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SECTION 1 : CORPORATE STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the Members of the Board, I am pleased to present the Annual Report of Sarawak Economic Development Corporation for the financial year ending 2010.

The Corporation posted a strong Profit Before Tax (PBT) of RM32.16 million, which is higher than the result registered in 2009. At Group level, SEDC also recorded a PBT of RM38.96 million, thus maintaining a healthy positive trend amidst an increasingly challenging economic condition and global market turmoil.

2010 also saw the completion of a number of new projects, among them, the RM21.85 million Kompleks Perniagaan Kubah Ria Baru, Kuching, the RM0.97 million Futsal Court, Bintulu and RM3.30 million Medan Niaga Sibul. Another commercial project completed on schedule is the joint development of the RM12.08-million mixed commercial properties at Bintawa, Kuching with Tenaga Seri Wangsa Sdn Bhd. A new joint-venture project, the Palm Villa comprising of 207 units of mixed properties with Hock Peng Realty Sdn. Bhd also took off during the year.



YB DATUK HAJI TALIB ZULPILIP
 CHAIRMAN
 Sarawak Economic Development Corporation



To enhance our tourism properties, we have successfully developed Damai Central, costing RM15 million and upgraded the Sarawak Cultural Village at a cost of RM5 million. The extension and refurbishment of the Kuching Waterfront as well as the upgrading of Matang Family Park were also carried out successfully in 2010.

In the agriculture and food production sector, SEDC with its joint-venture partner Cocolin Industries Sdn. Bhd have successfully planted a total of 22,573 *matag* coconut palms over an area of 101.22 hectares in a 2,115-hectare plantation at Asajaya, Kota Samarahan. Our Santubong aquaculture farm with its 68 ponds and a total water surface area of 46.56 hectares hit an all-time high production of 1,718 metric tonnes of *paneus vannamei* white prawns in 2010, the highest ever recorded in the farm's 19-year history.

In its role as a trust agency for the development of Bumiputera in the State, SEDC continued to implement various schemes and programmes aimed at enhancing the capacity and capability of the entrepreneurs. A total of RM1.7 million was spent by the Corporation for the development of entrepreneurs in 2010 in various programmes and

CHAIRMAN'S STATEMENT continuation



such as *Program Sejahtera Ekonomi Bandar* (PROSEB), *Program Peningkatan Usahawan Bumiputera* (PUTERA), *Program Pembangunan Rakyat Khas* (PPRK) and *Skim Pinjaman Industri Kecil dan Sederhana* (SPIKS), *Community and Commercial Broiler Programmes*, *Program Usahawan Muda* (PUM) and *Program Perintis Usahawan* (PPU).

The continued success of SEDC is attributed to the commitment and teamwork of the staff in upholding a high standard of corporate governance, professionalism and integrity in undertaking their tasks. Our principle of Corporate Governance practised across the group reflects our strong belief in doing the right things right.

SEDC's efforts in practising the highest standards of integrity was duly recognised when the corporation was awarded a 4-Star rating (highest level) under the Accountability Index for Financial Management by the National Audit Department.



Accountability Index Award

Our journey for quality improvement also continued through compliance with the ISO 9001:2008 Quality Management System, adoption of best practices and upgrading of our delivery systems to provide fast and reliable service to our customers. This is in line with our War Cry "Get It Done - Fast and Right".

We continued to invest in the training of our people to develop their full potential and advancement in their career and professional growth. With the right training, skills and work environment, they are motivated to add value to the group.

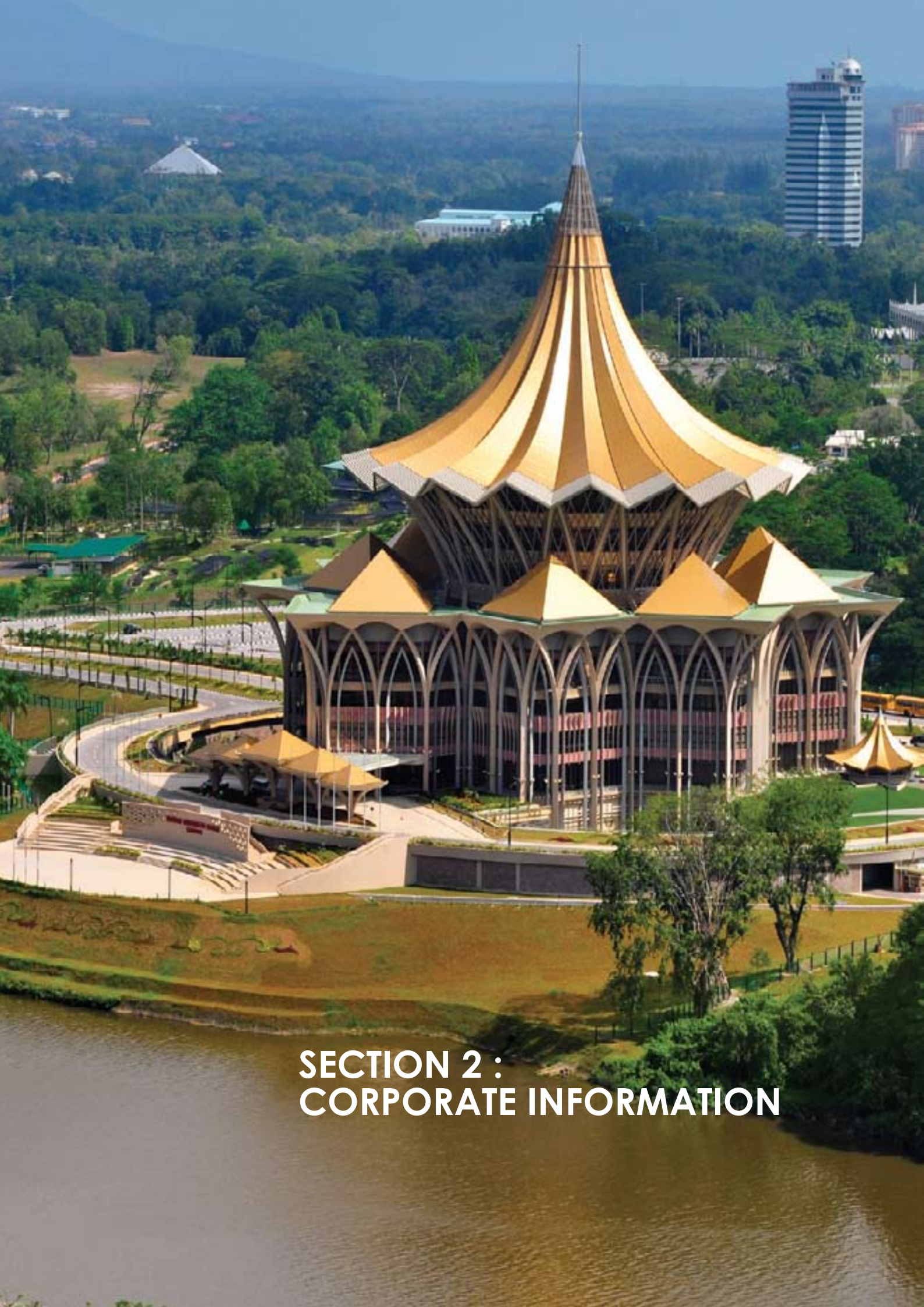
In the years ahead, we expect to improve the performance of the Group while at the same time, maintain the highest standard of governance and integrity.

SEDC will continue to grow new businesses by building smart partnerships and strategic alliances with reputable and successful organisations. We will develop our assets and pave the way for new industries that will tap the vast resources of the State to complement the government's objective in making Sarawak a developed State by 2020.

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

"COMMITTED TO EXCELLENCE"

**YB Datuk Haji Talib Zulpilip
 CHAIRMAN**



SECTION 2 : CORPORATE INFORMATION

CORPORATE BACKGROUND

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

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

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

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

VISION

To be the premier State agency in Malaysia

MISSION

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

SHARED VALUES

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

MOTTO

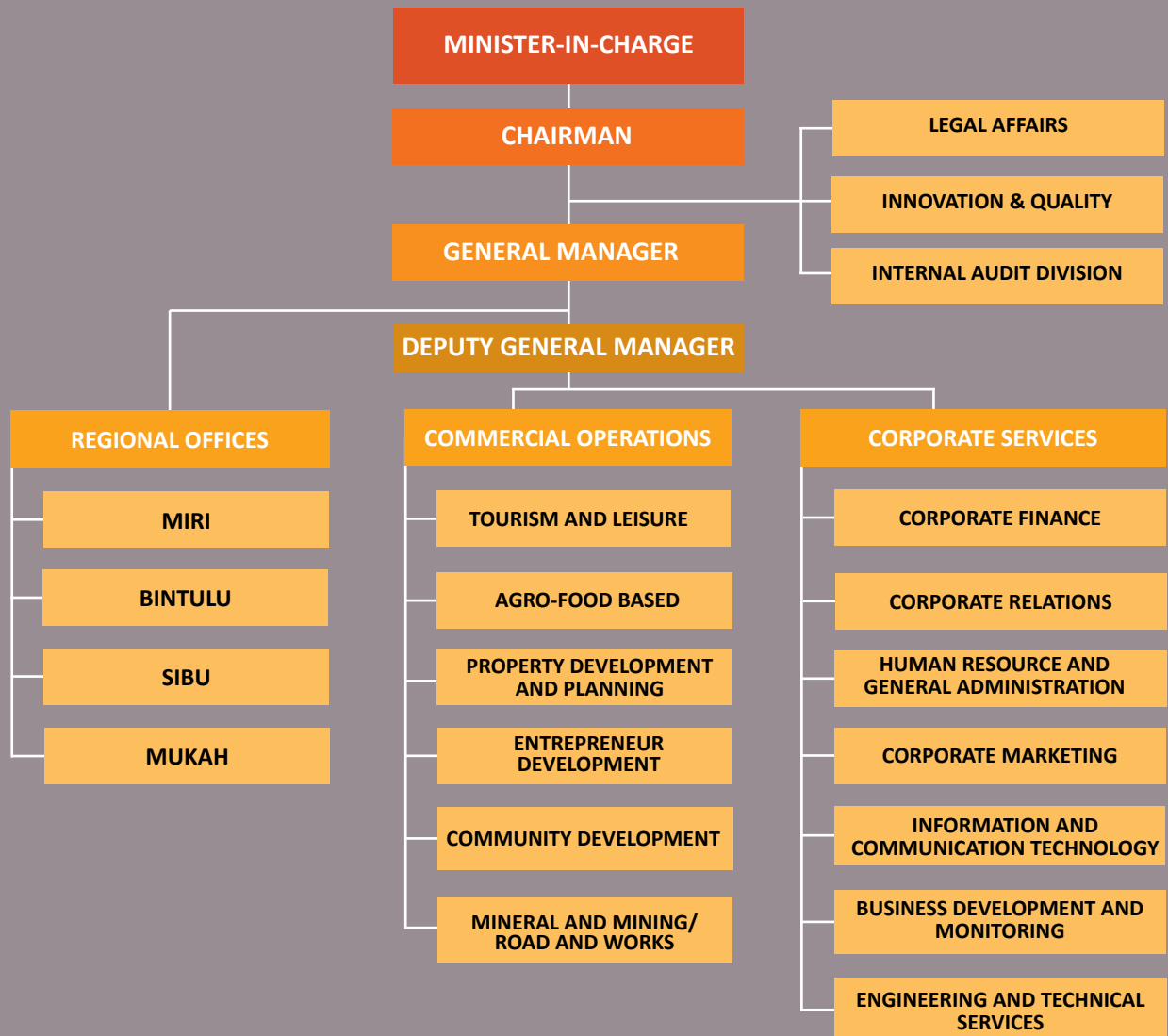
"COMMITTED TO EXCELLENCE"

WAR CRY

"GET IT DONE - FAST AND RIGHT"



