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(t) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

(u) Receivables

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

(v) Payables

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

(w) Interest-bearing borrowings

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(x) Derivative financial instruments

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

Interest rate swap contracts

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

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Notes to the Financial Statements - 31 December 2007

2. Significant accounting policies (contd.)

y) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue from sale of goods and provision of services is recognised when goods are sold or services are rendered.

(ii) Dividend Income

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

(iii) Sale of properties

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

(iv) Construction contracts

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

(z) Cash and cash equivalents

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

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Notes to the Financial Statements - 31 December 2007

3. General

Revenue

Revenue of the Corporation represents income from property development, management fee charged to its subsidiaries, income derived from investments, invoiced value of goods sold less returns and billings for services rendered to customers, rental income received and receivable, and gain on disposal of investments and property, plant and equipment.

Revenue of the Group represents the aggregate of the invoiced value of goods sold less returns and billings for services rendered to customers, revenue from room sales, food and beverage sales and other incidental services rendered in conjunction with hotel operations, and rental income received and eliminated on consolidation.

Cost of sales

Cost of sales of the Corporation represents development costs and raw materials consumed.

Cost of sales of the Group represents cost of timber, development projects, food and beverage, golfing equipment and cost for providing travelling services.

4. Profit before taxation

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Allowance for diminution in investment	1,422	815	1,447	2,218
Allowance for doubtful debts, net of allowance no longer required	7,443	2,024	3,462	14,776
Auditors' remuneration				
- current year	307	397	29	29
- under/(over) provision in prior years	4	(6)	-	-
Amortisation of goodwill	12	13	-	-
Amortisation of government grants	(1,347)	(1,254)	-	-
Bad debts written off	595	477	-	356
Deposit written off	5	100	-	100
Depreciation	8,083	7,755	1,244	1,494
Gain on disposal of other investments	(5,301)	(1,304)	(4,576)	(1,327)
Gain on disposal of property, plant and equipment	(90)	(918)	(377)	(1,160)

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Notes to the Financial Statements - 31 December 2007

4. Profit before taxation (contd.)

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Gain on disposal of subsidiaries	-	(46,122)	-	(46,321)
(Gain)/loss on foreign exchange				
- unrealised	(1,420)	(306)	-	(167)
- realised	552	773	-	735
Gross dividends from:				
Associates				
- unquoted in Malaysia	-	-	(48,417)	(4,026)
Subsidiaries				
- unquoted in Malaysia	-	-	(1,400)	(1,593)
Other corporations				
- quoted in Malaysia	(4,106)	(3,377)	(3,678)	(2,615)
Impairment of goodwill	-	31	-	-
Impairment of plantation development expenditure	43	43	-	-
Income from rental of land and buildings	(2,678)	(2,225)	(1,409)	(1,208)
Interest income	(4,256)	(4,107)	(2,802)	(2,936)
Interest expense				
- commercial borrowings	512	48	380	-
- hire purchase	41	57	39	50
- government loan	322	333	322	333
- paid to subsidiaries	-	-	37	65
Inventories written off/down	252	57	-	-
Members' remuneration:				
- fees as Members of the Corporation	24	23	24	23
- allowance as Members of the Corporation	19	11	19	11
- fees as directors of subsidiaries	40	34	-	-
- others as directors of subsidiaries	93	183	-	-

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4. Profit before taxation (contd.)

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Other directors of subsidiaries:				
- fees	1,936	1,816	-	-
- others	1,071	1,116	-	-
Operating grants	(1,775)	(9,530)	(1,675)	(9,190)
Property, plant and equipment written off	446	264	-	239
Rental expenses				
- land and buildings	1,783	1,828	206	342
- rigs and equipment	155,765	116,358	-	-
	=====	=====	=====	=====
(b) Employee information				
Staff costs	52,295	46,210	12,247	12,189
	=====	=====	=====	=====

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM3,690,555 (2006: RM2,999,260) and RM1,072,764 (2006: RM989,092) respectively.

	Group		Corporation	
	2007	2006	2007	2006
Number of employees	1,784	1,358	273	279
	=====	=====	=====	=====

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5. Taxation

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	974	1,896	10,264	-
- Foreign tax	1,151	959	-	-
	-----	-----	-----	-----
	2,125	2,855	10,264	-
(Over)/under provision in previous years				
- Malaysian income tax	(799)	127	-	285
	-----	-----	-----	-----
	1,326	2,982	10,264	285
	-----	-----	-----	-----
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	293	(823)	-	(331)
- Foreign tax	(741)	184	-	-
Relating to changes in tax rates				
- Malaysian income tax	(16)	-	-	-
	-----	-----	-----	-----
	(464)	(639)	-	(331)
Under provision in previous year				
- Malaysian income tax	-	331	-	331
	-----	-----	-----	-----
	(464)	(308)	-	-
	-----	-----	-----	-----
Share of taxation of associates	4,556	7,850	-	-
	-----	-----	-----	-----
Tax expense for the year	5,418	10,524	10,264	285
	=====	=====	=====	=====

The disproportionate taxation charge for the Group is principally due to the absence of Group relief for losses suffered by certain subsidiaries.

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated chargeable income for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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5. Taxation (contd.)

Domestic companies with paid-up share capital of RM2.5 million and below at the beginning of the basis period for the year of assessment are subject to Malaysian corporate tax at a rate of 20% on chargeable income up to RM500,000 (2006: RM500,000). The Malaysian statutory tax rate of 27% is applied to chargeable income in excess of RM500,000 (2006: RM500,000).

