

Perbadanan Pembangunan Ekonomi Sarawak

LAPORAN TAHUNAN 2006



Annual Report 2006

Sarawak Economic Development Corporation

CONTENTS

Corporate Information	1
SEDC Group Of Companies	2 - 5
SEDC Organisation Structure	6
REPORT ON CORPORATE GOVERNANCE - 2006	
Board and Board Committies	7
Report of the SEDC Board Audit Committee	8 - 9
Report of the SEDC Establishment Committee	10 - 11
Charter for Good Corporate Governance	12
Corporate Governance Activities	12
Chairman's Statement	13
SEDC Board Members	14
SEDC Management Team	15
Corporate Highlights	16 - 19
FINANCIAL STATEMENTS	
Auditors Report	20 - 22
Statement by the Chairman and a Board Member	23
Statutory Declaration	24
Members' Report	25 - 28
Income Statements	29
Balance Sheets	30 - 31
Consolidated Statement of Changes in Equity	32
Statement of Changes in Equity	33
Consolidated Cash Flow Statement	34 - 36
Cash Flow Statement	37 - 39
Notes to the Financial Statements	40 - 93



CORPORATE INFORMATION

The Sarawak Economic Development Corporation (SEDC) was established on 1st March 1972 as a State owned and State controlled statutory body with the general aim of promoting the commercial, industrial and socio-economic development of the State of Sarawak. SEDC was established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance (Sarawak Cap. 35) (the Ordinance), 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 promotes investment in Sarawak by providing advise on business opportunities and where necessary, serving as a joint venture partner in a range of industries including agriculture, tourism and leisure, high technology, real estate development, socio-economic project and strategic ventures. SEDC also plays a role of a trust agency in commerce and industry for the Bumiputera.

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

CORPORATE OBJECTIVE

Promoting Economic Development.

VISION

To be the premier State agency in Malaysia.

MISSION

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

SHARED VALUES

Serve and grow together through intergrity, teamwork, quality, professionalism and caring.

“Committed To Excellence”

SEDC GROUP OF COMPANIES

TOURISM & LEISURE

Subsidiaries

Bukit Saban Resort Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
Fax:
082-422453
e-mail: yb1enet@tm.net.my

Damai Beach Golf Course Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
Fax:
082-422453
e-mail: dycc@po.jaring.my

Damai Beach Resort Sdn Bhd
6th-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-422453
e-mail: hirdb02@po.jaring.my

Damai Cove Resorts Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
Fax:
082-422453
e-mail: info@sedctourism.com.my

Permata Carpark Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
Fax:
082-422453
e-mail: info@sedctourism.com.my

Sara Convention Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: scon@po.jaring.my

Sara Great Horizon Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
Fax:
082-422453
e-mail: info@sedctourism.com.my

Sara Hotels Sdn Bhd
6th-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-422453
e-mail: info@sedctourism.com.my

Sara Rasa Sdn Bhd
Crookshank Road
(Government Rest House)
93000 Kuching
Tel:
082-257886
082-422143
Fax:
082-416731
e-mail: info@sedctourism.com.my

Sarakraf Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-258771
082-230771
Fax:
082-232771
e-mail: sararkraf@tm.net.my

Sara Resorts Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-412150
Fax:
082-422453
e-mail: sararsb@po.jaring.my

Sara Resorts Holdings Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-422453
e-mail: sararsb@po.jaring.my

Sara Resorts Management Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-421143
082-242744
Fax:
082-422453
e-mail: sararsb@po.jaring.my

Sara Urusharta Sdn Bhd
2nd Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-412150
082-421142
Fax:
082-255964
e-mail: sarauhsb@tm.net.my

Sara Worldwide Vacations Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-421143
082-242744
Fax:
082-422453
e-mail: mail@clubasia.com.my

Sejadu Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-428435
082-422143
082-242744
082-416777
Fax:
082-422453
e-mail: info@sedctourism.com.my

Associates

Kuching Hotels Sdn Bhd
9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-242744
082-230848
082-416777
Fax:
082-424453
e-mail: sararsb@po.jaring.my

Investment

Borsarmulu Resort Sdn Bhd
Lot 154-156, 2nd Floor,
Jalan Sungai Padungan,
93100 Kuching
Tel:
082-413877
Fax:
082-244406
082-426451
e-mail: info@sedctourism.com.my

SEDC GROUP OF COMPANIES AGRO FOOD BASED

Subsidiaries

Azen Industries Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-232866
e-mail: ssedc@pop1.jaring.my

PPES Ternak Holdings Sdn Bhd
Lot 1260, Jalan Mersawa
Bintawa Industrial Estate
P O Box 1445, 93728 Kuching
Tel:
082-482015
082-480622
082-480522
Fax:
082-481350
e-mail: ternak@tm.net.my

Sara Sago Industries Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Eastern Empress Silk Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Sara-HL Plantation Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Kenyalang Teguh Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-232866
e-mail: ssedc@pop1.jaring.my

Sara Spectrum Holdings Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
082-250858
Fax:
082-232866
e-mail: sitihajar@sedc.com.my

Associates

Sebor (Sarawak) Sdn Bhd
Lot 2678, Section 64
KTLD, Lorong Sebor
93450 Kuching
Tel:
082-335677
Fax:
082-484720
e-mail: sebor@tm.net.my

SOP Karabungan Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-232866
e-mail: ssedc@pop1.jaring.my

FISHERIES & AQUACULTURE

Subsidiaries

PPES Akua (Mukah) Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
084-871912
084-871918
Fax:
084-871920
e-mail: ssedc@pop1.jaring.my

Sarapine Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

PPES Aqua (Santubong) Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Sara Concrete Poles Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

SEDC GROUP OF COMPANIES

ENTREPRENEUR DEVELOPMENT

Subsidiaries

Comerich Sdn Bhd
1st & 2nd Floor, Lot 2592
Wisma Sandhu, Green Road
93400 Kuching
Tel:
082-256176
Fax:
082-419455
e-mail: noracsb@tm.net.my

Taskwin Marketing Sdn Bhd
1st & 2nd Floor, Lot 2592
Wisma Sandhu, Green Road
93400 Kuching
Tel:
082-256176
Fax:
082-419455
e-mail: ssedc@pop1.jaring.my

Revin Holdings Sdn. Bhd.
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-256176
Fax:
082-419455
e-mail: ssedc@pop1.jaring.my

Sara-Fibre Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-828360
Fax:
082-828361
e-mail: ssedc@pop1.jaring.my

COMMUNITY DEVELOPMENT

Subsidiaries

Sedidik Sdn Bhd
No. 53, Lot 67, Section 66
Yoshi Square, Jalan Pelabuhan
93450 Kuching
Tel:
082-347489
082-347493
Fax:
082-347497
e-mail: sedidik@pd.jaring.my

MINERAL & MINING

Associates

CMS Infra Trading Sdn Bhd
Lot 619-623, 2nd Floor
Section 62, Jalan Padungan
93100 Kuching
Tel:
082-348950
082-348951
Fax:
082-345941
e-mail: arbaenia@trading.cmsb.com.my

CMS Resources Sdn Bhd
7th Mile
Jalan Kuching-Serian
93250 Kuching
Tel:
082-610226
Fax:
082-612434
e-mail: michaelc@kuari.cmsb.com.my

Investment

Sarawak Concrete Industries Bhd
Lot 1258, Jalan Utama
Pending Industrial Estate
P O Box 1354
93728 Kuching
Tel:
082-334406
082-334445
082-334485
Fax:
082-334484
e-mail: shirleyp@trading.cmsb.com.my

ROAD & WORKS

Associates

CMS Land Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Tel:
082-255022
Fax:
082-250536
e-mail: ctlee@works.cmsb.com.my

CMS Property Management Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Tel:
082-255022
Fax:
082-250536
e-mail: ctlee@works.cmsb.com.my

PPES Works (Sarawak) Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching
Tel:
082-340588
Fax:
082-340695
e-mail: gracea@works.cmsb.com.my

SEDC GROUP OF COMPANIES OTHERS

Subsidiaries

Goebilt Seafoods Processing Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Safemal Drilling Sdn Bhd
9th Floor, Angkasa Raya
Building, Jalan Ampang
50450 Kuala Lumpur
Tel:
085-422863
Fax:
085-423171
e-mail: ssedc@pop1.jaring.my

Permaisara Sdn Bhd
6-11th Floors, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-255963
e-mail: ssedc@pop1.jaring.my

Sarawak Car Care Centre Sdn Bhd
10th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Associates

Syarikat Sebangun Sdn Bhd
Lot 933, Kemena Commercial
Centre, Tanjung Batu Road
P O Box 168, 97007 Bintulu
Tel:
086-253579
086-253569
086-253549
Fax:
086-253919
e-mail: piewteck@tm.net.com.my

Permodalan ASSAR Sdn Bhd
Lot 357, Section 5
KTLD, Jalan Satok
93400 Kuching
Tel:
082-231085
Fax:
082-232514
e-mail: assar@assar.com.my

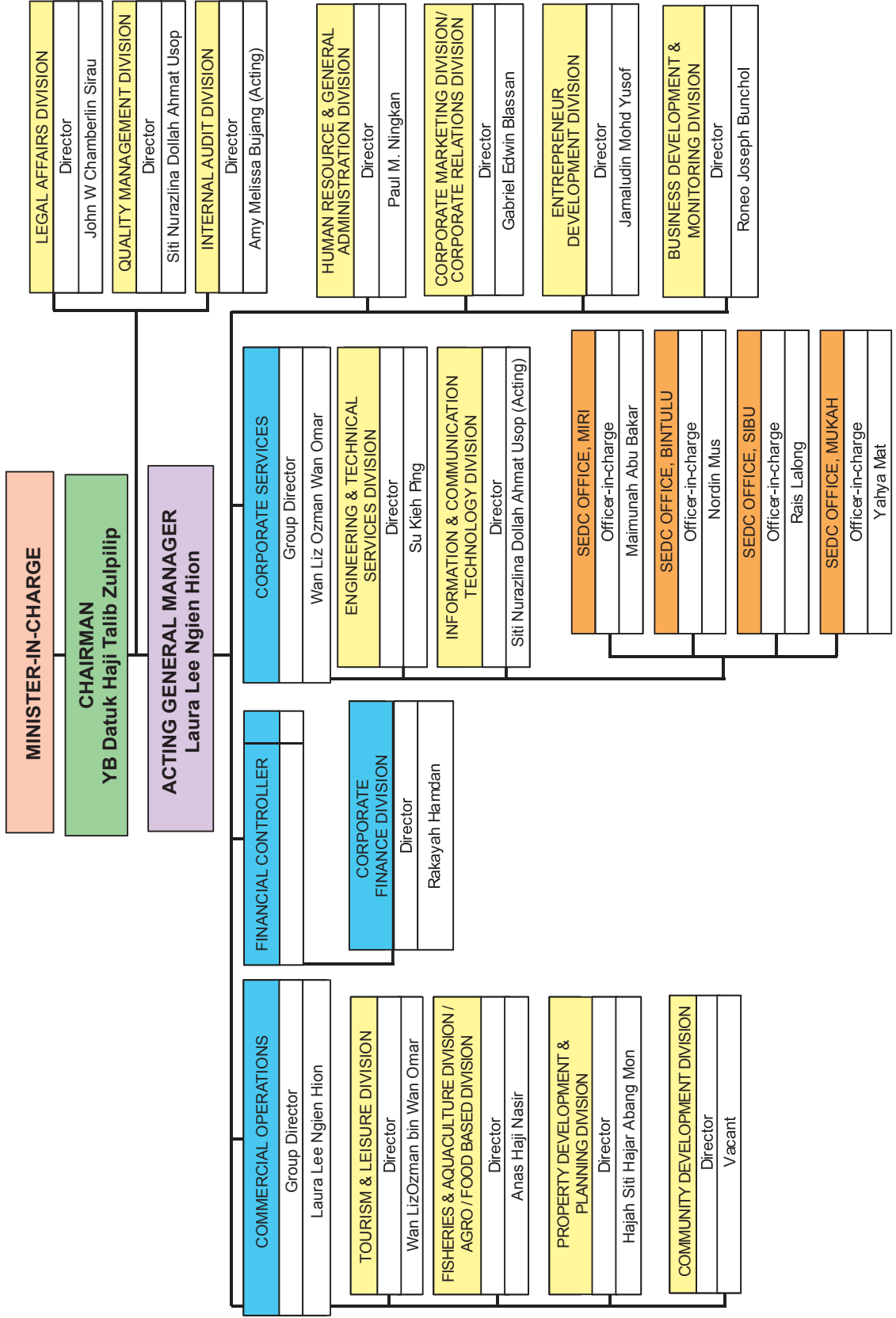
GOS Management Sdn Bhd
Level 10, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel:
082-416777
Fax:
082-424330
e-mail: ssedc@pop1.jaring.my

