

notice of **fourteenth** ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Tenaga Nasional Berhad will be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on Thursday, 23 December 2004, at 10.00 am for the following purposes:

AS ORDINARY BUSINESSES:-

1. To receive the Directors' Report and Audited Financial Statements for the Financial Year ended 31 August 2004 and the Auditors Report thereon.
Resolution 1
2. To approve the declaration of a final gross dividend of 10.0 sen per share and special gross dividend of 4.0 sen per share less income tax of 28% in respect of the Financial Year ended 31 August 2004.
Resolution 2
3. To approve the Directors' fees for the Financial Year ended 31 August 2004.
Resolution 3
4. To re-elect as Director, Tan Sri Dato' Hari Narayanan a/l Govindasamy, who retires in accordance with Article 135 of the Company's Articles of Association and being eligible, offers himself for re-election.
Resolution 4
5. To re-elect as Directors, the following Directors who retire in accordance with Article 133 of the Company's Articles of Association and being eligible, offer themselves for re-election:-
 - (i) Datuk Amar Leo Moggie; **Resolution 5**
 - (ii) Dato' Azman bin Mokhtar; **Resolution 6**
 - (iii) Datuk Mohd Zaid bin Ibrahim; **Resolution 7**
 - (iv) Dato' Che Khalib bin Mohamad Noh; **Resolution 8**
 - (v) Dato' Abdul Rahim bin Mokti; **Resolution 9**
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.
Resolution 10

AS SPECIAL BUSINESSES:-

7. To consider and if thought fit, to pass the following Ordinary Resolutions on issuance of shares, with or without any modification:-

i. Specific Authority for the Directors to issue Shares pursuant to the Employees' Share Option Scheme

Resolution 11

"THAT pursuant to the Tenaga Nasional Berhad Employees' Share Option Scheme II (ESOS II) as approved at the Extraordinary General Meeting (EGM) of the Company held on 29 May 2003, approval be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and in accordance with the terms and conditions of the said scheme."

ii. General Authority for the Directors to issue shares pursuant to Section 132D, Companies Act, 1965

Resolution 12

"THAT pursuant to Section 132D of the Companies Act, 1965, full authority is hereby given to the Directors to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting (AGM) and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10 per cent (%) of the issued share capital of the Company for the time being, subject to the provision of the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and all the relevant regulatory bodies where such approval is necessary."

8. To consider and if thought fit, to pass the following Ordinary Resolutions:-

Proposed Renewal Of Shareholders' Mandate And Proposed New Shareholders' Mandate For Recurrent Related Party Transaction (RRPT) Of A Revenue Or Trading Nature Which Are In The Ordinary Course Of Business Involving The Following Parties:-

- i. YTL POWER INTERNATIONAL BERHAD;**
Resolution 13
- ii. RANHILL POWER BERHAD;**
(formerly known as EPE Power Corporation Berhad)
Resolution 14
- iii. EDARAN OTOMOBIL NASIONAL BERHAD;**
Resolution 15
- iv. PETRONAS GAS BERHAD;**
Resolution 16
- v. PETRONAS DAGANGAN BERHAD;**
Resolution 17
- vi. MALAYSIA INTERNATIONAL SHIPPING CORPORATION BERHAD;**
Resolution 18
- vii. PETRONAS CARIGALI SDN BHD;**
Resolution 19
- viii. MISC TRUCKING & WAREHOUSING SDN BHD;**
Resolution 20
- ix. GAS DISTRICT COOLING SDN BHD;**
Resolution 21
- x. POLYETHYLENE MALAYSIA SDN BHD**
Resolution 22

THAT pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Listing Requirements:-

- (a) the mandate granted by the shareholders of the Company at the AGM of the Company held on 23 December 2003 be and is hereby renewed; and
- (b) the proposed new shareholders' mandate be and is hereby given;

to authorise the Company and its subsidiaries (the Group) to enter into the specified recurrent transactions with the specified classes of the related parties aforementioned, which are necessary for the Group's day to day operations as set out in Appendix A of the Circular to Shareholders dated 1 December 2004, subject to the following terms:-

- i. the transaction are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- ii. disclosure of the aggregate value of transactions pursuant to the Proposed Renewal of Shareholders Mandate for RRPT conducted during a Financial Year will be made in the annual report for the said Financial Year.

AND THAT such authority conferred by the above mandate and the renewed mandate shall continue to be in force until:-

- i. the conclusion of the Fifteenth AGM of the Company following the forthcoming Fourteenth AGM at which the Proposed Renewal of Shareholders Mandate for RRPT is approved, at which time it will lapse, unless by a resolution passed at the Fifteenth AGM the mandate is renewed; or
- ii. the expiration of the period within which the Fifteenth AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii. revoked or varied by resolution passed by the shareholders in the general meeting whichever is the earlier.