ORGANISATION STRUCTURE



BOARD MEMBERS



YB DATUK HAJI TALIB ZULPILIP
Chairman



YB DATUK AMAR HAJI MOHAMAD
MORSHIDI BIN ABDUL GHANI
Sarawak State Secretary



YBHG DATO SRI AHMAD TARMIZI
BIN HAJI SULAIMAN
Sarawak State Financial Secretary



ENCIK RAHIM BIN ABU BAKAR



YB DATUK DR. STEPHEN RUNDI
UTOM



YBHG DATUK AMAR WILSON
BAYA DANDOT



YBHG DATUK FONG JOO CHUNG



YBHG DATUK HAJI ISMAIL
BIN HAJI HASHIM



YBHG DATU HAJI WAN ALWI
BIN DATO SRI WAN HASHIM



YBHG DATU HAJI ABDUL RASHID
BIN HAJI AZIZ



ENCIK MOHAMAD AMIN
MA'MON BIN MOHAMAD

MANAGEMENT TEAM



CHAIRMAN

1. YB DATUK HAJI TALIB ZULPILIP

MEMBERS

GENERAL MANAGER

2. YBHG. DATU DR. HAJI SULAIMAN HAJI HUSAINI

DEPUTY GENERAL MANAGER

3. TUAN HAJI WAN LIZOZMAN BIN WAN OMAR
Director, Tourism & Leisure Division (T&L)
4. PUAN RAKAYAH BINTI HAMDAN
Director, Corporate Finance Division (CFD)
5. PUAN HAJAH SITI HAJAR BINTI ABANG MON
Director, Property Development & Planning Division (PRODEV)
6. TUAN HAJI JAMALUDIN BIN MOHD. YUSOF
Director, Entrepreneur Development Division (EDD)
7. ENCIK PAUL M. NINGKAN
Director, Agro-Food Based Division
8. ENCIK JOHN W. SIRAU
Director, Legal Affairs Division (LEGAL)
9. ENCIK EDWIN ABIT
Director, Corporate Relations Division (CRD) & Innovation & Quality Division (IQD)
10. ENCIK GEORGE SU KIEH PING
Director, Engineering and Technical Services (ENG)
11. ENCIK JAMES AMBROSE DAGO
Acting Director, Corporate Marketing Division (MKT)
12. ENCIK RONEO JOSEPH BUNCHOL
Director, Business Development Division (BIZ)
13. ENCIK YAP YIEN CHIANG
Director, Internal Audit Division (IAD)
14. ENCIK SULZARI BIN MOHAMED
General Manager, SEDIDIK SDN BHD
15. PUAN MARILYN N. BIYOR
Director, Human Resource & General Administration Division (HRM)
16. CIK SITI NURAZLINA BINTI DOLLAH AMAT USOP
Acting Director, Information & Communications Technology Division (ICT)



Your Preferred Business Partner



Agro - Food



Fisheries & Aquaculture



Entrepreneur Development



Tourism & Leisure



Rest & Recreation & Commercial Centre



Mineral, Mining & Works



Property Development



Child Care & Family Development

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

AWARDS & CERTIFICATIONS



Prime Minister's Quality Award 1994



Anugerah Kualiti Timbalan Setiausaha Kerajaan Negeri Sarawak 1996



Sarawak Chief Minister's Quality Award for Civil Service 1999



Anugerah Pengamal Kualiti 2009



Malaysian Business Ethics Excellence Award 2008



Anugerah Kecemerlangan Pengurusan Kewangan Berdasarkan Indeks Akuntabiliti Tahun 2009



Anugerah Inovasi Perkhidmatan Awam Kebangsaan 1996



MPC's Quality Environment Practices (Until 31 March 2011)



Quality Management System - ISO 9001:2008 & BS EN ISO 9001:2008 Certification



SARAWAK ECONOMIC DEVELOPMENT CORPORATION (SEDC)

6 - 11th Floor, Menara SEDC, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

P.O. Box 400, 93902 Kuching, Sarawak

Tel : +082-416777 Fax :+082-424330 email: ssedc@po.jaring.my www.sedc.com.my



SS CERTIFIED ORGANISATION

SEDC GROUP OF COMPANIES

TOURISM & LEISURE

Subsidiaries

Sara Resorts Sdn Bhd

Sara Hospitality Sdn Bhd

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

Kuching Hotels Sdn Bhd

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

Sejadu Sdn Bhd

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

Sara Urusharta Sdn Bhd

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

Damai Beach Golf Course Bhd

Damai Golf & Country Club Bhd

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

Sara Worldwide Vacations Bhd

Asia Vacations Club Sdn Bhd

9th Floor, Menara SEDC
Jalan Tunku Abdul Rahman
93100 Kuching
Tel: 082-238007
Fax: 082-248007
Website: www.clubasia.com.my

Damai Cove Resorts Sdn Bhd

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

Sara Resorts Management Sdn Bhd

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

Permata Carpark Sdn Bhd

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

Sara Rasa Sdn Bhd

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

Bukit Saban Resort Sdn Bhd

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

Sara Great Horizon Sdn Bhd

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

Sara Resorts Holdings Sdn Bhd

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

Damai Beach Resort Sdn Bhd

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

Sara Hotels Bhd

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

Sara Convention Sdn Bhd

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

Sara Tourism & Leisure Sdn Bhd

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

Associates

GOS Management Holdings Sdn Bhd

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

Subsidiary of holding company

Investment

Borsarmulu Resort Sdn Bhd

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



SEDC GROUP OF COMPANIES

AGRO-FOOD BASED

Subsidiaries

PPES Aqua (Santubong) Sdn Bhd

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

PPES Ternak Holdings Sdn Bhd

PPES Ternak Sdn Bhd
Rosewood Station Pty Ltd
Sarabif Sdn Bhd
 Lot 1260, Jalan Mersawa
 Bintawa Industrial Estate
 93450 Kuching
 Tel: 082-482015 / 085-739317
 Fax: 082-481350 / 082-424330
 Website: www.sedc.com.my

Kenyalang Teguh Sdn Bhd

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

Sara-HL Plantation Sdn Bhd

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

Eastern Empress Silk Sdn Bhd

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

Sara Sago Industries Sdn Bhd

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

PPES Akua (Mukah) Sdn Bhd

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

Sarapine Sdn Bhd

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

Sara Concrete Poles Sdn Bhd

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

Sara Spectrum Holdings Sdn Bhd

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

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

Associates

SOP Karabungan Sdn Bhd

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

Subsidiary of holding company



SEDC GROUP OF COMPANIES

ENTREPRENEUR DEVELOPMENT

Subsidiaries

Comerich Sdn Bhd

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

Taskwin Marketing Sdn Bhd

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

Revlin Holdings Sdn Bhd

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

Sara-Fibre Sdn Bhd

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



COMMUNITY DEVELOPMENT

Subsidiaries

SeDidik Sdn Bhd

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



MINERAL & MINING

Associates

CMS Infra Trading Sdn Bhd CMS Sumber Sdn Bhd

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

CMS Resources Sdn Bhd

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

7th Mile, Old Airport Road
93250 Kuching
Tel: 082-610226
Fax: 082-612434/615598
Website: www.cmsb.com.my



ROADS & WORKS

Associates

CMS Land Sdn Bhd

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

CMS Property Management Sdn Bhd

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

PPES Works (Sarawak) Sdn Bhd

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

Subsidiary of holding company

SEDC GROUP OF COMPANIES

OTHERS

Subsidiaries

Permaisara Sdn Bhd

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

Goebilt Seafoods Processing Bhd

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

Sarawak Car Care Centre Sdn Bhd

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

Azen Industries Sdn Bhd

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

Associates

IDS Sebor (S'wak) Holdings Sdn Bhd

Lot 2678, Section 64 KTL D
Jalan Kwong Lee Bank
93450 Kuching
Tel: 082-335677
Fax: 082-484720
Website: www.idsgroup.com

Permodalan ASSAR Sdn Bhd

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

Syarikat Sebangun Sdn Bhd

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

Investment

Sarawak Concrete Industries Bhd

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

Cahaya Mata Sarawak Bhd

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



CORPORATE HIGHLIGHTS

Annual Presidential Address 2010 19 February 2010



YB Datuk Chairman delivering his annual Presidential Address

Rebranding of SEDC Hotels 19 March 2010



Guest of Honour, Deputy Chief Minister, YB Datuk Patinggi Tan Sri Dr. George Chan Hong Nam launching the Grand Margherita Makeover witnessed by Deputy Chief Minister, YB Datuk Patinggi Tan Sri Alfred Jabu and YB Datuk Chairman

Pesta Nostalgia Boyan-Gersik-Sourabaya 18 - 20 March 2011



YB Datuk Chairman launching a promotional poster for Pesta Nostalgia Boyan-Gersik-Sourabaya



YB Datuk Chairman with YB Dr. Abdul Rahman and winners of the P. Ramlee Song Singing Contest

Integrity Day “Berintegriti Budaya Kita” 12 April 2010



YAB Chief Minister of Sarawak launching the Integrity Day witnessed by YB Datuk Chairman and YBhg Datu Dr. Haji Sulaiman Haji Husaini.



Integrity Award Winners with YAB Chief Minister of Sarawak

CORPORATE HIGHLIGHTS

Berbuka Puasa with Children of PERYATIM 20 August 2010



Handing over of Zakat Perniagaan SEDC to Tabung Baitulmal Sarawak witnessed by YAB Chief Minister of Sarawak



YAB Chief Minister of Sarawak handing over Hari Raya Gifts to Children of PERYATIM (Orphanage Home)

Majlis Titian Kasih 22 September 2010



Group Photo with Tuan Yang Terutama Yang Di-pertua Negeri Sarawak, Tun Datuk Patinggi Abang Haji Muhammad Salahudin and YABhg. Toh Puan Datuk Patinggi Hajah Norkiah at Astana Negeri



Presentation of Hari Raya Gifts by Tuan Yang Terutama Yang Di-Pertua Negeri Sarawak and YABhg. Toh Puan

MS ISO 9001: 2008 Quality Management System Certification Audit 7 April 2010



MS ISO 9001 : 2008 Certification Audit in progress

CORPORATE HIGHLIGHTS



MS ISO 9001: 2008 Quality Management System Certification Audit Closing Meeting



5S Gotong-Royong Programme 8 May and 9 June 2010



Launching of 5S Day Gotong-Royong by YB Datuk Chairman



Senamrobik Session before the Gotong-Royong at Matang Family Park

CULTURE BUILDING

Long Service Awards 22 March 2010



Encik Hamzah Ibrahim receiving his Long Service Certificate from YB Datuk Chairman



Puan Salbiah Abdillah receiving her Long Service Certificate from YB Datuk Chairman

CORPORATE HIGHLIGHTS

High Tea with Residents of Rumah Seri Kenangan (Home For The Aged) 23 February 2010



Group Photo with YBhg. Datin Dr. Zaliha Abdullah,
wife of YB Datuk Chairman

LOVE-IN-A-BOX Programme 2 December 2010



YB Datuk Chairman presenting Christmas Gifts to Children
of Kampong Sinar Baru

COMBINED MORNING STARTER (Monthly Staff Get Together) 14 January 2010



Morning Exercise led by staff of Corporate Marketing Division
and Business Development and Monitoring Division



Punctuality Award presentation by YB Datuk Chairman witnessed by
YBhg. Datu Dr. Haji Sulaiman Haji Husaini

MEETINGS, WORKSHOPS AND SEMINARS

Kursus Guru Pembimbing dan Kursus Ahli Lembaga Pengarah Program Usahawan Muda (PUM) 3 November 2010



YBhg. Datu Dr. Haji Sulaiman Haji Husaini delivering his speech



Certificate Presentation by YBhg. Datu Dr. Haji Sulaiman Haji Husaini

CORPORATE HIGHLIGHTS

Strategic Direction Setting and Motivational Talk For Senior Management of SEDC 24 November 2010



YB Datuk Chairman delivering his talk



Participants at the Talk

Board Meeting 6 February 2010



SEDC Board Meeting in Mulu Resort, Miri



Corporate Re-group Session 10 - 11 July 2010



Opening remarks by General Manager of SEDC Sarawak,
YBhg. Datu Dr. Haji Sulaiman Haji Husaini



YBhg. Datu Dr. Haji Sulaiman Haji Husaini
conducting a briefing at the Re-group Session