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

	2007 RM'000	2006 RM'000
Group		
Profit before taxation	3,393 =====	69,260 =====
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	916	19,392
Effect of lower tax rate of 20%	(222)	(155)
Effect of changes in Malaysian tax rates	(794)	-
Effect of different tax rates in other countries	43	76
Effect of income not subject to tax	(4,711)	(16,789)
Effect of realisation of cost provision	-	(2,031)
Expenses not deductible for tax purposes	14,760	5,593
Utilisation of previously unrecognised deferred tax assets	(4,146)	(2,506)
Utilisation of reinvestment allowances (688) -		
Deferred tax assets not recognised during the year	1,565	4,894
(Over)/under provision of income tax expense in prior years	(799)	127
Under provision of deferred tax expense in prior year	-	331
Under provision of income tax expense of associates in prior years	(682)	1,886
Under/(over) provision of deferred tax expense of associates in prior years	176	(298)
Others	-	4
	-----	-----
Tax expense for the year	5,418 =====	10,524 =====
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	3,881	-
Utilisation of tax losses brought forward from previous years	-	-
Unutilised tax losses carried forward	13,148 =====	9,750 =====

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5. Taxation (contd.)

	2007 RM'000	2006 RM'000
Corporation		
Profit before taxation	44,155	24,376
	=====	=====
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	11,922	6,825
Effect of income not subject to tax	(2,392)	(15,195)
Expenses not deductible for tax purposes	550	5,340
Deferred tax assets not recognised	170	2,699
Utilisation of previously unabsorbed capital allowances	14	-
Under provision of income tax in prior year	-	285
Under provision of deferred tax in prior year	-	331
	-----	-----
Tax expense for the financial year	10,264	285
	=====	=====

The income tax benefits in respect thereof will only be realised if the Corporation derives future assessable income of a nature and of sufficient amount to enable the benefits to be realised, and existing legislation does not change in a manner, which would adversely affect the Corporation's ability to realise the benefit.

	2007 RM'000	2006 RM'000
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	3,881	-
Unutilised tax losses carried forward	3,544	3,544
	=====	=====

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6. Inventories

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	15,612	16,205	15,612	16,205
Trading stocks	481	473	-	-
Livestocks	31,271	29,630	-	-
Souvenir stocks	866	1,085	-	-
Materials and consumable	2,395	1,485	38	32
	50,625	48,878	15,650	16,237
Provision for inventories obsolescence	(261)	(320)	-	-
Provision for impairment loss	(270)	(270)	(270)	(270)
	50,094	48,288	15,380	15,967
	=====	=====	=====	=====

Except for livestock, all other inventories are stated at cost. The valuation of the Group's live stocks is as follows:

	Group	
	2007	2006
	RM'000	RM'000
At cost	793	2,069
At net realisable value	30,478	27,561
	31,271	29,630
	=====	=====

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Notes to the Financial Statements - 31 December 2007

7. Property development costs and land held for property development

	Group and Corporation	
	2007	2006
	RM'000	RM'000
(a) Property development costs		
Property development costs at 1 January:		
Leasehold land	4,548	4,548
Development costs	15,218	14,766
	-----	-----
	19,766	19,314
	-----	-----
Costs incurred during the year:		
Leasehold land	3,797	-
Development costs	2,936	630
	-----	-----
	6,733	630
	-----	-----
Cost recognised in the income statement:		
At 1 January	-	-
Recognised during the year	-	-
	-----	-----
At 31 December	-	-
	-----	-----
Transfers:		
To inventories	-	(172)
To land held for development	(1)	(2)
Written off to income statement	-	(3)
To development grant	11,175	3,400
	-----	-----
	11,174	3,223
	-----	-----
Property development grant received	(30,937)	(19,962)
	-----	-----
Property development costs at 31 December	6,736	3,205
	=====	=====
(b) Land held for property development		
Cost		
At 1 January	7,282	7,280
Transfer from property development cost	1	2
	-----	-----
	7,283	7,282
Less: Provision for loss	(3,745)	(3,745)
	-----	-----
At 31 December	3,538	3,537

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Notes to the Financial Statements - 31 December 2007

8. Receivables

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables	101,914	122,003	23,763	25,922
Allowance for doubtful debts	(15,624)	(12,861)	(8,052)	(8,131)
	-----	-----	-----	-----
	86,290	109,142	15,711	17,791
	-----	-----	-----	-----
Other receivables and prepayments	41,188	39,216	25,011	25,354
Allowance for doubtful debts	(26,012)	(21,411)	(22,171)	(18,717)
	-----	-----	-----	-----
	15,176	17,805	2,840	6,637
	-----	-----	-----	-----
Tax recoverable	8,246	4,973	5,766	3,189
	-----	-----	-----	-----
Total	109,712	131,920	24,317	27,617
	=====	=====	=====	=====

9. Deposits with financial institutions

With foreign banks	1,042	909	-	-
With licensed banks	78,100	64,499	39,861	35,158
With licensed finance companies	17,998	17,384	17,421	16,824
	-----	-----	-----	-----
	97,140	82,792	7,282	51,982
With licensed banks, pledged	22,189	6,990	20,611	5,616
	-----	-----	-----	-----
	119,329	89,782	77,893	57,598
	=====	=====	=====	=====

Included in the Group's and Corporation's fixed deposits was an amount of RM22,188,793 (2006: RM6,990,352) and RM20,611,409 (2006: RM5,615,799), respectively, placed on lien to licensed banks for banking facility as disclosed in Note 13, bank guarantee facilities granted to certain subsidiaries of the Group and as collateral for loans given to Bumiputra Entrepreneurs under the socio-economic projects/schemes of the Corporation.