Investment

Cahaya Mata Sarawak Bhd
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Tel:
082-238888
Fax:
082-341719
e-mail: www.cmsb.com.my

Utama Banking Group Bhd
Lot 363, Jalan Kulas
P O Box 2049
93740 Kuching
Tel:
082-419294
Fax:
082-424954
e-mail: ssedc@pop1.jaring.my

ORGANISATION STRUCTURE



REPORT ON CORPORATE GOVERNANCE – 2006

BOARD AND BOARD COMMITTEES

The composition of the three (3) Board Committees with effect from 14th July 2006 are as follows :

(a) Establishment Committee

Chairman : YBhg. Datu Wilson Baya Dandot

Members : YBhg. Datu Dr. Haji Hatta Solhee

YBhg. Datu Haji Abdul Rashid bin Haji Aziz

YBhg. Datu Abdul Ghafur Sharif

YBhg. Puan Laura Lee Ngien Hion

(c) Audit Committee

Chairman : YBhg. Tuan Haji Mohd Morshidi Abdul Ghani

Members : YB Dr. Rundi @ Stephen Rundthee ak Utom

YBhg. Datuk Haji Ismail Haji Hashim

YBhg. Encik William Lee Boon Tong

Cik Grace Hii

(b) Tender, Finance Investment Committee

Chairman : YB Datuk Haji Talib Zulpilip

Members : YBhg. Datu Ahmad Tarmizi Haji Sulaiman

YBhg. Dato' Mohamedsha bin Mislam

YBhg. Tuan Haji Mohd Morshidi Abdul Ghani

YBhg. Puan Laura Lee Ngien Hion

1. BOARD

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

- a Chairman;
- two official members; and
- not less than three, but not more than eight other members

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

During the year, four (4) Board Meetings were held. The level of attendance were as follows:

Members	130th	131st	132nd	133rd	Level of Attendance
1. YB Datuk Haji Talib Zulpilip	√	√	√	√	4/4
2. State Financial Secretary	√	√	√	√	4/4
3. Federal Treasury Representative	x	x	x	√	1/4
4. YBhg. Datuk Fong Joo Chung	x	x	√	x	1/4
5. YB Dr. Stephen Rundi	√	√	x	√	3/4
6. YBhg. Datuk Haji Ismail Haji Hashim	√	√	√	√	4/4
7. YBhg. Datu Wilson Baya Dandot	√	√	x	x	2/4
8. YBhg. Datu Haji Wan Alwi Dato Sri Wan Hashim	√	√	√	x	3/4
9. YBhg. Datuk Hj. Mohd Morshidi B. Abdul Ghani	x	x	√	√	2/4
10. YBhg. Datu Haji Abdul Rashid bin Haji Aziz	√	√	x	√	3/4
11. Encik Adzmy bin Abdullah	x	√	√	x	2/2

REPORT ON CORPORATE GOVERNANCE – 2006

2. REPORT OF THE SEDC BOARD AUDIT COMMITTEE

2.1. COMPOSITION OF THE SEDC BOARD AUDIT COMMITTEE

The Board Audit Committee comprises the following Directors: -

YBhg Datuk Haji Mohd Morshidi Abdul Ghani	(Chairman)
YB Dr. Stephen Rundi ak Utom	(Member)
YBhg Datuk Haji Ismail Hashim	(Member)
YBhg Datu William Lee Boon Tong	(Member)
YBhg Cik Grace Hii Hui Hing	(Member)

2.2 TERMS OF REFERENCE

(i) Objectives

- To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accountability and reporting practices for SEDC.
- To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Audit Committee, with or without the prior knowledge of Management.
- To act upon the SEDC Board members' request to investigate and report on any issue or concern with regard to the management of SEDC.
- To oversee the Internal Audit function.
- To support and recommend measures to improve internal controls.

(ii) Membership

- The members of the SEDC Board Audit Committee shall be appointed by the SEDC Board. The Audit Committee shall be comprised of SEDC Board members other than the SEDC Chairman or any other person as shall be determined by SEDC Board under Section 16 of the SEDC Ordinance. The Audit Committee shall consist 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 Board Audit Committee.
- The Chairman of the Board Audit Committee shall be elected by the members of the Board Audit Committee.

(iii) Meetings

- The Board Audit Committee shall meet at least three (3) times a year although additional meetings may be called at any time at the Chairman's discretion.
- The quorum of each meeting shall be a majority of the number of the Committee appointed.
- The meeting will normally be attended by representatives of the external auditors, internal auditor and any other appropriate persons as determined by the Chairman.
- The head of internal Audit Division shall be the Secretary to the Board Audit Committee. The Secretary shall send an agenda at least seven (7) days prior to the meeting to all the Board Audit Committee members and any other persons required or invited to attend.

(iv) Authority

- The Board Audit Committee is authorised by the SEDC Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Corporation and its Group.
- The Committee is also authorised by the SEDC Board to obtain external legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

(v) Duties and Responsibilities

The main duties and responsibilities of the Board Audit Committee shall include the following:

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

REPORT ON CORPORATE GOVERNANCE – 2006

REPORT OF THE SEDC BOARD AUDIT COMMITTEE

2.3. AUDIT COMMITTEE MEETING

Meeting and Attendance

During the financial year ending 31 December 2006, three (3) Board Audit committee meetings were held. A record of the attendance to these meetings is as follows:

<u>Members</u>	<u>No. Of Meetings Attended</u>
YBhg Datuk Haji Mohd Moshidi Abdul Ghani	3 out of 3
YB Dr. Stephen Rundi ak Utom	2 out of 3
YBhg Datuk Haji Ismail Hashim	2 out of 3
YBhg Datu William Lee Boon Tong	3 out of 3
YBhg Cik Grace Hii Hui Hing	2 out of 3

2.4. INTERNAL AUDIT FUNCTION

The Internal Audit function of the group is carried out by the Internal Audit Division, which reports to the Board Audit Committee and assists the Board of Directors in monitoring and managing risks and internal control. The Internal Audit Division is to provide independent assessments and objective reports on the adequacy, efficiency and effectiveness of internal control systems in anticipating potential risk exposure over key business processes, and on the extent of compliance with established policies and procedures within the corporation.

Throughout the year, a total of twenty nine (29) audit assignments and were carried out on the SEDC subsidiary companies covering property development, property management, tourism and leisure industries, entrepreneur development and Human Resource Management. These were carried out in accordance with the annual audit plan or as special ad hoc assignment at the management's request. The assignments include asset verification, special investigation, follow up audit, site inspection, stock takes as well as surprise check/cash count. The resulting audit reports were submitted to the management and together with the responses received were presented to the Board Audit Committee. The management is to ensure that corrective actions as recommended on reported weaknesses are undertaken within the required time frame.

2.5. ACTIVITIES

The summary of activities of the Board Audit Committee in the discharge of its duties and responsibilities for the financial year ending 31 December 2006 included the following:

- (a) Reviewed the financial statements of the Corporation before approval by the Board, upon being satisfied that the financial reporting and disclosure requirement of the relevant authorities have been complied with. The significant issues resulting from the audit of the annual financial statements for the year ending 31 December 2005 by the external auditors were deliberated.
- (b) Reviewed and approved the annual audit commitment of the Internal Audit Division for 2006, its scope and coverage over the activities of the respective SEDC subsidiary and associate companies.
- (c) Reviewed and deliberated the audit reports of the Internal Audit Division containing findings with regard to the system and control weaknesses noted during the course of the audits and the responses from the management.

REPORT ON CORPORATE GOVERNANCE – 2006

3. REPORT OF THE SEDC ESTABLISHMENT COMMITTEE (SEC)

3.1 Members

<u>Members</u>	<u>Position</u>
YBhg. Datu Wilson Baya Dandot	Chairman
YBhg. Datu Dr. Haji Hatta Bin Solhee	Member
YBhg. Datu Abdul Ghafur Shariff Director Human Resource Management Unit Chief Minister's Office	Member
YBhg. Puan Laura Lee General Manager, SEDC	Member
YBhg. Encik Paul M. Ningkan Director Human Resource & General Administration Division, SEDC	Member

3.2 Meetings Held in 2006

<u>Meeting No.</u>	<u>Date</u>	<u>Venue</u>
19th	11 January 2006	Bilik Helang, Menara SEDC
20th	28 April 2006	Windows on Kuching Suite 1, Crowne Plaza Riverside
21st	27 September 2006	Bilik Helang, Menara SEDC
22nd	13 December 2006	Bilik Persidangan, Tingkat 19, Wisma Bapa Malaysia

3.3 TERMS OF REFERENCE FOR ESTABLISHMENT COMMITTEE

(i) This committee shall be responsible for the following functions and duties:

a. Appointment

To approve appointment of all posts under salary code N41 (formerly N3) or equivalent thereof and higher grades.

b. Promotion of Employees

To approve the promotion of employees. Promotion in this case shall mean the appointment of an employee from one grade to a higher grade carrying a different salary scale in the Managerial and Professional group (N48, J48, W48 and L48 (formerly N2, J2, W2 and L2)).

c. Dismissal and Demotion of Employees

To dismiss and demote employees. These measures can only be taken by the Establishment Committee or the Disciplinary Board set up under the provisions of the Standing Orders (Conduct and Discipline of officers of the Corporation), 2000 after a thorough investigation has been made and after having accorded the officer concerned an opportunity to be heard in accordance with the rules of natural justice. Further, in the case of a decision to dismiss, the matter must be confirmed by the Members of the Corporation pursuant to Section 42 of the Ordinance.

d. Establishment of New Posts and Deletion of Redundant Posts in the Managerial and Professional groups.

To approve the establishment of new posts either already provided in the scheme of service of the Corporation or newly created ones, in particular those related to manpower requirements, and the deletion of redundant posts.

REPORT ON CORPORATE GOVERNANCE – 2006

e. Upgrading and re-designation of existing posts

To approve the upgrading and re-designation of posts for all salary groups.

f. Ex-gratia Payment

To approve ex-gratia payment. This payment is at the absolute discretion of the Committee and in exercising this discretion the Committee may take into account performance, loyalty, initiative, public relations and other relevant matters concerning the relevant officers.

g. Staff Welfare Matters

To approve staff welfare matters. This may include a host of matters that may be recommended by the management from time to time, including the following:-

- Rental subsidy
- Housing Loan
- In-service training exceeding a period of 6 months
- Medical

In all cases the Committee shall only deliberate on guidelines.

(ii) Establishment matters not specifically mentioned herein are to be dealt with by the Chairman and in particular the following:

a. Appointment of all posts other than those specified in Sub-Regulation (i) (a) above.

b. Award of Annual Increment

Annual increment for the Managerial and Professional Group should be approved by the General Manager in consultation with the Chairman. Increment in respect of all other officers below this group should be approved by the Head of the Human Resource Management Sector in consultation with the General Manager and Sectoral/SBUs Heads.

c. Deferment of increment

As in paragraph (b) above.

d. Acting Appointment and Responsibility Allowances

This refers to acting that is not for promotion, and charge allowances. For officers in the Managerial and Professional Group, the General Manager will deal direct in consultation with the Chairman. Officers below this level will be dealt with by the Head of the Human Resource Management Sector or Department in consultation with the General Manager.

e. Confirmation of officers in their posts

Confirmation of officers in the upper segment (N48, J48, W48 and L48 (formerly N2, J2, W2 and L2)) and Head of Sectors and Strategic Business Units must be approved by the Chairman. Other officers in the Managerial and Professional group shall be dealt with by the General Manager.

Officers in the Support Group (L32, F32, N32 and W32 (formerly L4, F4, N5 and W5)) and below shall be dealt with by the Head of the Human Resource Management Sector in consultation with the General Manager.

REPORT ON CORPORATE GOVERNANCE – 2006

4. CHARTER FOR GOOD CORPORATE GOVERNANCE

The Corporation's Charter for Good Corporate Governance was launched by the then State Secretary, YB Datuk Amar Haji Abdul Aziz Husain on 5 February 2001. The Charter lay down the principles and best management practices and corporate behaviour in the following areas:-

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

5. CORPORATE GOVERNANCE ACTIVITIES

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

- Reviewing and revising/amending/updating applicable regulations from time to time including:-
 - SEDC Accounting & Financial Regulations, 1980
 - Company Operations Manual
 - MS ISO 9001: 2000
- Organising seminars, workshops and talks on Corporate Governance subjects to all levels including:-
 - Towards Good Corporate Governance
 - Director's Role, Responsibilities and Liabilities by Encik John Sirau on 15th September 2006.
- Renewal of Halal Certificate for the four (4) SEDC hotels.