CORPORATE HIGHLIGHTS

EXPOS AND EXHIBITIONS

Pesta Kaul, Mukah
23 - 25 April 2010



Launching of Pesta Kaul by YAB Chief Minister of Sarawak

Satok Fest, Kuching
5 - 7 November 2010



SEDC booth at Kuching Waterfront

Sejiwa Senada, Sibul
5 - 7 November 2010



SEDC staff attending to visitors

PROJECT HIGHLIGHTS

KOMPLEKS PERNIAGAAN KUBAH RIA BARU

Project Cost : RM21.85 million

Location : Jalan Matang, Petra Jaya, Kuching

Project Components :
44 units of food stalls
47 units of retail shops
1 unit of restaurant
Eating area
Courtyard activity area
Riverbank activity area

Completion Date : 25 July 2010



GRAND MARGHERITA HOTEL

Project Cost : RM14.0 million

Location : Jln Tunku Abdul Rahman, Kuching

Project Components :
Refurbishment of Grand
Margherita Hotel
- guest rooms
- lobby
- executive lounge
- dining outlets

Completion Date : December 2010



PROJECT HIGHLIGHTS

DAMAI CENTRAL



Project Cost : RM15.0 million

Location : Damai, Santubong, Kuching

Project

Components : Arts & Craft
Gallery
Multi-Purpose Hall &
Stage
F & B Outlets
Convenience Shops
Visitors's Information Centre
Recreational Club Centre

Completion Date : 11 June 2011



SARAWAK CULTURAL VILLAGE

- UPGRADING WORKS

Project Cost : RM5.0 million

Location : Kampung Budaya Sarawak,
Pantai Damai Santubong,
Kuching

Project Components : Repair Works
- Iban Longhouse – wall
- Main Building Theater – roof

Renovation Works
- Rainforest World Music Gallery
- Bidayuh Longhouse
- Persada Alam cum Tea Garden
- Pusat Seni – Ground Floor-
- Dewan Legenda
- Main Building – Conference Room

Completion Date : 23 September 2011



PROJECT HIGHLIGHTS

BINTAWA COMMERCIAL PROPERTIES



Project Cost : RM12.08 million

Location : Bintawa, Kuching

Project Components : 27 units of 3 storey shophouses
17 units of locked-up shops

Completion Date : May 2011

Joint development with Tenaga Seri Wangsa Sdn. Bhd.



PALM VILLA MIXED PROPERTIES

Project Cost : RM44.0 million

Location : Samarahan Division

Project Components : 10 units of double storey shophouses
197 units of residential houses

Commencement Date : July 2010

Joint development with Hock Peng Realty Sdn. Bhd.



MEDAN NIAGA SIBU

Project Cost : RM3.3 million

Location : Jalan Awang Ramli
Amit, SibU

Project Components : 8 units Food Stalls
4 units Retail Shops

Completion Date : 5 January 2011





**SECTION 3 :
BOARD
AND BOARD COMMITTEES**

BOARD AND BOARD COMMITTEES

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

BOARD

Chairman :	YB Datuk Haji Talib Zulpilip
Members :	YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman (State Financial Secretary)
	Encik Rahim bin Abu Bakar (Federal Treasury Representative)
	YB Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani
	YBhg Datuk Amar Wilson Baya Dandot
	YB Dr. Stephen Rundi Utom
	YBhg Datuk Fong Joo Chung
	YBhg Datuk Haji Ismail bin Haji Hashim
	YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim
	YBhg Datu Haji Abdul Rashid bin Haji Aziz
	Encik Mohamad Amin Ma'mon bin Mohamad

ESTABLISHMENT COMMITTEE (SEC)

Chairman :	YBhg Datuk Amar Wilson Baya Dandot
Members :	YBhg Datu Haji Abdul Rashid bin Haji Aziz
	YBhg Datu Misnu Haji Taha
	<i>(Director, Human Resource Management Unit, Jabatan Ketua Menteri)</i>
	YBhg Datu Dr. Haji Sulaiman Haji Husaini

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BOARD AUDIT COMMITTEE (BAC)

Chairman :	YB Datuk Amar Haji Mohd. Morshidi bin Abdul Ghani
Members :	YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman
	YB Dr. Stephen Rundi Utom
	YBhg Datuk Haji Ismail bin Haji Hashim
	YBhg Datu William Lee Boon Tong

TENDER, FINANCE AND INVESTMENT COMMITTEE (TFIC)

Chairman :	YB Datuk Haji Talib Zulpilip
Members :	YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman
	YB Datuk Amar Haji Mohd. Morshidi bin Abdul Ghani
	Representative from Federal Treasury
	YBhg Puan Laura Lee Ngien Hion

BOARD AND BOARD COMMITTEES

SEDC BOARD

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

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

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

Meetings held in 2010

In 2010, a total of four meetings were held. The record of attendance to the meetings is as follows:-

Members	No. of Meetings Attended
YB Datuk Haji Talib Zulpilip	4 out of 4
State Financial Secretary (Represented by Puan Laura Lee Ngien Hion)	4 out of 4
Encik Rahim bin Abu Bakar (Federal Treasury Representative)	2 out of 4
YB Datuk Amar Haji Mohamad Morshidi bin Abdul Ghani	3 out of 4
YBhg Datuk Amar Wilson Baya Dandot	4 out of 4
YB Dr. Stephen Rundi Utom	1 out of 4
YBhg Datuk Fong Joo Chung	2 out of 4
YBhg Datuk Haji Ismail bin Haji Hashim	4 out of 4
YBhg Datu Haji Wan Alwi bin Dato Sri Wan Hashim	2 out of 4
YBhg Datu Haji Abdul Rashid bin Haji Aziz	3 out of 4
Encik Mohamad Amin Ma'mon bin Mohamad	4 out of 4

BOARD AND BOARD COMMITTEES

SEDC ESTABLISHMENT COMMITTEE (SEC)

Composition of the SEC

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

Duties and Responsibilities

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

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

Meetings Held in 2010

Two meetings were held in 2010.

Members	No. of Meetings Attended
YBhg Datuk Amar Wilson Baya Dandot	2 out of 2
YBhg Datu Haji Abdul Rashid Bin Haji Aziz	2 out of 2
Director, Human Resource Management Unit, Jabatan Ketua Menteri (represented by Encik Indit Bangai)	1 out of 2
YBhg Datu Dr. Haji Sulaiman Bin Haji Husaini	2 out of 2

BOARD AND BOARD COMMITTEES

SEDC BOARD AUDIT COMMITTEE (BAC)

Composition Of The BAC

The members of the SEDC Board Audit Committee are appointed by the SEDC Board. The Board Audit Committee shall comprise members (other than the Chairman) from among SEDC Board members or any other person as shall be determined by SEDC Board under Section 16 of the SEDC Ordinance.

The Board Audit Committee consist of not fewer than three (3) members, of whom a majority shall not be persons having relationship which, in the opinion of the Board, would interfere with the exercise of independent judgement in carrying out the duties of the BAC.

The Board Audit Committee Members are: -

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

DUTIES AND RESPONSIBILITIES

The Committee is responsible for the following duties:

- ❖ To oversee the Internal Audit function and to approve the Annual Audit Plan
- ❖ To review Internal Audit Reports and consider findings and management responses thereto, and other problems, reservations and major issues of concern
- ❖ To ensure affirmative action is taken by the auditee in respect of Board Audit Committee's decisions
- ❖ To review Draft Audited Financial Statements and the Auditors' Report thereon prior to tabling for adoption and/or approval by the SEDC Board
- ❖ To recommend the appointment and remuneration of external auditors of subsidiaries, where appropriate
- ❖ To review the maintenance of an effective internal control system including financial and accounting system and to support and recommend measures to improve internal controls
- ❖ To review the accounting policies and reporting requirements and compliance with legal requirements and accounting standards
- ❖ To institute efficiency reviews and help to establish the environment in which controls can operate effectively
- ❖ To initiate special audits and investigations and consider findings arising from such audits and investigations
- ❖ To perform any other related duties as directed by the Board

BOARD AND BOARD COMMITTEES



AUDIT COMMITTEE MEETINGS

Four BAC meetings were held during the financial year ended 31 December 2010. The record of the attendance to these meetings is as follows:-

Members	No. of Meetings Attended
YB Datuk Amar Haji Mohamad Morshidi Abdul Ghani	3 out of 4
YB Dr. Stephen Rundi Utom State Financial Secretary	0 out of 4
(Represented by YBhg Encik Abdul Kadir Zainuddin)	4 out of 4
YBhg Datuk Haji Ismail Haji Hashim	4 out of 4
YBhg Datu William Lee Boon Tong	4 out of 4

Activities

Summary of activities of the BAC for the financial year ended 31 December 2010:

- ❖ Reviewed and approved the annual audit plan of the Internal Audit Division for 2011, including its scope and coverage over the activities of the SEDC's Headquarters, Regional Offices and Subsidiary Companies.
- ❖ Reviewed and deliberated the audit reports of the Internal Audit Division vis-a-vis findings with regard to the system of internal control highlighted during the course of the audits and the responses from the management.
- ❖ Reviewed and made recommendations on significant issues on the audited financial statements of the Corporation and the Group before tabling to the SEDC Board for deliberation.



**SECTION 4:
CORPORATE
GOVERNANCE**

CORPORATE GOVERNANCE

Background

The Corporation's Charter for Good Corporate Governance was launched by the then State Secretary, YB Datuk Amar Haji Abdul Aziz Husain on 5 February 2001. SEDC was the first government agency in Malaysia to draw up and launch its Charter for Good Corporate Governance.

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

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

COMPLIANCE & REGULATIONS

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

- ❖ The SEDC Ordinance (Swk. Cap. 35)
- ❖ Statutory Bodies (Conduct and Discipline) Ordinance, 2004
- ❖ Statutory Bodies (Financial and Accounting Procedure) Ordinance, 1995
- ❖ SEDC Financial Regulations and Accounting Procedure Regulations 1980 (Revised 2009)
- ❖ State and Federal Circulars

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

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

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

For the year 2010, numerous activities, programmes and events were held to enhance and strengthen corporate governance within the Corporation and its Group. These include the following:-

❖ Presidential Address 2010

The Presidential Address was held on 27 January 2010 to disseminate and share information on the following:

- Corporate achievement for 2009
- Corporate targets for 2010
- Corporate direction
- ❖ 'Management Contract' signing was done by all Divisional Directors during the Presidential Address on 27 January 2010. The Contract serves as a Key Performance Indicator (KPI) mechanism to measure the performance of the Divisions
- ❖ **INTEGRITY Day** was held on 27 October 2010
- ❖ **Corporate Governance Committee Meetings** were conducted on 28 January 2010, 19 April 2010 and 19 August 2010 (**Jawatankuasa Tadbir Urus, JKTU**)
- ❖ **ISO Quality Management System Internal Quality Audit** was held on March 2010 and April 2010
- ❖ Representatives from Corporate Governance Committee attended the **Regional Cambridge International Symposium on Economic Crime : "Attaining Corporate Resilience through Governance and Integrity"** from 22 - 24 June 2010
- ❖ K-Clinic on "**Skim Simpanan dan Kesihatan Kelompok**" was held on June 2010 and Ceramah on "**Israk dan Mikraj**" in July 2010
- ❖ **Zero Late-Comer Campaign** was launched on 10 February 2010
- ❖ **Balance Scorecard workshops** were conducted in January to April 2010



SECTION 5 : FINANCIAL STATEMENTS



**PERBADANAN PEMBANGUNAN
EKONOMI SARAWAK
MEMBERS' REPORT
AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2010**



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

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

PENYATA Pengerusi dan Seorang Ahli
LEMBAGA PENGARAH

Kami, **YB Datuk Haji Talib Zulpilip** dan **YB Datuk Dr. Stephen Rundi Utom** yang merupakan Pengerusi dan salah seorang Ahli Lembaga Pengarah **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK**, dengan ini menyatakan bahawa, pada pendapat Lembaga Pengarah, penyata kewangan yang mengandungi Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan **PERBADANAN PEMBANGUNAN EKONOMI SARAWAK** pada 31 Disember 2010 dan hasil kendaliannya serta perubahan kedudukannya bagi tahun berakhir 31 Disember 2010.