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Notes to the Financial Statements - 31 December 2007

10. Payables

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	13,428	11,153	-	-
Other payables and accruals	101,666	121,616	24,405	24,150
	-----	-----	-----	-----
	115,094	132,769	24,405	24,150
	=====	=====	=====	=====

Included in other payables and accruals of the Group is deferred membership fee amounting to RM26,572,514 (2006: RM27,838,450) which represents advance membership fees received from members under the short term membership arrangement and advance licence fees received from members. The advance membership fees are recognised as income at 30% during the year of receipt, with the balance of 70% to be recognised as income upon the expiration of the "Easy Access Scheme" option. The advance licence fees received are recognised as income over the membership period.

The Group's other payables and accruals also include advances from a former Corporate Shareholder of a subsidiary amounting to RM1,385,696 (2006: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free except for RM823,306 (2006: RM823,306) which bears interest of 2% per annum.

11. Lease payables

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Repayable within twelve months	256	254	242	224
Repayable after twelve months	390	486	362	443
	-----	-----	-----	-----
	646	740	604	667
	=====	=====	=====	=====
Minimum lease payment:				
Not later than one year	286	292	269	259
Later than one year but not later than five years	393	506	356	452
Later than five years	44	25	44	25
	-----	-----	-----	-----
	723	823	669	736
Future finance charges	(77)	(83)	(65)	(69)
	-----	-----	-----	-----
Present value of finance lease liabilities	646	740	604	667
	=====	=====	=====	=====

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12. Government term loans, unsecured

	Group and Corporation	
	2007 RM'000	2006 RM'000
Interest bearing loans	15,195	15,195
Interest free loans	14,331	14,331
	-----	-----
	29,526	29,526
	(3,923)	(2,498)
	-----	-----
Repayable within one year	25,603	27,028
Repayable after one year	=====	=====

The interest rates range from 4% to 8% per annum (2006: 4% to 8% per annum) for interest bearing loans.

13. Other borrowings

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revolving credit, unsecured	8,525	8,525	8,525	8,525
Term loans, secured	45,963	-	15,000	-
	-----	-----	-----	-----
	54,488	8,525	23,525	8,525
	(9,498)	(8,525)	(9,498)	(8,525)
	-----	-----	-----	-----
Repayable within one year	44,990	-	14,027	-
Repayable after one year	=====	=====	=====	=====

The revolving credit and term loans bore interest rate of 4.2% 4.76% respectively at balance sheet date.

The secured term loan of the Corporation is secured by the placement of fixed deposit of RM15,000,000 with the bank as disclosed in Note 9.

The secured term loan of a subsidiary is secured by a first mortgage over freehold and leasehold property of the subsidiary and a floating charge over the subsidiary's assets.

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14. Subsidiaries

	Corporation	
	2007	2006
	RM'000	RM'000
Unquoted shares at cost	238,724	164,542
Allowance for diminution in value	(45,179)	(44,282)
	-----	-----
	193,545	120,260
	-----	-----
Amounts due from subsidiaries:		
Current accounts	322,280	322,272
Allowance for doubtful debts	(38,832)	(38,824)
	-----	-----
	283,448	283,448
	-----	-----
Loan accounts	93,599	91,972
Allowance for doubtful debts	(1,000)	(1,000)
	-----	-----
	92,599	90,972
	-----	-----
Amounts due to subsidiaries:		
Current accounts	(8)	(8)
	-----	-----
	569,584	494,672
	=====	=====

The amounts due from subsidiaries are unsecured, interest free and have fixed terms of repayment except for certain advances to subsidiaries which bear interest rates between 2% to 8% (2006: 2% to 8%) per annum.

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14. Subsidiaries (contd.)

The shares of all the subsidiaries are unquoted. All the subsidiaries of the Group are incorporated in Malaysia except for Rosewood Station Pty Ltd., which is incorporated in Australia. Details of the Group's subsidiaries are as follows:

Name of company	Principal activities	Group's effective equity interest	
		2007 %	2006 %
Direct subsidiaries of the Corporation			
Azen Industries Sdn. Bhd. Company No. 105851-H	Inactive	60	60
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Ownership of a holiday resort	100	100
Comerich Sdn. Bhd.	General trading	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding and provision of management services	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Ownership and operations of Holiday Inn Resorts Damai Lagoon	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Goebilt Seafoods Processing Bhd. Company No. 9449-U	Inactive	71	71
Kenyalang Teguh Sdn. Bhd. Company No. 261703	Inactive	70	70
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Own and operate Holiday Inn Kuching and the Sarawak Plaza in Kuching	89	-
Permaisara Sdn. Bhd. Company No. 104725-V	Extraction and selling of timber	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Ownership of a commercial car park complex	100	100
PPES Akua (Mukah) Sdn. Bhd. Company No. 104725-V	Inactive	100	100

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14. Subsidiaries (contd.)