6. COMPLIANCE & REGULATIONS

- (i) The Corporation seeks to ensure compliance with the laws and regulations applicable to the Corporation. These include:-
- The SEDC Ordinance (Swk. Cap. 35)
 - Statutory Bodies (Conduct and Discipline) Ordinance, 2004
 - Statutory Bodies (Financial and Accounting Procedure) Ordinance, 1995
 - SEDC Financial Regulations, 1980
- (ii) In addition, the Management is required to implement and enforce the decisions directed by the SEDC Board.
- (iii) Whereas in respect of companies/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 continuously take actions to strengthen its corporate governance towards enhancing the business prosperity and corporate accountability towards uplifting its performance.



CHAIRMAN'S STATEMENT

On behalf of the Members of the Board, I am pleased to present the Annual Report of the Sarawak Economic Development Corporation for the financial year ending December 2006.

2006 was another successful year for the Corporation. Our group earned total revenue of RM338 million for the year as against RM276 million for the year before. Pre-tax profits amounted to RM69 million, as compared to RM36 million last year.

As a trust agency for Sarawak, SEDC has taken great strides in the creation of a Bumiputera business community in Sarawak. SEDC has successfully implemented projects, programmes and schemes aimed at developing successful, competitive and genuine Bumiputera entrepreneurs and improving the livelihood of the rural community.

The SEDC staff must be commended for their solid teamwork and total commitment towards upholding a high standard of corporate governance, professionalism, integrity and excellence in undertaking their tasks.

We invested heavily in training our people and developing them to attain their full potential so that they add value to the group.

The level of Corporate Governance and Integrity in SEDC is high. However, we will still continue to strengthen and enhance this bedrock on which SEDC stands. This solid and firm bedrock will be a foundation for SEDC to grow and prepare us to face any stormy weather ahead.

Our quest for quality will also continue as we practise and apply the MS ISO 9001:2000, the 5S practices and other initiatives.

In the year ahead, we will continue to consolidate our existing operations in our effort to create more wealth by enhancing and strengthening our existing projects, programmes and companies (Red Ocean Strategy). The Corporation will also continue to seek new strategic ventures which are relevant to the economic and social development of the State (Blue Ocean Strategy).

I thank our stakeholders and partners for their continued support and trust in SEDC. To all staff who have been loyal, hardworking and served with dedication and full of integrity a BIG THANK YOU.

“WE CHOOSE TO SUCCEED”

YB Datuk Haji Talib Zulpilip
Chairman

SEDC BOARD MEMBER



YB Datu Wilson Baya Dandot



Tuan Haji Za'ba in Haji
Che Rus



YBhg Datu Ahmad
Tarmizi Haji Sulaiman.



Yang Arif Datuk
Fong Joo Chung



YB Dr. Stephen Rundi Utom.



Chairman
YB Datuk Haji Talib Bin Zulpilip



YBhg. Datuk Haji Mohd.
Morshidi Abdul Ghani.



YBhg. Datuk Haji Ismail
Bin Hj. Hashim,



YBhg. Datu Haji Abdul Rashid
Bin Hj. Aziz,



YBhg. Encik Adzmy Bin Abdullah



YBhg. Datu Haji Wan Alwi
Dato Sri Wan Hashim

SEDC MANAGEMENT TEAM



YB Datuk Haji Talib Bin Zulpilip
Chairman



Laura Lee Ngien Hion
Acting General Manager



**Haji Wan LizOzman
Wan Omar**
*Deputy General Manager /
Director, Tourism and
Leisure Division*



Rakayah Bt Hamdan
*Director, Property Development
and Planning Division*



Hajah Siti Hajar Abang Mon
*Director, Property Development and
Planning Division*



Roneo J. Bunchol
*Director, Business
Development and
Monitoring Division*



Anas Haji Nasir
*Director, Agro-Food
Based Division*



**Tuan Haji Jamaludin
Mohd Yusof**
*Director, Entrepreneur
Development Division*



John W. Chamberlin Sirau
Director, Legal Affairs Division



George Su Kieh Ping
*Director, Engineering and
Technical Services Division*



Paul M. Ningkan
*Director, Human
Resource and General
Administration Division*



Gabriel E. Blassan
*Director, Corporate Marketing
Division / Corporate Relations
Division*



Siti Nurazlina Dollah,
*(Acting) Director, Information
and Communication Technology
Division / Quality Management
Division*



Amy Melissa Bujang
*Acting Director / Internal
Audit Division*



Wahab Abu Bakar
*Community Development
Division*

CORPORATE HIGHLIGHTS 2006

Presidential Address 2006 (6 January 2006)



Majlis Ibadah Qurban (10 January 2006)



Lunch with Sri Kenangan Folks at Astana Negeri (13 February 2006)



SEDC Family Day
(14-15 January 2006)



Info Telly News Gathering 2006
(24 January 2006)

CORPORATE HIGHLIGHTS 2006

34th Anniversary
(1 March 2006)



Visit to Songket Weaving Centre,
Kuala Rajang (2 March 2006)



Handing over of packages of
fish and sea-products during
the Book Keeping Course at
the Rajang Community Centre
(2 March 2006)

Official visit by DBKU 5S Committee
(3 March 2006)



Official visit by Pejabat Setiausaha Kerajaan
Negeri Selangor Darul Ehsan (7 March 2006)



LAUNCHING CEREMONIES & EVENTS



Rebranding of Sarawak Cultural Village (11 March 2006)

CORPORATE HIGHLIGHTS 2006

EXPO AND EXHIBITION



Sarawak Cottage Industry Seminar and Expo (24 March 2006)

Gawai Gathering at Samarahan Rehabilitation Centre (OKU) (20 July 2006)



Motivational Talk for PERYATIM (28 August 2006)



CULTURE BUILDING



SEDC Gotong Royong at Kuching Waterfront (23 September 2006)



“Titian Kasih” with children from Datu Hajah Ajibah Abol Children’s Home, Sri Aman graced by His Excellency TYT and Toh Puan (14 October 2006)

CORPORATE HIGHLIGHTS 2006



Love-in-the-Box.
(4 November 2006)



Love-in-the-Box.
(15 November 2006)

MEETINGS & WORKSHOPS



SEDC Regroup
(4-6 December 2006)



PEDAS Meeting



5S Visits



MS ISO 9001 : 2000 Internal Audit Closing Meeting

PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
MEMBERS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2006



**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2006**

Penyata kewangan Perbadanan Pembangunan Ekonomi Sarawak bagi tahun berakhir 31 Disember 2006 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap penyata kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap penyata kewangan tersebut.

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

3. Kecuali apa yang dinyatakan di perenggan 2.1 dalam Laporan Ketua Audit Negara, pada pendapat saya, penyata kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan pada 31 Disember 2006, hasil operasi serta aliran tunai untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.

4. Saya telah mempertimbangkan penyata kewangan dan laporan juruaudit bagi semua subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam Nota 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 disatukan. Saya juga telah menerima maklumat dan penjelasan yang memuaskan sebagaimana yang dikehendaki bagi tujuan tersebut.

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

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

PUTRAJAYA

Tarikh: 23 NOVEMBER 2007



**LAPORAN KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2006**

Laporan Ketua Audit Negara ini hendaklah dibaca bersama-sama dengan Sijil Ketua Audit Negara bagi menyokong pendapat Audit terhadap Penyata Kewangan tersebut.

2. Pemerhatian Audit terhadap Penyata Kewangan adalah seperti berikut :

2.1 Penyatuan Akaun Kumpulan – Syarikat 1st Silicon (Malaysia) Sdn. Bhd.

Syarikat 1st Silicon (Malaysia) Sdn. Bhd. (Syarikat) telah ditubuhkan pada tahun 1998 bagi membuat dan menjual cip *silicon wafer*. Perbadanan Pembangunan Ekonomi Sarawak (Perbadanan) telah dipertanggungjawab sebagai Agensi Kerajaan Negeri bagi melaksanakan projek ini dan telah melabur sejumlah RM1.37 bilion dalam Syarikat tersebut. Bagaimanapun, Perbadanan telah menjual sahamnya dalam Syarikat tersebut kepada Kerajaan Negeri sejumlah RM2.25 bilion. Perjanjian Jualan Saham tersebut telah ditandatangani pada 18 Mac 2006 dan pemindahan saham telah dilaksanakan pada 30 Ogos 2006.

Penyata Kewangan Syarikat 1st Silicon (Malaysia) Sdn. Bhd. tidak disatukan dengan Penyata Kewangan Perbadanan bagi tahun berakhir 31 Disember 2006 selaras dengan kehendak piawaian perakaunan.



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

PUTRAJAYA


23 NOVEMBER 2007

**PENYATA Pengerusi dan Seorang Ahli
Lembaga Pengarah**

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

- (a) kedudukan kewangan Perbadanan dan Kumpulan seperti pada 31 Disember 2006 dan hasil kendalian Perbadanan dan Kumpulan bagi tahun berakhir pada tarikh tersebut; dan
- (b) aliran tunai Perbadanan dan Kumpulan bagi tahun berakhir 31 Disember 2006.

Ditandatangani bagi pihak Lembaga menerusi resolusi Lembaga



.....
YB DATUK HAJI TALIB ZULPILIP

PENGERUSI

KUCHING 24 OCT 2007

Tarikh:



.....
**YB DR. RUNDI @
STEPHEN RUNDTHEE AK UTOM
AHLI**


KUCHING 24 OCT 2007

Tarikh:

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

Saya, **Lee Ngien Hion**, sebagai pegawai utama yang bertanggungjawab terhadap pengurusan kewangan **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan sesungguhnya dan seikhlasnya mengaku bahawa, pada pengetahuan dan kepercayaan saya, Penyata Kewangan yang dibentangkan pada muka surat 7 hingga 71, adalah betul dan saya membuatakuan ini dengan sesungguhnya mempercayai bahawa ianya itu adalah benar serta menurut peruntukan-peruntukan Akta Akuan Berkanun, 1960.

Diakui dan diisytiharkan dengan)
sesungguhnya oleh penama yang)
tersebut, **Lee Ngien Hion**,)
di Kuching dalam Negeri Sarawak)
pada **26 OCT 2007**)


.....
Lee Ngien Hion
Pemangku Pengurus Besar

Di hadapan saya,


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

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

Members' Report

The Members of the Board ("Members") present their report together with the audited financial statements of Sarawak Economic Development Corporation ("the Corporation") and of the Group for the financial year ended 31 December 2006.

Principal activities

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

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

Financial results	Group RM'000	Corporation RM'000
Profit for the year	58,736	24,091
Minority interests	(3,584)	-
	<hr/>	<hr/>
Profit attributable to members	55,152	24,091
	=====	=====

Reserves and provisions

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

Members

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

YB Datuk Haji Talib Zulpilip (Chairman)
 Setiausaha Kewangan Negeri
 YBhg Dato Sri Ahmad Tarmizi Haji Sulaiman
 Wakil daripada Perbendaharaan Persekutuan, Malaysia
 Tuan Hj. Za'ba Bin Hj. Che Rus
 YB Datuk Amar Wilson Baya Dandot
 YB Dr. Rundi @ Stephen Rundthee ak Utom
 Yang Arif Datuk Fong Joo Chung
 YBhg Datuk Haji Mohd. Morshidi Abdul Ghani
 YBhg Datuk Haji Ismail Haji Hashim
 YBhg Datu Haji Wan Alwi Dato Sri Wan Hashim
 YBhg Datu Haji Abdul Rashid bin Haji Aziz
 YBhg Dato' Adzmy bin Abdullah

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

Members' Report (contd.)

Significant events

The Corporation

Divestment of a subsidiary

On 18 March 2006, the Corporation entered into a Share Sale Agreement ("SSA") with the State Financial Secretary ("SFS") to dispose of its entire equity interest in its subsidiary, X-FAB Sarawak Sdn. Bhd. (formerly known as 1st Silicon (Malaysia) Sdn. Bhd.) ("X-FAB") in preparation for the merger exercise between X-FAB and a German company, X-FAB Semiconductor Foundries AG.