Bagi pihak Lembaga,

Bagi pihak Lembaga,

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.....
YB DATUK HAJI TALIB ZULPILIP
PENERUSI



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

Tarikh: **29 JUL 2011**.....
KUCHING

Tarikh: **29 JUL 2011**.....
KUCHING

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

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

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

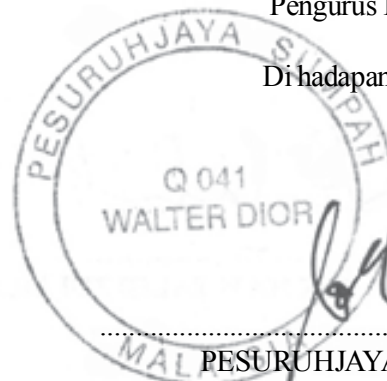
30

Sebenarnya dan sesungguhnya)
diakui oleh penama di atas)
di Kuching dalam Negeri Sarawak)
pada **28 APR 2011**)



Datu Dr. Haji Sulaiman Haji Husaini
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 2010.

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 11 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	38,960	32,161
Minority interests	(4,372)	-
	<hr/>	<hr/>
Profit attributable to members	34,588	32,161
	<hr/> <hr/>	<hr/> <hr/>

Reserves and provisions

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

Members

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

YB Datuk Haji Talib Zulpilip	(Chairman)
YBhg Dato Sri Ahmad Tarmizi Haji Sulaiman	(Setiausaha Kewangan Negeri)
Encik Rahim Bin Abu Bakar	(Wakil daripada Perbendaharaan Persekutuan, Malaysia)
YB Datuk Amar Haji Mohd. Morshidi Abdul Ghani	
YB Datuk Dr. Stephen Rundi Utom	
YBhg Datuk Fong Joo Chung	
YBhg Datuk Amar Wilson Baya Dandot	
YBhg Datuk Haji Ismail Haji Hashim	
YBhg Datu Haji Wan Alwi Dato Sri Wan Hashim	
YBhg Datu Haji Abdul Rashid Bin Haji Aziz	
Encik Jasni Bin Jubli	(Appointed on 1 January 2011)
Encik Mohd. Amin Ma'mon Bin Mohamad	(Resigned on 1 January 2011)

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Members' Report (contd.)**

Significant events**The Corporation**

The significant events are disclosed in Note 11 and 12 to the financial statements.

Statutory information on the financial statements

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

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

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



YB Datuk Haji Talib Zulpilip
Chairman



YB Datuk Dr. Stephen Rundi Utom
Member

Kuching

Date: 29 JUL, 2011



**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PEMBANGUNAN EKONOMI SARAWAK
BAGI TAHUN BERAKHIR 31 DISEMBER 2010**

Penyata Kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan bagi tahun berakhir 31 Disember 2010 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada Penyata Kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan ini 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, unjuran signifikan oleh pengurusan dan persembahan Penyata Kewangan secara keseluruhan. Saya percaya pengauditan yang dilaksanakan memberi asas yang munasabah terhadap pendapat saya.

Pada pendapat saya, Penyata Kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pembangunan Ekonomi Sarawak dan Kumpulan pada 31 Disember 2010, hasil operasi dan aliran tunai untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.

Saya telah mempertimbangkan Penyata Kewangan dan laporan juruaudit bagi semua syarikat subsidiari yang tidak diaudit oleh saya seperti yang dinyatakan dalam nota kepada Penyata Kewangan Disatukan. 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.

Laporan juruaudit mengenai Penyata Kewangan syarikat subsidiari berkenaan tidak mengandungi sebarang pemerhatian yang boleh menjejaskan Penyata Kewangan Yang Disatukan.


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

PUTRAJAYA
TARIKH: 8 OGOS 2011



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

Balance Sheets as at 31 December 2010

	Note	Group		Corporation	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current assets					
Inventories	3	53,270	56,467	16,679	17,217
Property development costs	4	1,406	2,479	1,406	2,479
Receivables	5	41,865	150,994	9,372	18,892
Grant receivable		-	10,676	-	10,676
Deposits with financial institutions	6	239,881	223,003	186,657	166,881
Cash and bank balances		41,169	53,666	18,130	11,814
		<u>377,591</u>	<u>497,285</u>	<u>232,244</u>	<u>227,959</u>
Less: Current liabilities					
Payables	7	75,686	158,719	16,205	15,336
Lease payables	8	171	336	60	90
Government term loan	9	10,384	9,096	10,384	9,096
Other borrowings	10	160	8,525	-	8,525
Tax payable		6,440	5,834	6,263	5,430
		<u>92,841</u>	<u>182,510</u>	<u>32,912</u>	<u>38,477</u>
Net current assets		284,750	314,775	199,332	189,482
Non-current assets					
Subsidiaries	11	-	-	556,651	560,972
Associates	12	222,139	187,126	59,587	44,989
Investments in other corporations	13	159,429	160,401	154,719	151,213
Property, plant and equipment	14	215,029	170,670	49,022	20,632
Hotel and investment properties	15	439,132	435,445	-	-
Plantation development expenditure	16	318	331	-	-
Land held for property development	4	2,787	3,538	2,787	3,538
Deferred tax assets	21	-	22	-	-
		<u>1,038,834</u>	<u>957,533</u>	<u>822,766</u>	<u>781,344</u>
		<u><u>1,323,584</u></u>	<u><u>1,272,308</u></u>	<u><u>1,022,098</u></u>	<u><u>970,826</u></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 2010 (contd.)

	Note	Group		Corporation	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Financed by:					
State government equity grant	17	106,139	106,139	106,139	106,139
State government contribution for equity participation	17	270,577	269,577	270,577	269,577
Development funds	18	207,128	187,698	180,138	160,708
Reserves	19	630,021	595,361	445,123	412,962
		<u>1,213,865</u>	<u>1,158,775</u>	<u>1,001,977</u>	<u>949,386</u>
Minority interests		16,804	24,421	-	-
		<u>1,230,669</u>	<u>1,183,196</u>	<u>1,001,977</u>	<u>949,386</u>
Non-current liabilities					
Lease payables	8	341	494	94	154
Government term loans	9	18,544	19,998	18,544	19,998
Other borrowings	10	43,946	36,643	-	-
Government grants	20	21,704	22,660	-	-
Deferred tax liabilities	21	6,805	7,958	-	-
Employee benefits	22	1,575	1,359	1,483	1,288
		<u>92,915</u>	<u>89,112</u>	<u>20,121</u>	<u>21,440</u>
		<u>1,323,584</u>	<u>1,272,308</u>	<u>1,022,098</u>	<u>970,826</u>

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

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

Income Statements for the year ended 31 December 2010

	Note	Group		Corporation	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	23	159,658	368,652	51,221	23,780
Cost of sales	23	(101,031)	(287,238)	(1,450)	(1,126)
Gross profit		58,627	81,414	49,771	22,654
Other operating income		36,175	37,897	11,991	5,758
Distribution costs		(1,488)	(1,574)	-	-
Administrative expenses		(60,097)	(80,403)	(14,888)	(13,677)
Other operating expenses		(24,647)	(20,530)	(7,027)	(7,566)
Profit from operations		8,570	16,804	39,847	7,169
Finance costs		(3,830)	(489)	(503)	(450)
Share of associates' results		44,050	28,549	-	-
Profit before taxation	24	48,790	44,864	39,344	6,719
Taxation	25	(9,830)	(10,804)	(7,183)	(2,088)
Profit after taxation		38,960	34,060	32,161	4,631
Minority interests		(4,372)	(3,383)	-	-
Profit attributable to members		34,588	30,677	32,161	4,631

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

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

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2010**

Group	←		Non-distributable		→		Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000	Revenue reserve RM'000		
At 1 January 2009	3,997	9,177	44,479	52,827	457,538	568,018	
Issuance of preference shares	-	24	-	-	-	24	
Profit for the year	-	-	-	-	30,677	30,677	
Arising on consolidation	-	-	-	13	-	13	
Revaluation surplus	-	-	3,899	-	-	3,899	
Deficit on revaluation	-	-	(7,270)	-	-	(7,270)	
At 31 December 2009	3,997	9,201	41,108	52,840	488,215	595,361	
Issuance of preference shares	-	60	-	-	-	60	
Profit for the year	-	-	-	-	34,588	34,588	
Arising on consolidation	-	-	-	12	-	12	
At 31 December 2010	3,997	9,261	41,108	52,852	522,803	630,021	

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

**Statement of Changes in Equity
for the year ended 31 December 2010**

	Non-distributable				Reserve on consolidation RM'000	Revenue reserve RM'000	Total RM'000
	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Reserve on consolidation RM'000			
Corporation							
At 1 January 2009	-	-	-	-	408,331	408,331	408,331
Profit for the year	-	-	-	-	4,631	4,631	4,631
At 31 December 2009	-	-	-	-	412,962	412,962	412,962
Profit for the year	-	-	-	-	32,161	32,161	32,161
At 31 December 2010	-	-	-	-	445,123	445,123	445,123

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 2010

	Group	
	2010	2009
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and minority interest	48,790	44,864
Adjustments for:		
Amortisation of development expenditure	13	22
Allowance for diminution in investment	50	46
Allowance for doubtful debts, net of allowance no longer required	2,038	904
Amortisation of goodwill	13	13
Amortisation of government grants	(932)	(980)
Bad debts written off	24	443
Capital gain on bonus share units received	(3)	-
Depreciation	8,973	8,829
Dividend income	(3,144)	(3,138)
Loss on disposal of a subsidiary	1,801	-
Gain on disposal of other investments	(2,682)	(1)
Gain on disposal of property, plant and equipment	(55)	(15)
Impairment of plantation development expenditure	-	7
Impairment loss on investment property	-	3,006
Interest expense	3,830	3,379
Interest income	(6,356)	(6,156)
Inventory written down to net realisable value	-	84
Property, plant and equipment written off	142	25
Share of associates' results	(44,050)	(28,549)
Unrealised gain on foreign exchange	(1,549)	(9,070)
Waiver of debts	-	(3)
Operating profit before working capital changes	6,903	13,710
(Increase)/decrease in inventories	(414)	4,479
Decrease in property development costs	19,759	16,289
Increase in plantation development costs	(24)	(77)
Decrease/(increase) in receivables	24,055	(40,521)
Increase/(decrease) in payables	3,210	(13,881)
Deferred membership fees received	(4,201)	(743)
Cash generated from/(used in) operations	49,288	(20,744)
Interest paid	(3,797)	(3,330)
Interest received	6,338	6,082
Taxes paid, net of refund	(1,859)	8,027
Net cash generated from/(used in) operating activities	49,970	(9,965)

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

Consolidated Cash Flow Statement
for the year ended 31 December 2010 (contd.)

	Group	
	2010	2009
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(12,439)	(1,475)
Acquisition of property, plant and equipment	(30,143)	(17,015)
Advances repaid from/(to) other investments	6,483	(1,499)
Advances/loan (repaid from)/to associates	(3,328)	9
Dividends received	19,361	10,408
Decrease in land held for development	751	-
Investment in hotel and investment properties	(3,686)	(227)
Investment in associate	(12,250)	-
Proceeds from disposal of other investments	4,679	600
Proceeds from disposal of property, plant and equipment	173	203
Proceeds from disposal of a subsidiary (Note 11)	7,119	-
Transfer of property, plant and equipment	63	-
	<hr/>	<hr/>
Net cash used in investing activities	(23,217)	(8,996)
	<hr/>	<hr/>
Cash flows from financing activities		
Decrease in deposits pledged to financial institutions	1,090	50
Government grant received	-	5,255
Disbursement of development fund	(20,302)	(15,951)
Proceeds from shares issued to minority shareholders	60	24
Proceeds from bank loan	5,859	-
Repayment of Government term loans	(166)	(159)
Repayment of hire purchase and lease instalments	(387)	(419)
Proceeds from state government contributions for equity participation	1,000	-
Repayment of term loan	-	(1,702)
Repayment of revolving credit	(8,525)	-
	<hr/>	<hr/>
Net cash used in financing activities	(21,371)	(12,902)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	5,382	(31,863)
Effect of translation adjustments	88	151
Cash and cash equivalents at beginning of year	268,995	300,707
	<hr/>	<hr/>
Analysis of cash and cash equivalents at end of year	274,465	268,995
	<hr/> <hr/>	<hr/> <hr/>

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

Consolidated Cash Flow Statement
for the year ended 31 December 2010 (contd.)