Name of company	Principal activities	2007 %	2006 %
Direct subsidiaries of the Corporation (contd)			
PPES Akua (Santubong) Sdn. Bhd. Company No. 152122-T	Investment holding and breeding of prawns	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding and provision of administrative, professional and financial supports to its subsidiaries	100	100
Revlin Holdings Sdn. Bhd. Inactive Company No. 213339-X		100	100
Safemal Drilling Sdn. Bhd. Company No. 152877-H	Exploration and drilling of oil in Malaysian waters	55	55
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd. Company No. 141893-M	Provider in media related services	100	100
Sara Fibre Sdn. Bhd. Company No. 312494-P	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Leasing of recreational and camping facilities at Damai Rainforest Resort	100	100
Sara Hotels Bhd. Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Development and cultivation of oil palm	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Leasing of restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Hotel business, extraction and sale of timber and operation of a cultural centre.	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

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14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2007 %	2006 %
Direct subsidiaries of the Corporation (contd)			
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Provision of management services for tourism and leisure activities	100	100
Sara Sago Industries Sdn. Bhd. Company No. 89962-X	Inactive	100	100
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Provision of management services, investment holding and general trading	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Operation and management of Club Asia International	100	100
Sarakraft Sdn. Bhd. Company No. 133055-W	Marketing and promotion of local handicrafts	100	100
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Letting out car care centre and the collection of rental	100	100
Sedidik Sdn. Bhd. Company No. 50688-T	Provision of child development centres	100	100
Sejadu Sdn. Bhd. Company No. 170777-M business	Property investment and hotel	100	100
Taskwin Marketing Sdn. Bhd. Company No. 264315-D	General trading	100	100
Subsidiary of Damai Beach Golf Course Bhd.			
Damai Golf and Country Club Bhd. Company No. 139361-U	Ownership and management of a golf course	100	100

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14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2007 %	2006 %
Direct associates of the Corporation (contd)			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Cattle farming and distribution of cattle, goat and deer	100	100
Sara-Bif Sdn. Bhd. Company No. 081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Cattle farming in Australia	100	100
Subsidiaries of Revlin Holdings Sdn. Bhd.			
Higlobe Sdn. Bhd Company No. 254889-T	Inactive	80	80
Prime Height Sdn. Bhd. Company No. 258366-V	Inactive	51	51
Subsidiary of Sara Resorts Sdn. Bhd.			
H.I.-Sara Hospitality Sdn. Bhd. Company No. 441568-K	Investment holding and provision of management services	70	70
Subsidiary of Sara Resorts Holdings Sdn. Bhd.			
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Inactive	100	100

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14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2007 %	2006 %
Direct subsidiaries of the Corporation (contd)			
PPES Poultry Farm Sdn. Bhd. Company No. 115899	Inactive	60	60
Hakanda Sdn. Bhd. Company No. 174704-T	Fruit planting	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

All the subsidiaries are not audited by the Auditor-General's office. The financial year-end of all the subsidiaries is 31 December.

The financial statements of the following sub-subsidiaries, Higlobe Sdn. Bhd. and Prime Height Sdn. Bhd., are not consolidated as the Members concur with the opinion of the directors of the immediate holding entities of these sub-subsidiaries that it is impracticable and it would be of no real value to the Group, in view of the insignificant amounts involved.

Acquisition of subsidiary

On 24 July 2007, the Group acquired an additional 43.51% equity interest in Kuching Hotels Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM38,000,000 by cash.

The acquisition had the following effects on the Group's financial results for the year:

	2007 RM'000
Revenue	11,601
Profits from operations	2,757
Net profit for the year	2,241
	=====

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14. Subsidiaries (contd.)

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	2007
	RM'000
Property, plant and equipment	5,201
Hotel and investment property	117,230
Inventories	991
Trade and other receivables	3,019
Cash and bank balances	11,801
Trade and other payables	(5,268)
Minority interests	(15,004)

Group's share of net assets	117,970
	=====

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	31.7.2007
	RM'000
Property, plant and equipment	4,794
Hotel and investment property	116,595
Other investment	45
Inventories	988
Trade and other receivables	3,789
Cash and bank balances	9,511
Trade and other payables	(4,623)

Fair value of total net assets	131,099
Less: Minority interests	(14,752)

Group's share of net assets	116,347
Less: Group's share of retained profits as associate	(7,665)
Less: Group's share of revaluation reserve as associate	(15,460)
Reserve on consolidation	(19,040)

Cost of acquisition	74,182
	=====

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14. Subsidiaries (contd.)

	31.7.2007 RM'000
Purchase consideration satisfied by:	
Cash	38,000
Cost of investment in Kuching Hotels Sdn. Bhd. in prior years	36,182

	74,182
	=====
Cash outflow arising from acquisition:	
Purchase consideration satisfied by cash	38,000
Cash and cash equivalent of subsidiary acquired	(9,511)

Net cash outflow of the Group	28,489
	=====

There were no acquisitions in the financial year ended 31 December 2006.

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14. Subsidiaries (contd.)

The auditors' reports of the subsidiaries' financial statements are not qualified but certain subsidiaries' auditors' reports include an emphasis of matter on the going concern of the subsidiaries as detailed below:

(a) PPES Akua (Mukah) Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the note to the financial statements. The Company incurred a net loss after tax expense of RM311,014 during the financial year ended 31 December 2007. As at that date, the Company's current liabilities exceeded its current assets by RM467,997 and its shareholders' funds is in deficit of RM411,756. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the shareholders and on its attaining cash inflows to sustain its operation."

(b) Sara Sago Industries Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the notes to the financial statements. The Company incurred a net loss after tax expense of RM6,733 during the financial year ended 31 December 2007. As at that date, the Company's current liabilities exceeded its current assets by RM359,306 and its shareholders' funds is in deficit of RM4,076,830. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the shareholder and on its attaining cash inflows to sustain its operation."

(c) Sarawak Car Care Centre Industries Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the note to the financial statements. As at 31 December 2007, the Company shareholders' equity is in deficit of RM3,343,149. In view of these factors, continuation of the Company as a going concern on which basis the financial statements have been prepared is dependent on the continuing financial support from the shareholder and on its attaining cash inflows to sustain its operation."

(d) Asia Vacations Club Sdn. Bhd.

"The Company has a capital deficiency of RM1,657,250 as of December 31, 2007, which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by a similar amount. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holdings companies and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business."