AND THAT the Directors of the Company be and is hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate."

- 9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT the Register of Members of the Company will be closed from 29 December 2004 to 2 January 2005 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend. The dividend, if approved by Members at the Fourteenth AGM, will be paid on 24 January 2005.

A Depositor with Bursa Malaysia Depository Sdn Bhd shall qualify for entitlement to the dividend only in respect of:

- a. Shares deposited into the Depositor's securities account before 12.30 pm on 24 December 2004 in respect of shares which are exempted from mandatory deposit;
- b. Shares transferred into the Depositor's securities account before 4.00 pm on 28 December 2004 in respect of ordinary transfers; and
- c. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD,

ZAINAL ABIDIN BIN YUNUS (LS 0008338)
NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)
 Company Secretaries

Kuala Lumpur, Malaysia
 1 December 2004

Notes:-

Registration of Members/Proxies

Registration of Members/Proxies attending the Meeting will commence from 8.00 am on the day of the Meeting. Members/Proxies are required to produce identification documents for registration.

Proxy

Any Member entitled to attend and vote at this Meeting is entitled to appoint another person or persons (whether a Member or not) as his proxy, or by a duly authorised representative for the particular case to attend and vote in his stead. A proxy need not be a Member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. The Form of Proxy must be deposited at the Registered Office, First Floor, Headquarters Tenaga Nasional Berhad, 129 Jalan Bangsar, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for holding the Meeting and any adjournment thereof.

Additional Information on Resolutions 4 to 9

Additional Information on the Particulars of the retiring Directors, as required under Appendix 8A of the Bursa Malaysia Listing Requirements detailed out in the Annual Report.

EXPLANATORY NOTES ON SPECIAL BUSINESSES

- (i) Resolution 11: The Proposed Ordinary Resolution, if passed, will empower the Directors to issue shares in the Company pursuant to the terms and conditions of the ESOS II which was approved at the EGM of the Company held on 29 May 2003.
- (ii) Resolution 12: Power to issue shares pursuant to Section 132D, Companies Act, 1965.

The proposed Ordinary Resolution, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next AGM of the Company.
- (iii) Resolutions 13 to 22: Details on the Proposed Renewal Of Shareholders' Mandate and Proposed New Shareholders' Mandate For RRPT Of A Revenue Or Trading Nature Which Are In The Ordinary Course Of Business as mentioned above are set out in the Circular to Shareholders dated 1 December 2004.

statement accompanying

NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 14TH ANNUAL GENERAL MEETING OF THE COMPANY

(a) Director retiring pursuant to Article 135 of the Articles of Association:-

- Tan Sri Dato' Hari Narayanan a/l Govindasamy

(b) Directors retiring pursuant to Article 133 of the Articles of Association:-

- Datuk Amar Leo Moggie
- Dato' Azman bin Mokhtar
- Datuk Mohd Zaid bin Ibrahim
- Dato' Che Khalib bin Mohamad Noh
- Dato' Abdul Rahim bin Mokti

Further details of the six (6) Directors seeking re-election are set out in their respective profile which appear in the Directors' profiles on pages 32 to 42 of this Annual Report.

2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 AUGUST 2004

(a) A total of nineteen (19) Board meetings were held in the financial year ended 31 August 2004 as follows:-

No. Meeting	Date of Board Meetings	Time
1.	4 September 2003	2.30 pm
2.	22 September 2003	2.30 pm
3.	28 October 2003	11.00 am
4.	13 November 2003	3.00 pm
5.	23 December 2003	9.00 am
6.	20 January 2004	10.30 am
7.	27 January 2004	10.00 am
8.	25 February 2004	10.30 am
9.	8 March 2004	2.30 pm
10.	30 March 2004	11.00 am
11.	14 April 2004	9.30 am
12.	27 April 2004	11.00 am
13.	29 May 2004	8.45 am
14.	14 June 2004	11.00 am
15.	28 June 2004	11.30 am
16.	7 July 2004	10.00 am
17.	27 July 2004	12.30 pm
18.	5 August 2004	10.30 am
19.	27 August 2004	9.00 am

Except for Board Meeting no. 9 which was held at Bilik Mesyuarat, Aras 9, Wisma TNB, Jalan Tok Hakim, 15000 Kota Bharu, Kelantan Darul Naim, all the other Board Meetings were held at Bilik Kapar, 11th Floor, Tenaga Nasional Berhad Headquarters, 129, Jalan Bangsar, 59200 Kuala Lumpur.