	2010	Group
	RM'000	2009
		RM'000
Cash and cash equivalents:		
Cash and bank balances	41,169	53,666
Deposits with financial institutions (Note 6)	233,296	215,329
	<u>274,465</u>	<u>268,995</u>
	=====	=====
Analysis of acquisition of property, plant and equipment:		
By cash	30,143	17,015
By lease	69	181
Transfer from property development cost	21,737	-
	<u>51,949</u>	<u>17,196</u>
	=====	=====

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

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

Cash Flow Statement
for the year ended 31 December 2010

	Corporation	
	2010	2009
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	39,344	6,719
Adjustments for:		
Allowance for doubtful debts, net of allowance no longer required	(10)	(240)
Bad debts written off	24	250
Depreciation	969	1,082
Dividend income	(28,580)	(13,168)
Gain on disposal of a subsidiary	(8,988)	-
Gain on disposal of other investments	(2,666)	-
Gain on disposal of property, plant and equipment	(4)	-
Interest expense	502	450
Interest income	(4,955)	(4,667)
Operating loss before working capital changes	(4,364)	(9,574)
Decrease/(increase) in inventories	538	(526)
Decrease in property development costs	19,759	16,289
Decrease/(increase) in receivables	19,984	(3,971)
Increase/(decrease) in payables	1,032	(1,053)
Cash generated from operations	36,949	1,165
Interest paid	(469)	(416)
Interest received	4,955	4,667
Taxes paid, net of refund	-	10,215
Net cash generated from operating activities	41,435	15,631

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

Cash Flow Statement
for the year ended 31 December 2010 (contd.)

	Corporation	
	2010	2009
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trusts	(8,116)	(1,149)
Acquisition of property, plant and equipment	(7,896)	(990)
Advances/loans to associates	(3,328)	-
Advances repaid by/(to) other investments	4,483	(1,499)
Advances repaid by subsidiaries	3,686	2,052
Dividend received	22,230	10,223
Investment in associate	(12,250)	-
Decrease in land held for development	751	-
Proceeds from disposal of other investments	3,773	-
Proceeds from disposal of property, plant and equipment	7	-
Proceeds from disposal of a subsidiary	9,400	-
	<hr/>	<hr/>
Net cash generated from investing activities	12,740	8,637
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from state government contribution for equity participation	1,000	-
Disbursements of development funds	(20,302)	(15,951)
Repayment of government term loans	(166)	(159)
Repayment of lease payables	(90)	(119)
Repayment of revolving credit	(8,525)	-
	<hr/>	<hr/>
Net cash used in financing activities	(28,083)	(16,229)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	26,092	8,039
Cash and cash equivalents at beginning of year	172,659	164,620
	<hr/>	<hr/>
Cash and cash equivalents at end of year	198,751	172,659
	<hr/> <hr/>	<hr/> <hr/>

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

Cash Flow Statement
for the year ended 31 December 2010 (contd.)

		Corporation	
		2010	2009
		RM'000	RM'000
Analysis of cash and cash equivalents:			
Cash and bank balances		18,130	11,814
Deposits with financial institutions	(Note 6)	180,621	160,845
		<u>198,751</u>	<u>172,659</u>
Analysis of acquisition of property, plant and equipment:			
By cash		7,896	990
Transfer from property development cost		21,737	-
		<u>29,633</u>	<u>990</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 2010**

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 Members in accordance with a resolution of the Members on 29 July 2011.

2. Significant accounting policies**(a) Basis of accounting**

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

Whilst the financial statements of the Corporation need not comply with the provisions of the Companies Act, 1965, the financial statements of all its subsidiaries comply. The financial statements of the Corporation and of the Group comply with Private Entity Reporting Standards adopted by Malaysian Accounting Standards Board (MASB).

(b) Basis of consolidation**(i) Subsidiaries**

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

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

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

Notes to the Financial Statements - 31 December 2010

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.

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2010**

2. Significant accounting policies (contd.)**(c) Goodwill**

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

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

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

(d) Investments in subsidiaries and associates

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

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

(e) Inventories

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

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

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

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

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

Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

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

(i) Land held for property development

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

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

(ii) Property development costs

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

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

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

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

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

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2010**

2. Significant accounting policies (contd.)**(g) Construction contracts**

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

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

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

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

(h) Leases

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

(i) Finance leases

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

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

Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(h) Leases (contd.)

(i) *Finance leases (contd.)*

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

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

(ii) *Operating leases*

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

(i) Provisions for liabilities

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

(j) Investments

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

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

Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(k) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(l) Hotel and investment properties

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

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

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

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

(m) Plantation development expenditure

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

(n) Accounting for grants

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

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

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)**Notes to the Financial Statements - 31 December 2010**

2. Significant accounting policies (contd.)**(o) Income tax**

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

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

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

(p) Foreign currencies**(i) Foreign currency transactions**

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

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

Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(p) Foreign currencies (contd.)

(ii) *Financial statements of foreign operations*

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

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

	2010	2009
	RM	RM
1 Australian Dollar	3.19	3.06
1 United States Dollar	3.08	3.42
	<u> </u>	<u> </u>

(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
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2. Significant accounting policies (contd.)**(r) Employee benefits****(i) Short term benefits**

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

(ii) Defined contribution plans

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

(s) Other non-current investment

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

(t) Marketable securities

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

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Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(u) Receivables

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

(v) Payables

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

(w) Interest-bearing borrowings

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

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

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

(x) Derivative financial instruments

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

Interest rate swap contracts

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

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Notes to the Financial Statements - 31 December 2010

2. Significant accounting policies (contd.)

(y) Revenue recognition

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

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

(i) Sale of goods and services

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

(ii) Dividend Income

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

(iii) Sale of properties

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

(iv) Construction contracts

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

(z) Cash and cash equivalents

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

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Notes to the Financial Statements - 31 December 2010

3. Inventories

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	16,625	17,172	16,625	17,172
Trading stocks	370	271	-	-
Livestock	34,738	32,527	-	-
Souvenir stocks	173	188	-	-
Materials and consumable	1,364	6,309	54	45
	<u>53,270</u>	<u>56,467</u>	<u>16,679</u>	<u>17,217</u>
	=====	=====	=====	=====

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

	Group	
	2010	2009
	RM'000	RM'000
Livestock		
At cost	586	583
At net realisable value	34,152	31,944
	<u>34,738</u>	<u>32,527</u>
	=====	=====

	Group and Corporation	
	2010	2009
	RM'000	RM'000
Properties held for sale		
At cost	853	977
At net realisable value	15,772	16,195
	<u>16,625</u>	<u>17,172</u>
	=====	=====

Sarawak Economic Development Corporation
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Notes to the Financial Statements - 31 December 2010

4. Property development costs and land held for property development

	Group and Corporation	
	2010	2009
	RM'000	RM'000
(a) Property development costs		
Property development costs at 1 January:		
Leasehold land	7,052	6,423
Development costs	47,760	26,025
	<u>54,812</u>	<u>32,448</u>
Costs incurred during the year:		
Leasehold land	(2,292)	2,062
Development costs	27,461	21,945
	<u>25,169</u>	<u>24,007</u>
Transfers:		
To inventories	-	(1,642)
To development funds	18,686	14,527
To property, plant and equipment	(21,737)	-
	<u>(3,051)</u>	<u>12,885</u>
Property development grant received:		
At 1 January	(66,861)	(44,313)
Addition during the year	(30,400)	(22,548)
Transfer to development funds	21,737	-
	<u>(75,524)</u>	<u>(66,861)</u>
At 31 December	<u>1,406</u>	<u>2,479</u>
Property development costs at 31 December	<u><u>1,406</u></u>	<u><u>2,479</u></u>
(b) Land held for property development		
Cost		
At 1 January	6,532	7,283
Less: Provision for loss	(3,745)	(3,745)
	<u>2,787</u>	<u>3,538</u>
At 31 December	<u><u>2,787</u></u>	<u><u>3,538</u></u>

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Notes to the Financial Statements - 31 December 2010

5. Receivables

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables	44,037	150,643	15,273	20,869
Allowance for doubtful debts	(18,246)	(18,836)	(8,677)	(8,463)
	<u>25,791</u>	<u>131,807</u>	<u>6,596</u>	<u>12,406</u>
Other receivables and prepayments	38,067	43,036	24,918	28,630
Allowance for doubtful debts	(25,954)	(25,956)	(22,142)	(22,144)
	<u>12,113</u>	<u>17,080</u>	<u>2,776</u>	<u>6,486</u>
Tax recoverable	3,961	2,107	-	-
Total	<u><u>41,865</u></u>	<u><u>150,994</u></u>	<u><u>9,372</u></u>	<u><u>18,892</u></u>

6. Deposits with financial institutions

With foreign banks	1,169	1,105	-	-
With licensed banks	114,521	154,768	103,881	102,006
With licensed finance companies	117,606	59,456	76,740	58,839
	<u>233,296</u>	<u>215,329</u>	<u>180,621</u>	<u>160,845</u>
With licensed banks, pledged	6,585	7,674	6,036	6,036
	<u><u>239,881</u></u>	<u><u>223,003</u></u>	<u><u>186,657</u></u>	<u><u>166,881</u></u>

Included in the Group's and Corporation's fixed deposits was an amount of RM6,584,534 (2009: RM7,674,067) and RM6,036,321 (2009: RM6,036,321), respectively, placed on lien to licensed banks for banking facilities as disclosed in Note 10, bank guarantee facilities granted to certain subsidiaries of the Group and as collateral for loans given to Bumiputra Entrepreneurs under the socio-economic projects/schemes of the Corporation.

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Notes to the Financial Statements - 31 December 2010

7. Payables

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade payables	7,811	82,427	-	-
Other payables and accruals	67,752	76,292	16,205	15,336
Deferred income	123	-	-	-
	<u>75,686</u>	<u>158,719</u>	<u>16,205</u>	<u>15,336</u>
	=====	=====	=====	=====

Included in other payables and accruals of the Group is deferred membership fee amounting to RM20,649,514 (2009: RM24,850,145) 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 (2009: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free except for RM823,306 (2009: RM823,306) which bears interest of 2% (2009: 2%) per annum.

8. Lease payables

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Repayable within twelve months	171	336	60	90
Repayable after twelve months	341	494	94	154
	<u>512</u>	<u>830</u>	<u>154</u>	<u>244</u>
	=====	=====	=====	=====
Minimum lease payment:				
Not later than one year	188	361	67	100
Later than one year but not later than five years	323	548	98	166
Later than five years	57	-	-	-
	<u>568</u>	<u>909</u>	<u>165</u>	<u>266</u>
Future finance charges	(56)	(79)	(11)	(22)
	<u>512</u>	<u>830</u>	<u>154</u>	<u>244</u>
	=====	=====	=====	=====

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Notes to the Financial Statements - 31 December 2010

9. Government term loans

	Group and Corporation	
	2010	2009
	RM'000	RM'000
Unsecured		
Interest bearing loans	9,869	10,035
Interest free loans	19,059	19,059
	<u>28,928</u>	<u>29,094</u>
Repayable within one year	(10,384)	(9,096)
	<u>18,544</u>	<u>19,998</u>
Repayable after one year	<u><u>18,544</u></u>	<u><u>19,998</u></u>

The interest rate is 4% per annum (2009: 4% per annum) for interest bearing loans.

10. Other borrowings

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Revolving credit, unsecured	-	8,525	-	8,525
Premium funding, unsecured	160	-	-	-
Term loans, secured	43,946	36,643	-	-
	<u>44,106</u>	<u>45,168</u>	<u>-</u>	<u>8,525</u>
Repayable within one year	(160)	(8,525)	-	(8,525)
	<u>43,946</u>	<u>36,643</u>	<u>-</u>	<u>-</u>
Repayable after one year	<u><u>43,946</u></u>	<u><u>36,643</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The revolving credit and term loans bore interest rate of Nil and 8.30% (2009: 4.33% and 7.80%) respectively at balance sheet date.