(e) Sara Resorts Holdings Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM29,707 as of December 31, 2007, which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by a similar amount. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related company and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on going concern basis may no longer be appropriate."

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14. Subsidiaries (contd.)

(f) *Sara Tourism and Leisure Sdn. Bhd*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM29,889 as of December 31, 2007, which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by a similar amount. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related company and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on a going concern basis may no longer be appropriate."

(g) *Bukit Saban Resort Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM1,314,538 as of December 31, 2007, which arose as a result of operational losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM5,333,917. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

(h) *Damai Beach Resort Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM29,930 as of December 31, 2007, which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by a similar amount. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related company and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

(i) *Damai Cove Resorts Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM11,223,564 as of December 31, 2007, which arose as a result of operational losses sustained in the prior years and, as of that date, current liabilities exceed current assets by RM87,962,223. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been drawn up on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive support from its holding entity and, creditors and the business operations will be profitable in the foreseeable future and, consequently the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

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14. Subsidiaries (contd.)

(j) *Sara Worlwide Vacations Sdn. Bhd.*

"The Group and the Company have capital deficiencies of RM3,347,863 and RM1,686,113 respectively as of December 31, 2007, which arose as a result of operational losses incurred in prior years. However, the financial statements of the Group and of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related companies and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business."

(k) *Sara Resort Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Group and the Company have capital deficiencies of RM7,314,893 and RM7,851,026 respectively as of December 31, 2007, which arose as a result of operational losses incurred in prior years. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Group and of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Group and the Company will continue to receive adequate financial support from its holding entity and creditors and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

(l) *Sara Rasa Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM226,009 as of December 31, 2007, which arose as a result of operational losses incurred in prior years and, as of that date, current liabilities exceeded current assets by RM281,073. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity, creditors and bankers and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

(m) *Sara Hotels Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM233,452 as of December 31, 2007, which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by a similar amount. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related companies and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

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Notes to the Financial Statements - 31 December 2007

14. Subsidiaries (contd.)

(n) *Sara HL Plantation Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 2 to the financial statements. As stated therein, the Company stopped its plantation development activity in 2003 as a result of a court order pertaining to a suit filed by six individuals in which the Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak and the Company were named as defendants. The reliefs sought by the plaintiffs include a declaration that they have native customary rights over the Company's long-term leasehold land with carrying value of RM7,558,893 as at 31 December 2007 (which was alienated to the Company via its holding company by the Superintendent of Lands and Surveys, Sarawak) and a prohibitory injunction restraining the Company from carrying out any works on the said land. The case was struck out by the Court on 3 April 2008, the date of trial, due to the absence of the counsel for the plaintiffs despite numerous attempts made to inform the counsel of the trial date. Due to the protraction of the case, the Company has incurred accumulated losses of RM1,582,683 as at 31 December 2007. In spite of the losses, the financial statements of the Company have been prepared on the going concern basis, the appropriateness of which is dependent on the ability of the Company to attain profitability in future and obtain sufficient funds to meet its obligations when due."

(o) *Permata Carpark Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM99,515 as of December 31, 2007, which arose as a result of operational losses incurred in prior years and, as of that date, current liabilities exceeded current assets by RM755,489. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity, and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

(p) *Damai Golf and Country Club Sdn. Bhd.*

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM40,677,983 as of December 31, 2007, which arose as a result of operational losses sustained over the years and, as of that date, current liabilities exceeded current assets by RM8,457,682. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its immediate holding company, ultimate holding entity and the related companies and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

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14. Subsidiaries (contd.)

(q) Sara Convention Sdn. Bhd.

"The Company has a capital deficiency of RM189,367 as of December 31, 2007, which arose as a result of operational losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM208,791. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. The basis presumes that the Company will continue to receive adequate financial support from its holding entity and related companies and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business."

(r) Sara Concrete Poles Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the notes to the financial statements. The Company incurred a net loss after tax expense of RM5,787 during the financial year ended 31 December 2007 and as of that date, the Company's shareholders' funds is in deficit of RM121,709. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the holding corporation and on its attaining cash inflows to sustain its operations."

(s) Sarakraf Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM870,176 as of December 31 2007, which arose as a result of operational losses incurred in the current and prior years and , as of that date, current liabilities exceeded current assets by RM2,145,382. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. The basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on a going concern basis may no longer be appropriate."

(t) Sarawak Coconut Enterprise Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred a net loss of RM155,504 during the financial year ended 31 December 2007. At that date, the Company's current liabilities exceeded its current assets by RM1,917,455 and the shareholders' equity of the Company was in deficit of RM8,198,626. In view of these factors, continuation of the Company as a going concern, on which basis the financial statements have been prepared, is dependent on the continuing financial support from the ultimate holding corporation and creditors and on the Company attaining sufficient cash inflows to meet its liabilities as and when they fall due."

(u) Sara-Bif Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the financial statements. As at 31 December 2007, the Company's current liabilities exceeded its current assets by RM2,235,072 and its shareholders' funds is in deficit of RM2,235,072. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the holding corporation and on its attaining cash inflows to sustain its operations."

