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SECTION 1 : CORPORATE STATEMENT

CHAIRMAN'S STATEMENT



**YANG BERHORMAT
DATUK HAJI TALIB ZULPILIP**
CHAIRMAN

Sarawak Economic Development Corporation

Our performance

On behalf of the Members of the Board, I am pleased to report the performance of the Sarawak Economic Development Corporation (SEDC) for the year 2013.

I am pleased to report positive financial results for the year as we maintained our performance of being in the black for 11 consecutive years.

SEDC earned a total revenue of RM35.74 million, which is slightly lower than the budgeted revenue of RM37.30 million for the year 2013. This drop in revenue was due to below budget sales of realty property.

The Corporation chalked up a Profit Before Tax (PBT) of RM15.94 million, an increase of RM3.23 million from the budgeted PBT of RM12.71 million.

At Group level, we posted a total revenue of RM168.94 million and recorded a PBT of RM41.37 million.

Overall, I am pleased with the performance, especially by our three main contributors, namely the Mineral & Mining, Roads and Works and Tourism & Leisure.

2013 has been a very eventful year for SEDC as the Corporation kick-started two notable projects – the Golden Bridge across Sg. Sarawak and its new office headquarters, the SEDC Tower at the Isthmus – which are scheduled for completion in 2015 and 2016 respectively.

Our accomplishments

SEDC was entrusted by the State Government with the implementation of the Golden Bridge costing RM35.0 million. The Golden Bridge will be an iconic structure that will enhance the beauty of Kuching City and one that our people will be proud of.

The SEDC Tower, also as iconic, will be Green Building Index (GBI) certified, designed to conserve energy and promote environmental friendliness. It will be worth our investment of RM80.40 million as the Corporation continues to undertake new challenges in its role as a catalyst for the economic development of Sarawak.

The tourism and leisure sector was boosted with the upgrading of the Damai Golf and Country (DGCC) with its greens, bunkers and fairway subsoil completed at a cost of RM2.52 million. Another RM7.00 million was allocated for the upgrading of Damai Beach Resort including the swimming pool and function hall, commencing in the middle of the year. The project will be completed in 2014. Construction of the new 18-storey 268-room hotel which is an extension to the Riverside Majestic Hotel in Kuching is also progressing and scheduled for completion in the middle of 2015.

Reclamation works at the Kuching Waterfront added another 73 metres to the *People Place*, bringing the total stretch to 1.31km.

Phase 3 and the final phase of the joint-venture development of mixed properties consisting of shop lots and residential houses at Palm Villa, Kota Samarahan took off in October 2013 and is scheduled for completion in 2015.

Two plantation projects were completed in 2013, namely the 197-hectare coconut plantation in Asajaya, Samarahan Division and the 103-hectare oilpalm plantation in Lundu, Kuching Division. Our aquaculture farm in Santubong also increased its culture area with another seven units of one-hectare grow-out ponds during the year.

CHAIRMAN'S STATEMENT

CONTINUATION

Our responsibility to Bumiputera Entrepreneur Development

SEDC's new approach in the development of its Bumiputera entrepreneurs paid off with 3036 farmers and entrepreneurs benefitting from the various programmes and activities implemented throughout the year. Our people went all out to identify the needy groups rather than wait for them to come to us. We provided financial assistance consisting of loans and equipment valued at RM4.70 million for various programmes to 665 participants.

These programmes included Program Peningkatan Usahawan Bumiputera (PUTERA), Skim Pinjaman Industri Kecil dan Sederhana (SPIKS), Program Usahawan Desa Pelbagai, Commercial Broiler Programmes, Inkubator dan Bimbingan Usahawan (PIBU) and 1 AZAM-Niaga.

A total of 1661 participants were trained through a series of capacity building courses to become self-reliant and competitive entrepreneurs.

Our child and family development programmes were carried out in 76 centres including 30 new and upgraded centres funded under the National Key Result Areas (NKRA) for education with a total student population of 1,955 throughout Sarawak.

New and unique educational programmes – Kindergym and music classes were introduced while joint ventures and franchise programmes and smart partnerships were explored.

Our commitment to corporate governance

The Corporation embarked on yet another corporate governance initiative in 2013 with the implementation of Risk Management. With this in place, we hope to further strengthen and enhance our operations through a systematic evaluation of the risks in our business and mitigation to reduce our risk exposure.

Our integrity and governance journey is now captured and displayed in the SEDC Integrity and Governance Gallery in Menara SEDC, the first among government agencies in Sarawak. We had it set up this year so that everything we have done is put on record and it will serve as a onestop reference for both our staff and visitors.

We believe that an effective integrity regime and corporate governance must be founded on conviction and, more importantly, practice. Everyone in the Corporation has a stake in the governance process. We do not compromise our standards in this aspect.

In recognition of its efforts and compliance to procedures, SEDC maintained its 4-Star rating (highest level) under the Accountability Index for its Financial Management Practices by the National Audit Department for the fourth consecutive year.

Our corporate citizenship

Our CSR programmes included donations in cash and kind to the less fortunate and fire victims, annual contribution of business tithes (Zakat) of RM300,000 to Tabung Baitulmal, gifts to children of Kampung Sinar Baru and patients of Rajah Charles Brooke Memorial Hospital, children of Rumah Kanak-kanak Kuching and Sri Aman, residents of Home for the Aged, and blood donation and gotong royong projects.

Our human resource

I must commend the SEDC people for their solid teamwork and commitment and dedication towards upholding a high standard of corporate governance, integrity, professionalism and commitment the way they carry out their duties and responsibilities.

Our emphasis and investment in the training and advancement of our people has motivated them to develop to their full potential and added value to the Corporation with new ideas and innovation.

The Corporation continued to provide the training ground for graduates and practical trainees through the SEDC Internship Programme. The exposure to the working environment of SEDC will enhance the employability of the interns, in one way or another. A total of 770 graduates and 1,466 practical trainees have been attached to the corporation since the year 2000.

Our plans

Looking forward, we aim to grow new business and generate wealth for the Group in the years ahead.

Among the new projects, we are pleased to report that SEDC has been entrusted with the responsibilities of implementing the first Urban Transformation Centre (UTC) in Sarawak. We thank the Ministry of Finance for its trust and confidence in SEDC in delivering the project according to specifications and within cost and schedule in 2014.

We have, on the drawing board, new projects to further tap the potential of the tourism industry in the Damai Peninsula while our agro-food sector is exploring with new fruit plantations and swiftlets eco-parks and new halal abattoir.

Local Bumiputera entrepreneurs can be assured of new commercial units and opportunities to expand their business as SEDC embarks on the development of new business premises in Miri, Lundu and Sri Aman. All these are part of our continuing efforts to further develop Bumiputera entrepreneurs. We thank our stakeholders for their trust in SEDC and we need their continuous.

“COMMITTED TO EXCELLENCE”



YB Datuk Haji Talib Zulpilip
CHAIRMAN





SECTION 2 : CORPORATE INFORMATION

CORPORATE BACKGROUND

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.

SEDC is a statutory body established under the laws of the State of Sarawak and it also comes under the purview of the Federal Government of Malaysia through the Federal Ministry of Finance (MOF).

As a catalyst, SEDC is committed to promoting economic development in the State with emphasis on pioneering in strategic industries and undertaking new investments, managing existing commercial operations on its own or through joint ventures.

As a trust agency, SEDC also undertakes programmes and schemes to enhance the development of local entrepreneurs in commerce and industry, apart from carrying out special projects for the government to enhance the general economic well-being and quality of life of the people in the State.

SEDC complements the realisation of the State's development agenda towards a developed State by 2020 by implementing its projects effectively, efficiently, economically and ethically.



Agro-Food Based



Tourism and Leisure



Entrepreneur Development



Property Development



Community Development

VISION

To be the premier State agency in Malaysia

MISSION

To spearhead the economic and social development of the State by implementing and managing projects and programmes effectively, economically, efficiently and ethically

SHARED VALUES

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

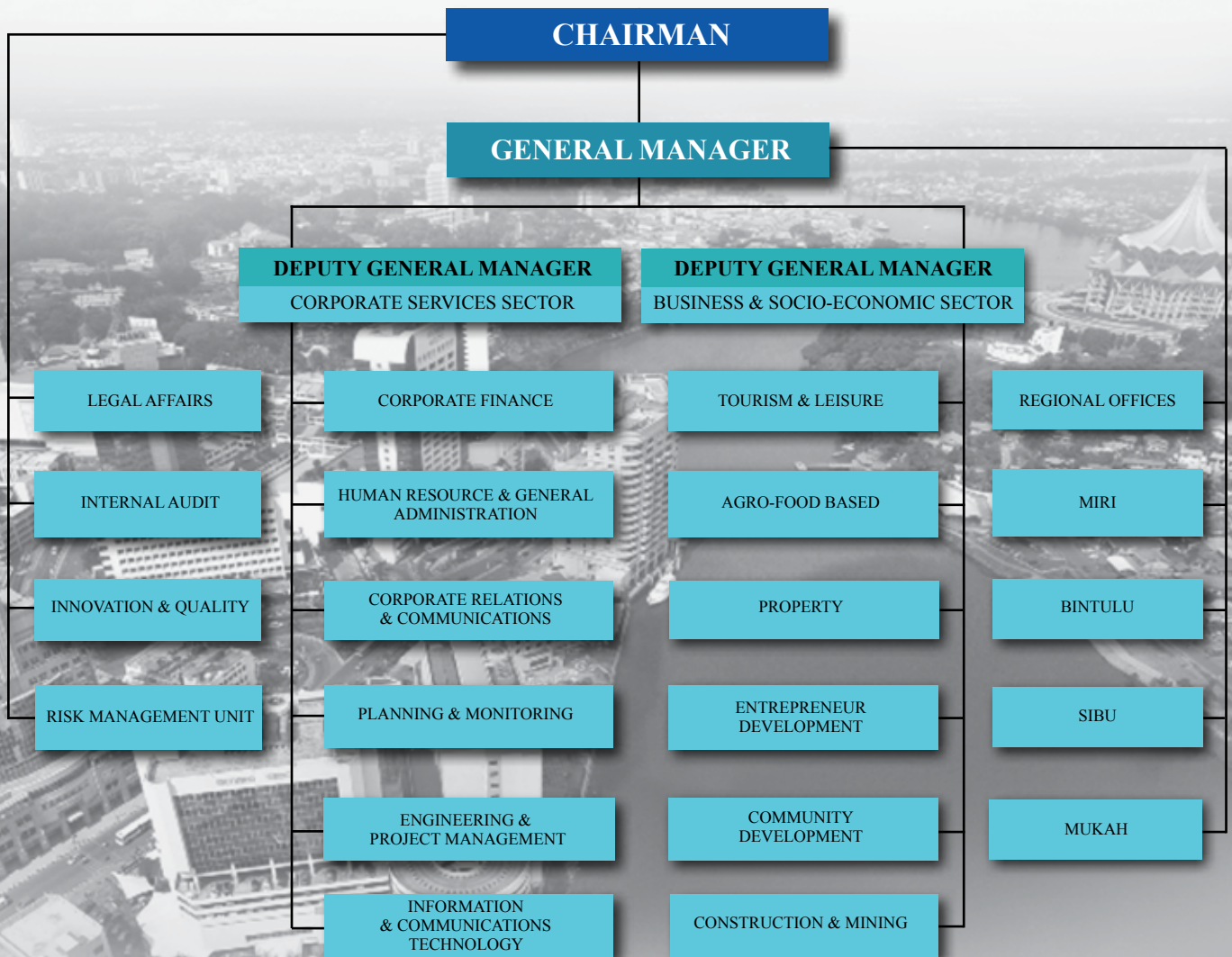
MOTTO

“COMMITTED TO EXCELLENCE”

WAR CRY

“GET IT DONE - FAST AND RIGHT”

ORGANISATION STRUCTURE



SEDC

*Menyumbang kepada Kerajaan
Negeri Sarawak*

SEDC BOARD MEMBERS 2013

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**YANG BERHORMAT DATUK
HAJI TALIB ZULPILIP**
Chairman



**YANG BERHORMAT TAN SRI DATUK
AMAR HAJI MOHAMAD MORSHIDI
BIN ABDUL GHANI**
Sarawak State Secretary



YBHG. DATU LAURA LEE NGIEN HION
State Financial Secretary
Representative



**YBHG. DATU HAJAH JABIDAH
BINTI MONSERI**
Federal Treasury
Representative



**YANG BERHORMAT DATUK
DR STEPHEN RUNDI UTOM**



**YBHG. TAN SRI DATUK AMAR
WILSON BAYA DANDOT**



**YBHG. DATUK FONG
JOO CHUNG**



**YBHG. DATUK HAJI ISMAIL
BIN HAJI HASHIM**



**YBHG. DATU SUDARSONO
BIN OSMAN**



**YBHG. DATU HAJI ABDUL
RASHID BIN HAJI AZIZ**



YBHG. ENCIK JASNI BIN JUBLI

MANAGEMENT TEAM 2013

.....