The premium funding bore interest rate of 8.30% (2009: Nil) at balance sheet date.

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

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries

	Corporation	
	2010	2009
	RM'000	RM'000
Unquoted shares at cost	236,519	236,932
Allowance for diminution in value	(43,387)	(43,387)
	193,132	193,545
Amounts due from subsidiaries:		
Current accounts	313,379	318,180
Allowance for doubtful debts	(37,473)	(37,248)
	275,906	280,932
Loan accounts	88,621	87,505
Allowance for doubtful debts	(1,000)	(1,000)
	87,621	86,505
Amounts due to subsidiaries:		
Current accounts	(8)	(10)
	556,651	560,972
	556,651	560,972

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment except for certain advances to subsidiaries which bear interest rates between 2% to 8% (2009: 2% to 8%) per annum.

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

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

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
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. Company No. 263183-P	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	Extraction and selling of timber and investment and property holding	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Goebilt Seafoods Processing Bhd. Company No. 9449-U	Inactive	71	71
Kenyalang Teguh Sdn. Bhd. Company No. 261703-K	Inactive	70	70
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Own and operate Grand Margherita Hotel and the Sarawak Plaza in Kuching	89	89
Permaisara Sdn. Bhd. Company No. 104725-V	Extraction and selling of timber	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Ownership of a commercial car park complex	100	100
PPES Akua (Mukah) Sdn. Bhd. Company No. 104725-V	Inactive	100	100

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
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
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd. Company No. 141893-M	Provider in media related services	100	100
Sara Fibre Sdn. Bhd. Company No. 312494-P	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Leasing of recreational and camping facilities at Damai Rainforest Resort	100	100
Sara Hotels Bhd. Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Development and cultivation of oil palm	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Leasing of restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Hotel business, extraction and sale of timber and operation of a cultural centre.	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
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 Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Extraction and sale of timber	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Operation and management of Club Asia International	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	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

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
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.			
Sara Hospitality Sdn. Bhd. (formerly known as H.I.-Sara Hospitality Sdn. Bhd.) Company No. 441568-K	Investment holding and provision of management services	100	70

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
PPES Poultry Farm Sdn. Bhd. Company No. 115899-V	Inactive	60	60
Hakanda Sdn. Bhd. Company No. 174704-T	Fruit planting	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

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

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

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Notes to the Financial Statements - 31 December 2010

11. Subsidiaries (contd.)

Disposal of subsidiary company

On 3 May 2010, the Corporation completed the disposal of its 412,999 ordinary shares of RM1.00 each representing 55% equity interest in Safemal Drilling Sdn. Bhd. to GlobalSantaFe Drilling Operations Inc. for a total cash consideration of RM9.4 million. As a result, Safemal Drilling Sdn. Bhd. ceased to be a subsidiary of the Corporation on 3 May 2010. The fair value of the assets disposed and the liabilities discharged are as follows:

	2010
	RM'000
Property, plant and equipment	31
Inventories	5,021
Trade and other receivables	95,360
Cash and bank balances	2,281
Deferred tax assets	23
Trade and other payables	(82,087)
Tax payable	(287)
	<hr/>
Net assets disposed	20,342
	<hr/>
Share of net assets	11,202
Disposal proceed	(9,400)
	<hr/>
	1,802
Less: Goodwill on consolidation	(1)
	<hr/>
Loss on disposal to the Group	1,801
	<hr/> <hr/>
Disposal proceed settled by:	
Cash	9,400
	<hr/>
Cash inflow arising on disposals:	
Cash consideration	9,400
Cash and cash equivalents of subsidiary disposed	(2,281)
	<hr/>
Net cash inflow to the Group	7,119
	<hr/> <hr/>

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11. Subsidiaries (contd.)

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

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

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, not with standing that the Company has a deficit in shareholders' funds of RM246,969 and at that date, the Company's current liabilities exceeded its current assets by RM6,258,062.”

(b) Sara Sago Industries Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM2,305 during the year ended 31 December 2010, and as of that date, the Company's current liabilities exceeded its current assets by RM347,615, thereby indicating the existence of a material uncertainty which may cast significant the Company's ability to continue as a going concern.”

(c) Sarawak Car Care Centre Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements. The shareholders funds is in deficit of RM2,769,488. 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 shareholders and on its attaining cash inflows to sustain its operation.”

(d) Asia Vacations Club Sdn. Bhd.

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

The Company recorded accumulated losses of RM1,678,600 (2009: RM1,676,430) as at 31 December 2010, and as at that date, the Company's current liabilities exceed its current assets by RM1,668,600 (2009: RM1,666,430). These factors indicate the existence of uncertainties which may cast doubt about the Company's ability to continue as a going concern.

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11. Subsidiaries (contd.)**(d) *Asia Vacations Club Sdn. Bhd. (contd.)***

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

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

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

The Company recorded accumulated losses of RM34,330 (2009: RM32,643) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM34,328 (2009: RM32,641). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

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

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

The Company recorded accumulated losses of RM4,213,162 (2009: RM4,242,729) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM5,226,139 (2009: RM5,255,706). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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11. Subsidiaries (contd.)**(f) *Bukit Saban Resort Sdn. Bhd. (contd.)***

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

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

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

The Company recorded accumulated losses of RM34,566 (2009: RM32,879) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM34,564 (2009: RM32,877). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

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

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

The Company recorded accumulated losses of RM8,130,686 (2009: RM8,736,779) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM84,309,831 (2009: RM84,938,911). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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11. Subsidiaries (contd.)

(h) *Damai Cove Resorts Sdn. Bhd.(contd.)*

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

(i) *Sara Worldwide Vacations Bhd.*

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

The Group and the Company recorded accumulated losses of RM14,787,512 and RM13,118,912 respectively (2009: Group: RM10,973,906; Company: RM9,307,476) as at 31 December 2010. The factors indicate the existence of material uncertainties which may cast doubt about the Group’s and the Company’s ability to continue as a going concern.

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

(j) *Sara Resorts Sdn. Bhd.*

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

The financial statements are prepared based on the going concern principal assuming that the Group and the Company will continue to receive financial support from the ultimate holding entity.”

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11. Subsidiaries (contd.)**(k) Sara Rasa Sdn. Bhd.**

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

The Company recorded accumulated losses of RM1,742,353 (2009: RM1,781,409) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM106,194 (2009: RM150,137). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

(l) Sara Hotels Bhd.

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

The Company recorded accumulated losses of RM238,676 (2009: RM236,789) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM238,674 (2009: RM236,787). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

Sarawak Economic Development Corporation
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11. Subsidiaries (contd.)**(m) Sara-HL Plantation Sdn. Bhd.**

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a loss after taxation of RM155,983 during the year ended 31 December 2010, and as of that date, the Company’s shareholders’ funds was in deficit of RM2,298,447.”

(n) Damai Beach Golf Course Berhad

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

The Company recorded accumulated losses of RM6,533,274 (2009: RM6,573,784) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current assets by RM5,676,815 (2009: RM5,687,325). These factors indicate the existence of material uncertainties which may cast significant doubt about the Company’s ability to continue as going concern.

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

(o) Damai Golf & Country Club Berhad

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

The Company recorded accumulated losses of RM60,282,765 (2009: RM58,644,514) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current assets by RM8,565,984 (2009: RM7,585,774). These factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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11. Subsidiaries (contd.)**(o) Damai Golf & Country Club Berhad (contd.)**

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

(p) Sara Convention Sdn. Bhd.

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

The Company recorded accumulated losses of RM407,997 (2009: RM400,578) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current asset by RM218,536 (2009: RM214,943). These factors indicate the existence of uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

(q) Sara Concrete Poles Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the notes to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss after taxation of RM5,825 during the year ended 31 December 2010, and as of that date, the Company’s current liabilities exceeded its current asset by RM228,020.”

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11. Subsidiaries (contd.)**(r) *Sarawak Coconut Enterprise Sdn. Bhd.***

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding the Company incurred a loss after taxation of RM140,097 during the year ended 31 December 2010, and as of that date, the shareholders’ funds was in deficit of RM8,734,428.”

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

“Without qualifying our opinion, we draw attention to Note 3 to the financial statements. The Company incurred net loss of RM1,292 as at 31 December 2010. As at that date, the Company’s current liabilities exceeded its current assets by RM2,237,674 and the Company shareholders’ equity is in deficit of RM2,237,674. In view of these factors, the continuation of the Company as a going concern is dependent on the continuing financial support from the shareholders and on its attaining cash inflows to sustain its operations.

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

(t) *Revlín Holdings Sdn Bhd.*

“As at balance sheet date, the Company had net current liabilities of RM351,299 (2009: RM352,475) accumulated losses of RM6,898,745 (2009: RM6,896,935) and deficits in Shareholder’s fund of RM6,868,745 (2009: RM6,866,935). The Company incurred a loss after taxation of RM1,810 (2009: RM967) for the financial year ended 31 December 2010.”

(u) *Azen Industries Sdn Bhd.*

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

The Company recorded significant accumulated losses amounting to RM107,730 and deficiency in working capital amounting to RM57,728 as at 31 December 2010.

The financial statements of the Company have been prepared under the going concern concept because the shareholders of the Company have agreed to provide adequate funds for the Company to meet its liabilities as they fall due.”

Sarawak Economic Development Corporation
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11. Subsidiaries (contd.)**(v) *Kenyalang Teguh Sdn Bhd.***

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM1,908 during the year ended 31 December 2010, and as of that date, the Company’s current liabilities exceeded its current assets by RM1,508,967 thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

(w) *Sara Fibre Sdn Bhd.*

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

The Company recorded significant accumulated losses amounting to RM389,822 and deficiency in working capital amounting to RM389,822 as at 31 December 2010.

The financial statements of the Company have been prepared under the going concern concept because the shareholders of the Company have agreed to provide adequate funds for the Company to meet its liabilities as they fall due.”

(x) *Eastern Empress Silk Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company current liabilities exceeded its current asset by RM1,666,064, and incurred an accumulated losses of RM18,216,064, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

(y) *Sara Spectrum Holdings Sdn Bhd.*

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Group has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group has capital deficiency of RM18,253,745 and its total current liabilities exceeded its current assets by RM21,978,857 as at 31 December 2010, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

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11. Subsidiaries (contd.)**(z) PPES Akua (Mukah) Sdn Bhd.**

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM8,642 during the year ended 31 December 2010, and as of that date, the Company’s current liabilities exceeded its current assets by RM423,607, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.”

(aa) Hakanda Sdn. Bhd.

“Without qualifying our opinion, we draw attention to Note 3 in the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company has capital deficiency of RM2,914,428 and its total current liabilities exceeded its current assets by RM3,413,257 as at 31 December 2010.”

(ab) Sara Great Horizon Sdn. Bhd.

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

The Company recorded accumulated losses of RM1,599,017 (2009: RM1,631,063) as at 31 December 2010, and as at that date, the Company’s current liabilities exceed its current assets by RM330,047 (2009: RM377,294). These factors indicate the existence of material uncertainties which may cast doubt about the Company’s ability to continue as a going concern.

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

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11. Subsidiaries (contd.)

(ac) Permata Carpark Sdn. Bhd.

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

As at 31 December 2010, the Company’s current liabilities exceed its current assets by RM3,009,595 (2009: RM917,514). These factors indicate the existence of material uncertainties which may cast significant doubt about the Company’s ability to continue as a going concern.

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

12. Associates

	Group		Corporation	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	36,389	25,119	35,389	24,119
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	<u>35,239</u>	<u>23,969</u>	<u>35,239</u>	<u>23,969</u>
Share of retained profits less losses	150,544	130,129	-	-
Share of capital reserves	497	497	-	-
Share of revaluation reserves	7,464	7,464	-	-
	<u>193,744</u>	<u>162,059</u>	<u>35,239</u>	<u>23,969</u>
Amounts due from associates:				
Current accounts	4,640	5,446	593	1,399
Allowance for doubtful debts	(359)	(359)	(359)	(359)
	<u>4,281</u>	<u>5,087</u>	<u>234</u>	<u>1,040</u>
Loan accounts	24,114	19,980	24,114	19,980
	<u>222,139</u>	<u>187,126</u>	<u>59,587</u>	<u>44,989</u>

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12. Associates (contd.)