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15. Associates

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	25,309	61,491	24,309	60,491
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	-----	-----	-----	-----
	24,159	60,341	24,159	60,341
Share of retained profits less losses	86,716	147,060	-	-
Share of capital reserves	497	353	-	-
Share of revaluation reserves	7,464	-	-	-
	-----	-----	-----	-----
	118,836	207,754	24,159	60,341
	-----	-----	-----	-----
Amounts due from associates:				
Current accounts	4,422	4,418	370	370
Provision for doubtful debts	(359)	(359)	(359)	(359)
	-----	-----	-----	-----
	4,063	4,059	11	11
	-----	-----	-----	-----
Loan accounts	20,014	20,014	20,014	20,014
	-----	-----	-----	-----
	142,913	231,827	44,184	80,366
	=====	=====	=====	=====

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15. Associates

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2007 and their principal activities are shown below:

and their principal activities are shown below:

Name of company	Principal activities	Group's effective equity interest	
		2007 %	2006 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Owner of hotels	36	36
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Own and operate Holiday Inn Kuching and the Sarawak Plaza in Kuching	-	45
Permodalan Assar Sdn. Bhd. Company No. 289723-H	Investment holding	20	20
CMS Resources Sdn. Bhd. (formerly Sara Kuari Sdn. Bhd.) Company No. 98773-T	Investment holding, sale of quarry stones and sand	49	49
Sara V-Pile Sdn. Bhd. Company No. 196668-T	Inactive	30	30
Sebor (Sarawak) Sdn. Bhd. Company No. 17625-H	investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Construction, management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30

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15. Associates (contd.)

		Group's effective equity interest	
Name of company	Principal activities	2007 %	2006 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Manufacture and sale of activated carbon	40	40
Associate of PPES Ternak Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	40	40

The financial year end of all the associates is 31 December, except for Sara V-Pile Sdn. Bhd. which ends on 30 June.

16. Investments in other corporations

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investments at cost:				
- Unit trusts quoted in Malaysia	54,918	55,790	46,473	48,088
Less: Allowance for diminution in value	(680)	(640)	(680)	(640)
	54,238	55,150	45,793	47,448
- Quoted shares in Malaysia	71,998	77,363	71,723	75,604
Less: Allowance for diminution in value	(1,407)	-	(1,407)	-
	70,591	77,363	70,316	75,604
- Unquoted shares in Malaysia	5,696	5,874	4,731	4,731
Less: Allowance for diminution in value	-	-	(25)	(25)
	5,696	5,874	4,706	4,706
Amount due from:				
- Current accounts	8,927	8,498	8,927	8,498
Less: Allowance for doubtful debts	(458)	(458)	(458)	(458)
	8,469	8,040	8,469	8,040
- Loan accounts	18,093	18,093	18,093	18,093
Total	157,087	164,520	147,377	153,891

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Notes to the Financial Statements - 31 December 2007

16. Investments in other corporations (contd.)

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Market value of:				
- Quoted unit trust	59,712	59,225	49,431	50,687
- Quoted shares	67,942	50,730	67,608	48,894
	-----	-----	-----	-----
	127,654	109,955	117,039	99,581
	=====	=====	=====	=====

The market value of the quoted unit trusts and shares of the Group and the Corporation is lower than cost by RM2,825,000 (2006: RM22,520,000) and RM930,000 (2006: RM23,472,000), respectively. However, the Members are of the opinion that allowance for impairment in value is not required as the impairment in value is considered not permanent and the investments are held on a long term basis.

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17. Property, plant and equipment

Group	Freehold land RM'000	Long leasehold land RM'000	Short leasehold and RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvements RM'000	Capital and construction work-in-progress RM'000	Pasture development costs RM'000	Total RM'000
Cost/valuation									
At 1 January 2007	3,116	27,400	3,438	89,344	149,023	57,293	13,460	2,412	345,486
Acquisition of subsidiary	-	-	-	5,875	21,591	-	-	-	27,466
Additions	7	32,845	-	327	3,855	332	1,250	-	38,616
Reclassifications	-	77	-	-	-	-	-	-	77
Adjustments	-	-	-	-	66	-	-	-	66
Disposals	-	(391)	-	(832)	(3,655)	-	-	-	(4,878)
Written off	-	-	-	(351)	(2,838)	-	-	-	(3,189)
Exchange difference	-	124	9	104	147	327	-	-	711
At 31 December 2007	3,123	60,055	3,447	94,533	168,123	57,952	14,710	2,412	404,355
Accumulated depreciation									
Charges for 2006	-	584	36	2,099	4,014	980	-	42	7,755
At 1 January 2007	-	1,946	388	43,837	121,899	12,799	129	250	181,248
Acquisition of subsidiary	-	-	-	2,945	19,727	-	-	-	22,672
Charges for the year	-	597 77	2,001	4,447	920	-	-	41	8,083
Adjustments	-	-	-	56	-	-	-	-	56
Disposals	-	-	-	(473)	(3,335)	-	-	-	(3,808)
Reclassification	-	(143)	143	-	-	-	-	-	-
Written off	-	-	-	(17)	(2,726)	-	-	-	(2,743)
Exchange difference	-	-	-	28	79	178	-	-	285
At 31 December 2007	-	2,400	608	48,377	140,091	13,897	129	291	205,793

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17. Property, plant and equipment

Group	Freehold land RM'000	Long leasehold land RM'000	Short leasehold and RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvements RM'000	Capital and construction work-in-progress RM'000	Pasture development costs RM'000	Total RM'000
Accumulated impairment losses									
Impairment losses for 2006	-	-	-	-	-	-	-	-	-
At 1 January 2007/At 31 December 2007	-	-	-	6,049	2,223	27,000	83	-	35,355
Net book value									
At 31 December 2007	3,123	57,655	2,839	40,107	25,809	17,055	14,498	2,121	163,207
At 31 December 2006	3,116	25,454	3,050	39,458	24,901	17,494	13,248	2,162	128,883
Analysis of cost and valuation:									
At cost	3,123	58,901	3,447	93,719	167,548	57,952	14,710	2,412	401,812
At valuation	-	1,154	-	814 575	-	-	-	-	2,543
At 31 December 2007	3,123	60,055	3,447	94,533	168,123	57,952	14,710	2,412	404,355
At cost	3,116	26,246	3,438	88,530	148,448	57,293	13,460	2,412	342,943
At valuation	-	1,154	-	814	575	2,543	-	-	-
At 31 December 2006	3,116	27,400	3,438	89,344	149,023	57,293	13,460	2,412	345,486