**YANG BERTHORMAT DATUK
HAJI TALIB ZULPILIP**
Chairman



**YBHG. TUAN HAJI
SOEDIRMAN
HAJI AINI**
General Manager



**PUAN HAJAH RAKAYAH
HAMDAN**
Acting Deputy General Manager
Director
Corporate Finance



ENCIK EDWIN ABIT
Acting Deputy General Manager
Director
Corporate Relations &
Communications, Tourism & Leisure



**ENCIK JOHN W
CHAMBERLIN SIRAU**
Director
Legal Affairs & Risk Management



ENCIK SHAFIEE AHMAD
Director
Entrepreneur Development



**PUAN HAJAH SITI HAJAR
ABANG MON**
Director
Property Development,
Engineering & Project Management



PUAN MARILYN N BIYOR
Director
Human Resource & General
Administration



ENCIK JAMES DAGO
Director
Innovation & Quality, Planning
& Monitoring



ENCIK YAP YIEN CHIANG
Director
Internal Audit



ENCIK ASLANSIA YAHYA
Director
Agro-Food Based



**CIK SITI NURAZLINA DOLLAH
AHMAT USOP**
Director
Information &
Communications Technology

SEDC GROUP OF COMPANIES

TOURISM & LEISURE

Subsidiaries

Sara Resorts Sdn Bhd

❖ *Sara Hospitality Sdn Bhd*

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Urusharta Sdn Bhd

Unit R207, Level 2, Sarawak Plaza
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-412150
Fax: 082-255964
Website: www.sedctourism.com

Damai Cove Resorts Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Rasa Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Resorts Holdings Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Convention Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com



Kuching Hotels Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Damai Beach Golf Course Bhd

❖ *Damai Golf & Country Club Bhd*

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Resorts Management Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Bukit Saban Resort Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Damai Beach Resort Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Tourism & Leisure Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Hotels Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sejadu Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Worldwide Vacations Bhd

❖ *Asia Vacations Club Sdn Bhd*

Unit W22-02, Level 22
Gateway Kuching
No. 9, Jalan Bukit Mata
93100 Kuching
Tel: 082-238007
Fax: 082-248007
Website: www.clubasia.com.my

Permata Carpark Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

Sara Great Horizon Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-416777
Fax: 082-422453
Website: www.sedctourism.com

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



SEDC GROUP OF COMPANIES

AGRO-FOOD BASED

Subsidiaries

Sara Spectrum Holdings Sdn Bhd

- ❖ *Hakanda Sdn Bhd*
- *Kemudi Saling 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

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

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

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

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 / 085-739317
Fax: 082-481350 / 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

Associates

SOP Karabungan Sdn Bhd

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

Good Harvest Plantation Sdn Bhd

No. 85 - 90 Pusat Pedada
Jalan Pedada
96000 Sibul
98007 Miri
Tel: 084-310190
Fax: 084-330893

❖ *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- 332160
Fax: 082-419455
Website: www.comerich.com.my

Taskwin Sdn Bhd

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

Revlín Holdings Sdn Bhd

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



COMMUNITY DEVELOPMENT

Subsidiaries

SeDidik Sdn Bhd

No. 53, Lot 67, Section 66
Yoshi Square, Jalan Pelabuhan
93450 Kuching
Tel: 082-347489
Fax: 082-346859
Website: www.sedidik.com.my



MINERAL & MINING

Associates

CMS Infra Trading Sdn Bhd

No. 2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
Tel: 082-348950 / 082-348951
Fax: 082-348952
Website: trading.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, Kuching-Serian Road
93250 Kuching
Tel: 082-615605 / 082-610226
Fax: 082-611986 / 082-615598
Website: www.cmsb.com.my

ROADS & 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

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

- ❖ Subsidiary of holding company

SEDC GROUP OF COMPANIES

OTHERS

Subsidiaries

Sarawak Car Care Centre Sdn Bhd

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

Permaisara Sdn Bhd

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

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

Associates

LF Asia 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.idsgroup.com

Syarikat Sebangun Sdn Bhd

Off 21KM, Tanjung Kidurong Road
P O Box 168, 97007 Bintulu
Tel: 086-253549 / 086-253569
Fax: 086-253919

GOS Management Holdings Sdn Bhd

18th Floor, Wisma Bapa Malaysia
Petra Jaya
93502 Kuching
Tel: 082-311990 / 082-492336
Fax: 082-442235 / 082-448308
Website: www.sedc.com.my

POP Media Sdn Bhd

Kilang B, Lot 775, Block 8, MTLD Demak
Laut Industrial Park
93900 Kuching
Tel: 082 - 432252

Investment

Sarawak Consolidated Industries Bhd

Lot 1258, Jalan Utama
Pending Industrial Area
93450 Kuching
Tel: 082-334485
Fax: 082-334484 / 082-345597
Website : www.scib.com.my

Cahaya Mata Sarawak Bhd

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

Permodalan ASSAR Sdn Bhd

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

CORPORATE ACTIVITIES

CORPORATE FUNCTIONS

Presidential Address 2013

19 February 2013, Grand Margherita Hotel



SEDC Chairman YB Datuk Haji Talib Zulpilip delivering his Presidential Address



Pledge-Taking by Management Team

Launching of Integrity And Governance Gallery

30 July 2013, Dewan Kenyalang



Speech by YB Tan Sri Datuk Amar Haji Mohammad Morshidi Bin Abdul Ghani State Secretary of Sarawak



Plaque signing by YB Tan Sri Datuk Amar Haji Mohammad Morshidi Bin Abdul Ghani State Secretary of Sarawak

SEDC Chairman's Cup Golf 2013

12-13 October 2013, Damai Golf & Country Club



SEDC Chairman YB Datuk Haji Talib Zulpilip presenting the challenge trophy to the overall winner



Group photo before Tee-Off

CORPORATE ACTIVITES

Integrity Day 2013

5 December 2013, Grand Margherita Hotel



Launching by YB Datuk Amar Abang Haji Abdul Rahman Zohari Bin Tun Abang Haji Open



Recipients of SEDC Integrity Awards with YB Datuk Amar Abang Haji Abdul Rahman Zohari

Media Appreciation Night

16 December 2013, Grand Margherita Hotel



Members of the Media at the Dinner



Speech by SEDC Chairman YB Datuk Haji Talib Zulpilip

CORPORATE SOCIAL RESPONSIBILITY

Majlis Berbuka Puasa with YAB Chief Minister of Sarawak and Children of PERYATIM Orphanage Home

31 July 2013, Grand Margherita Hotel



SEDC Chairman YB Datuk Haji Talib Zulpilip presenting Zakat Perniagaan SEDC to Tabung Baitulmal Sarawak



YAB Chief Minister of Sarawak handing over Hari Raya gifts to children of PERYATIM

Majlis Titian Kasih with The Head of State

13 November 2013, Astana Negeri



Tun Datuk Patinggi Abang Haji Muhammad Salahuddin, Head of State of Sarawak, presenting Hari Raya gifts



One for the album

CORPORATE ACTIVITIES

Majlis Belaian Kasih Sarawak River Cruise 15 November 2013



YBhg. Datin Hajjah Dr. Zaleha Abdullah and SEDC General Manager presenting goodies to residents of Rumah Sri Kenangan on board the Sarawak River Cruise



The residents with their presents

LOVE-IN-A-BOX Programme with Children of Kampung Sinar Baru 11 December 2013, Sir Charles Brooke Memorial Hospital, Kuching



The children with SEDC Chairman YB Datuk Haji Talib Zulpilip



Presentation of gifts by SEDC Chairman YB Datuk Haji Talib Zulpilip

5S Certification Renewal Audit 22 May 2013, Dewan Kenyalang, Menara SEDC



Group Photo with General Manager of SEDC Tuan Haji Soedirman Haji Aini and 5S Auditors from Malaysia Productivity Corporation

SEDC Innovation & Quality Convention, Kota Kinabalu, Sabah 2013 3 - 4 July 2013



D'Zoomers from SEDC



D'Zoomers and D'Antz from SEDC

CORPORATE ACTIVITES

CULTURE BUILDING

SEDC Sports & Recreational Club (PEDAS)

13 April 2013, PEDAS Bowling Tournament



The participants

Majlis Bersama Jabatan (MBJ)

10 - 12 November 2013, Study visit to Perbadanan
Kemajuan Negeri Selangor (PKNS)



SEDC delegation

SEDC Mothers and Fathers Day

21 June 2013, Dewan Kenyalang, Menara SEDC



Cake cutting Ceremony



SEDC Fathers taking part in one of the games

MEETINGS, WORKSHOPS AND SEMINARS

Sharing Experience in Risk Management by Cahya Mata Sarawak (CMSB)

11 March 2013, Dewan Kenyalang, Menara SEDC



Group Photo with YBhg Tuan Haji Soedirman Haji Aini



Speech by SEDC General Manager

CORPORATE ACTIVITIES

Workshop on Training Needs Analysis, Planning & Implementation 26 - 27 August 2013, Grand Margherita Hotel



Workshop participants

SEDC'S Balanced Scorecard (BSC) Programme 2 - 4 September 2013, Riverside Majestic Hotel



Group photo



Group discussion session

ENTREPRENEUR DEVELOPMENT ACTIVITIES

Seminar Kesedaran Geographical Indication dan Pembangunan Usahawan 5 September 2013, Riverside Majestic Hotel



Seminar participants



Gerai Usahawan at Pesta Kaul, Mukah

CORPORATE ACTIVITES

FAIRS AND EXHIBITIONS

Career Expo

7 - 8 March 2013, Borneo Convention Centre, Kuching



Visitors at SEDC Booth



YAB Chief Minister of Sarawak visiting SEDC Booth

Pesta Bungin

9 - 10 March 2013, Spaoh



SEDC Booth



Pesta Kaul

25 April 2013, Mukah



SEDC Booth



AWARDS AND RECOGNITION

Financial Management Excellence Award based on Accountability Index 2009, 2010, 2011 & 2012 (4 Star – Highest Level) National Audit Department Malaysia



Anugerah Emas Setiausaha Kerajaan Negeri Sarawak 2013 (Kategori Negeri)



TOURISM AWARDS



Gold Awards-Chief Minister's
Environmental (CMEA) Awards 2011/2012



The Malaysian Golf
Association Award
2012



Green Hotel Award, Ministry of Tourism
Malaysia



Certificate of Excellence,
Tripadvisor



Riverside Majestic Hotel
Agoda Gold Circle Award



Top Spot Food Court
Certificate of Excellence,
Tripadvisor

5S AWARDS



Konvensyen Persekutaran
Berkualiti (5S)
Kebangsaan 2012 & 2013

Konvensyen Persekutaran
Berkualiti (5S)
Peringkat Wilayah 2012 & 2013

ROSEWOOD ACHIEVEMENTS



Overall Champion at the Kununurra Cattle Show
in Northern Territory, Australia in 2007 and 2008

PROJECT HIGHLIGHTS

KUCHING WATERFRONT EXTENSION



Kuching Waterfront Extension (Reclamation works)

Completion : July 2013

Project Components :

This project added 73 metres to the elevated walkway (234 metres was completed in 2011)

NEW SEDC HOTEL



Proposed 18-Storey New Hotel

Scheduled Completion : 2015

Location : Lot 276, Section 48, KTLD,
Jalan Tunku Abdul Rahman,
Kuching, Sarawak

Project Components : 268 Rooms
F&B Outlet
2 Meeting Rooms

PROJECT HIGHLIGHTS



DAMAI GOLF & COUNTRY CLUB

Upgrading Works

Completion : July 2013

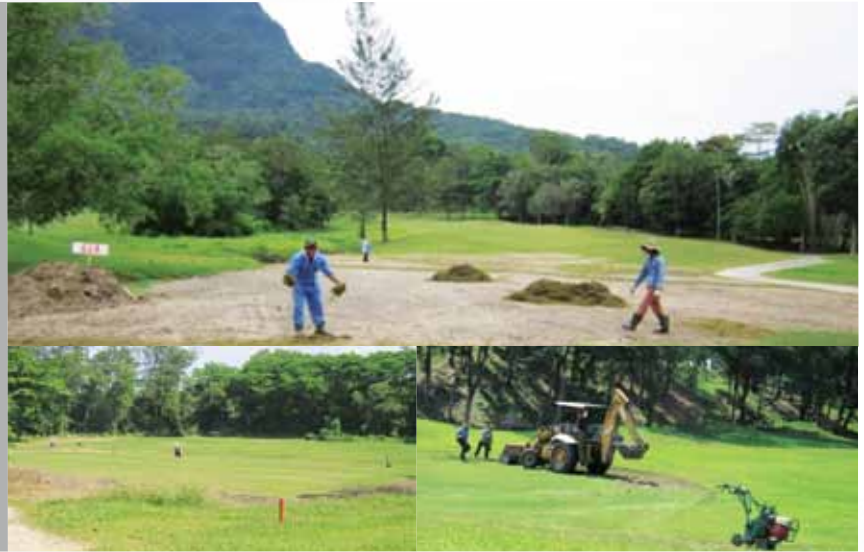
Project Components :

Green renovation

Bunkers renovation

Fairway subsoil improvement

Other works(including nursery establishment and roofing works)



PALM VILLA PROPERTIES

Joint development with Hock Peng Realty Sdn Bhd.