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

In 2010, a loan has disbursed to CMS Resources Sdn. Bhd., the RM4.41 million loan is unsecured, bear 5% interest per annum and have fixed repayment terms.

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2010 and their principal activities are shown below:

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Owner of hotels	36	36
Permodalan Assar Sdn. Bhd. Company No. 289723-H	Investment holding	15	20
CMS Resources 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
IDS Sebor (Sarawak) Holdings Sdn. Bhd. Company No. 17625-H	Investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Construction, management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30

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12. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest	
		2010 %	2009 %
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.

On 28 June 2010, the Corporation's equity interest in Permodalan Assar Sdn. Bhd. ("PASB") was diluted to 15% pursuant to an increase in paid up share capital of PASB.

13. Investments in other corporations

	Group		Corporation	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Investments at cost:				
- Unit trusts quoted in Malaysia	62,492	53,741	53,044	45,743
Less: Allowance for diminution in value	(127)	(117)	(40)	(40)
	<u>62,365</u>	<u>53,624</u>	<u>53,004</u>	<u>45,703</u>
- Quoted shares in Malaysia	73,367	72,646	71,979	72,271
Less: Allowance for diminution in value	(1,552)	(1,512)	(1,407)	(1,407)
	<u>71,815</u>	<u>71,134</u>	<u>70,572</u>	<u>70,864</u>
- Unquoted shares in Malaysia	1,793	5,704	7,711	4,731
Less: Allowance for diminution in value	-	-	(25)	(25)
	<u>1,793</u>	<u>5,704</u>	<u>7,686</u>	<u>4,706</u>

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13. Investments in other corporations (contd.)

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
- Current accounts	11,810	9,792	11,810	9,792
Less: Allowance for doubtful debts	(434)	(458)	(434)	(458)
	<u>11,376</u>	<u>9,334</u>	<u>11,376</u>	<u>9,334</u>
- Loan accounts	<u>12,080</u>	<u>20,605</u>	<u>12,081</u>	<u>20,606</u>
Total	<u><u>159,429</u></u>	<u><u>160,401</u></u>	<u><u>154,719</u></u>	<u><u>151,213</u></u>
Market value of:				
- Quoted unit trust	62,577	53,549	53,049	45,815
- Quoted shares	75,131	46,129	74,941	45,937
	<u>137,708</u>	<u>99,678</u>	<u>127,990</u>	<u>91,752</u>

The market value of the quoted unit trusts and shares of the Group and of the Corporation is lower than cost by RM3,528,721 and RM4,414,165 (2009: RM25,079,967 and RM24,815,000) respectively. However, the Members are of the opinion that allowance for impairment in value is not required as the impairment in value is considered not permanent and the investments are held on a long term basis.

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14. Property, plant and equipment	Freehold land/							Total 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	
Cost/valuation								
At 1 January 2010	58,919	9,409	101,198	160,127	59,393	21,463	2,412	412,921
Transfer	-	-	(38)	-	-	(25)	-	(63)
Additions	7,000	32	26,202	5,160	386	13,169	-	51,949
Reclassifications	-	-	751	1,589	(554)	(1,786)	-	-
Disposals	-	-	(25)	(2,259)	-	(5)	-	(2,289)
Written off	-	-	-	(137)	-	-	-	(137)
Exchange difference	1,649	9	125	239	420	-	-	2,442
At 31 December 2010	67,568	9,450	128,213	164,719	59,645	32,816	2,412	464,823
Accumulated depreciation								
Charge for 2009	597	77	2,001	4,447	920	-	41	8,083
At 1 January 2010	2,118	2,067	52,927	130,212	16,064	129	373	203,890
Charge for the year	368	262	2,624	4,807	870	-	42	8,973
Disposals	-	-	-	(2,111)	-	-	-	(2,111)
Reclassification	-	-	521	108	(629)	-	-	-
Transfer to grant	-	-	272	-	-	-	-	272
Exchange difference	-	-	39	135	235	-	-	409
At 31 December 2010	2,486	2,329	56,383	133,151	16,540	129	415	211,433

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14. Property, plant and equipment (contd.)	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
Group								
Accumulated impairment losses								
Impairment losses for 2009	-	-	-	-	-	3,006	-	3,006
At 1 January 2010/31 December 2010	-	-	6,049	2,223	27,000	3,089	-	38,361
Net book value								
At 31 December 2010	65,082	7,121	65,781	29,345	16,105	29,598	1,997	215,029
At 31 December 2009	56,801	7,342	42,222	27,692	16,329	18,245	2,039	170,670
Analysis of cost and valuation:								
At cost	66,414	9,450	127,399	164,144	59,645	32,816	2,412	462,280
At valuation	1,154	-	814	575	-	-	-	2,543
At 31 December 2010	67,568	9,450	128,213	164,719	59,645	32,816	2,412	464,823
At cost	57,765	9,409	100,384	159,552	59,393	21,463	2,412	410,378
At valuation	1,154	-	814	575	-	-	-	2,543
At 31 December 2009	58,919	9,409	101,198	160,127	59,393	21,463	2,412	412,921

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14. 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 2010	19,581	2,471	15,655	533	8,069	46,309
Additions	7,000	534	21,737	-	362	29,633
Disposals	-	-	-	-	(232)	(232)
At 31 December 2010	26,581	3,005	37,392	533	8,199	75,710
Accumulated depreciation						
Charge for 2009	364	222	190	-	306	1,082
At 1 January 2010	2,262	1,953	13,105	533	7,650	25,503
Charge for the year	364	219	159	-	227	969
Disposals	-	-	-	-	(230)	(230)
Transfer to grant	-	-	272	-	-	272
At 31 December 2010	2,626	2,172	13,536	533	7,647	26,514
Accumulated impairment losses						
Impairment losses for 2009	-	-	-	-	-	-
At 1 January 2010/ 31 December 2010	-	-	174	-	-	174
Net book value						
At 31 December 2010	23,955	833	23,682	-	552	49,022
At 31 December 2009	17,319	518	2,376	-	419	20,632

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14. 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	25,427	3,005	36,578	207	8,199	73,416
At valuation	1,154	-	814	326	-	2,294
At 31 December 2010	<u>26,581</u>	<u>3,005</u>	<u>37,392</u>	<u>533</u>	<u>8,199</u>	<u>75,710</u>
At cost	18,427	2,471	14,841	207	8,069	44,015
At valuation	1,154	-	814	326	-	2,294
At 31 December 2009	<u>19,581</u>	<u>2,471</u>	<u>15,655</u>	<u>533</u>	<u>8,069</u>	<u>46,309</u>

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 2010	117	11,285	8,179	19,581
Addition	-	7,000	-	7,000
Adjustment	-	-	-	-
Reclassification	-	-	-	-
At 31 December 2010	<u>117</u>	<u>18,285</u>	<u>8,179</u>	<u>26,581</u>
Representing:				
At cost	117	17,131	8,179	25,427
At valuation	-	1,154	-	1,154
	<u>117</u>	<u>18,285</u>	<u>8,179</u>	<u>26,581</u>

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14. Property, plant and equipment (contd.)

	Freehold land	Long leasehold land	Short leasehold land	Total
	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation				
Charges for 2009	-	131	233	364
At 1 January 2010	-	651	1,611	2,262
Charges for the year	-	131	233	364
At 31 December 2010	-	782	1,844	2,626
Net Book Value				
At 31 December 2010				
At cost	117	16,349	6,335	22,801
At valuation	-	1,154	-	1,154
	117	17,503	6,335	23,955
Net Book Value				
At 31 December 2009				
At cost	117	9,480	6,568	16,165
At valuation	-	1,154	-	1,154
	117	10,634	6,568	17,319

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 RM53,641 (2009: RM148,193). The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM377,240 (2009: RM1,089,516) which were acquired under hire purchase and finance lease agreements.

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15. Hotel and investment properties

	Group	
	2010	2009
	RM'000	RM'000
At valuation:		
- 2004	111,670	111,670
- 2007	166,820	166,820
- 2010	143,300	143,230
	<u>421,790</u>	<u>421,720</u>
At cost	17,342	13,725
	<u>439,132</u>	<u>435,445</u>
	<u><u>439,132</u></u>	<u><u>435,445</u></u>
At 1 January	435,445	438,589
Additions during the year	3,687	227
Revaluation surplus	-	3,899
Deficit on revaluation	-	(7,270)
	<u>439,132</u>	<u>435,445</u>
At 31 December	<u><u>439,132</u></u>	<u><u>435,445</u></u>

The valuations for 2004, 2007 and 2009 in respect of hotel and investment properties was adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value basis. The surplus or deficit on revaluation was credited or debited to revaluation reserve.

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

16. Plantation development expenditure

	Group	
	2010	2009
	RM'000	RM'000
At cost:		
At 1 January	7,647	7,647
Additions during the year	24	77
Transfer from government grant (Note 20)	(24)	(77)
	<u>7,647</u>	<u>7,647</u>
At 31 December	<u><u>7,647</u></u>	<u><u>7,647</u></u>

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16. Plantation development expenditure (contd.)

	Group	
	2010	2009
	RM'000	RM'000
Accumulated amortisation:		
At 1 January	(3,312)	(3,290)
Additions	(13)	(22)
	<u> </u>	<u> </u>
At 31 December	(3,325)	(3,312)
	<u> </u>	<u> </u>
Impairment loss:		
At 1 January	(4,004)	(3,997)
Additions	-	(7)
	<u> </u>	<u> </u>
At 31 December	(4,004)	(4,004)
	<u> </u>	<u> </u>
Net book value	<u> 318</u>	<u> 331</u>

17. State government equity grant and contribution for equity participation

	Group and Corporation	
	2010	2009
	RM'000	RM'000
(a) State government equity grant		
Sejadu Sdn. Bhd.	11,000	11,000
Sara Resort Sdn. Bhd.	10,850	10,850
Bukit Saban Sdn. Bhd.	4,940	4,940
Borsamulu Resorts Sdn. Bhd.	2,000	2,000
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
PPES Akua (Santubong) Sdn. Bhd.	5,000	5,000
Sarawak Car Care Centre Sdn. Bhd.	5,389	5,389
Sarawak Coconut Enterprises Sdn. Bhd.	7,080	7,080
Carbon Supplies (Sarawak) Sdn. Bhd.	2,880	2,880
GOS Management Holdings Sdn. Bhd.	20,000	20,000
	<u> </u>	<u> </u>
	106,139	106,139
	<u> </u>	<u> </u>

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

	Group and Corporation	
	2010	2009
	RM'000	RM'000
(b) State government contribution for equity participation		
Sejadu Sdn. Bhd.	144,189	144,189
Sara Resort Sdn. Bhd.	57,400	57,400
Kuching Hotels Sdn. Bhd.	24,088	24,088
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
Eastern Empress Silk Sdn. Bhd.	5,900	5,900
Borsamulu Resorts Sdn. Bhd.	2,000	1,000
	270,577	269,577
	270,577	269,577

The State Government Equity Grant and State Government Contribution for Equity Participation represent funds injected into the Corporation by the State Government of Sarawak to finance investments in subsidiary companies which undertake commercial projects. 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.

18. Development funds

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	100,705	81,315	92,261	72,871
Cattle Industry Development Fund	13,314	14,264	3,950	4,900
Aquaculture Development Fund	16,306	16,530	9,730	9,954
Camp Permai Fund	2,000	2,000	-	-
Others	74,803	73,589	74,197	72,983
	207,128	187,698	180,138	160,708
	207,128	187,698	180,138	160,708
At 1 January	187,698	190,553	160,708	162,016
Received during the year	41,251	39,791	41,251	39,791
Transfer from development costs	21,737	-	21,737	-
Amortised during the year	(5,696)	-	(5,696)	-
Disbursed/ utilised during the year	(37,862)	(42,646)	(37,862)	(41,099)
	207,128	187,698	180,138	160,708
	207,128	187,698	180,138	160,708

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19. Reserves

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Capital reserves	3,997	3,997	-	-
Share premium (a)	9,261	9,201	-	-
Revaluation reserve (b)	41,108	41,108	-	-
Reserve on consolidation (c)	52,852	52,840	-	-
Revenue reserve	522,803	488,215	445,123	412,962
	<u>630,021</u>	<u>595,361</u>	<u>445,123</u>	<u>412,962</u>

	Group	
	2010	2009
	RM'000	RM'000
(a) Share premium:		
At 1 January	9,201	9,177
On issuance of preference shares during the year	60	24
At 31 December	<u>9,261</u>	<u>9,201</u>

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

	Group	
	2010	2009
	RM'000	RM'000
(b) Revaluation reserve:		
At 1 January	41,108	44,479
Revaluation deficit	-	3,899
Deficit on revaluation	-	(7,270)
At 31 December	<u>41,108</u>	<u>41,108</u>

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

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19. Reserves (contd.)