The shares were transferred on 30 August 2006 for a total consideration of RM2.25 billion and settled by way of SFS or its nominee assuming the entire principal sum and all interest thereon due to SGOS Capital Holdings Sdn. Bhd. as at 31 December 2005, all the Corporation's obligations and liabilities pursuant to the Sukuk Al'Ijarah transactions and all contingent liabilities undertaken by the Corporation as securities for banking facilities granted to X-FAB. SFS has waived the payment of advances up to the date of completion of the SSA.

The outcome of the divestment has been recognised in the income statement.

PPES Aqua (Santubong) Sdn. Bhd.

During the financial year, PPES Aqua (Santubong) Sdn. Bhd. disposed of its entire equity interest in its subsidiary, Sara Aquabest Sdn. Bhd. for a total consideration of RM100.

Damai Cove Resort Sdn. Bhd.

During the financial year, Damai Cove Resort Sdn. Bhd. entered into an agreement to sub-lease Holiday Inn Resort Damai Lagoon to Evergreen Aspects Sdn. Bhd. for a period of 30 years with option to purchase or enter into a joint venture with the Corporation within 5 years commencing from 3 January 2007.

Sara Great Horizon Sdn. Bhd.

During the financial year, a joint venture agreement to undertake the proposed development of a Lagoon Marina and Rainforest Theme Park was entered into between the Corporation and Evergreen Aspects Sdn. Bhd. Under the agreement, Sara Great Horizon Sdn. Bhd. will be used as a joint venture vehicle to undertake the development of its land together with other adjoining land to a Marina and Rainforest Theme Park.

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

Members' Report (contd.)

Significant events (contd.)

The Corporation

Acquisition of additional equity interest in Kuching Hotels Sdn. Bhd.

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

Statutory information on the financial statements

- (a) Before the income statements and balance sheets of the Corporation and of the Group were made out, the Members took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Members are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Corporation and of the Group inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Corporation and of the Group misleading.
- (c) At the date of this report, the Members are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Corporation and of the Group misleading or inappropriate.
- (d) At the date of this report, the Members are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Corporation or of the Group which would render any amount stated in the financial statements misleading.

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

Members' Report (contd.)

Statutory information on the financial statements (contd.)

- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Corporation and of the Group which has arisen since the end of the financial year which secures the liability of any other person; or
 - (ii) any contingent liability in respect of the Corporation and of the Group which has arisen since the end of the financial year apart from the contingent liabilities as disclosed in Note 29 to the financial statements.
- (f) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Members, will or may substantially affect the ability of the Corporation or of the Group to meet their obligations as and when they fall due.
- (g) In the opinion of the Members,
- (i) the results of the operations of the Corporation and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Corporation and of the Group for the financial year in which this report is made.

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



YB Datuk Haji Talib Zulpilip
Chairman



YB Dr. Rundi @ Stephen Rundthee ak Utom
Member

Kuching

Date: 24 OCT 2007

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

Income Statements for the year ended 31 December 2006

	Note	Group		Corporation	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	338,203	276,771	21,304	24,027
Cost of sales	3	(266,739)	(198,632)	(4,154)	(1,895)
Gross profit		71,464	78,139	17,150	22,132
Other operating income		71,063	52,521	55,511	39,374
Distribution costs		(3,073)	(3,173)	-	-
Administrative expenses		(59,581)	(51,585)	(12,191)	(11,719)
Other operating expenses		(33,769)	(46,388)	(35,646)	(29,161)
Profit from operations		46,104	29,514	24,824	20,626
Finance costs		(438)	(14,466)	(448)	(14,473)
Share of associates' results		23,594	21,441	-	-
Profit before taxation	4	69,260	36,489	24,376	6,153
Taxation	5	(10,524)	(11,568)	(285)	(1,019)
Profit after taxation		58,736	24,921	24,091	5,134
Minority interests		(3,584)	(4,430)	-	-
Profit attributable to members		55,152	20,491	24,091	5,134

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

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

Balance Sheets as at 31 December 2006

	Note	Group		Corporation	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Current assets					
Inventories	6	48,288	50,244	15,967	16,244
Property development costs	7(a)	3,205	1,345	3,205	1,345
Receivables	8	131,920	103,523	27,617	34,917
Grant receivable		25,269	35,636	25,269	35,636
Deposits with financial institutions	9	89,782	94,887	57,598	65,496
Cash and bank balances		87,217	59,289	58,156	37,284
		<u>385,681</u>	<u>344,924</u>	<u>187,812</u>	<u>190,922</u>
Less: Current liabilities					
Payables	10	132,769	207,357	24,150	139,234
Lease payables	11	254	296	224	208
Government term loans	12	2,498	21,282	2,498	21,282
Short term borrowings	13	8,525	8,525	8,525	8,525
Tax payable		1,741	1,698	-	-
		<u>145,787</u>	<u>239,158</u>	<u>35,397</u>	<u>169,249</u>
Net current assets		239,894	105,766	152,415	21,673
Subsidiaries	14	-	1,490,240	494,672	2,011,505
Associates	15	231,827	221,183	80,366	80,704
Investments in other corporations	16	164,520	138,205	153,891	128,193
Property, plant and equipment	17	128,883	130,001	22,010	22,347
Hotel and investment properties	18	316,469	315,480	-	-
Plantation development expenditure	19	94	135	-	-
Land held for development	7(b)	3,537	3,535	3,537	3,535
Deferred tax assets	25	529	19	-	-
		<u>1,085,753</u> =====	<u>2,404,564</u> =====	<u>906,891</u> =====	<u>2,267,957</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)

Balance Sheets as at 31 December 2006 (contd.)

	Note	Group		Corporation	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Financed by:					
State government equity fund	20	106,139	109,639	106,139	109,639
State government contribution for equity participation	20	268,577	648,577	268,577	648,577
Development funds	21	195,927	484,802	166,581	462,847
Reserves	22	452,310	393,494	337,624	313,533
		<u>1,022,953</u>	<u>1,636,512</u>	<u>878,921</u>	<u>1,534,596</u>
Minority interests		5,122	3,750	-	-
		<u>1,028,075</u>	<u>1,640,262</u>	<u>878,921</u>	<u>1,534,596</u>
Deferred and long-term liabilities					
Lease payables	11	486	741	443	667
Government term loans	12	27,028	40,195	27,028	40,195
Other term loans	23	-	350,000	-	350,000
Government grants	24	21,124	22,542	-	-
Deferred tax liabilities	25	8,530	8,287	-	-
Other long term liabilities	26	-	342,000	-	342,000
Employee benefits	27	510	537	499	499
		<u>1,085,753</u>	<u>2,404,564</u>	<u>906,891</u>	<u>2,267,957</u>
		=====	=====	=====	=====

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

The Sarawak Economic Development Corporation

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 2006

Group	Non-distributable				Revenue reserve	Total
	Capital reserve	Share premium	Revaluation reserve	Reserve on consolidation		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005						
As previously stated	353	8,823	14,672	33,704	310,737	368,289
Prior year adjustments (Note 34)	-	-	-	-	(61)	(61)
As restated	353	8,823	14,672	33,704	310,676	368,228
Issuance of preference shares	-	72	-	-	-	72
Arising on consolidation	-	-	-	15	-	15
Surplus on revaluation of hotel and investment properties	-	-	4,688	-	-	4,688
Profit for the year	-	-	-	-	20,491	20,491
Balance at 31 December 2005	353	8,895	19,360	33,719	331,167	393,494
At 1 January 2006						
As previously stated	353	8,895	19,360	33,719	331,104	393,431
Prior year adjustments (Note 34)	-	-	-	-	63	63
As restated	353	8,895	19,360	33,719	331,167	393,494
Issuance of preference shares	-	120	-	-	-	120
Provision for diminution in investment in a subsidiary	3,500	-	-	-	-	3,500
Arising on consolidation	-	-	-	44	-	44
Profit for the year	-	-	-	-	55,152	55,152
At 31 December 2006	3,853	9,015	19,360	33,763	386,319	452,310

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

The Sarawak Economic Development Corporation

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

Statement of Changes in Equity for the year ended 31 December 2006

	Non-distributable					Revenue reserve RM'000	Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000		
Balance at 1 January 2005	-	-	-	-	308,399	308,399	
Profit for the year	-	-	-	-	5,134	5,134	
Balance at 31 December 2005	-	-	-	-	313,533	313,533	
Profit for the year	-	-	-	-	24,091	24,091	
Balance at 31 December 2006	-	-	-	-	337,624	337,624	

Corporation

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

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

Consolidated Cash Flow Statement for the year ended 31 December 2006

	Group	
	2006 RM'000	Restated 2005 RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	69,260	36,489
Adjustments for:		
Allowance for diminution in investment	815	-
Allowance for doubtful debts net of allowance no longer required	2,024	2,718
Amortisation of goodwill/(reserve on consolidation) - net	13	15
Amortisation of government grant	(1,254)	(1,217)
Bad debts recovered, net of written off	477	58
Deposit written off	100	-
Depreciation	7,755	7,844
Dividend income	(3,377)	(2,437)
Gain on disposal of other investments	(1,304)	(565)
Gain on disposal of property, plant and equipment	(918)	(2,458)
Gain on disposal of non-consolidated subsidiaries	(46,122)	-
Impairment of plantation development expenditure	43	43
Impairment of property, plant and equipment, net of written back	-	174
Impairment of properties held for sale	-	71
Impairment of goodwill	31	-
Interest expense	438	14,466
Interest income	(4,107)	(9,657)
Inventories written off	57	259
Loss on disposal of associates	-	29
Other income	(19)	-
Plantation development expenditure written off	-	564
Property development cost written off	-	894
Property, plant and equipment written off	264	446
Share of associates' results	(23,594)	(21,441)
Trust receipts and banker acceptances waived	-	(352)
Unrealised (gain)/loss on foreign exchange	(306)	1,517
Operating profit before working capital changes	276	27,460
Decrease/(increase) in inventories	2,202	(3,269)
Decrease/(increase) in property development costs	1,366	(990)
Increase in receivables	(756)	(805)
Increase in payables	55,591	80,535
Deferred membership fees received	4,351	3,605
Cash generated from operations	63,030	106,536

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

Consolidated Cash Flow Statement for the year ended 31 December 2006 (contd.)

	Group	
	2006 RM'000	Restated 2005 RM'000
Cash flows from operating activities (contd.)		
Interest paid	(13,105)	(11,587)
Interest received	3,985	13,540
Taxes paid, net of refund	(4,066)	(1,767)
Net cash generated from operating activities	<u>49,844</u>	<u>106,722</u>
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(33,494)	(11,250)
Acquisition of property, plant and equipment	(7,941)	(6,836)
Advances to non-consolidated subsidiaries	-	(92,648)
Advances to other investments	(1,423)	(11,135)
Advances/loan to associates	(89)	(1,550)
Dividends received	5,812	3,387
Investment in hotel and investment properties	(378)	(995)
Plantation development expenditure	(2)	-
Proceeds from disposal of other investments	8,807	2,915
Proceeds from disposal of property, plant and equipment	1,387	1,756
Net cash used in from investing activities	<u>(27,321)</u>	<u>(116,356)</u>
Cash flows from financing activities		
Dividend paid to minority shareholders	(300)	(300)
Drawdown of term loan	-	350,000
(Increase)/decrease in fixed deposits pledged to financial institutions	(84)	4,382
Land premium paid	-	(199)
Proceeds from development fund	3,204	653
Proceeds from redemption of investment in a subsidiary	-	171,000
Proceeds from revolving credit	-	8,525
Proceeds from shares issued to minority shareholders	120	72
(Repayment)/receipts of Government grants	(164)	880
Repayment of Government term loans	(2,713)	(2,952)
Repayment of other term loans	-	(513,209)
Repayment of hire purchase and lease instalments	(297)	(354)
Net cash (used in)/generated from financing activities	<u>(234)</u>	<u>18,498</u>

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

Consolidated Cash Flow Statement for the year ended 31 December 2006 (contd.)