Completion : 31 July 2012 (Phase 1)

Commencement : 1 March 2012 (Phase 2)

Completion : 28 February 2014

Commencement : 1 October 2013 (Phase 3)

Scheduled Completion : 30 March 2015

Location : Samarahan Division

Project Components :

10 units of double storey shophouses

197 units of residential houses



PROJECT HIGHLIGHTS

GOLDEN BRIDGE ACROSS SG. SARAWAK



Artist Impression



Speech by YAB Chief Minister of Sarawak



Launching of the Golden Bridge Project
by YAB Chief Minister



MOU Signing ceremony

Commencement : Dec 2013

Scheduled Completion : Dec 2015

Project Components :
Pedestrian Bridge
across Sungai Sarawak
with 2 viewing decks

NEW SEDC OFFICE TOWER



Artist Impression



Official Launching by YAB Chief Minister
of Sarawak



MOU Signing ceremony



Briefing to YAB Chief Minister of Sarawak

Location : The Isthmus, Kuching
Lot 2878, Block 7, Muara
Tebas Land District,
Kuching

Project Components :
11-storey Office Tower

Status : Planning stage



SECTION 3 : BOARD AND BOARD COMMITTEES

BOARD AND BOARD COMMITTEES

SEDC BOARD

Section 41(1) of the SEDC Ordinance provides that the Board of the Corporation shall consist of the following Members:-

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

BOARD

Chairman : YB Datuk Haji Talib Zulpilip

Members : YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman (State Financial Secretary)
YBhg Datu Hajah Jabidah binti Monseri
(Federal Treasury Representative)
YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani
YB Dr Datuk Stephen Rundi Utom
YBhg Tan Sri Datuk Amar Wilson Baya Dandot
YBhg Datuk Fong Joo Chung
YBhg Datuk Haji Ismail bin Haji Hashim
YBhg Datu Haji Abdul Rashid bin Haji Aziz
YBhg Datu Sudarsono bin Osman
YBhg Encik Jasni bin Jubli

Meetings held in 2013

In 2013, a total of four (4) meetings were held as follows : -

26 February 2013, 17 May 2013, 20 August 2013 and 6 December 2013

The records of attendance to the meetings is as follows:-

Members	No. of Meetings Attended
YB Datuk Haji Talib Zulpilip	4 out of 4
State Financial Secretary - Represented by YBhg Datu Laura Lee Ngien Hion	4 out of 4
Federal Treasury - Represented YBhg Datu Hajah Jabidah Monseri	4 out of 4
YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani	1 out of 4
YB Datuk Dr Stephen Rundi Utom	3 out of 4
YBhg Tan Sri Datuk Amar Wilson Baya Dandot	2 out of 4
YBhg Datuk Fong Joo Chung	1 out of 4
YBhg Datuk Haji Ismail bin Haji Hashim	4 out of 4
YBhg Datu Haji Abdul Rashid bin Haji Aziz	4 out of 4
YBhg Datu Sudarsono bin Osman	3 out of 4
YBhg Encik Jasni bin Jubli	3 out of 4

BOARD AND BOARD COMMITTEES

BOARD COMMITTEES

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

SEDC ESTABLISHMENT COMMITTEE (SEC)



SEC Meeting in progress

Chairman	: YBhg Tan Sri Datuk Amar Wilson Baya Dandot
Members	: YBhg Datu Haji Abdul Rashid bin Haji Aziz YBhg Dr. Razali Abon (Director, Human Resource Management Unit, Jabatan Ketua Menteri) YBhg Tuan Haji Soedirman bin Haji Aini

Composition of the SEC

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

Duties and Responsibilities

This Committee is responsible for the following functions and duties:-

- ❖ Approve the appointment to all posts in the Managerial and Professional group (Grade 44 or equivalent and higher grades)
- ❖ Approve the promotion of employees in the Managerial and Professional group
- ❖ Dismiss and demote employees
- ❖ Establish new posts and abolish redundant posts in the Managerial and Professional group
- ❖ Upgrade and re-designate existing posts
- ❖ Ex-gratia payment
- ❖ Guidelines on staff welfare

Meetings held in 2013

Three meetings were held in 2013.

Members	No. of Meetings Attended
YBhg Tan Sri Datuk Amar Wilson Baya Dandot	3 out of 3
YBhg Datu Haji Abdul Rashid Bin Haji Aziz	2 out of 3
YBhg Dr. Razali Abon (Director, Human Resource Management Unit, Jabatan Ketua Menteri)	3 out of 3
YBhg Tuan Haji Soedirman Bin Haji Aini	3 out of 3

BOARD AND BOARD COMMITTEES

SEDC BOARD AUDIT COMMITTEE (BAC)

BOARD AUDIT COMMITTEE (BAC)

Chairman : YB Tan Sri Datuk Amar Haji Mohd. Morshidi bin Abdul Ghani

Members : YB Datuk Dr Stephen Rundi Utom
YBhg Datuk Haji Ismail bin Haji Hashim
YBhg Datu William Lee Boon Tong
Encik Abdul Kadir Zainuddin (State Financial Secretary Representative)



Seated (L-R):

YB Datuk Dr Stephen Rundi Utom, YB Tan Sri Datuk Amar Haji Mohd. Morshidi bin Abdul Ghani and YBhg Tuan Haji Soedirman bin Haji Aini

Standing (L-R): Encik Abdul Kadir Zainuddin, YBhg Datuk Haji Ismail bin Haji Hashim and YBhg Datu William Lee Boon Tong

Composition Of The BAC

The members of the SEDC Board Audit Committee are appointed by the SEDC Board. The Board 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 Board Audit Committee 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 Board Audit Committee Members are: -

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Abdul Ghani	(Chairman)
YB Datuk Dr Stephen Rundi Utom	(Deputy Chairman)
YBhg Datuk Haji Ismail Haji Hashim	(Member)
YBhg Datu William Lee Boon Tong	(Member)
State Financial Secretary or his representative	(Member)

DUTIES AND RESPONSIBILITIES

The Committee is responsible for the following duties:

- ❖ To oversee the Internal Audit function and to approve the Annual Audit Plan
- ❖ To review Internal Audit Reports and consider findings and management responses thereto, and other problems, reservations and major issues of concern
- ❖ To ensure affirmative action is taken by the auditee in respect of Board Audit Committee's decisions
- ❖ To review Draft Audited Financial Statements and the Auditors' Report thereon prior to tabling for adoption and/or approval by the SEDC Board

BOARD AND BOARD COMMITTEES

SEDC BOARD AUDIT COMMITTEE (BAC)

DUTIES AND RESPONSIBILITIES (continued)

- ❖ 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 and to support and recommend measures to improve internal controls
- ❖ To review the accounting policies and reporting requirements and compliance with legal requirements 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



Audit Committee Meeting in progress

AUDIT COMMITTEE MEETINGS

Five BAC meetings were held during the financial year ended 31 December 2013.

The record of the attendance to these meetings is as follows:-

Members	No. of Meetings Attended
YB Tan Sri Datuk Amar Haji Mohamad Morshidi Abdul Ghani	2 out of 5
YB Datuk Dr Stephen Rundi Utom	2 out of 5
State Financial Secretary (Represented by YBhg Encik Abdul Kadir Zainuddin)	5 out of 5
YBhg Datuk Haji Ismail Haji Hashim	5 out of 5
YBhg Datu William Lee Boon Tong	5 out of 5

Activities

Summary of activities of the BAC for the financial year ended 31 December 2013:

- ❖ Reviewed and approved the annual audit plan of the Internal Audit Division for 2013, including its scope and coverage over the activities of the SEDC's Headquarters, Regional Offices and Subsidiary Companies.
- ❖ Reviewed and deliberated the audit reports of the Internal Audit Division vis-a-vis findings with regard to the system of internal control highlighted during the course of the audits and the responses from the management.
- ❖ Reviewed and made recommendations on significant issues on the audited financial statements of the Corporation and the Group before tabling to the SEDC Board for deliberation.

BOARD AND BOARD COMMITTEES

BOARD RISK COMMITTEE (BRIC)

Chairman : YBhg Datuk Haji Ismail bin Haji Hashim

Members : YBhg Datu Hajah Jabidah binti Monseri
YBhg Datu Laura Lee Ngien Hion
YBhg Dr Loh Leong Hua

Secretariat : Encik John Wayne Chamberlin Sirau



From (L-R):
YBhg. Datu Laura Lee Ngien Hion, YBhg. Dr. Loh Leong Hua,
YBhg Datuk Haji Ismail bin Haji Hashim and YBhg Datu Hajah
Jabidah Monseri

Term of Reference of Board Risk Committee

- ❖ Review the context within which risk is managed in relation to the Group's strategic direction and objectives
- ❖ Oversee and provide oversight and direction for the implementation of risk management in the Group and consistent application of risk principles
- ❖ Periodically review the Group's risk management framework and supporting structure, including –
 - satisfying itself that appropriate systems are in place to identify assess and manage the significant risks affecting the Group
 - ensuring that officers are clear as to their roles and responsibilities with regards to the risk management
- ❖ Ensure effective implementation of risk management activities of the Group
- ❖ Receive and review reports on significant risks affecting the Group and recommendations on how such risks are being managed
- ❖ Determine risk programmes and priorities
- ❖ Review group risk profile
- ❖ To recommend to the Board any matter or issue of significant import relating to risk management for the Board's decision or approval.

Meetings held in 2013

In 2013, a total of three (3) BRiC meetings were held as follows:
20th February 2013, 23rd July 2013, and 14th November 2013

The records of attendance to the meetings is as follows:-

Members	No. of Meetings Attended
YBhg Datuk Haji Ismail bin Haji Hashim	3 out of 3
YBhg Datu Hajah Jabidah Monseri	3 out of 3
YBhg Datu Laura Lee Ngien Hion	3 out of 3
YBhg Dr Loh Leong Hua	3 out of 3



SECTION 4 : CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Background

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. SEDC was the first government agency in Malaysia to draw up and launch its Charter for Good Corporate Governance.

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

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

Compliance & Regulations

The Corporation seeks to ensure full compliance with the laws and regulations applicable to the Corporation. These laws and regulations 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 and Accounting Procedure Regulations 1980 (Revised 2009)
- ❖ State and Federal Circulars

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 integrity and corporate accountability.



For the year 2013, numerous activities, programmes and events were held to enhance and strengthen corporate governance within the Corporation and its Group. These include the following:-

❖ **Presidential Address 2013**

The Presidential Address 2013 was held on 19 February 2013 to disseminate and share information on the following:

- Corporate achievement for 2012
- Corporate targets for 2013
- Corporate direction

❖ **'Management Contract' signing** was done by all Divisional Directors during the Presidential Address on 19 February 2013. The Contract serves as a Key Performance Indicator (KPI) mechanism to measure the performance of the Divisions

❖ **INTEGRITY Day 2013** was held on 5 December 2013

❖ **Jawatankuasa Keutuhan Tadbir Urus (JKTU) Meetings** were conducted on 11 February, 5 May and 26 December 2013

❖ **ISO Quality Management System Internal Quality Audit** was held on 9 May to 14 June 2013 and 18 October until 8 November 2013

❖ Representatives from **Jawatankuasa Keutuhan Tadbir Urus (SEDC)** attended the :-

- **Kursus Tatacara Pengurusan Perolehan** on 17 September 2013
- **Taklimat Keselamatan Dokumen Rahsia Rasmi Kerajaan (Akta Rahsia Rasmi 1972, (Akta 88))** on 22nd August 2013
- **Kursus Pengurusan Tatatertib** on 16 to 17 July 2013
- **Taklimat Mengenai Corporate Integrity Pledge (CIP)** on 8 May 2013
- **Taklimat Audit Management & Corporate Governance** on 18 April 2013
- **Ceramah Integrity** on 23 April 2013 by YB Datuk Haji Talib Zulpilip
- **Lecturer cum Workshop on Risk Management** on 8 Mac 2013

❖ **Integrity and Governance Gallery** was launched by YB Tan Sri Datuk Amar Haji Mohd. Morshidi bin Abdul Ghani, on 30 July 2013





SECTION 5 : FINANCIAL STATEMENTS



**PERBADANAN PEMBANGUNAN
EKONOMI SARAWAK
MEMBERS' REPORT
AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2013**



Contents

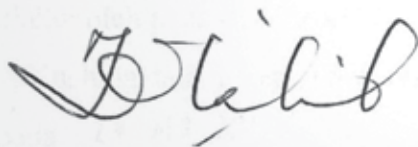
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**PENYATA PENERUS DAN SEORANG AHLI
LEMBAGA PENGARAH**

Kami, **YB Datuk Haji Talib Zulpilip** dan **YB Datuk Dr. Stephen Rundi Utom** yang merupakan Pengerusi dan salah seorang Ahli Lembaga Pengarah **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan ini menyatakan bahawa, pada pendapat Lembaga Pengarah, Penyata Kewangan yang mengandungi Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan PERBADANAN PEMBANGUNAN EKONOMI SARAWAK pada 31 Disember 2013 dan hasil kendaliannya serta perubahan kedudukannya bagi tahun berakhir 31 Disember 2013.