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Notes to the Financial Statements - 31 December 2007

17. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost/Valuation						
At 1 January 2007	19,630	1,859	14,818	533	9,604	46,444
Additions	43	190	946	-	241	1,420
Disposals	(391)	-	(175)	-	(9)	(575)
Written-off	-	(25)	-	-	(2,124)	(2,149)
Adjustments	-	-	66	-	-	66
At 31 December 2007	19,282	2,024	15,655	533	7,712	45,206
Accumulated depreciation						
Charges for 2006	361	273	552	-	308	1,494
At 1 January 2007	1,215	1,194	12,571	533	8,747	24,260
Charges for the year	354	296	213	-	381	1,244
Adjustments	-	-	56	-	-	56
Disposals	-	-	(123)	-	(6)	(129)
Written-off	-	(25)	-	-	(2,124)	(2,149)
At 31 December 2007	1,569	1,465	12,717	533	6,998	23,282
Accumulated impairment losses						
Impairment losses for 2006	-	-	-	-	-	-
At 1 January 2007/At 31 December 2007	-	-	174	-	-	174
Net book value						
At 31 December 2007	17,713	559	2,764	-	714	21,750
At 31 December 2006	18,415	665	2,073	-	857	22,010

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Notes to the Financial Statements - 31 December 2007

17. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Analysis of cost and valuation:						
At cost	18,128	2,024	14,841	207	7,712	42,912
At valuation	1,154	-	814	326	-	2,294
At 31 December 2007	19,282	2,024	15,655	533	7,712	45,206
At cost	18,476	1,859	14,004	207	9,604	44,150
At valuation	1,154	-	814	326	-	2,294
At 31 December 2006	19,630	1,859	14,818	533	9,604	46,444

Land comprises of:

	Freehold Land RM'000	Long leasehold and RM'000	Short leasehold and RM'000	Total RM'000
Cost/valuation				
At 1 January 2007	110	17,381	2,139	19,630
Addition	7	36	-	43
Disposal	-	(391)	-	(391)
At 31 December 2007	117	17,026	2,139	19,282
Representing:				
At cost	117	15,872	2,139	18,128
At valuation	-	1,154	-	1,154
	117	17,026	2,139	19,282

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Notes to the Financial Statements - 31 December 2007

17. Property, plant and equipment (contd.)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Accumulated depreciation				
Charges for 2006	-	325	36	361
	=====	=====	=====	=====
At 1 January 2007	-	1,072	143	1,215
Charges for the year	-	313	41	354
	-----	-----	-----	-----
At 31 December 2007	-	1,385	184	1,569
	-----	-----	-----	-----
Net Book Value				
At 31 December 2007				
At cost	117	14,487	1,95	16,559
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	117	15,641	1,955	17,713
	=====	=====	=====	=====
Net Book Value				
At 31 December 2006				
At cost	110	15,155	1,996	17,261
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	110	16,309	1,996	18,415
	=====	=====	=====	=====

The Corporation revalued certain of its leasehold land, buildings, plant and equipment in 1979 and 1981 based on prevailing market values.

As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, the revalued property, plant and equipment have continued to be stated on the basis of their 1979 and 1981 valuations.

The land titles for landed properties of the Corporation and certain subsidiaries of the Group have yet to be issued by the relevant authorities.

Included in the net book value of motor vehicles for the Corporation are assets acquired under hire purchase amounting to RM560,575 (2006: RM666,297). The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM602,555 (2006: RM750,267) which were acquired under hire purchase and finance lease agreements.

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18. Hotel and investment properties

	Group	
	2007	2006
	RM'000	RM'000
At valuation:		
- 1996	72,500	72,500
- 2004	183,270	71,600
- 2006	-	163,974
- 2007	166,600	-
	-----	-----
	422,370	308,074
At cost	13,755	8,395
	-----	-----
	436,125	316,469
	=====	=====
At 1 January	316,469	315,480
Additions during the year	866	378
Revaluation surplus	2,195	-
Transfer from property, plant and equipment	-	611
Acquisition of subsidiary	116,595	-
	-----	-----
At 31 December	436,125	316,469
	=====	=====

The valuations for 1996, 2004 and 2007 in respect of hotel and investment properties was adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value basis. The surplus on revaluation was credited to revaluation reserve.

As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, certain hotel and investment properties have continued to be stated on the basis of their 1996

19. Plantation development expenditure

	Group	
	2007	2006
	RM'000	RM'000
At cost:		
At 1 January	7,443	7441
Addition during the year	63	2
Reclassification	(155)	-
	-----	-----
At 31 December	7,351	7,443
	-----	-----
Accumulated amortisation:		
At 1 January and 31 December	(3,285)	(3,285)

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19. Plantation development expenditure (contd.)

	Group	
	2007	2006
	RM'000	RM'000
Impairment loss:		
At 1 January	(3,987)	(3,944)
Addition	(43)	(43)
At 31 December	(4,030)	(3,987)
Government grant received	-	(77)
Net book value	36	94
	=====	=====

20. State government equity fund and contribution for equity participation

The State Government Equity Fund and State Government Contribution for Equity Participation represent funds injected into the Corporation by the State Government of Sarawak to finance investments in subsidiary companies which undertake commercial projects. These commercial projects are financed by equity and loans from the State Government of Sarawak.