	Group	Restated
	2006	2005
	RM'000	RM'000
Net increase in cash and cash equivalents	22,289	8,864
Effect of translation adjustments	450	(309)
Cash and cash equivalents at beginning of year	147,270	138,715
Cash and cash equivalents at end of year	170,009 =====	147,270 =====
Cash and cash equivalents:		
Cash and bank balances	87,217	59,289
Fixed deposits with financial institutions (Note 9)	82,792	87,981
	170,009 =====	147,270 =====
Analysis of acquisition of property, plant and equipment:		
By cash	7,941	6,836
By lease	-	270
	7,941 =====	7,106 =====

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 2006

	Corporation	
	2006 RM'000	2005 RM'000
Cash flows from operating activities		
Profit before taxation	24,376	6,153
Adjustments for:		
Allowance for diminution in investment	2,218	-
Allowance for doubtful debts, net of allowance no longer required	14,776	3,196
Bad debts written off	356	-
Deposit written off	100	-
Depreciation	1,494	1,707
Dividend income	(8,234)	(4,258)
Loss on disposal of associates	-	30
Gain on disposal of a subsidiary	(46,321)	-
Gain on disposal of other investments	(1,327)	(565)
Gain on disposal of property, plant and equipment	(1,160)	(2,242)
Impairment of properties held for sale	-	71
Impairment of property, plant and equipment	-	174
Interest expense	447	14,473
Interest income	(2,936)	(8,574)
Property development cost written off	-	894
Property, plant and equipment written off	239	6
Unrealised exchange (gain)/loss	(167)	13
Operating (loss)/profit before working capital changes	(16,139)	11,078
Decrease/(increase) in inventories	449	(42)
Decrease/(increase) in property development costs	1,366	(990)
Decrease/(increase) in receivables	36,453	(636)
Increase in payables	19,662	87,681
Cash generated from operations	41,791	97,091
Interest paid	(13,262)	(11,645)
Interest received	2,936	12,456
Taxes paid, net of refund	-	1,098
Net cash generated from operating activities	31,465	99,000

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

Cash Flow Statement for the year ended 31 December 2006 (contd.)

	Corporation	
	2006 RM'000	2005 RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trusts	(32,502)	(10,386)
Acquisition of property, plant and equipment	(1,479)	(686)
Advances (to)/repaid by associates	(24)	40
Advances to other investments	(1,424)	(11,135)
Advances to subsidiaries	546	(93,915)
Dividend received	6,242	3,264
Proceeds from disposal of other investments	8,457	2,915
Proceeds from disposal of property, plant and equipment	1,243	963
Net cash used in from investing activities	<u>(18,941)</u>	<u>(108,940)</u>
Cash flows from financing activities		
(Increase)/decrease in deposits pledged to financial institutions	(40)	3,568
Other term loan obtained	-	350,000
Proceeds from development funds	3,205	653
Proceeds from redemption of investment in subsidiary	-	171,000
Proceeds from revolving credit	-	8,525
Repayment of Government term loans	(2,713)	(2,952)
Repayment of lease payables	(209)	(177)
Repayment other term loan	-	(513,000)
Net cash generated from financing activities	<u>243</u>	<u>17,617</u>
Net increase in cash and cash equivalents	12,767	7,677
Effects of exchange rate changes	167	(13)
Cash and cash equivalents at beginning of year	97,204	89,540
Cash and cash equivalents at end of year	<u>110,138</u> =====	<u>97,204</u> =====

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

Cash Flow Statement for the year ended 31 December 2006 (contd.)

	Corporation	
	2006 RM'000	2005 RM'000
Analysis of cash and cash equivalents:		
Cash and bank balances	58,156	37,284
Fixed deposits with financial institutions (Note 9)	51,982	59,920
	<u>110,138</u>	<u>97,204</u>
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	1,479	686
By lease	-	220
	<u>1,479</u>	<u>906</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)

Notes to the Financial Statements - 31 December 2006

1. Corporation information

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

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

The financial statements were authorised for issue by the Board of Members in accordance with a resolution of the Members on 23 October 2007.

2. Significant accounting policies

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

(a) Basis of accounting

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

Whilst the financial statements of the Corporation need not comply with the provisions of the Companies Act, 1965, the financial statements of all its subsidiaries comply. The financial statements of the Corporation and of the Group comply with applicable Private Entities Reporting Standards in Malaysia except for the full application of MASB Standard 11, Consolidated Financial Statements.

(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 2006

2. Significant accounting policies (contd.)

(b) Basis of consolidation (contd.)

(i) Subsidiaries (contd.)

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

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

(ii) Associates

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

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

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

(c) Goodwill

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

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(d) Investments in subsidiaries and associates

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

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

(e) Inventories

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

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

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

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

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

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

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

(ii) Property development costs

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

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

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

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

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

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

(g) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(g) Construction contracts (contd.)

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

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

(h) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(i) Provisions for liabilities

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

(j) Investments

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

(k) Property, plant and equipment and depreciation

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

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

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

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

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

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

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

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

(l) Hotel and investment properties

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

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

Surplus arising from revaluation is credited to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is recognised in income statement. No depreciation is provided on hotel and investment properties. It is the Group's policy to maintain these properties in such condition that the residual value is at a level where depreciation would be insignificant. The related maintenance expenditure is dealt with in the income statement.

(m) Plantation development expenditure

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(n) Accounting for grants

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

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

(o) Income tax

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

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

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

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(p) Foreign currencies

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

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

	2006 RM	2005 RM
1 Australian Dollar	2.77	2.78
1 United States Dollar	3.49	3.79
	===	===

(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.

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

Notes to the Financial Statements - 31 December 2006

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

Notes to the Financial Statements - 31 December 2006

2. Significant accounting policies (contd.)

(u) Receivables

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

(v) Payables

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

(w) Interest-bearing borrowings

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

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

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

Notes to the Financial Statements - 31 December 2006

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

Notes to the Financial Statements - 31 December 2006

3. General

Revenue

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

Revenue of the Group represents the aggregate of the invoiced value of goods sold less returns and billings for services rendered to customers, revenue from room sales, food and beverage sales and other incidental services rendered in conjunction with hotel operations, and rental income received and 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, development projects, food and beverage, golfing equipment and cost for providing travelling services.

4. Profit before taxation

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Allowance for diminution in investment	815	-	2,218	-
Allowance for doubtful debts, net of allowance no longer required	2,024	2,718	14,776	3,196
Auditors' remuneration				
- current year	397	344	29	29
- (over)/under provision	(6)	(2)	-	-
Amortisation of goodwill	13	15	-	-
Amortisation of government grants	(1,254)	(1,217)	-	-
Bad debts recovered	-	(10)	-	-
Bad debts written off	477	58	356	-
Deposit written off	100	-	100	-
Depreciation	7,755	7,844	1,494	1,707
Gain on disposal of other investments	(1,304)	(565)	(1,327)	(565)
Gain on disposal of property, plant and equipment	(918)	(2,458)	(1,160)	(2,242)

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

Notes to the Financial Statements - 31 December 2006

4. Profit before taxation (contd.)

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Gain on disposal of subsidiaries	(46,122)	-	(46,321)	-
Gain/loss on foreign exchange				
- unrealised	(306)	(1,517)	(167)	13
- realised	773	30	735	-
Gross dividends from:				
Associates				
- unquoted in Malaysia	-	-	(4,026)	(1,924)
Subsidiaries				
- unquoted in Malaysia	-	-	(1,593)	(100)
Other corporations				
- quoted in Malaysia	(3,377)	(2,437)	(2,615)	(2,234)
Impairment of goodwill	31	-	-	-
Impairment of plantation development expenditure	43	43	-	-
Impairment of property, plant and equipment	-	174	-	174
Impairment of properties held for sale	-	71	-	71
Income from rental of land and buildings	(2,225)	(2,218)	(1,208)	(1,361)
Interest income	(4,107)	(9,657)	(2,936)	(8,574)
Interest expense				
- commercial borrowings	97	14,122	49	14,017
- hire purchase	8	-	-	-
- government loan	333	344	333	344
- paid to subsidiaries	-	-	65	112
Inventories written off/down	57	259	-	-
Loss on disposal of associates	-	29	-	30
Members' remuneration:				
- fees as Members of the Corporation	23	24	23	24
- allowance as Members of the Corporation	11	12	11	12
- fees as directors of subsidiaries	34	-	-	-
- others as directors of subsidiaries	183	34	-	-

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

Notes to the Financial Statements - 31 December 2006

4. Profit before taxation (contd.)

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Other directors of subsidiaries:				
- fees	1,816	686	-	-
- others	1,116	1,260	-	-
Operating grants	(9,530)	(36,648)	(9,190)	(36,308)
Principal of term loan, trust receipts and bankers acceptances waived	-	(352)	-	-
Property development cost written off	-	894	-	894
Property, plant and equipment written off	264	446	239	6
Plantation development expenditure written off	-	564	-	-
Rental expenses				
- land and buildings	1,828	1,298	342	343
- rigs and equipment	116,358	57,354	-	15,493
	=====	=====	=====	=====
(b) Employee information				
Staff costs	46,210	47,374	12,189	11,716
	=====	=====	=====	=====

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM2,999,260 (2005: RM3,473,213) and RM989,092 (2005: RM1,213,768) respectively.

Included in staff costs of the Group for the previous financial year was compensation on loss of employment amounting to RM2,270,186 related to claim in arrears by a former employee of a subsidiary.

	Group		Corporation	
	2006	2005	2006	2005
Number of employees	1,358	1,723	279	287
	=====	=====	=====	=====

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

Notes to the Financial Statements - 31 December 2006

5. Taxation

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	1,896	3,288	-	695
- Foreign tax	959	985	-	-
	<u>2,855</u>	<u>4,273</u>	<u>-</u>	<u>695</u>
Under provision in previous years				
- Malaysian income tax	127	350	285	324
	<u>2,982</u>	<u>4,623</u>	<u>285</u>	<u>1,019</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	(823)	(27)	(331)	-
- Foreign tax	184	201	-	-
	<u>(639)</u>	<u>174</u>	<u>(331)</u>	<u>-</u>
Under/(over) provision in previous year				
- Malaysian income tax	331	(61)	331	-
	<u>(308)</u>	<u>113</u>	<u>-</u>	<u>-</u>
Share of taxation of associates	7,850	6,832	-	-
Tax expense for the year	<u>10,524</u> =====	<u>11,568</u> =====	<u>285</u> =====	<u>1,019</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 28% (2005: 28%) of the estimated chargeable income for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Notes to the Financial Statements - 31 December 2006

5. Taxation (contd.)

Domestic companies with paid-up share capital of RM2.5 million and below at the beginning of the basis period for the year of assessment are subject to Malaysian corporate tax at a rate of 20% on chargeable income up to RM500,000 (2005: RM500,000). The Malaysian statutory tax rate of 28% is applied to chargeable income in excess of RM500,000 (2005: RM500,000).

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

Group	2006 RM'000	Restated 2005 RM'000
Profit before taxation	69,260 =====	36,489 =====
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	19,392	10,217
Effect of lower tax rate of 20%	(155)	(135)
Effect of different tax rates in other countries	76	44
Effect of income not subject to tax	(16,789)	(7,880)
Effect of realisation of cost provision	(2,031)	-
Expenses not deductible for tax purposes	5,593	9,552
Utilisation of previously unrecognised deferred tax assets	(2,506)	(2,792)
Deferred tax assets not recognised during the year	4,894	2,010
Under provision of income tax expense in prior years	127	350
Under/(over) provision of deferred tax expense in prior year	331	(61)
Under/(over) provision of income tax expense of associates in prior years	1,886	272
Over provision of deferred tax expense of associates in prior years	(298)	-
Others	4	(9)
Tax expense for the year	10,524 =====	11,568 =====
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of tax losses brought forward from previous years	-	-
Unutilised tax losses carried forward	9,750 =====	87,415 =====

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

Notes to the Financial Statements - 31 December 2006

5. Taxation (contd.)

Corporation	2006 RM'000	2005 RM'000
Profit before taxation	24,376 =====	6,153 =====
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	6,825	1,723
Effect of income not subject to tax	(15,195)	(6,340)
Expenses not deductible for tax purposes	5,340	6,166
Deferred tax assets not recognised	2,699	-
Utilisation of previously unabsorbed capital allowances	-	(854)
Under provision of income tax in prior year	285	324
Under provision of deferred tax in prior year	331	-
Tax expense for the financial year	<u>285</u> =====	<u>1,019</u> =====

Estimated tax losses of the Corporation available to set off against future assessable income amounted to RM10 million (2005: RMNil), subject to agreement by the Inland Revenue Board.