Bagi pihak Lembaga,

Bagi pihak Lembaga,



.....
YB DATUK HAJI TALIB ZULPILIP
PENERUS



.....
YB DATUK DR. STEPHEN RUNDI UTOM
AHLI

24 JUN 2014

Tarikh:
KUCHING

24 JUN 2014

Tarikh:
KUCHING

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

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

Saya, **Haji Soedirman Haji Aini**, sebagai pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod-rekod perakaunan **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan ikhlasnya mengakui bahawa Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai dalam kedudukan kewangan yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya mengikut sebaik-baik pengetahuan dan kepercayaan saya, adalah betul dan saya membuat ikrar ini dengan sebenarnya mempercayai bahawa ia adalah benar dan atas kehendak-kehendak Akta Akuan Berkanun, 1960.

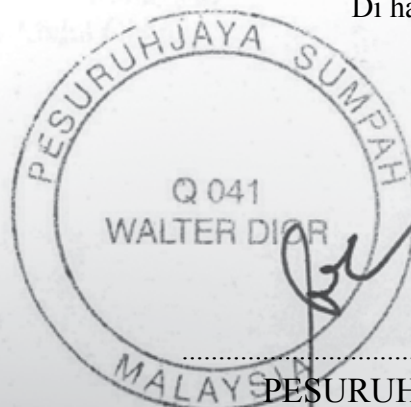
Sebenarnya dan sesungguhnya)
diakui oleh penama di atas)
di Kuching dalam Negeri Sarawak)
pada 24 APR 2014)



Haji Soedirman Haji Aini

Pengurus Besar

Di hadapan saya,



LOT 330, (2ND FLOOR)
SECTION 19,
OFF RUBBER ROAD,
93400 KUCHING,
SARAWAK.

PESURUHJAYA SUMPAN

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 2013.

Principal activities

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

The principal activities of the subsidiaries are set out in Note 7 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
Profit for the year	40,190	13,236
Minority interests	211	-
Profit attributable to members	<u>40,401</u>	<u>13,236</u>

Reserves and provisions

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

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)
YBhg Dato Sri Ahmad Tarmizi Haji Sulaiman (Setiausaha Kewangan Negeri)
YBhg Datu Hajah Jabidah Binti Monseri (Representative from Perbendaharaan Persekutuan, Malaysia)
YB Tan Sri Datuk Amar Haji Mohd. Morshidi Abdul Ghani
YB Datuk Dr. Stephen Rundi Utom
YBhg Datuk Fong Joo Chung
YBhg Datuk Amar Wilson Baya Dandot
YBhg Datuk Haji Ismail Haji Hashim
YBhg Datu Sudarsono Bin Osman
YBhg Datu Haji Abdul Rashid Bin Haji Aziz
Encik Jasni Bin Jubli

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

Members' Report (contd.)

Significant events

The Corporation

The significant events are disclosed in Note 30 to the financial statements.

Statutory information on the financial statements

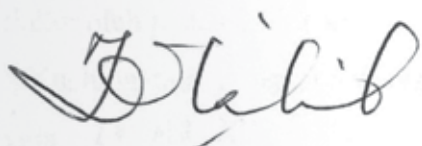
- (a) Before the income statements and balance sheets of the Corporation and of the Group were made out, the Members took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves 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.
- (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

Members' Report (contd.)

Statutory information on the financial statements (contd.)

- (ii) any contingent liability in respect of the Corporation and of the Group which has arisen since the end of the financial year.
- (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 Datuk Dr. Stephen Rundi Utom
Member

KUCHING

Date:

24 JUN 2014



**LAPORAN KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2013**

Laporan Mengenai Penyata Kewangan

Penyata Kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan bagi tahun berakhir 31 Disember 2013 telah diaudit oleh wakil saya yang merangkumi Lembaran Imbangan pada 31 Disember 2013 dan Penyata Pendapatan, Penyata Perubahan Dalam Ekuiti serta Penyata Aliran Tunai bagi tahun berakhir pada tarikh tersebut, ringkasan polisi perakaunan yang signifikan dan nota penjelasan lain.

Tanggungjawab Lembaga Pengarah Terhadap Penyata Kewangan

Lembaga Pengarah bertanggungjawab terhadap penyediaan dan persembahan penyata kewangan tersebut yang saksama selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Ordinan Badan Berkanun (Prosedur Kewangan Dan Perakaunan), 1995 (Pindaan 2004). Lembaga Pengarah juga bertanggungjawab terhadap kawalan dalaman yang ditetapkan perlu oleh pengurusan bagi membolehkan penyediaan penyata kewangan yang bebas daripada salah nyata yang ketara sama ada disebabkan oleh fraud atau kesilapan.

Tanggungjawab Juruaudit

Tanggungjawab saya adalah memberi pendapat terhadap penyata kewangan tersebut berdasarkan pengauditan yang dijalankan. Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan piawaian pengauditan yang diluluskan di Malaysia. Piawaian tersebut menghendaki saya mematuhi keperluan etika serta merancang dan melaksanakan pengauditan untuk memperoleh jaminan yang munasabah sama ada penyata kewangan tersebut bebas daripada salah nyata yang ketara.

Pengauditan meliputi pelaksanaan prosedur untuk memperoleh bukti audit mengenai amaun dan pendedahan dalam penyata kewangan. Prosedur yang dipilih bergantung kepada pertimbangan juruaudit, termasuk penilaian risiko salah nyata yang ketara pada penyata kewangan sama ada disebabkan oleh fraud atau kesilapan. Dalam membuat penilaian risiko tersebut, juruaudit mempertimbangkan kawalan dalaman yang bersesuaian dengan entiti dalam penyediaan dan persembahan penyata kewangan yang memberi gambaran yang benar dan saksama bagi tujuan merangka prosedur pengauditan yang bersesuaian tetapi bukan untuk menyatakan pendapat mengenai keberkesanan kawalan dalaman entiti tersebut. Pengauditan juga termasuk menilai kesesuaian polisi perakaunan yang diguna pakai dan kemunasabahan anggaran perakaunan yang dibuat oleh pengurusan serta persembahan penyata kewangan secara menyeluruh.

Saya percaya bahawa bukti audit yang saya peroleh adalah mencukupi dan bersesuaian untuk dijadikan asas bagi pendapat audit saya.

Pendapat

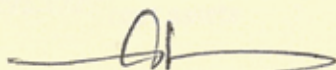
Pada pendapat saya, penyata kewangan ini memberikan gambaran yang benar dan saksama mengenai kedudukan kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan pada 31 Disember 2013 dan prestasi kewangan serta aliran tunainya bagi tahun berakhir pada tarikh tersebut selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia.

Saya telah mempertimbangkan penyata kewangan dan laporan juruaudit bagi semua syarikat subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam nota kepada penyata kewangan. Saya berpuas hati bahawa penyata kewangan berkenaan telah disatukan dengan Penyata Kewangan Perbadanan Pembangunan Ekonomi Sarawak dalam bentuk dan kandungan yang sesuai dan wajar bagi tujuan penyediaan penyata kewangan. Saya juga telah menerima maklumat dan penjelasan yang memuaskan sebagaimana yang dikehendaki bagi tujuan tersebut. Laporan juruaudit mengenai penyata kewangan syarikat subsidiari berkenaan tidak mengandungi sebarang pemerhatian yang boleh menjejaskan penyata kewangan.

Laporan Mengenai Keperluan Perundangan Dan Peraturan Lain

Selaras dengan keperluan Ordinan Badan Berkanun (Prosedur Kewangan Dan Perakaunan), 1995 (Pindaan 2004) dan Ordinan Perbadanan Pembangunan Ekonomi Sarawak, 1972 di Malaysia, saya turut melaporkan bahawa pada pendapat saya:

- i. Rekod perakaunan dan rekod lain telah diselenggara dengan teratur selaras dengan Seksyen 4, Ordinan Badan Berkanun (Prosedur Kewangan Dan Perakaunan), 1995 (Pindaan 2004) dan Seksyen 58, Ordinan Perbadanan Pembangunan Ekonomi Sarawak, 1972;
- ii. Penerimaan, perbelanjaan, pelaburan wang dan perolehan serta pelupusan aset oleh Perbadanan Pembangunan Ekonomi Sarawak bagi tahun berakhir 31 Disember 2013 adalah selaras dengan peruntukan Ordinan tersebut; dan
- iii. Aset dan liabiliti telah dinyatakan dengan saksama selaras dengan polisi perakaunan.



(TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG)

**KETUA AUDIT NEGARA
MALAYSIA**

PUTRAJAYA

TARIKH: 15 JULAI 2014



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

Balance Sheets as at 31 December 2013

		Group		Corporation	
	Note	2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	3	270,726	277,208	90,166	94,107
Land held for property development	4	2,787	2,787	2,787	2,787
Hotel and investment properties	5	427,803	433,924	-	-
Plantation development expenditure	6	267	267	-	-
Subsidiaries	7	-	-	567,805	566,317
Associates	8	229,197	253,460	73,804	74,357
Investments in other corporations	9	157,014	146,094	146,210	141,558
		<u>1,087,794</u>	<u>1,113,740</u>	<u>880,772</u>	<u>879,126</u>
Current assets					
Property development costs	4	9,928	10,328	1,034	1,434
Inventories	10	51,778	56,147	10,284	10,402
Receivables	11	54,227	50,710	11,780	16,055
Deposits with financial institutions	12	241,173	221,992	187,844	173,911
Cash and bank balances		34,380	42,992	7,782	15,802
		<u>391,486</u>	<u>382,169</u>	<u>218,724</u>	<u>217,604</u>
Current liabilities					
Tax payable		8,115	7,414	7,826	7,119
Government term loans	13	2,694	5,187	2,694	5,187
Lease payables	14	60	118	14	28
Payables	15	48,672	74,278	15,967	17,287
		<u>59,541</u>	<u>86,997</u>	<u>26,501</u>	<u>29,621</u>
Net current assets		<u>331,945</u>	<u>295,172</u>	<u>192,223</u>	<u>187,983</u>
		<u><u>1,419,739</u></u>	<u><u>1,408,912</u></u>	<u><u>1,072,995</u></u>	<u><u>1,067,109</u></u>

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

Balance Sheets as at 31 December 2013 (contd.)

		Group		Corporation	
	Note	2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Financed by:					
State government equity grant	16(a)	100,139	100,139	100,139	100,139
State government contribution for equity participation	16(b)	264,677	270,577	264,677	270,577
Development funds	17	215,844	229,327	200,793	202,336
Reserves	18	731,076	718,568	496,042	482,806
		<u>1,311,736</u>	<u>1,318,611</u>	<u>1,061,651</u>	<u>1,055,858</u>
Minority interests		14,406	15,038	-	-
		<u>1,326,142</u>	<u>1,333,649</u>	<u>1,061,651</u>	<u>1,055,858</u>
Non-current liabilities					
Government grants	19	24,972	26,379	-	-
Operating grants		4,465	4,516	-	-
Deferred tax liabilities	20	6,294	8,387	-	-
Deferred income		19,197	300	-	-
Employee benefits	21	2,219	1,992	2,207	1,906
Government term loans	13	9,137	9,331	9,137	9,331
Other borrowings	22	27,208	24,293	-	-
Lease payables	14	105	65	-	14
		<u>93,597</u>	<u>75,263</u>	<u>11,344</u>	<u>11,251</u>
		<u>1,419,739</u>	<u>1,408,912</u>	<u>1,072,995</u>	<u>1,067,109</u>

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

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

Income Statements for the year ended 31 December 2013

		Group		Corporation	
	Note	2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Revenue	23	168,937	177,124	35,742	44,732
Cost of sales	23	(111,485)	(111,549)	(110)	(4,672)
Gross profit		57,452	65,575	35,632	40,060
Other operating income		30,920	48,678	10,586	9,873
Distribution costs		(1,285)	(1,073)	-	-
Administrative expenses		(56,633)	(67,424)	(18,391)	(18,212)
Other operating expenses		(19,044)	(16,449)	(11,512)	(9,805)
Profit from operations		11,410	29,307	16,315	21,916
Finance costs		(1,922)	(2,771)	(375)	(403)
Share of associates' results		31,880	38,467	-	-
Profit before taxation	24	41,368	65,003	15,940	21,513
Taxation	25	(1,178)	(15,571)	(2,704)	(5,630)
Profit after taxation		40,190	49,432	13,236	15,883
Minority interests		211	(796)	-	-
Profit attributable to members		40,401	48,636	13,236	15,883