(c) Reserve on consolidation:

	Group	
	2010	2009
	RM'000	RM'000
At 1 January	52,840	52,827
Arising on consolidation	13	13
Disposal of subsidiary (Note 11)	(1)	-
	<u>52,852</u>	<u>52,840</u>
At 31 December	<u><u>52,852</u></u>	<u><u>52,840</u></u>

20. Government grants

At 1 January	22,660	18,462
Amortisation of grants	(932)	(980)
Government grant received during the year	-	5,255
Transfer to plantation development expenditure (Note 16)	(24)	(77)
	<u>21,704</u>	<u>22,660</u>
At 31 December	<u><u>21,704</u></u>	<u><u>22,660</u></u>

21. Deferred tax

At 1 January	7,936	6,742
Recognised in income statement (Note 25)	(1,501)	(686)
Exchange differences	347	1,880
Disposal of subsidiary (Note 11)	23	-
	<u>6,805</u>	<u>7,936</u>
At 31 December	<u><u>6,805</u></u>	<u><u>7,936</u></u>

Presented after appropriate offsettings as follows:

Deferred tax assets	-	(23)
Deferred tax liabilities	6,805	7,959
	<u>6,805</u>	<u>7,936</u>
	<u><u>6,805</u></u>	<u><u>7,936</u></u>

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21. Deferred tax (contd.)

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

	Inventories (live stock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2010	7,911	24	24	7,959
Recognised in income statement	(1,501)	-	-	(1,501)
Exchange differences	347	-	-	347
	<u>6,757</u>	<u>24</u>	<u>24</u>	<u>6,805</u>
At 31 December 2010	<u>6,757</u>	<u>24</u>	<u>24</u>	<u>6,805</u>
At 1 January 2009	6,726	19	24	6,769
Recognised in income statement	(695)	5	-	(690)
Exchange differences	1,880	-	-	1,880
	<u>7,911</u>	<u>24</u>	<u>24</u>	<u>7,959</u>
At 31 December 2009	<u>7,911</u>	<u>24</u>	<u>24</u>	<u>7,959</u>
		Unabsorbed capital allowances RM'000		
Deferred tax assets of the Group:				
At 1 January 2010		(23)		
Disposal of subsidiary (Note 11)		23		
		<u>-</u>		
At 31 December 2010		<u>-</u>		
At 1 January 2009		(27)		
Recognised in income statement		4		
		<u>(23)</u>		
At 31 December 2009		<u>(23)</u>		

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22. Employee benefits

	Group		Corporation	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Long service leave	92	71	-	-
Annual leave and others	1,483	1,288	1,483	1,288
	<u>1,575</u>	<u>1,359</u>	<u>1,483</u>	<u>1,288</u>

23. Revenue and cost of sales

Revenue

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

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

Cost of sales

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

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

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24. Profit before taxation

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Amortisation of development expenditure	13	22	-	-
Allowance for diminution in investment	50	46	-	-
Allowance for doubtful debts, net of allowance no longer required	2,038	904	(10)	(240)
Auditors' remuneration				
- current year	303	320	50	50
- over provision in prior years	-	(7)	-	-
Amortisation of goodwill	13	13	-	-
Amortisation of government grants	(932)	(980)	-	-
Bad debts recovered	(1)	-	-	-
Bad debts written off	24	443	24	250
Depreciation of property, plant and equipment	8,973	8,829	969	1,082
Gain on disposal of other investments	(2,682)	(1)	(2,666)	-
Gain on disposal of property, plant and equipment	(55)	(15)	(4)	-
Loss/(gain) on disposal of a subsidiary	1,801	-	(8,988)	-
Gross dividends from:				
Associates				
- unquoted in Malaysia	-	-	(22,101)	(10,335)
Subsidiaries				
- unquoted in Malaysia	-	-	(3,747)	(100)
Other corporations				
- quoted in Malaysia	(3,144)	(3,138)	(2,732)	(2,733)
Impairment of plantation development expenditure	-	7	-	-
Impairment loss on property, plant and equipment	-	3,006	-	-
Income from rental of land and buildings	(3,092)	(3,111)	(1,799)	(1,850)
Interest income	(6,356)	(6,156)	(4,955)	(4,667)
Interest expense				
- commercial borrowings	65	20	65	-
- hire purchase	36	63	10	16
- government loan	394	400	394	400
- paid to subsidiaries	-	-	34	34
- overdue on trade balance	3,335	2,896	-	-

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24. Profit before taxation (contd.)

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting) (contd.):				
Inventory written down to net realisable value	-	84	-	-
Loss/(gain) on foreign exchange				
- unrealised	(1,549)	(9,070)	-	-
- realised	14	1,853	-	-
Members' remuneration:				
- fees as Members of the Corporation	24	24	24	24
- allowance as Members of the Corporation	20	21	20	21
Other directors of subsidiaries:				
- fees	795	348	-	-
- others	503	1,528	-	-
Property, plant and equipment written off	142	25	-	-
Rental expenses				
- land and buildings	730	1,264	291	134
- rigs and equipment	42	154,026	-	-
Waiver of debts	-	(3)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Employee information				
Staff costs	42,363	63,134	14,888	13,677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included in staff costs of the Group and of the Corporation are Employees' Provident Fund and Pension Scheme contributions amounting to RM3,881,146 (2009: RM3,801,980) and RM1,275,121 (2009: RM1,196,491) respectively.

	Group		Corporation	
	2010	2009	2010	2009
Number of employees	1,789	1,668	262	273
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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25. Taxation

	Group		Corporation	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	2,156	2,737	7,183	1,755
Under provision in prior years				
- Malaysian income tax	(908)	35	-	333
	<u>1,248</u>	<u>2,772</u>	<u>7,183</u>	<u>2,088</u>
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	-	9	-	-
- Foreign tax	(1,501)	(695)	-	-
	<u>(1,501)</u>	<u>(686)</u>	<u>-</u>	<u>-</u>
Share of taxation of associates	<u>10,083</u>	<u>8,718</u>	<u>-</u>	<u>-</u>
Tax expense for the year	<u><u>9,830</u></u>	<u><u>10,804</u></u>	<u><u>7,183</u></u>	<u><u>2,088</u></u>

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

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Current income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Corporation being a Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
 In excess of RM500,000 of chargeable income : 26%

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

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25. Taxation (contd.)

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:

	2010	2009
	RM'000	RM'000
Group		
Profit before taxation	48,790	44,864
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	12,197	11,216
Effect of changes in Malaysian tax rates	-	(1,706)
Effect of different tax rates in other countries	(248)	(114)
Effect of income not subject to tax	(8,647)	(4,680)
Expenses not deductible for tax purposes	8,020	6,559
Revenue expenditure capitalised	(381)	-
Utilisation of previously unrecognised capital allowance and tax loss	285	(2,991)
Utilisation of unabsorbed investment tax allowance	-	(1,098)
Capital item deductible for tax	(14)	(17)
Utilisation of deferred tax assets carried forward previously not recognised	(525)	-
Deferred tax assets not recognised	1,066	2,996
(Over)/under provision of income tax expense in prior years	(908)	35
(Over)/under provision of income tax expense of associates in prior years	(1,019)	(350)
Under provision of deferred tax expense of associates in prior years	163	879
Others	(159)	75
Tax expense for the year	9,830	10,804
Tax losses are analysed as follows:		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	1,122	1,146
Unutilised tax losses carried forward	17,044	8,514

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25. Taxation (contd.)

	2010	2009
	RM'000	RM'000
Corporation		
Profit before taxation	39,344	6,719
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	9,836	1,680
Effect of income not subject to tax	(4,756)	(1,558)
Expenses not deductible for tax purposes	550	712
Deferred tax assets not recognised	202	132
Utilisation of previously unrecognised tax losses	1,351	789
Under provision of income tax in prior years	-	333
Effect on opening deferred tax reduction	-	-
Tax expense for the year	7,183	2,088
Tax savings during the financial year arising from:		
Utilisation of current year tax losses	1,122	1,146
Unutilised tax losses carried forward	14,721	6,191

26. Significant inter-company transactions

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

	Corporation	
	2010	2009
	RM'000	RM'000
Interest paid to subsidiaries for deposits placed with Central Cash Management	34	33
Marketing fees received from a subsidiary	-	(698)
Rental received from subsidiaries	(99)	(75)
Management fee received from an associate	(18)	(18)
Management fee and incentive management fee paid to subsidiary	-	510
License fee received from an associate	(248)	(50)

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27. Contingent liabilities

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.

28. Commitments

	Group	
	2010	2009
	RM'000	RM'000
Capital commitments for the acquisition of property, plant and equipment:		
Approved and contracted for	-	18,650
Approved but not contracted for	5,927	14,561
	<u>5,927</u>	<u>33,211</u>
	=====	=====

29. Currency

All amounts are stated in Ringgit Malaysia.

30. Significant events

The significant events are disclosed in Note 11 and 12 to the financial statements.

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

Detailed Income Statement
For the Year Ended 31 December 2010

	2010 RM'000	2009 RM'000
Revenue		
Dividend income - subsidiaries	3,747	100
- associates	22,101	10,335
- other investments	2,732	2,733
Document fees	10	46
Gain on disposal of investment	11,654	-
Gain on disposal of property, plant and equipment	4	-
Interest income	4,955	4,667
Licensing fees	248	50
Marketing fees	-	698
Rental income	1,799	1,850
Sales of property development	3,617	3,233
Sundry income	354	68
	51,221	23,780
Less: Cost of sales		
Property development cost	1,450	1,126
Gross profit	49,771	22,654
Add: Other operating income		
Allowance for doubtful debts no longer required	10	249
Government grant	4,557	3,009
Other operating income	7,424	2,500
	11,991	5,758

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

Detailed Income Statement
For the Year Ended 31 December 2010 (contd.)

	2010 RM'000	2009 RM'000
Less: Administrative expense		
Corporate staff welfare	13	13
Educational grant	47	15
Program Internship Siswazah	20	62
Staff accommodation	12	17
Staff incentive allowance	535	603
Staff benefit	234	200
Staff bonus	263	121
Staff chronic	60	65
Staff corporate gathering	166	48
Staff EHS (medical checkup)	40	40
Staff external training	271	150
Staff goodwill	5	1
Staff housing loan interest subsidy	387	424
Staff in-house training	275	194
Staff leave passage	23	21
Staff maternity	10	14
Staff medical	237	251
Staff membership fees	13	6
Staff overtime	238	206
Staff transport and travelling	996	743
Staff salary - junior	5,319	5,324
- senior	5,619	5,082
Staff uniform	63	40
Staff welfare	18	16
Staff welfare - children education	15	11
Welfare - retirement	9	10
	14,888	13,677

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

Detailed Income Statement
For the Year Ended 31 December 2010 (contd.)

	2010 RM'000	2009 RM'000
Less: Other operating expenses		
Allowance for doubtful debts	-	9
Bad debts written off	24	250
Board's expenses	148	151
Depreciation of property, plant and equipment	969	1,082
General expenses	1,209	820
Maintenance expenses	1,921	1,851
Management fee	-	510
Office expenses	1,965	1,823
Professional fees	351	570
Project expenses	440	500
	7,027	7,566
Operating profit	39,847	7,169
Less: Finance cost		
Interest on fixed deposit (CCM)	34	34
Interest on government loan	394	400
Interest on HP interest	10	16
Interest on RHB fixed loan	65	-
	503	450
Profit before taxation	39,344	6,719