The State Government Contribution for Equity Participation is repayable only upon request by the State Government when investments are disposed.

21. Development funds

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	81,351	80,100	71,360	70,109
Cattle Industry Development Fund	13,112	20,781	3,748	11,417
Aquaculture Development Fund	16,530	15,552	9,954	12,540
Camp Permai Fund	2,000	2,000	-	-
Wafer fabrication project	9,846	10,464	9,846	10,464
Others	73,812	67,030	71,500	62,051
	-----	-----	-----	-----
	196,651	195,927	166,408	166,581
	=====	=====	=====	=====

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Notes to the Financial Statements - 31 December 2007

22. Reserves

		Group		Corporation	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Capital reserves	(a)	3,997	3,853	-	-
Share premium	(b)	9,153	9,015	-	-
Revaluation reserve	(c)	44,479	19,360	-	-
Reserve on consolidation	(d)	52,815	33,763	-	-
Revenue reserve		379,081	386,319	371,515	337,624
		-----	-----	-----	-----
		489,525	452,310	371,515	337,624
		=====	=====	=====	=====

		Group	
		2007	2006
		RM'000	RM'000
(a) Capital reserves:			
At 1 January		3,853	353
Addition		144	3,500
		-----	-----
At 31 December		3,997	3,853
		=====	=====
(b) Share premium:			
At 1 January		9,015	8,895
On issuance of preference shares during the year		138	120
		-----	-----
At 31 December		9,153	9,015
		=====	=====

Share premium represents the excess of proceeds received by a subsidiary of the Group over the par value of the par value of its preference shares issued.

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Notes to the Financial Statements - 31 December 2007

22. Reserves (contd.)

	Group	
	2007	2006
	RM'000	RM'000
(c) Revaluation reserve:		
At 1 January	19,360	19,360
Revaluation surplus	2,195	-
Arising on consolidation	22,924	-
	-----	-----
At 31 December	44,479	19,360
	=====	=====

The revaluation reserve relates to surplus on revaluation of hotel and investment properties of the Group.

(d) Reserve on consolidation:

	Group	
	2007	2006
	RM'000	RM'000
At 1 January	33,763	33,719
Acquisition of subsidiary (Note 14)	19,040	-
Arising on consolidation	12	44
	-----	-----
At 31 December	52,815	33,763
	=====	=====

23. Government grants

At 1 January	21,124	22,542
Amortisation of grants	(1,347)	(1,253)
Repayment of grants	-	(165)
	-----	-----
At 31 December	19,777	21,124
	=====	=====

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Notes to the Financial Statements - 31 December 2007

24. Deferred tax

	Group	
	2007	2006
	RM'000	RM'000
At 1 January	8,001	8,268
Recognised in income statement (Note 5)	(464)	(308)
Exchange differences	370	41
	-----	-----
At 31 December	7,907	8,001
	=====	=====
Presented after appropriate offsettings as follows:		
Deferred tax assets	(295)	(529)
Deferred tax liabilities	8,202	8,530
	-----	-----
At 31 December	7,907	8,001
	=====	=====
Arising from:		
Excess of capital allowances over depreciation	(229)	(506)
Other short term temporary difference	8,136	8,507
	-----	-----
	7,907	8,001
	=====	=====

25. Employees benefits

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Long service leave	77	11	-	-
Annual leave and others	1,037	499	1,037	499
	-----	-----	-----	-----
	1,114	510	1,037	499
	=====	=====	=====	=====

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Notes to the Financial Statements - 31 December 2007

26. Significant inter-company transactions

During the financial year, the Corporation entered into the following transactions with its subsidiaries and associates:

	Corporation	
	2007	2006
	RM'000	RM'000
Interest paid to subsidiaries for deposits placed with Central Cash Management	37	65
Marketing fees received from a subsidiary	-	(553)
Rental received from an associate	(20)	(20)
Rental received from subsidiaries	(74)	(12)
Management fee received from an associate	(18)	(23)
	=====	=====

The Members are of the opinion that the above transactions were entered into by the Corporation in the ordinary course of business transacted on normal commercial terms.

27. Contingent liabilities

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Guarantees given to a bank for credit facilities granted to a former subsidiary	-	3,750	-	-
	=====	=====	=====	=====

PPES Ternak Holdings Sdn. Bhd.

The implication of the decision of the High Court of Australia in *Mabo vs. The State of Queensland* (1992) 107 ALR1 relating to native title, on the future operations of Rosewood Station Pty Limited (Rosewood), the foreign subsidiary of PPES Ternak Holdings Sdn. Bhd. is discussed below. There has been a range of cases dealing with native title (most notably, *The Wik People vs. The State of Queensland* (1997) 141 ALR 129). In addition, there has been a range of legislative initiatives by the Commonwealth and the State and Territories of Australia.

Taken as a whole, other than where native title has been validly extinguished by a prior act (for example, the grant of a freehold title to relevant land), native title has the potential to affect the future operations of Rosewood. To that extent, as with other cattle properties, Rosewood will have to comply with all relevant legislation and will ordinarily do so on a case by case basis. Finally, the effect of native title (if any) on the future operations of Rosewood will vary on a case by case basis.

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28. Commitments

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Capital commitments for the acquisition of property, plant and equipment:				
Approved and contracted for	1,789	416	-	316
Approved but not contracted for	696	1,003	-	-
	<u>2,485</u>	<u>1,419</u>	<u>-</u>	<u>316</u>
	=====	=====	=====	=====

29. Currency

All amounts are stated in Ringgit Malaysia.

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