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 2013

Group	←	Non-distributable			→		
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000	Total RM'000	
At 1 January 2012	3,997	9,261	41,108	52,866	550,466	657,698	
Profit for the year	-	-	-	-	48,636	48,636	
Arising on consolidation	-	47	12,084	(6)	-	12,125	
Strike-off of subsidiary	-	-	-	-	109	109	
At 31 December 2012	3,997	9,308	53,192	52,860	599,211	718,568	
Profit for the year	-	-	-	-	40,401	40,401	
Arising on consolidation	(144)	-	(16,446)	(552)	(20,672)	(37,814)	
Strike-off of subsidiary	-	-	-	-	9,921	9,921	
At 31 December 2013	3,853	9,308	36,746	52,308	628,861	731,076	

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

Statement of Changes in Equity
for the year ended 31 December 2013

	Revenue Reserve RM'000
Corporation	
At 1 January 2012	466,923
Profit for the year	15,883
At 31 December 2012	482,806
Profit for the year	13,236
At 31 December 2013	496,042

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

**Consolidated Cash Flow Statement
for the year ended 31 December 2013**

	Group	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	41,368	65,003
Adjustments for:		
Amortisation of development expenditure	(4,096)	(4,096)
Allowance for diminution in investment	(5,898)	36
Allowance for doubtful debts, net of allowance no longer required	6,551	(1,066)
Amortisation of goodwill	13	13
Amortisation of government grants	(6,205)	(1,620)
Bad debts written off	19	935
Bonus issued from unit trust	-	(58)
Depreciation	10,391	10,600
Deficit on revaluation	6,567	(5,757)
Deposit written off	-	6
Dividend income	(6,675)	(7,345)
Loss on disposal of other investments	-	18
Loss on disposal of associate	-	28
Gain on disposal of property, plant and equipment	(988)	(4,451)
Impairment of plantation development expenditure	-	70
Impairment of property, plant and equipment	316	-
Interest expense	1,903	2,761
Interest income	(10,017)	(7,868)
Investment written off	-	20
Realisation of discount on acquisition	-	30
Share of associates' results	(31,880)	(38,467)
Unrealised loss on foreign exchange	2,863	674
Waiver of debts	-	(6,406)
Operating profit before working capital changes	4,232	3,060
Decrease/(increase) in inventories	4,369	(1,162)
Decrease in property development costs	207	1,017
Increase in plantation development costs	-	(5)
Increase in receivables	(10,097)	(14,604)
Increase/(decrease) in payables	2,965	(6,679)
Decrease in deferred income	(9)	-
Deferred membership fees paid	(232)	(751)
Cash generated from/(used in) operations	1,435	(19,124)

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

Consolidated Cash Flow Statement
for the year ended 31 December 2013 (contd.)

	Group	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities (contd.)		
Cash generated from operations (contd.)		
Interest paid	(1,903)	(2,743)
Interest received	10,017	7,868
Taxes paid, net of (paid)/refund	(1,790)	159
Net cash generated from/ (used in) operating activities	7,759	(13,840)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(13,997)	(21,596)
Acquisition of investment	(3,049)	(1,969)
Advances/loan repaid (to)/from other investments	(2,254)	5,267
Advances/loan repaid from/(to) associates	570	(2,974)
Dividends received	6,675	16,420
Deficit on revaluation	-	5,756
Investment in hotel and investment properties	(390)	(977)
Investment in associates	(16)	(252)
Proceeds from disposal of other investments	250	1,109
Proceeds from disposal of property, plant and equipment	1,029	14,738
Proceeds from disposal of associate	204	-
Upgrading of hotel property	-	(67)
Net cash (used in)/generated from investing activities	(10,978)	15,455
Cash flows from financing activities		
Decrease in deposits pledged to financial institutions	-	6,447
Drawdown of lease/hire purchase	103	-
Drawdown of term loan	4,828	-
Government grant received	4,767	7,918
Proceed/(disbursement) of development fund	6,156	(5,410)
Proceeds from shares issued	-	48
Repayment of term loan	(4,617)	(4,973)
Repayment of hire purchase and lease instalments	(104)	(266)
Net cash generated from financing activities	11,133	3,764

**Consolidated Cash Flow Statement
for the year ended 31 December 2013 (contd.)**

	Group	
	2013	2012
	RM'000	RM'000
Net increase in cash and cash equivalents	7,914	5,379
Effect of translation adjustments	2,655	(63)
Cash and cash equivalents at beginning of year	264,484	259,168
Analysis of cash and cash equivalents at end of year	<u>275,053</u>	<u>264,484</u>
	=====	=====
Cash and cash equivalents:		
Cash and bank balances	34,380	42,992
Deposits with financial institutions (Note 12)	241,173	221,992
	<u>275,553</u>	<u>264,984</u>
Less: Deposits pledged to bank	(500)	(500)
	<u>275,053</u>	<u>264,484</u>
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	13,997	21,596
Transfer from property development cost	89	2,600
	<u>14,086</u>	<u>24,196</u>
	=====	=====

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 2013

	Corporation	
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	15,940	21,513
Adjustments for:		
Allowance for diminution in investment	2,223	-
Allowance for doubtful debts, net of allowance no longer required	(263)	(1,129)
Amortisation of development funds	(4,096)	(4,096)
Bad debts written off	19	3
Depreciation	1,121	1,057
Dividend income	(22,185)	(20,786)
Gain on disposal of property, plant and equipment	(692)	(148)
Interest expense	374	402
Interest income	(8,685)	(6,359)
Operating loss before working capital changes	(16,244)	(9,543)
Decrease in inventories	118	3,881
Decrease in property development costs	207	1,017
Decrease/(increase) in receivables	4,407	(8,097)
(Decrease)/increase in payables	(1,019)	897
Cash used in operations	(12,531)	(11,845)
Interest paid	(374)	(383)
Interest received	6,478	6,359
Taxes paid, net of refund	761	-
Net cash used in operating activities	(5,666)	(5,869)

Cash Flow Statement
for the year ended 31 December 2013 (contd.)

	Corporation	
	2013	2012
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trusts	(2,421)	(1,397)
Acquisition of property, plant and equipment	(699)	(515)
Advances repaid from/(to) associates	569	(2,974)
Advances to other investments	(2,231)	(1,433)
Advances repaid (to)/from subsidiaries	(7,203)	6,700
Dividend received	19,427	16,041
Investment in associate	(16)	-
Investment in subsidiary	-	(100)
Proceeds from disposal of property, plant and equipment	712	152
Net cash generated from investing activities	8,138	16,474
Cash flows from financing activities		
Proceed/(disbursement) from development funds	6,156	(5,410)
Repayment of Government term loans	(2,687)	(178)
Repayment of lease payables	(28)	(51)
Refund of fixed deposits pledged	-	6,447
Net cash generated from financing activities	3,441	808
Net increase in cash and cash equivalents	5,913	11,413
Cash and cash equivalents at beginning of year	189,713	178,300
Cash and cash equivalents at end of year	195,626	189,713

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

Cash Flow Statement for the year ended 31 December 2013 (contd.)

		Corporation	
		2013	2012
		RM'000	RM'000
Analysis of cash and cash equivalents:			
Cash and bank balances		7,782	15,802
Deposits with financial institutions	(Note 12)	187,844	173,911
		<u>195,626</u>	<u>189,713</u>
Analysis of acquisition of property, plant and equipment:			
By cash		699	515
Transfer from property development cost		89	2,600
		<u>788</u>	<u>3,115</u>

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

Notes to the Financial Statements - 31 December 2013

1. Corporation information

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

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 Members in accordance with a resolution of the Members on **24 June 2014**.

2. Significant accounting policies

(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 Private Entity Reporting Standards adopted by Malaysian Accounting Standards Board (MASB).

(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.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****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.

Notes to the Financial Statements - 31 December 2013

2. Significant accounting policies (contd.)

(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 arising on the acquisition of associates is included within the carrying amount of investments in associates.

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

(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.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****2. Significant accounting policies (contd.)****(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.

(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.

Notes to the Financial Statements - 31 December 2013

2. Significant accounting policies (contd.)

(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.

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.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013**

2. Significant accounting policies (contd.)**(h) Leases (contd.)****(i) *Finance leases (contd.)***

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.

(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.

2. Significant accounting policies (contd.)

(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%

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.

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2013

2. Significant accounting policies (contd.)

(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.

(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.

2. Significant accounting policies (contd.)

(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.

(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.

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Notes to the Financial Statements - 31 December 2013

2. Significant accounting policies (contd.)

(p) Foreign currencies (contd.)

(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:

	2013	2012
	RM	RM
1 Australian Dollar	2.92	3.18
1 United States Dollar	3.25	3.06
	==	==

(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.

Notes to the Financial Statements - 31 December 2013

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.

Sarawak Economic Development Corporation
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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.

Notes to the Financial Statements - 31 December 2013

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.

**Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2013

3. Property, plant and equipment

Group	Freehold land/ long leasehold land RM'000	Short leasehold land 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 2013	88,372	19,738	181,862	183,226	63,727	8,952	2,412	548,289
Transfer	-	75	484	(1,523)	-	(505)	-	(1,469)
Additions	120	-	35	4,713	1,052	8,077	-	13,997
Reclassifications	-	-	137	(603)	676	(210)	-	-
Disposals	-	-	(113)	(1,346)	-	-	-	(1,459)
Written off	-	-	(48)	(25)	-	-	-	(73)
Exchange difference	(5,376)	-	(249)	(540)	(960)	-	-	(7,125)
At 31 December 2013	83,116	19,813	182,108	183,902	64,495	16,314	2,412	552,160
Accumulated depreciation								
Charge for 2012	264	392	2,192	6,582	1,128	-	42	10,600
At 1 January 2013	2,236	3,835	65,450	142,095	18,490	129	499	232,734
Charge for the year	264	392	2,086	6,293	1,356	-	-	10,391
Disposals	-	-	(92)	(1,326)	-	-	-	(1,418)

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Notes to the Financial Statements - 31 December 2013

3. Property, plant and equipment (contd.)

Group	Freehold land/ long leasehold land	Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvements	Capital and construction work-in- progress	Pasture development costs	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation (contd.)								
Transfer	-	-	3,606	(1,519)	-	-	-	2,087
Written off	-	-	(48)	(25)	-	-	-	(73)
Exchange difference	-	-	(90)	(346)	(514)	-	-	(950)
At 31 December 2013	2,500	4,227	70,912	145,172	19,332	129	499	242,771
Accumulated impairment losses								
At 1 January 2013	-	-	6,043	2,215	27,000	3,089	-	38,347
During the year	-	-	-	-	-	125	191	316
At 31 December 2013	-	-	6,043	2,215	27,000	3,214	191	38,663
Net book value								
At 31 December 2013	80,616	15,586	105,153	36,515	18,163	12,971	1,722	270,726
At 31 December 2012	86,136	15,903	110,369	38,916	18,237	5,734	1,913	277,208

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Notes to the Financial Statements - 31 December 2013

3. Property, plant and equipment (contd.)								
Group	Long leasehold land	Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvements	Capital and construction work-in-progress	Pasture development costs	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Analysis of cost and valuation:								
At cost	81,923	19,813	181,294	182,361	64,495	16,314	2,412	548,612
At valuation	1,193	-	814	1,541	-	-	-	3,548
At 31 December 2013	83,116	19,813	182,108	183,902	64,495	16,314	2,412	552,160
At cost	87,179	19,738	181,048	181,685	63,727	8,952	2,412	544,741
At valuation	1,193	-	814	1,541	-	-	-	3,548
At 31 December 2012	88,372	19,738	181,862	183,226	63,727	8,952	2,412	548,289

Notes to the Financial Statements - 31 December 2013

3. 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 2013	28,068	3,314	87,294	757	8,497	127,930
Additions	-	178	89	-	521	788
Disposals	-	(974)	(113)	-	(148)	(1,235)
At 31 December 2013	28,068	2,518	87,270	757	8,870	127,483
Accumulated depreciation						
Charge for 2012	365	289	111	-	292	1,057
At 1 January 2013	3,325	2,488	19,097	533	8,206	33,649
Charge for the year	365	289	102	-	364	1,120
Disposals	-	(974)	(93)	-	(148)	(1,215)
Transfer to grant	-	-	3,589	-	-	3,589
At 31 December 2013	3,690	1,803	22,695	533	8,422	37,143
Accumulated impairment losses						
Impairment losses for 2012	-	-	-	-	-	-
At 1 January 2013/ 31 December 2013	-	-	174	-	-	174
Net book value						
At 31 December 2013	24,378	715	64,401	224	448	90,166
At 31 December 2012	24,743	826	68,023	224	291	94,107

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Notes to the Financial Statements - 31 December 2013

3. 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	26,914	2,518	86,456	431	8,870	125,189
At valuation	1,154	-	814	326	-	2,294
At 31 December 2013	28,068	2,518	87,270	757	8,870	127,483
At cost	26,914	3,314	86,480	431	8,497	125,636
At valuation	1,154	-	814	326	-	2,294
At 31 December 2012	28,068	3,314	87,294	757	8,497	127,930

Land comprises of:

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Cost/valuation				
At 1 January 2013/31 December 2013	117	9,411	18,540	28,068
Representing:				
At cost	117	8,257	18,540	26,914
At valuation	-	1,154	-	1,154
	117	9,411	18,540	28,068

Notes to the Financial Statements - 31 December 2013

3. 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 2012	-	1	364	365
At 1 January 2013	-	8	3,317	3,325
Charges for the year	-	1	364	365
At 31 December 2013	-	9	3,681	3,690
Net Book Value				
At 31 December 2013				
At cost	117	8,248	14,859	23,224
At valuation	-	1,154	-	1,154
	117	9,402	14,859	24,378
Net Book Value				
At 31 December 2012				
At cost	117	8,249	15,223	23,589
At valuation	-	1,154	-	1,154
	117	9,403	15,223	24,743

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 RMNil (2012: RM3). The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM139,293 (2012: RM225,704) which were acquired under hire purchase and finance lease agreements.