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

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

Notes to the Financial Statements - 31 December 2006

6. Inventories

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Properties held for sale	16,205	16,492	16,205	16,492
Trading stocks	473	184	-	-
Livestocks	29,630	31,481	-	-
Souvenir stocks	1,085	1,062	-	-
Materials and consumable	1,485	1,355	32	22
	<u>48,878</u>	<u>50,574</u>	<u>16,237</u>	<u>16,514</u>
Provision for inventories obsolescence	(320)	(60)	-	-
Provision for impairment loss	(270)	(270)	(270)	(270)
	<u>48,288</u>	<u>50,244</u>	<u>15,967</u>	<u>16,244</u>
	=====	=====	=====	=====

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

	Group	
	2006 RM'000	2005 RM'000
At cost	2,069	4,704
At net realisable value	27,561	26,777
	<u>29,630</u>	<u>31,481</u>
	=====	=====

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

Notes to the Financial Statements - 31 December 2006

7. Property development costs and land held for property development

	Group and Corporation	
	2006 RM'000	2005 RM'000
(a) Property development costs		
Property development costs at 1 January:		
Freehold land	-	948
Leasehold land	4,548	5,171
Development costs	14,766	20,626
	<u>19,314</u>	<u>26,745</u>
Costs incurred during the year:		
Leasehold land	-	187
Development costs	630	3,181
	<u>630</u>	<u>3,368</u>
Cost recognised in the income statement:		
At 1 January	-	-
Recognised during the year	-	(1,945)
	<u>-</u>	<u>(1,945)</u>
At 31 December	-	(1,945)
Transfers:		
To inventories	(172)	(549)
To land held for development	(2)	(7,280)
Written off to income statement	(3)	(894)
Written off to development grant	3,400	-
	<u>3,223</u>	<u>(8,723)</u>
Property development grant received	(19,962)	(18,100)
Property development costs at 31 December	<u>3,205</u> =====	<u>1,345</u> =====
(b) Land held for property development		
Cost		
At 1 January	7,280	-
Transfer from property development cost	2	7,280
	<u>7,282</u>	<u>7,280</u>
Less: Provision for loss	(3,745)	(3,745)
At 31 December	<u>3,537</u> =====	<u>3,535</u> =====

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

Notes to the Financial Statements - 31 December 2006

8. Receivables

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	122,003	87,010	25,922	25,063
Allowance for doubtful debts	(12,861)	(9,624)	(8,131)	(6,403)
	<u>109,142</u>	<u>77,386</u>	<u>17,791</u>	<u>18,660</u>
Other receivables and prepayments	39,216	41,531	25,354	33,234
Allowance for doubtful debts	(21,411)	(19,072)	(18,717)	(18,769)
	<u>17,805</u>	<u>22,459</u>	<u>6,637</u>	<u>14,465</u>
Tax recoverable	4,973	3,368	3,189	1,482
Rental receivable	-	310	-	310
	<u>4,973</u>	<u>3,678</u>	<u>3,189</u>	<u>1,792</u>
Total	<u>131,920</u> =====	<u>103,523</u> =====	<u>27,617</u> =====	<u>34,917</u> =====
9. Deposits with financial institutions				
With foreign banks	909	763	-	-
With licensed banks	64,499	72,351	35,158	45,596
With licensed finance companies	17,384	14,867	16,824	14,324
	<u>82,792</u>	<u>87,981</u>	<u>51,982</u>	<u>59,920</u>
With licensed banks, pledged	6,990	6,906	5,616	5,576
	<u>89,782</u> =====	<u>94,887</u> =====	<u>57,598</u> =====	<u>65,496</u> =====

Included in the Group's and Corporation's fixed deposits was an amount of RM6,990,352 (2005: RM6,905,517) and RM5,615,799 (2005: RM5,575,578), respectively, placed on lien to licensed banks for 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.

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

Notes to the Financial Statements - 31 December 2006

10. Payables

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	11,153	8,602	-	-
Other payables and accruals	121,616	198,755	24,150	139,234
	<u>132,769</u>	<u>207,357</u>	<u>24,150</u>	<u>139,234</u>
	=====	=====	=====	=====

Included in other payables and accruals of the Group is deferred membership fee amounting to RM27,838,450 (2005: RM23,486,928) 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 (2005: RM1,313,200). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free except for RM823,306 (2005: RM823,306) which bears interest of 2% per annum.

11. Lease payables

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Repayable within twelve months	254	296	224	208
Repayable after twelve months	486	741	443	667
	<u>740</u>	<u>1,037</u>	<u>667</u>	<u>875</u>
	=====	=====	=====	=====
Minimum lease payment:				
Not later than one year	292	355	259	259
Later than one year but not later than five years	506	791	452	710
Later than five years	25	33	25	25
	<u>823</u>	<u>1,179</u>	<u>736</u>	<u>994</u>
Future finance charges	(83)	(142)	(69)	(119)
	<u>740</u>	<u>1,037</u>	<u>667</u>	<u>875</u>
	=====	=====	=====	=====

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

Notes to the Financial Statements - 31 December 2006

12. Government term loans, unsecured

	Group and Corporation	
	2006 RM'000	2005 RM'000
Interest bearing loans	15,195	26,729
Interest free loans	14,331	34,748
	<u>29,526</u>	<u>61,477</u>
Repayable within one year	(2,498)	(21,282)
	<u>27,028</u>	<u>40,195</u>
Repayable after one year	=====	=====

The interest rates range from 4% to 8% per annum (2005: 4% to 8% per annum) for interest bearing loans.

13. Short term borrowings

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revolving credit, unsecured	8,525	8,525	8,525	8,525
	=====	=====	=====	=====

The revolving credit bore interest rate of 4.2% at balance sheet date.

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares at cost				
Consolidated subsidiary	-	-	164,542	164,292
Non-consolidated subsidiary	-	1,397,317	-	1,397,317
Allowance for diminution in value	-	-	(44,282)	(37,673)
Share of post acquisition reserves	-	180	-	-
	<u>-</u>	<u>1,397,497</u>	<u>120,260</u>	<u>1,523,936</u>
Amounts due from subsidiaries:				
Non-consolidated subsidiary	-	92,743	-	92,743
Consolidated subsidiaries	-	-	322,272	322,058
	<u>-</u>	<u>92,743</u>	<u>322,272</u>	<u>414,801</u>
Current accounts	-	92,743	322,272	414,801
Allowance for doubtful debts	-	-	(38,824)	(19,956)
	<u>-</u>	<u>92,743</u>	<u>283,448</u>	<u>394,845</u>
Loan accounts	-	-	91,972	92,732
Allowance for doubtful debts	-	-	(1,000)	-
	<u>-</u>	<u>-</u>	<u>90,972</u>	<u>92,732</u>
Amounts due to subsidiaries:				
Current accounts	-	-	(8)	(8)
	<u>-</u>	<u>1,490,240</u>	<u>494,672</u>	<u>2,011,505</u>
	=====	=====	=====	=====

The Group's non-consolidated subsidiary in the previous year comprises an investment in X-FAB Sarawak Sdn. Bhd. (formerly known as 1st Silicon (Malaysia) Sdn. Bhd.). The Corporation had disposed of this investment during the year as disclosed in Note 31 to the financial statements.

The amounts due from subsidiaries are unsecured, interest free and have fixed terms of repayment except for certain advances to subsidiaries which bear interest rates between 2% to 8% (2005: 2% to 8%) per annum.

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

The shares of all the subsidiaries are unquoted. All the subsidiaries of the Group are incorporated in Malaysia except for Rosewood Station Pty Ltd., which is incorporated in Australia, while 1st Silicon America, Inc. is incorporated in the United States of America. Details of the Group's subsidiaries are as follows:

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Direct subsidiaries of the Corporation			
Azen Industries Sdn. Bhd. Company No. 105851-H	Inactive	60	60
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Ownership of a holiday resort	100	100
Comerich Sdn. Bhd.	General trading	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding and provision of management services	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Ownership and operations of Holiday Inn Resorts Damai Lagoon	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Goebilt Seafoods Processing Bhd. Company No. 9449-U	Inactive	71	71
1st Silicon (Malaysia) Sdn. Bhd. Company No. 456668-U	Fabrication and sale of silicon wafer chips	-	69
Kenyalang Teguh Sdn. Bhd. Company No. 261703	Inactive	70	70
Permaisara Sdn. Bhd. Company No. 104725-V	Extraction and selling of timber	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Ownership of a commercial car park complex	100	100
PPES Akua (Mukah) Sdn. Bhd. Company No. 104725-V	Inactive	100	100

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Direct subsidiaries of the Corporation (contd.)			
PPES Akua (Santubong) Sdn. Bhd. Company No. 152122-T	Investment holding and breeding of prawns	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding and provision of administrative, professional and financial supports to its subsidiaries	100	100
Revlín Holdings Sdn. Bhd. Company No. 213339-X	Inactive	100	100
Safemal Drilling Sdn. Bhd. Company No. 152877-H	Exploration and drilling of oil in Malaysian waters	55	55
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd. Company No. 141893-M	Provider in media related services	100	100
Sara Fibre Sdn. Bhd. Company No. 312494-P	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Leasing of recreational and camping facilities at Damai Rainforest Resort	100	100
Sara Hotels Bhd. Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Development and cultivation of oil palm	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Leasing of restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Hotel business, extraction and sale of timber and operation of a cultural centre.	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Direct subsidiaries of the Corporation (contd.)			
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Provision of management services for tourism and leisure activities	100	100
Sara Sago Industries Sdn. Bhd. Company No. 89962-X	Inactive	100	100
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Provision of management services, investment holding and general trading	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Operation and management of Club Asia International	100	100
Sarakraft Sdn. Bhd. Company No. 133055-W	Marketing and promotion of local handicrafts	100	100
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Letting out car care centre and the collection of rental	100	100
Sedidik Sdn. Bhd. Company No. 50688-T	Provision of child development centres	100	100
Sejadu Sdn. Bhd. Company No. 170777-M	Property investment and hotel business	100	100
Taskwin Marketing Sdn. Bhd. Company No. 264315-D	General trading	100	100
Subsidiary of Damai Beach Golf Course Bhd.			
Damai Golf and Country Club Bhd. Company No. 139361-U	Ownership and management of a golf course	100	100

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Subsidiaries of 1st Silicon (Malaysia) Sdn. Bhd.			
1st Silicon America, Inc.	USA Representative Office	-	100
1st Silicon (Labuan), Inc.	Investment holding	-	100
Subsidiary of PPES Akua (Santubong) Sdn. Bhd.			
Sara Aquabest Sdn. Bhd. Company No. 302840-A	Inactive	-	51
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Cattle farming and distribution of cattle, goat and deer	100	100
Sara-Bif Sdn. Bhd. Company No.081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Cattle farming in Australia	100	100
Subsidiaries of Revlin Holdings Sdn. Bhd.			
Higlobe Sdn. Bhd. Company No. 254889-T	Inactive	80	80
Prime Height Sdn. Bhd. Company No. 258366-V	Inactive	51	51
Subsidiary of Sara Resorts Sdn. Bhd.			
H.I.-Sara Hospitality Sdn. Bhd. Company No. 441568-K	Investment holding and provision of management services	70	70
Subsidiary of Sara Resorts Holdings Sdn. Bhd.			
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Inactive	100	100

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899	Inactive	60	60
Hakanda Sdn. Bhd. Company No. 174704-T	Fruit planting	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

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

The financial statements of the following sub-subsidiaries, InterConnect USA, 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.

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

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

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

"Without qualifying our opinion, we draw attention to Note 3 in the note to the financial statements. The Company incurred a net loss after tax expense of RM21,172 during the financial year ended 31 December 2006. As at that date, the Company's current liabilities exceeded its current assets by RM468,245 and its shareholders' funds is in deficit of RM100,742. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the shareholder and on its attaining cash inflows to sustain its operation."

(b) Sara Sago Industries Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the notes to the financial statements. The Company incurred a net loss of RM1,662 during the financial year ended 31 December 2006. As at that date, the Company's current liabilities exceeded its current assets by RM361,136 and its shareholders' funds is in deficit of RM4,070,097. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the shareholder and on its attaining cash inflows to sustain its operation."

(c) Sarawak Car Care Centre Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 in the note to the financial statements. As at 31 December 2006, the Company's current liabilities exceeded its current assets by RM171,087 and the shareholders' equity is in deficit of RM3,784,486. In view of these factors, continuation of the Company as a going concern on which basis the financial statements have been prepared is dependent on the continuing financial support from the shareholder and on its attaining cash inflows to sustain its operation."

(d) Asia Vacations Club Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM1,655,740 as of 31 December, 2006 (2005: RM1,654,275), which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM1,665,740 (2005: RM1,654,275). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holdings companies and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate."

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM28,289 as of 31 December 2006 (2005: RM26,934), which arose as a result of losses incurred in the current and prior years and, as of that date, net current liabilities are RM26,291 (2005: RM26,936). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on going concern basis may no longer be appropriate.”