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Notes to the Financial Statements - 31 December 2013

4. Property development costs and land held for property development

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Property development costs				
As at 1 January:				
Leasehold land	1,162	1,197	1,162	1,197
Development costs	28,985	30,775	20,091	21,881
	<u>30,147</u>	<u>31,972</u>	<u>21,253</u>	<u>23,078</u>
Costs incurred during the year:				
Development costs	<u>1,367</u>	<u>7,086</u>	<u>1,367</u>	<u>7,086</u>
Transfers:				
To inventories	-	(250)	-	(250)
To development grant	21,146	11,783	21,146	11,783
To subsidiary	(63)	(6,061)	(63)	(6,061)
To property, plant and equipment	<u>(89)</u>	<u>(2,600)</u>	<u>(89)</u>	<u>(2,600)</u>
	<u>20,994</u>	<u>2,872</u>	<u>20,994</u>	<u>2,872</u>
Property development grant received:				
At 1 January	(31,602)	(33,360)	(31,602)	(33,360)
Addition during the year	(10,937)	(6,245)	(10,937)	(6,245)
Transfer to subsidiary	87	5,611	87	5,611
Transfer to development grant	<u>(128)</u>	<u>2,392</u>	<u>(128)</u>	<u>2,392</u>
At 31 December	<u>(42,580)</u>	<u>(31,602)</u>	<u>(42,580)</u>	<u>(31,602)</u>
Total as at 31 December	<u>9,928</u>	<u>10,328</u>	<u>1,034</u>	<u>1,434</u>
(b) Land held for property development				
Cost				
At 1 January /31 December	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>	<u>2,787</u>

Notes to the Financial Statements - 31 December 2013

5. Hotel and investment properties

	Group	
	2013	2012
	RM'000	RM'000
At valuation:		
- 2004	111,670	111,670
- 2007	166,820	166,820
- 2010	151,712	151,712
- 2012	(3,226)	(3,226)
- 2013	(52)	-
	<u>426,924</u>	<u>426,976</u>
At cost	879	6,948
	<u>427,803</u>	<u>433,924</u>
At 1 January	433,924	458,696
Additions during the year	-	1,966
Adjustment during the year	(6,659)	-
Transfer from property, plant and equipment	56	-
Revaluation surplus/ (deficit)	482	(26,738)
	<u>427,803</u>	<u>433,924</u>
At 31 December	<u>427,803</u>	<u>433,924</u>

The valuations for 2004, 2007, 2010, 2012 and 2013 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 or deficit on revaluation was credited or debited 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 valuation in previous year.

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Notes to the Financial Statements - 31 December 2013

6. Plantation development expenditure

	2013 RM'000	Group 2012 RM'000
At cost:		
At 1 January	7,755	7,750
Additions during the year	-	5
	<u>7,755</u>	<u>7,755</u>
At 31 December	<u>7,755</u>	<u>7,755</u>
Accumulated amortisation:		
At 1 January/ 31 December	(3,334)	(3,334)
	<u>(3,334)</u>	<u>(3,334)</u>
Impairment loss:		
At 1 January	(4,154)	(4,084)
Additions	-	(70)
	<u>(4,154)</u>	<u>(4,154)</u>
At 31 December	<u>(4,154)</u>	<u>(4,154)</u>
Net book value	<u>267</u>	<u>267</u>

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries

	Corporation	
	2013	2012
	RM'000	RM'000
Unquoted shares at cost	236,619	236,619
Allowance for diminution in value	(51,510)	(43,387)
	<u>185,109</u>	<u>193,232</u>
Amounts due from subsidiaries:		
Current accounts	305,551	306,069
Allowance for doubtful debts	(33,272)	(33,497)
	<u>272,279</u>	<u>272,572</u>
Loan accounts	111,425	101,521
Allowance for doubtful debts	(1,000)	(1,000)
	<u>110,425</u>	<u>100,521</u>
Amounts due to subsidiaries:		
Current accounts	(8)	(8)
	<u>567,805</u>	<u>566,317</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment except for certain advances to subsidiaries which bear interest rates between 2% to 8% (2012: 2% to 8%) per annum.

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Notes to the Financial Statements - 31 December 2013

7. 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:

		Group's effective equity interest	
Name of company	Principal activities/status	2013 %	2012 %
Direct subsidiaries of the Corporation			
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Owner of a holiday resort	100	100
Comerich Sdn. Bhd. Company No. 263183-P	Supplier of chicken and beef	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Extraction and sale of timber, investment and property holding	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-K	Inactive	-	70
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Owner and operator of hotel and shopping complex	89	89
Permaisara Sdn. Bhd. Company No. 104725-V	Inactive	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Owner of a commercial car park complex	100	100

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

		Group's effective equity interest	
Name of company	Principal activities/status	2013 %	2012 %
Direct subsidiaries of the Corporation (contd.)			
PPES Akua (Santubong) Sdn. Bhd. Company No. 152122-T	Aquaculture and investment holding	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding	100	100
Revlin Holdings Sdn. Bhd. Company No. 213339-X	Inactive	100	100
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd. Company No. 141893-M	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Owner of a resort	100	100
Sara Hotels Bhd. Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Oil palm plantation	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Owner of a restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Owner and operator of hotel and cultural centre, and extraction and sale of timber	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

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Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest		
		2013 %	2012 %	
Direct subsidiaries of the Corporation (contd.)				
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Management and service provider for trainings and events	100	100	
Sara Sago Industries Sdn. Bhd. Company No. 89962-X	Inactive	-	100	
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Investment holding	100	100	
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Extraction and sale of timber	100	100	
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100	
Sara Worldwide Vacations Bhd. Company No. 019223-V	Management of membership schemes	100	100	
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100	
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Leasing of car care centre	100	100	
Sedidik Sdn. Bhd. Company No. 50688-T	Early child development	100	100	
Sejadu Sdn. Bhd. Company No. 170777-M	Owner and operator of hotel and shopping complex	100	100	
Taskwin Marketing Sdn. Bhd. Company No. 264315-D	Inactive	100	100	
Subsidiary of Damai Beach Golf Course Bhd.				
Damai Golf and Country Club Bhd. Company No. 139361-U	Management of a golf club	100	100	

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

		Group's effective equity interest	
Name of company	Principal activities/status	2013 %	2012 %
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Rearing and marketing of livestock	100	100
Sara-Bif Sdn. Bhd. Company No.081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Owner and operator of cattle properties	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.			
Sara Hospitality Sdn. Bhd. Company No. 441568-K	Hotel management	100	100

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

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

Name of company	Principal activities/status	Group's effective equity interest	
		2013	2012
		%	%
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	-	60
Hakanda Sdn. Bhd. Company No. 174704-T	Plantation	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.

Strike-off and winding up of subsidiary company

On 22 October 2013, the Corporation completed the strike-off of its 6,700,000 ordinary shares representing 100% equity interest in Sara Sago Industries Sdn. Bhd.. As a result, Sara Sago Industries Sdn. Bhd. ceased to be the subsidiary of the Corporation as at the balance sheet date.

On 22 October 2013, the Corporation completed the strike-off of its 1,050,000 ordinary shares representing 70% equity interest in Kenyalang Teguh Sdn. Bhd.. As a result, Kenyalang Teguh Sdn. Bhd. ceased to be the subsidiary of the Corporation as at the balance sheet date.

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

The auditors' reports of the subsidiaries' financial statements have been modified as detailed below:

(a) *Asia Vacations Club Sdn. Bhd.*

"Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM1,684,309 (2012: RM1,682,455) as at 31 December 2013, and as at that date, the Company's current liabilities exceed its current assets by RM1,674,309 (2012: RM1,672,455). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements."

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

"Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM4,289,180 (2012: RM4,167,980) as at 31 December 2013, and as at that date, the Company's current liabilities exceed its current asset by RM5,177,179 (2012: RM5,180,957). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements."

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****7. Subsidiaries (contd.)****(c) Damai Beach Resort Sdn. Bhd.**

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM39,955 (2012: RM38,156) as at 31 December 2013, and as at that date, the Company’s current liabilities exceed its current asset by RM39,953 (2012: RM38,154). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(d) Damai Cove Resorts Sdn. Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM6,006,772 (2012: RM6,468,566) as at 31 December 2013, and as at that date, the Company’s current liabilities exceed its current asset by RM82,148,879 (2012: RM82,620,784). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

(e) *Damai Golf & Country Club Berhad*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM65,588,087 (2012: RM64,332,170) as at 31 December 2013, and as at that date, the Company’s current liabilities exceed its current assets by RM8,462,387 (2012: RM8,937,873). These factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(f) *Eastern Empress Silk Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 31 December 2013, the Company’s current liabilities exceeded its current asset by RM1,635,421, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable a going concern as the ultimate holding corporation of the Company has indicated that willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****7. Subsidiaries (contd.)****(g) *Hakanda Sdn. Bhd.***

“Without qualifying our opinion, we draw attention to Note 4 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM24,286 during the financial year ended 31 December 2013 and as of that date, the Company’s current liabilities exceeded its current assets by RM3,444,817, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

(h) *PPES Ternak Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements. The Company incurred a net loss after tax of RM1,847,448 during the financial year ended 31 December 2013 and as of that date, the Company’s shareholder’s funds is in deficit of RM2,592,134. In view of these factors, the continuation of the Company as going concern on which basis the financial statements have been prepared is dependent on the continuing financial support from the ultimate holding corporation and on its attaining cash inflows to sustain its operation.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amount sor to amounts and classification liabilities that may be necessary if the Company is unable to continue as a going concern.”

(i) *Revlin Holdings Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 3.d to the financial statements

As at balance sheet date, the Company had net current liabilities of RM351,146 (2012: RM351,136) accumulated losses of RM6,904,852 (2012: RM6,903,253) and deficits in Shareholder’s fund of RM6,874,852 (2012: RM6,873,253). The Company incurred a loss after taxation of RM1,599 (2012: RM1,451) for the financial year ended 31 December 2013.

7. Subsidiaries (contd.)

(i) *Revlin Holdings Sdn Bhd. (contd.)*

As the expected cash flow from the existing activities of the Companies may not be sufficient to meet their obligations as and when they fall due, the appropriateness of preparing the financial statements of the Company on a going concern basis is dependent on the continuous financial support from the other sources and the ability of the Company to generate profits and positive cash flow in the future.

The Directors are of the opinion that the required financial support from the other sources will be obtained and the Company will be able to generate sufficient in the Company's future operations.

Accordingly, the financial statements of the Company have been prepared on a going concern basis and as such, do not include any adjustments relating to the recoverability and classification of recorded assets amount and classification of liabilities which may be necessary if the going concern basis of preparing the financial statements of the Company is not appropriate."

(j) *Sara Hotels Bhd.*

"Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM245,212 (2012: RM242,949) as at 31 December 2013, and as at that date, the Company's current liabilities exceed its current asset by RM245,210 (2012: RM242,947). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements."

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****7. Subsidiaries (contd.)****(k) Sara-HL Plantation Sdn. Bhd.**

“Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM157,537 during the year ended 31 December 2013, and as of that date, the Company’s current liabilities exceeded its current assets by RM9,724,538, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

The Ultimate Holding Corporation (‘SEDC’) and Hon Lian Development Sdn. Bhd. (‘HLD’) signed a Joint Venture Agreement on 17 October 2000 to develop an oil palm plantation via the Company. As stipulated in the said agreement, HLD will acquire 70% equity interests in the Company whilst SEDC will reduce its existing 100% equity interest to 30%. In conjunction therewith, the Company will increase its issued paid up share capital from RM3 to RM10 Million. By virtue of the Joint Venture Agreement, HLD has agreed to provide financial support to the Company.

As at balance sheet date, there was no commencement of plantation activities carried out due to the land issue with the local illegal land settlers.

(l) Sara Worldwide Vacations Bhd.

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM15,204,660 (2012: RM15,756,455) as at 31 December 2013. These factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as its holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

(m) *Sara Convention Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM420,911 (2012: RM415,702) as at 31 December 2013, and as at that date, the Company's current liabilities exceed its current asset by RM226,164 (2012: RM222,007). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

(n) *Sara Concrete Poles Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM7,001 during the year ended 31 December 2013, and as of that date, the Company's current liabilities exceeded its current asset by RM118,471, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statement are prepared on the basis of accounting principles applicable a going concern as the ultimate holding corporation of the Company has indicated their willingness to provide financial support to the Company to enable it to perate as a going concern in the foreseeable future.”