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM28,742 as of 31 December 2006 (2005: RM27,117), which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM28,742 (2005: RM27,117). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM1,335,187 as of 31 December 2006 (2005: RM1,248,970), which arose as a result of operational losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM5,354,566 (2005: RM5,268,349). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM28,512 as of 31 December 2006 (2005: RM27,137), which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM28,512 (2005 : RM27,137). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM12,142,656 as of 31 December 2006 (2005: RM13,287,775), which arose as a result of operational losses sustained in the prior years and, as of that date, current liabilities exceed current assets by RM89,114,761 (2005: RM90,280,105). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been drawn up on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive support from its holding entity and, creditors and the business operations will be profitable in the foreseeable future and, consequently the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

(j) *Sara Worldwide Vacations Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Group and the Company have capital deficiencies of RM2,763,045 and RM1,096,805 respectively as of 31 December 2006 (2005: RM2,333,211 and RM662,436) which arose as a result of operational losses incurred in prior years. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Group and the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

(k) Sara Resorts Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Group and the Company have capital deficiencies of RM8,647,363 and RM9,202,995 respectively as of 31 December 2006 (2005: RM10,570,588 and RM11,395,238), which arose as a result of operational losses incurred in the current and prior years. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Group and of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Group and the Company will continue to receive adequate financial support from its holding entity, creditors and bankers and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

(l) Sara Rasa Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM257,131 as of 31 December 2006 (2005: RM259,019), which arose as a result of operational losses incurred in prior years and, as of that date, current liabilities exceeded current assets by RM354,711 (2005: RM399,904). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity, creditors and bankers and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

(m) Sara Hotels Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM231,534 as of 31 December 2006 (2005: RM228,279), which arose as a result of losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM231,534 (2005: RM228,279). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity and related companies and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

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

“Without qualifying our opinion, we draw attention to Note 2 to the financial statements. As stated therein, the Company stopped its plantation development activities in 2003 as a result of a court order pertaining to a suit filed by six individuals in which the Superintendent of Lands and Surveys, Sarawak, the State Government of Sarawak and the Company were named as defendants. The reliefs sought by the plaintiffs include a declaration that they have native customary rights over the Company’s long term leasehold land with carrying value of RM7,704,139 as at 31 December 2006 (which was alienated to the Company via its holding company by the Superintendent of Lands and Surveys, Sarawak) and a prohibitory injunction restraining the Company from carrying out any works on the said land. The pre-trial case management for the suit is now fixed on 13 June 2007 and the full trial for the suit has been fixed on 3 September 2007 to 14 September 2007. Due to the uncertainty over the outcome of the case, we are unable to ascertain if the Company’s ownership over the said land would be affected and whether the Company would suffer any loss, in the event that the judgement of the case is unfavourable to the Company.”

(o) *Permata Carpark Sdn. Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM228,196 as of 31 December 2006 (2005: RM347,723), which arose as a result of operational losses incurred in prior years and, as of that date, current liabilities exceeded current assets by RM779,274 (2005: RM819,526). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its holding entity, and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM39,183,153 as of 31 December 2006 (2005: RM37,626,964), which arose as a result of operational losses sustained over the years and, as of that date, current liabilities exceeded current assets by RM7,796,946 (2005: RM8,075,606). These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its immediate holding company and ultimate holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

(q) Sara Convention Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company has a capital deficiency of RM177,766 as of 31 December 2006, which arose as a result of operational losses sustained over the years and, as of that date, current liabilities exceeded current assets by RM203,532. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the Company will continue to receive adequate financial support from its shareholders, creditors and bankers and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on the going concern basis may no longer be appropriate.”

(r) Sara Concrete Poles Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the notes to the financial statements. The Company incurred a net loss after tax expense of RM6,841 during the financial year ended 31 December 2006 and as of that date, the Company’s shareholders’ funds is in deficit of RM115,922. In view of these factors, continuation of the Company as a going concern is dependent on the continuing financial support from the holding corporation and on its attaining cash inflows to sustain its operations.”

(s) Sarakraf Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements. The Company has a capital deficiency of RM361,343 as of Director 31 2006, which arose as a result of operational losses incurred in the current and prior years and, as of that date, current liabilities exceeded current assets by RM1,664,665. These factors raise substantial doubt as to whether the Company will be able to continue as a going concern. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. The basis presumes that the Company will continue to receive adequate financial support from its holding entity and the business operations will be profitable in the foreseeable future and, consequently, the realisation of assets and the settlement of liabilities will occur in the ordinary course of business. Should these assumptions be negated, the basis of preparation of the financial statements on a going concern basis may no longer be appropriate.”

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

Notes to the Financial Statements - 31 December 2006

14. Subsidiaries (contd.)

(t) Sarawak Coconut Enterprise Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred a net loss of RM222,904 during the financial year ended 31 December 2006. At that date, the Company’s current liabilities exceeded its current assets by RM1,896,573 and the shareholders’ equity of the Company was in deficit of RM8,043,122. In view of these factors, continuation of the Company as a going concern, on which basis the financial statements have been prepared, is dependent on the continuing financial support from the ultimate holding corporation and creditors and on the Company attaining sufficient cash inflows to meet its liabilities as and when they fall due.”

(u) Revlin Holdings Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred a net loss of RM1,936 during the financial year ended 31 December 2006. At that date, the Company’s current liabilities exceeded its current assets by RM349,595 and the shareholders’ equity of the Company was in deficit of RM328,575. In view of these factors, continuation of the Company as a going concern, on which basis the financial statements have been prepared, is dependent on the continuing financial support from the ultimate holding corporation and creditors and on the Company attaining sufficient cash inflows to meet its liabilities as and when they fall due.”

15. Associates

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	61,491	61,491	60,491	60,491
Allowance for diminution in value	(1,150)	(1,000)	(150)	-
	<u>60,341</u>	<u>60,491</u>	<u>60,341</u>	<u>60,491</u>
Share of retained profits less losses	147,060	136,143	-	-
Share of capital reserves	353	353	-	-
	<u>207,754</u>	<u>196,987</u>	<u>60,341</u>	<u>60,491</u>
Amounts due from associates:				
Current accounts	4,418	4,363	370	380
Provision for doubtful debts	(359)	(147)	(359)	(147)
	<u>4,059</u>	<u>4,216</u>	<u>11</u>	<u>233</u>
Loan accounts	20,014	19,980	20,014	19,980
	<u>231,827</u>	<u>221,183</u>	<u>80,366</u>	<u>80,704</u>
	=====	=====	=====	=====

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

Notes to the Financial Statements - 31 December 2006

15. Associates (contd.)

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

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2006 and their principal activities are shown below:

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Owner of hotels	36	36
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Own and operate Holiday Inn Kuching and the Sarawak Plaza in Kuching	45	45
Permodalan Assar Sdn. Bhd. Company No. 289723-H	Investment holding	20	20
CMS Resources Sdn. Bhd. (formerly Sara Kuari Sdn. Bhd.) Company No. 98773-T	Investment holding, sale of quarry stones and sand	49	49
Sara V-Pile Sdn. Bhd. Company No. 196668-T	Inactive	30	30
Sebor (Sarawak) Sdn. Bhd. Company No. 17625-H	Investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Construction, management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30

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

Notes to the Financial Statements - 31 December 2006

15. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2006 %	2005 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Manufacture and sale of activated carbon	40	40
Associate of PPES Ternak Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	40	40

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

16. Investments in other corporations

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unit trust at cost:				
- Quoted in Malaysia	53,531	26,536	47,449	21,066
Investments at cost:				
- Unquoted shares	6,579	5,905	5,371	4,731
Less: Allowance for diminution in value	(665)	-	(665)	-
	5,914	5,905	4,706	4,731
- Quoted shares in Malaysia	78,944	80,622	75,604	77,254
	84,858	86,527	80,310	81,985
Amount due from:				
Current accounts	8,497	8,074	8,497	8,074
Less: Provision for doubtful debts	(458)	(24)	(458)	(24)
	8,039	8,050	8,039	8,050
Loan accounts	18,092	17,092	18,093	17,092
	26,131	25,142	26,132	25,142
	164,520	138,205	153,891	128,193
Market value of:				
- Quoted unit trust	59,225	26,972	50,687	20,377
- Quoted shares	50,730	37,162	48,894	35,547
	109,955	64,134	99,581	55,924

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

Notes to the Financial Statements - 31 December 2006

16. Investments in other corporations (contd.)

The market value of the quoted unit trusts and shares of the Group and the Corporation is lower than cost by RM22,520,000 (2005: RM43,024,000) and RM23,472,000 (2005: RM42,396,000), respectively. However, the Members are of the opinion that allowance for impairment in value is not required as the impairment in value is considered not permanent and the investments are held on a long term basis.

The Sarawak Economic Development Corporation

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

Notes to the Financial Statements - 31 December 2006

17. Property, plant and equipment

Group	Freehold land RM'000	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 2006	3,102	27,023	2,583	86,990	146,311	56,200	15,858	2,412	340,479
Additions	-	387	844	1,530	3,368	1,058	754	-	7,941
Reclassifications	-	(10)	10	1,939	394	-	(2,944)	-	(611)
Adjustments	-	-	-	-	(4)	-	-	-	(4)
Disposals	-	-	-	(533)	(694)	-	(208)	-	(1,435)
Written off	-	-	-	(590)	(370)	-	-	-	(960)
Exchange difference	14	-	1	8	18	35	-	-	76
At 31 December 2006	3,116	27,400	3,438	89,344	149,023	57,293	13,460	2,412	345,486
Accumulated depreciation									
Charges for 2005	-	592	36	2,309	4,244	622	-	41	7,844
At 1 January 2006:									
As previously stated	-	1,362	352	42,563	119,092	11,800	129	208	175,506
Prior year adjustments (Note 34)	-	-	-	(21)	(362)	-	-	-	(383)
As restated	-	1,362	352	42,542	118,730	11,800	129	208	175,123
Charges for the year	-	584	36	2,099	4,014	980	-	42	7,755
Disposals	-	-	-	(452)	(514)	-	-	-	(966)
Written off	-	-	-	(355)	(341)	-	-	-	(696)
Exchange difference	-	-	-	3	10	19	-	-	32
At 31 December 2006	-	1,946	388	43,837	121,899	12,799	129	250	181,248

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

Notes to the Financial Statements - 31 December 2006

17. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost/Valuation						
At 1 January 2006	18,399	2,274	15,939	533	9,594	46,739
Additions	1,231	-	-	-	248	1,479
Disposals	-	(153)	(531)	-	(221)	(905)
Written-off	-	(262)	(590)	-	(17)	(869)
At 31 December 2006	19,630	1,859	14,818	533	9,604	46,444
Accumulated depreciation						
Charges for 2005	369	231	774	-	333	1,707
At 1 January 2006	854	1,335	12,826	533	8,670	24,218
Charges for the year	361	273	552	-	308	1,494
Disposals	-	(152)	(452)	-	(218)	(822)
Written-off	-	(262)	(355)	-	(13)	(630)
At 31 December 2006	1,215	1,194	12,571	533	8,747	24,260
Accumulated impairment losses						
Impairment losses for 2005	-	-	174	-	-	174
At 1 January 2006/At 31 December 2006	-	-	174	-	-	174
Net book value						
At 31 December 2006	18,415	665	2,073	-	857	22,010
At 31 December 2005	17,545	939	2,939	-	924	22,347

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

Notes to the Financial Statements - 31 December 2006

17. Property, plant and equipment (contd.)

Corporation	Land RM'000	Motor vehicles RM'000	Building and improvements RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Analysis of cost and valuation:						
At cost	18,476	1,859	14,004	207	9,604	44,150
At valuation	1,154	-	814	326	-	2,294
At 31 December 2006	19,630	1,859	14,818	533	9,604	46,444
At cost	17,245	2,274	15,125	207	9,594	44,445
At valuation	1,154	-	814	326	-	2,294
At 31 December 2005	18,399	2,274	15,939	533	9,594	46,739

Land comprises of:

Cost/valuation	Freehold Land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
At 1 January 2006	110	17,004	1,285	18,399
Reclassification	-	(10)	10	-
Addition	-	387	844	1,231
At 31 December 2006	110	17,381	2,139	19,630
Representing:				
At cost	110	16,227	2,139	18,476
At valuation	-	1,154	-	1,154
	110	17,381	2,139	19,630

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

Notes to the Financial Statements - 31 December 2006

17. Property, plant and equipment (contd.)

	Freehold Land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Total RM'000
Accumulated depreciation				
Charges for 2005	-	328	41	369
	=====	=====	=====	=====
At 1 January 2006	-	747	107	854
Charges for the year	-	325	36	361
	-----	-----	-----	-----
At 31 December 2006	-	1,072	143	1,215
	-----	-----	-----	-----
Net Book Value				
At 31 December 2006				
At cost	110	15,155	1,996	17,261
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	110	16,309	1,996	18,415
	-----	-----	-----	-----
Net Book Value				
At 31 December 2005				
At cost	110	15,103	1,178	16,391
At valuation	-	1,154	-	1,154
	-----	-----	-----	-----
	110	16,257	1,178	17,545
	-----	-----	-----	-----

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 RM666,297 (2005: RM709,231). The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM750,267 (2005: RM939,752) which were acquired under hire purchase and finance lease agreements.

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

Notes to the Financial Statements - 31 December 2006

18. Hotel and investment properties

	Group	
	2006 RM'000	2005 RM'000
At valuation:		
- 1996	72,500	72,500
- 2004	71,600	71,600
- 2005	163,974	163,974
	<u>308,074</u>	<u>308,074</u>
At cost	8,395	7,406
	<u>316,469</u>	<u>315,480</u>
	=====	=====
At 1 January	315,480	305,530
Additions during the year	378	995
Revaluation surplus	-	4,688
Transfer from property, plant and equipment	611	4,267
	<u>316,469</u>	<u>315,480</u>
	=====	=====
At 31 December	316,469	315,480
	=====	=====

The valuations for 1996, 2004 and 2005 in respect of hotel and investment properties was adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value basis. The surplus on revaluation was credited to revaluation reserve.

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

19. Plantation development expenditure

	Group	
	2006 RM'000	2005 RM'000
At cost:		
At 1 January	7441	8,005
Addition during the year	2	-
Written off	-	(564)
	<u>7,443</u>	<u>7,441</u>
At 31 December	7,443	7,441
	<u>7,443</u>	<u>7,441</u>
Accumulated amortisation:		
At 1 January and 31 December	(3,285)	(3,285)

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

Notes to the Financial Statements - 31 December 2006

19. Plantation development expenditure (contd.)

	Group	
	2006 RM'000	2005 RM'000
Impairment loss:		
At 1 January	(3,944)	(3,901)
Addition	(43)	(43)
At 31 December	<u>(3,987)</u>	<u>(3,944)</u>
Government grant received	(77)	(77)
Net book value	<u>94</u> =====	<u>135</u> =====

20. State government equity fund and contribution for equity participation

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

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

21. Development funds

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Bumiputra Participation Fund	80,100	77,779	70,109	67,788
Cattle Industry Development Fund	20,781	20,833	11,417	11,469
Aquaculture Development Fund	15,552	15,552	12,540	14,952
Camp Permai Fund	2,000	2,000	-	-
Child Development Programme Fund	-	1,154	-	1,154
Wafer fabrication project	10,464	304,196	10,464	304,196
Others	67,030	63,288	62,051	63,288
	<u>195,927</u> =====	<u>484,802</u> =====	<u>166,581</u> =====	<u>462,847</u> =====

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

Notes to the Financial Statements - 31 December 2006

22. Reserves

	Group		Corporation	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Capital reserves (a)	3,853	353	-	-
Share premium (b)	9,015	8,895	-	-
Revaluation reserve (c)	19,360	19,360	-	-
Reserve on consolidation	33,763	33,719	-	-
Revenue reserve	386,319	331,167	337,624	313,533
	<u>452,310</u>	<u>393,494</u>	<u>337,624</u>	<u>313,533</u>
	=====	=====	=====	=====

(a) Capital reserves:

	Group	
	2006 RM'000	2005 RM'000
At 1 January	353	353
Addition	3,500	-
At 31 December	<u>3,853</u>	<u>353</u>
	=====	=====

Addition during the year arose from provision for diminution in investment in a subsidiary, Eastern Empress Silk Sdn. Bhd., under State Government Equity Fund. This reserve is maintained until such time when the subsidiary is disposed or written off.

(b) Share premium:

	Group	
	2006 RM'000	2005 RM'000
At 1 January	8,895	8,823
On issuance of preference shares during the year	120	72
At 31 December	<u>9,015</u>	<u>8,895</u>
	=====	=====

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

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

Notes to the Financial Statements - 31 December 2006

22. Reserves (contd.)

	Group	
	2006 RM'000	2005 RM'000
(c) Revaluation reserve:		
At 1 January	19,360	14,672
Revaluation surplus	-	4,688
At 31 December	<u>19,360</u> =====	<u>19,360</u> =====

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

23. Other term loans

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Commercial loan, unsecured	-	350,000	-	350,000
	<u>-</u> =====	<u>350,000</u> =====	<u>-</u> =====	<u>350,000</u> =====

The Corporation obtained a commercial loan in the sum of USD92 million (equivalent to RM350 million) from SGOS Capital Holdings Sdn. Bhd. to refinance its investment in X-FAB Sarawak Sdn. Bhd. (formerly known as 1st Silicon (Malaysia) Sdn. Bhd.) ("X-FAB"). The principal amount of this loan is repayable in one lump sum on or before 1 August 2015. Coupon payments (of interest) are on a semi annual basis, beginning from 1 February 2006, and represents an effective interest rate of 5.83% per annum on the said loan. The loan was assumed by the State Financial Secretary upon the divestment of X-FAB disclosed in Note 31.

24. Government grants

	Group	
	2006 RM'000	2005 RM'000
At 1 January:		
As previously stated	22,542	22,588
Prior year adjustment (Note 34)	-	291
As restated	<u>22,542</u>	<u>22,879</u>
Receipts of grants	-	880
	<u>22,542</u>	<u>23,759</u>
Amortisation of grants	(1,253)	(1,217)
Repayment of grants	(165)	-
At 31 December	<u>21,124</u> =====	<u>22,542</u> =====

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

Notes to the Financial Statements - 31 December 2006

25. Deferred tax

	Group	
	2006 RM'000	2005 RM'000
At 1 January	8,268	8,567
Recognised in income statement (Note 5)	(308)	113
Exchange differences	41	(412)
	<u>8,001</u>	<u>8,268</u>
	=====	=====
At 31 December	8,001	8,268
	<u>8,001</u>	<u>8,268</u>
	=====	=====
Presented after appropriate offsettings as follows:		
Deferred tax assets	(529)	(19)
Deferred tax liabilities	8,530	8,287
	<u>8,001</u>	<u>8,268</u>
	=====	=====
At 31 December	8,001	8,268
	<u>8,001</u>	<u>8,268</u>
	=====	=====
Arising from:		
Excess of capital allowances over depreciation	(506)	(14)
Other short term temporary difference	8,507	8,282
	<u>8,001</u>	<u>8,268</u>
	=====	=====

26. Other long term liabilities

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Refundable lease deposit	-	342,000	-	342,000
	<u>-</u>	<u>342,000</u>	<u>-</u>	<u>342,000</u>
	=====	=====	=====	=====

The refundable lease deposit was in respect of a sublease agreement entered into by the Corporation with its subsidiary, X-FAB Sarawak Sdn. Bhd. (formerly known as 1st Silicon (M) Sdn. Bhd.) ("X-FAB"), and is refundable upon maturity of the sublease. The amount was included as part of the divestment of X-FAB as disclosed in Note 31.

27. Employee benefits

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long service leave	11	38	-	-
Annual leave and others	499	499	499	499
	<u>510</u>	<u>537</u>	<u>499</u>	<u>499</u>
	=====	=====	=====	=====

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

Notes to the Financial Statements - 31 December 2006

28. Significant inter-company transactions

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

	Corporation	
	2006 RM'000	2005 RM'000
Management fees paid to a subsidiary	-	300
Interest income received from subsidiaries	-	(8)
Interest paid to subsidiaries for deposits placed with Central Cash Management	69	112
Marketing fees received from a subsidiary	(553)	(769)
Rental received from an associate	(20)	-
Rental received from a subsidiary	(12)	(18)
Management fee received from an associate	(23)	(14)
	=====	=====

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

29. Contingent liabilities

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unsecured:				
Claims pending	-	270	-	-
Guarantees given to a bank for credit facilities granted to a subsidiary	3,750	3,750	-	-
Guarantees given to financial institutions for facilities granted to a subsidiary	-	30,000	-	30,000
	-----	-----	-----	-----
	3,750	34,020	-	30,000
	-----	-----	-----	-----
Secured:				
Guarantees given to financial institutions for facilities granted to a subsidiary	-	553,000	-	553,000
	-----	-----	-----	-----
	3,750	587,020	-	583,000
	=====	=====	=====	=====

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

Notes to the Financial Statements - 31 December 2006

29. Contingent liabilities (contd.)

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.

30. Commitments

	Group		Corporation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital commitments:				
Approved and contracted for	416	1,315	316	-
Approved but not contracted for	1,003	350	-	-
	<u>1,419</u>	<u>1,665</u>	<u>316</u>	<u>-</u>
	=====	=====	=====	=====

31. Significant events

The Corporation

Divestment of a subsidiary

On 18 March 2006, the Corporation entered into a Share Sale Agreement ("SSA") with the State Financial Secretary ("SFS") to dispose of its entire equity interest in its subsidiary, X-FAB Sarawak Sdn. Bhd. (formerly known as 1st Silicon (Malaysia) Sdn. Bhd.) ("X-FAB"), in preparation for the merger exercise between X-FAB and a German company, X-FAB Semiconductor Foundries AG.

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

Notes to the Financial Statements - 31 December 2006

31. Significant events (contd.)

The Corporation (contd.)

Divestment of a subsidiary (contd.)

The shares were transferred on 30 August 2006 for a total consideration of RM2.25 billion and settled by way of SFS or its nominee assuming the entire principal sum and all interest thereon due to SGOS Capital Holdings Sdn. Bhd. as at 31 December 2005, all the Corporation's obligations and liabilities pursuant to the Sukuk Al'jarah transactions and all contingent liabilities undertaken by the Corporation as securities for banking facilities granted to X-FAB. SFS has waived the payment of advances up to the date of completion of the SSA.

The outcome of the divestment has been recognised in the income statement.

PPES Aqua (Santubong) Sdn. Bhd.

During the financial year, PPESAqua (Santubong) Sdn. Bhd. disposed of its entire equity interest in its subsidiary, Sara Aquabest Sdn. Bhd. for a total consideration of RM100.

Damai Cove Resort Sdn. Bhd.

During the financial year, Damai Cove Resort Sdn. Bhd. entered into an agreement to sub-lease Holiday Inn Resort Damai Lagoon to Evergreen Aspects Sdn. Bhd. for a period of 30 years with option to purchase or enter into a joint venture with the Corporation within 5 years commencing from 3 January 2007.

Sara Great Horizon Sdn. Bhd.

During the financial year, a joint venture agreement to undertake the proposed development of a Lagoon Marina and Rainforest Theme Park was entered into between the Corporation and Evergreen Aspects Sdn. Bhd. Under the agreement, Sara Great Horizon Sdn. Bhd. will be used as a joint venture vehicle to undertake the development of its land together with other adjoining land to a Marina and Rainforest Theme Park.

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

Notes to the Financial Statements - 31 December 2006

32. Subsequent events

The Corporation

Acquisition of additional equity interest in Kuching Hotels Sdn. Bhd.

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

33. Currency

All amounts are stated in Ringgit Malaysia.

34. Prior year adjustments

Prior year adjustments in 2005 represent over statement of amount due from contract customers and sales, over statement of rental of premises and accrued expenses, over provision for depreciation of property, plant and equipment and amortisation of government grants. Accordingly, the following accounts in prior financial year have been restated to reflect the effects of these adjustments as follows:-

	Group 2005 RM'000
Effects on revenue reserve:	
At 1 January, as previously stated	310,737
Effects of prior year adjustments	
- over statement of sales	(524)
- over statement of rental of premises	463
- over statement of depreciation of property, plant and equipment	(291)
- over amortisation of government grants	291
	<hr/>
At 1 January, as restated	310,676
	=====
Effects on profit for the year:	
Profit before prior year adjustments	20,367
Effects of prior year adjustments	
- over statement of sales	(8)
- over statement of rental	132
- over statement of depreciation of property, plant and equipment	(92)
- over amortisation of government grants	92
	<hr/>
Net profit for the year	20,491
	=====

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

Notes to the Financial Statements - 31 December 2006

34. Prior year adjustments (contd.)

Comparative amounts for the following as at 31 December 2005 has been restated:

	Previously stated	Adjustments	Restated
Receivables	104,055	(532)	103,523
Payables	207,952	(595)	207,357
Property, plant and equipment	129,618	383	130,001
Government grants	22,159	383	22,542
	=====	====	=====



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