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2013****7. Subsidiaries (contd.)****(o) *Sarawak Coconut Enterprise Sdn. Bhd.***

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding the Company has a deficit shareholders’ fund of RM8,738,371 during the year ended 31 December 2013, and as of that date, the Company’s current liability exceeded its current assets by RM1,653,674, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability as a going concern.

The financial statement are prepared on the basis of accounting principles applicable a going concern as the ultimate holding corporation of the Company has indicated their willingness to provide financial support to the Company to enable it to perate as a going concern in the foreseeable future.”

(p) *Sara-Bif Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred net loss after tax of RM1,812 during the financial year ended 31 December 2013 and as of that date, the Company’s current liabilities exceeded its current assets by RM2,232,660 and its shareholder’s funds is in deficit of RM2,232,600. In view of these factors, the 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 its ultimate holding corporation and on its attaining cash inflows to sustain its operations.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.”

(q) *Sarawak Car Care Centre Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements. During the financial year ended 31 December 2013, the Company shareholder’s funds is in deficit of RM2,435,390. In view of this factor, the 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 holding corporation and on its attaining cash inflows to sustain its operation.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the company is unable to continue as a going concern.”

Notes to the Financial Statements - 31 December 2013

7. Subsidiaries (contd.)

(r) *Sara Spectrum Holdings Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 4 to the financial statements which discloses the premise upon which the Group and the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 31 December 2013, the Group and the Company’s current liabilities exceeded its current assets by RM22,285,322 and RM7,264,765, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group and the Company’s ability to continue as a going concern.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation have indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future.”

(s) *Sara Resorts Holdings Sdn. Bhd.*

“Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company recorded accumulated losses of RM39,635 (2012: RM37,830) as at 31 December 2013, and as at that date, the Company’s current liabilities exceed its current asset by RM39,633 (2012: RM37,828). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding company has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements.”

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Notes to the Financial Statements - 31 December 2013

8. Associates

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	48,907	48,891	47,655	47,639
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	<u>47,757</u>	<u>47,741</u>	<u>47,505</u>	<u>47,489</u>
Share of retained profits less losses	150,739	166,840	-	-
Share of capital reserves	353	8,105	-	-
Share of revaluation reserves	-	(144)	-	-
	<u>198,849</u>	<u>222,542</u>	<u>47,505</u>	<u>47,489</u>
Amounts due from associates:				
Current accounts	4,447	4,466	398	415
Allowance for doubtful debts	(359)	(359)	(359)	(359)
	<u>4,088</u>	<u>4,107</u>	<u>39</u>	<u>56</u>
Loan accounts	26,260	26,811	26,260	26,812
	<u>229,197</u>	<u>253,460</u>	<u>73,804</u>	<u>74,357</u>

In 2013, the Corporation acquired 16,000 ordinary shares of RM1 each representing 40% equity interest in Pop Media Sdn. Bhd.

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bears interest rates of 5% per annum and has fixed repayment terms.

Notes to the Financial Statements - 31 December 2013

8. Associates (contd.)

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2013 and their principal activities are shown below:

Name of company	Principal activities/status	Group's effective equity interest	
		2013 %	2012 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Investment holding	36	36
CMS Resources Sdn. Bhd. Company No. 98773-T	Investment and property holding	49	49
LF Asia Sebor (Sarawak) Holdings 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 and road maintenance	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	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
Good Harvest Plantation Sdn Bhd Company No. 600593-D	Cultivation of coconut	30	30
Pop Media Sdn Bhd Company No. 486260-P	Investment holding	40	-

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Notes to the Financial Statements - 31 December 2013

8. Associates (contd.)

		Group's effective equity interest	
Name of company	Principal activities	2013 %	2012 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Owner of activated carbon factory	40	40
Kemudi Saling Sdn. Bhd.	Oil palm plantation	30	30
Associate of PPES Ternak Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	-	40

The financial year end of all the associates is 31 December.

9. Investments in other corporations

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Investments at cost:				
- Unit trusts quoted in Malaysia	68,044	66,245	57,302	55,881
Less: Allowance for diminution in value	(95)	(119)	(40)	(40)
	<u>67,949</u>	<u>66,126</u>	<u>57,262</u>	<u>55,841</u>
- Quoted shares in Malaysia	72,354	72,354	71,979	71,979
Less: Allowance for diminution in value	(1,665)	(1,639)	(1,407)	(1,407)
	<u>70,689</u>	<u>70,715</u>	<u>70,572</u>	<u>70,572</u>
- Unquoted shares in Malaysia	11,686	4,793	11,711	10,711
Less: Allowance for diminution in value	-	-	(25)	(25)
	<u>11,686</u>	<u>4,793</u>	<u>11,686</u>	<u>10,686</u>

Notes to the Financial Statements - 31 December 2013

9. Investments in other corporations (contd.)

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
- Current accounts	2,526	1,519	2,526	1,519
Less: Allowance for doubtful debts	(434)	(434)	(434)	(434)
	<u>2,092</u>	<u>1,085</u>	<u>2,092</u>	<u>1,085</u>
- Loan accounts	<u>4,598</u>	<u>3,375</u>	<u>4,598</u>	<u>3,374</u>
Total	<u><u>157,014</u></u>	<u><u>146,094</u></u>	<u><u>146,210</u></u>	<u><u>141,558</u></u>
Market value of:				
- Quoted unit trust	68,392	65,836	57,792	55,828
- Quoted shares	189,020	87,767	188,903	87,623
	<u><u>257,412</u></u>	<u><u>153,603</u></u>	<u><u>246,695</u></u>	<u><u>143,451</u></u>

The market value of the quoted unit trusts and shares of the Group and of the Corporation is higher than cost by RM118,773,807 and RM118,861,350 (2012: RM16,761,010 and RM17,038,899) respectively. Therefore, no allowance of impairment is necessary.

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Notes to the Financial Statements - 31 December 2013

10. Inventories

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	10,257	10,367	10,257	10,367
Trading stocks	162	107	-	-
Livestock	39,463	42,461	-	-
Souvenir stocks	200	190	-	-
Materials and consumable	1,954	3,022	27	35
	<u>52,036</u>	<u>56,147</u>	<u>10,284</u>	<u>10,402</u>
Provision for inventories obsolesces	(258)	-	-	-
	<u>51,778</u>	<u>56,147</u>	<u>10,284</u>	<u>10,402</u>

Except for livestock and properties held for sale, all other inventories are stated at cost. The valuation for livestock and property held for sale are as follows:

	Group	
	2013	2012
	RM'000	RM'000
Livestock		
At cost	1,535	2,406
At net realisable value	37,928	40,055
	<u>39,463</u>	<u>42,461</u>

	Group and Corporation	
	2013	2012
	RM'000	RM'000
Properties held for sale		
At cost	9,740	9,740
At net realisable value	517	627
	<u>10,257</u>	<u>10,367</u>

Notes to the Financial Statements - 31 December 2013

11. Receivables

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	38,235	47,238	15,506	20,617
Allowance for doubtful debts	(12,030)	(18,241)	(7,949)	(8,080)
	<u>26,205</u>	<u>28,997</u>	<u>7,557</u>	<u>12,537</u>
Other receivables and prepayments	33,836	27,451	10,979	10,295
Allowance for doubtful debts	(7,099)	(7,146)	(6,756)	(6,777)
	<u>26,737</u>	<u>20,305</u>	<u>4,223</u>	<u>3,518</u>
Tax recoverable	<u>1,285</u>	<u>1,408</u>	<u>-</u>	<u>-</u>
Total	<u>54,227</u>	<u>50,710</u>	<u>11,780</u>	<u>16,055</u>

12. Deposits with financial institutions

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
With foreign banks	1,183	1,222	-	-
With licensed banks	134,821	123,201	99,826	95,654
With licensed finance companies	105,169	97,569	88,018	78,257
	<u>241,173</u>	<u>221,992</u>	<u>187,844</u>	<u>173,911</u>
With licensed banks, pledged	(500)	(500)	-	-
	<u>240,673</u>	<u>221,492</u>	<u>187,844</u>	<u>173,911</u>

Included in the Group's fixed deposits was RM500,000 (2012: RM500,000) placed on lien to licensed banks for banking facilities as disclosed in Note 22, 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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13. Government term loans

	Group and Corporation	
	2013	2012
	RM'000	RM'000
Unsecured		
Interest bearing loans	9,331	9,518
Interest free loans	2,500	5,000
	<u>11,831</u>	<u>14,518</u>
Repayable within one year	(2,694)	(5,187)
	<u>9,137</u>	<u>9,331</u>
Repayable after one year	<u>9,137</u>	<u>9,331</u>

The interest rate is 4% per annum (2012: 4% per annum) for interest bearing loans.

14. Lease payables

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Repayable within twelve months	60	118	14	28
Repayable after twelve months	105	65	-	14
	<u>165</u>	<u>183</u>	<u>14</u>	<u>42</u>
Minimum lease payment:				
Not later than one year	67	127	14	30
Later than one year but not later than five years	101	72	-	14
Later than five years	19	-	-	-
	<u>187</u>	<u>199</u>	<u>14</u>	<u>44</u>
Future finance charges	(22)	(16)	-	(2)
	<u>165</u>	<u>183</u>	<u>14</u>	<u>42</u>
Present value of finance lease liabilities	<u>165</u>	<u>183</u>	<u>14</u>	<u>42</u>

Notes to the Financial Statements - 31 December 2013

15. Payables

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade payables	7,571	9,117	-	-
Other payables and accruals	41,101	65,161	15,967	17,287
	<u>48,672</u>	<u>74,278</u>	<u>15,967</u>	<u>17,287</u>

Included in other payables and accruals of the Group is deferred membership fee amounting to RM676,239 (2012: RM19,814,443) 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 (2012: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free and has no fixed terms of repayment.

16. State government equity grant and contribution for equity participation

	Group and Corporation	
	2013	2012
	RM'000	RM'000
(a) State government equity grant		
Sejadu Sdn. Bhd.	11,000	11,000
Sara Resorts Sdn. Bhd.	10,850	10,850
Bukit Saban Sdn. Bhd.	4,940	4,940
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
PPES Akua (Santubong) Sdn. Bhd.	1,000	1,000
Sarawak Car Care Centre Sdn. Bhd.	5,389	5,389
Sarawak Coconut Enterprises Sdn. Bhd.	7,080	7,080
Carbon Supplies (Sarawak) Sdn. Bhd.	2,880	2,880
GOS Management Holdings Sdn. Bhd.	20,000	20,000
	<u>100,139</u>	<u>100,139</u>

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16. State government equity grant and contribution for equity participation (contd.)

	Group and Corporation	
	2013	2012
	RM'000	RM'000
(b) State government contribution for equity participation		
Sejadu Sdn. Bhd.	144,189	144,189
Sara Resorts Sdn. Bhd.	57,400	57,400
Kuching Hotels Sdn. Bhd.	24,088	24,088
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
Eastern Empress Silk Sdn. Bhd.	-	5,900
Borsamulu Resort Sdn. Bhd.	2,000	2,000
	<u>264,677</u>	<u>270,577</u>

The State Government Equity Grant 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.

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

17. Development funds

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	69,965	80,067	69,965	71,622
Cattle Industry Development Fund	11,896	12,081	2,717	2,717
Aquaculture Development Fund	12,884	16,187	9,611	9,611
Camp Permai Fund	2,000	2,000	-	-
Others	119,099	118,992	118,500	118,386
	<u>215,844</u>	<u>229,327</u>	<u>200,793</u>	<u>202,336</u>
At 1 January	229,327	239,689	202,336	212,699
Received during the year	21,222	14,084	21,222	14,083
Transfer from development costs	(128)	2,392	(128)	2,392
Amortised during the year	(7,684)	(7,656)	(7,684)	(7,656)
Disbursed/utilised during the year	(26,893)	(19,182)	(14,953)	(19,182)
At 31 December	<u>215,844</u>	<u>229,327</u>	<u>200,793</u>	<u>202,336</u>

Notes to the Financial Statements - 31 December 2013

18. Reserves

		Group		Corporation	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Capital reserves		3,853	3,997	-	-
Share premium	(a)	9,308	9,308	-	-
Revaluation reserve	(b)	36,746	53,192	-	-
Reserve on consolidation	(c)	52,308	52,860	-	-
Revenue reserve		628,861	599,211	496,042	482,806
		<u>731,076</u>	<u>718,568</u>	<u>496,042</u>	<u>482,806</u>

(a) Share premium:

At 1 January	9,308	9,261
On issuance of preference shares during the year	-	47
At 31 December	<u>9,308</u>	<u>9,308</u>

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

(b) Revaluation reserve:

At 1 January	53,192	41,108
Exchange difference	(3,058)	-
Revaluation (deficit)/surplus	<u>(13,388)</u>	<u>12,084</u>
At 1 January and 31 December	<u>36,746</u>	<u>53,192</u>

The revaluation reserve relates to surplus or deficit on revaluation of property, plant and equipment, hotel and investment properties of the Group.

(c) Reserve on consolidation:

At 1 January	52,860	52,866
Arising on consolidation	<u>(552)</u>	<u>(6)</u>
At 31 December	<u>52,308</u>	<u>52,860</u>

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19. Government grants

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	26,379	22,039
Amortisation of grants	(1,474)	(1,620)
Government grant received during the year	87	5,960
Transfer	(20)	-
At 31 December	<u>24,972</u>	<u>26,379</u>

20. Deferred tax

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	8,387	6,880
Recognised in income statement (Note 25)	(1,428)	1,637
Exchange differences	(665)	(130)
At 31 December	<u>6,294</u>	<u>8,387</u>
Presented after appropriate offsettings as follows:		
Deferred tax liabilities	<u>6,294</u>	<u>8,387</u>

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

	Inventories (live stock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2013	7,712	596	79	8,387
Recognised in income statement	(1,451)	(25)	48	(1,428)
Exchange differences	(616)	(45)	(4)	(665)
At 31 December 2013	<u>5,645</u>	<u>526</u>	<u>123</u>	<u>6,294</u>

Notes to the Financial Statements - 31 December 2013

20. Deferred tax (contd.)

	Inventories (live stock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group: (contd.)				
At 1 January 2012	6,806	50	24	6,880
Recognised in income statement	1,029	555	53	1,637
Exchange differences	(123)	(9)	2	(130)
At 31 December 2012	<u>7,712</u>	<u>596</u>	<u>79</u>	<u>8,387</u>

21. Employee benefits

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Long service leave	12	86	-	-
Annual leave and others	2,207	1,906	2,207	1,906
	<u>2,219</u>	<u>1,992</u>	<u>2,207</u>	<u>1,906</u>

22. Other borrowings

	Group	
	2013 RM'000	2012 RM'000
Term loans, secured	27,208	24,293
	<u>27,208</u>	<u>24,293</u>
Repayable within one year	-	-
	<u>-</u>	<u>-</u>
Repayable after one year	27,208	24,293
	<u>27,208</u>	<u>24,293</u>

The premium funding bore interest rate of Nil (2012: Nil) at balance sheet date.

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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23. Revenue and cost of sales

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 receivable. Inter-company sales, dividends, management fees, interest income and marketing fees are 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, food and beverage, hotel rooms and hospitality services, property management and maintenance services, golf course operations and maintenance costs and livestock.

Notes to the Financial Statements - 31 December 2013

24. Profit before taxation

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Amortisation of development expenditure	(4,096)	(4,096)	(4,096)	(4,096)
Allowance for diminution in investment	2	36	-	-
Allowance for doubtful debts written back	(263)	(1,129)	(263)	(1,129)
Allowance for doubtful debts, net of allowance no longer required	335	93	-	-
Auditors' remuneration				
- current year	322	321	50	50
- over provision in prior years	(4)	-	(4)	(8)
Amortisation of goodwill	13	13	-	-
Amortisation of government grants	(1,474)	(1,620)	-	-
Bad debts written off	19	935	19	4
Depreciation of property, plant and equipment	10,391	10,600	1,121	1,057
Deposit forfeited written off	-	6	-	-
Gain on disposal of associates	-	28	-	-
Gain/(loss) on disposal of other investments	-	18	-	-
Gain on disposal of property, plant and equipment	(988)	(4,451)	(692)	(148)
Gain on disposal of subsidiaries	(9,921)	-	-	-
Gross dividends from:				
Associates				
- unquoted in Malaysia	-	-	(16,077)	(13,868)
Other corporations				
- quoted in Malaysia	(6,675)	(7,445)	(6,108)	(6,918)

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24. Profit before taxation (contd.)

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Impairment of plantation development expenditure	-	70	-	-
Impairment of property, plant and Equipment	316	-	-	-
Income from rental of land and buildings	(10,599)	(4,302)	(2,898)	(2,821)
Interest income	(10,017)	(7,868)	(8,685)	(6,359)
Interest expense				
- commercial borrowings	1,531	2,361	-	-
- hire purchase	17	20	2	3
- government loan	374	380	374	380
- paid to subsidiaries	-	-	-	19
(Gain)/loss on foreign exchange				
- unrealised	2,863	674	-	-
- realised	(11)	(9)	-	-
Members' remuneration:				
- fees as Members of the Corporation	24	24	24	24
- allowance as Members of the Corporation	48	48	48	48
Other directors of subsidiaries:				
- fees	771	707	-	-
- others	836	430	-	-
Operating grants	(400)	-	-	-
Investment written off	-	20	-	-
Rental expenses				
- land and buildings	546	702	330	193
- rigs and equipment	134	128	-	-
Reversal of allowance of doubtful debts	(1)	(30)	-	-
	=====	=====	=====	=====
(b) Employee information				
Staff costs	53,637	47,893	18,391	18,212
	=====	=====	=====	=====

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM5,416,617 (2012: RM4,567,979) and RM1,649,408 (2012: RM1,517,238) respectively.

Notes to the Financial Statements - 31 December 2013

24. Profit before taxation (contd.)

(b) Employee information

	Group		Corporation	
	2013	2012	2013	2012
Number of employees	<u>1,743</u>	<u>1,783</u>	<u>272</u>	<u>263</u>

25. Taxation

	Group		Corporation	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	2,585	3,894	2,675	5,630
Under /(over)provision in prior years				
- Malaysian income tax	21	(258)	29	-
	<u>2,606</u>	<u>3,636</u>	<u>2,704</u>	<u>5,630</u>
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	1	-	-	-
- Foreign tax	(1,427)	1,637	-	-
Overprovision in prior years	(2)	-	-	-
	<u>(1,428)</u>	<u>1,637</u>	<u>-</u>	<u>-</u>
Share of taxation of associates	-	10,298	-	-
Tax expense for the year	<u>1,178</u>	<u>15,571</u>	<u>2,704</u>	<u>5,630</u>

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 25% (2012: 25%) of the estimated assessable profit for the year.

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25. Taxation (contd.)

Current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Corporation being a Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
 In excess of RM500,000 of chargeable income : 25%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2010, these subsidiaries no longer qualify for the above preferential tax rates.

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:

	2013 RM'000	2012 RM'000
Group		
Profit before taxation	41,368	65,003
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	10,342	16,251
Effect of lower tax rate of 20%	(98)	(105)
Effect of different tax rates in other countries	(240)	259
Effect of income not subject to tax	(11,310)	(5,162)
Expenses not deductible for tax purposes	2,836	5,679
Revenue expenditure capitalised	-	(7)
Reversal of deferred tax assets	(39)	(172)
Utilisation of previously unrecognised capital allowance and tax loss	(2,325)	(992)
Utilisation of deferred tax assets carried forward previously not recognised	-	(5)
Deferred tax assets not recognised	1,993	-
Under/(over) provision of income tax expense in prior years	21	(258)
(Over)/under provision of deferred tax in prior years	(2)	83
Tax expense for the year	1,178	15,571

Notes to the Financial Statements - 31 December 2013

25. Taxation (contd.)

	2013 RM'000	2012 RM'000
Group		
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	-	471
Unutilised tax losses carried forward	441,757	14,799
	<u> </u>	<u> </u>
	2013 RM'000	2012 RM'000
Corporation		
Profit before taxation	15,940	21,513
	<u> </u>	<u> </u>
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	3,985	5,378
Effect of income not subject to tax	(2,819)	(282)
Expenses not deductible for tax purposes	1,343	2,056
Deferred tax assets not recognised	165	(1,522)
Under provision of income tax in prior years	29	-
	<u> </u>	<u> </u>
Tax expense for the year	2,703	5,630
	<u> </u>	<u> </u>
Tax savings during the financial year arising from:		
Utilisation of current year tax losses	2,122	471
Unutilised tax losses carried forward	15,455	13,570
	<u> </u>	<u> </u>

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Notes to the Financial Statements - 31 December 2013

26. Significant inter-company transactions

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

	Corporation	
	2013	2012
	RM'000	RM'000
Interest paid to subsidiaries for deposits placed with Central Cash Management	-	19
Rental received from subsidiaries	(136)	(135)
Management fee received from an associate	(18)	(18)
Interest received from an associate	(335)	(270)
Interest received from subsidiaries	(2,208)	-
License fee received from an associate	(198)	(129)
	=====	=====

27. Contingent liabilities

Damai Cove Resorts Sdn. Bhd.

As at the balance sheet date, there are two legal actions against the Company relating to the issuance of the Timber Licences and Timber Licences for Planted Forest to the Company. The lawsuits have been dismissed by the High Court on 5 April 2012. However, the plaintiffs have filed notices of appeal to the Court of Appeal against the decision of the High Court. No date has been fixed for the hearing of appeals.

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.

Notes to the Financial Statements - 31 December 2013

27. Contingent liabilities (contd.)

PPES Ternak Holdings Sdn. Bhd. (contd.)

As disclosed in the Company's foreign subsidiary's financial statements, the Native Title consent determination over Rosewood was handed down on 31 May 2011 by Federal Court, Australia, which determined certain native title rights and interests of certain native title holders. However, these native title rights and interests do not confer native holders, possession, occupation and enjoyment to the exclusion of the rights and interests of Rosewood under Perpetual Pastoral Lease 1013. The native title rights and interests are for personal or communal needs of the native title holders which are of domestic nature and not for any commercial or business purpose. In the event of conflict, the rights and interests of Rosewood prevail over, but not extinguish the native rights.

28. Commitments

	Group	
	2013	2012
	RM'000	RM'000
Capital commitments for the acquisition of property, plant and equipment:		
Approved and contracted for	51,260	57,579
Approved but not contracted for	1,035	9,860
	<u>52,295</u>	<u>67,439</u>

29. Currency

All amounts are stated in Ringgit Malaysia.

30. Significant events

The significant events are disclosed in Note 7 and 8 to the financial statements.

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Detail Income Statement For the Year Ended 31 December 2013

	2013 RM'000	2012 RM'000
Revenue		
Dividend income - associates	16,077	13,868
- other investments	6,108	6,918
Document fees	6	30
Forfeited deposits	21	158
Gain on disposal of property, plant and equipment	692	148
Interest income	8,685	6,359
Licensing fees	198	130
Rental income	2,898	2,822
Sales of property development	971	14,172
Sundry income	86	127
	35,742	44,732
Less: Cost of sales		
Property development cost	110	4,672
Gross profit	35,632	40,060
Add: Other operating income		
Allowance for doubtful debts no longer required	263	1,129
Government grant	6,227	4,647
Other operating income	4,096	4,096
	10,586	9,872

Detail Income Statement**For the Year Ended 31 December 2013 (contd.)**

	2013 RM'000	2012 RM'000
Less: Administrative expense		
Corporate staff welfare	12	13
Program Internship Siswazah	55	5
Staff accommodation	20	15
Staff incentive allowance	805	665
Staff paid leave	307	411
Staff bonus	541	1,074
Staff chronic illness and hospitalization	179	159
Staff corporate gathering	130	41
Staff EHS (medical checkup)	57	72
Staff external training	302	392
Staff housing loan interest subsidy	266	296
Staff in-house training	362	370
Staff leave passage	14	5
Staff maternity	13	10
Staff medical	417	515
Staff membership fees	14	12
Staff overtime	223	220
Staff transport and travelling	744	975
Staff salary - junior	6,205	5,460
Staff salary - senior	7,522	7,437
Staff uniform	169	26
Staff welfare	20	18
Staff children education	13	15
Welfare - retirement	-	6
	18,390	18,212

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Detail Income Statement For the Year Ended 31 December 2013 (contd.)

	2013 RM'000	2012 RM'000
Less: Other operating expenses		
Bad debts written off	19	3
Board's expenses	131	150
Business Zakat	218	-
Depreciation of property, plant and equipment	1,120	1,057
General expenses	1,206	2,239
Maintenance expenses	3,705	2,740
Office expenses	1,852	1,754
Professional fees	485	1,060
Project expenses	555	802
Provision for diminution in investment	2,223	-
	11,514	9,805
Operating profit	16,314	21,915
Less: Finance cost		
Interest on central cash management	-	18
Interest on government loan	372	380
Interest on hire purchase interest	2	4
	374	402
Profit before taxation	<u>15,940</u>	<u>21,513</u>



Your Preferred Business Partner



Agro - Food



Fisheries & Aquaculture



Entrepreneur Development



Tourism & Leisure



Rest & Recreation & Commercial Centre



Mineral, Mining & Works



Property Development



Child Care & Family Development

SEDC is a statutory body entrusted with the task of nurturing strategic, pioneering and capital-intensive industries as well as complementing the growth and development of a vibrant Bumiputera Commercial Industrial Community (BCIC) in Sarawak. SEDC plays a major role in spearheading these industries towards the economic and social transformation of the State.

AWARDS & CERTIFICATIONS



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