(b) Details of attendance of Directors at the said Board Meetings are featured in the Statement of Corporate Governance set out in page 12.

STATEMENT OF corporategovernance

Tenaga Nasional Berhad (TNB or the Company) conforms to the underlying principles and best practices of good corporate governance as embodied in the Malaysian Code on Corporate Governance, whilst continuously observes other global best practices notably the Combined Code of United Kingdom. TNB recognises the value of corporate governance as an organisational competitive advantage which goes beyond regulatory compliance.

TNB has a long established set of structures, systems and processes which provide a conducive setting for the cultivation of good corporate governance culture. In upholding good corporate governance practices which include periodic assessment and refinement of policies, frameworks, procedures and controls in TNB, the financial year under review saw the refinement and institutionalisation of the following systems, policies and procedures:-

- (a) Enterprise Wide Risk Management Policy covering Enterprise Wide Risk Management System (see page 110 for details);
- (b) Enterprise Human Resource Management System (see page 117 for details);
- (c) Enterprise Resource Management System (see page 114 for details);
- (d) Performance Management System (see page 117 for details);
- (e) Group Procurement Policy and Procedures (see page 114 for details);
- (f) Specialist Career Path Scheme (see page 117 for details).

Such initiatives ensure that business processes and systems in TNB are geared towards transparency, integrity, accountability and efficiency in business practices. These initiatives complement the Shared Values on Integrity, Customer Focus, Business Excellence and Caring which provide strong foundation towards organisational excellence.

The Board of Directors of TNB is pleased to report to shareholders on the manner the Company has applied the Principles and adopted the best practices provisions laid down in the Code. These ensure that the highest standards of corporate governance are practiced throughout the Group along the benchmark of Best Practices in Corporate Governance as set out in Part 2 of the Code and other recognised global standards.

(A) THE BOARD OF DIRECTORS

At the pinnacle of corporate governance is the Board of Directors with its collective responsibility in leading and directing the company's affairs, as an effective decision-making body. The Board is accountable to shareholders for the performance and activities of the Company so that such are undertaken in the best interest of shareholders. The Board operates within a robust set of governance as set out below:-

Composition of the Board

The Board of Directors of TNB consists of eight (8) members comprising One (1) Non Executive Chairman, One (1) Executive Director and Six (6) Non-Executive Directors. The strength of TNB Board lies in the wide range of expertise and experience brought to the Board by members of diverse background in business, financial, legal and technical as well as management, public administration and policy making. A brief profile of each Director is set out on pages 32 to 42 of this Annual Report.

Appointment to the Board

Board Nomination and Remuneration Committee selects and proposes to the Board suitable candidate for appointment as Director in TNB and its subsidiary companies. Appointment to the Board of TNB is made either by the Special Shareholder pursuant to Article 5(2) of the Company's Memorandum and Articles of Association or by the Board of Directors pursuant to Article 133 of the Company's Memorandum and Articles of Association.

Board Balance and Independence

The Board is assured of a balanced and independent view at all Board deliberations largely due to the presence of its non-executive directors who form a majority of the Board.

The requirement of the Code for a Board balance is fulfilled with the Independent Directors forming one third of the Board. The classification for independence is in accordance with paragraph 1.01 (Definition and Interpretations) of the Bursa Malaysia Listing Requirements.

The Independent Non-Executive Directors are independent of Management and free from any business relationship which could materially interfere with the exercise of their independent judgement. The presence of three (3) Independent Directors confer a strong independent element on the Board. The Board has identified and appointed Dato' Lau Yin Pin as the Senior Independent Non-Executive Director of the Board to whom any concerns on the Company may be conveyed.

Roles and Responsibilities

The Board provides direction and effective control of the Company. The Board has adopted the six primary responsibilities outlined in the Code namely:-

- (a) Determining the strategic plan for the Company;
- (b) Overseeing the conduct of the Company's businesses;
- (c) Identifying and managing risks affecting the Company;
- (d) Reviewing adequacy and integrity of the Company's internal control systems;
- (e) Implementing succession planning for timely succession of management within the Company;
- (f) Maintaining effective communication with shareholders and investors.

There is a clear division of responsibility between the Board and the Management thus promoting a balance of power and authority. The roles of Chairman of the Board and the President/Chief Executive Officer are therefore separate and distinct.

The Chairman provides coherent leadership and assumes responsibility for the effective running of the Board as well as represents the Board to the Shareholders.

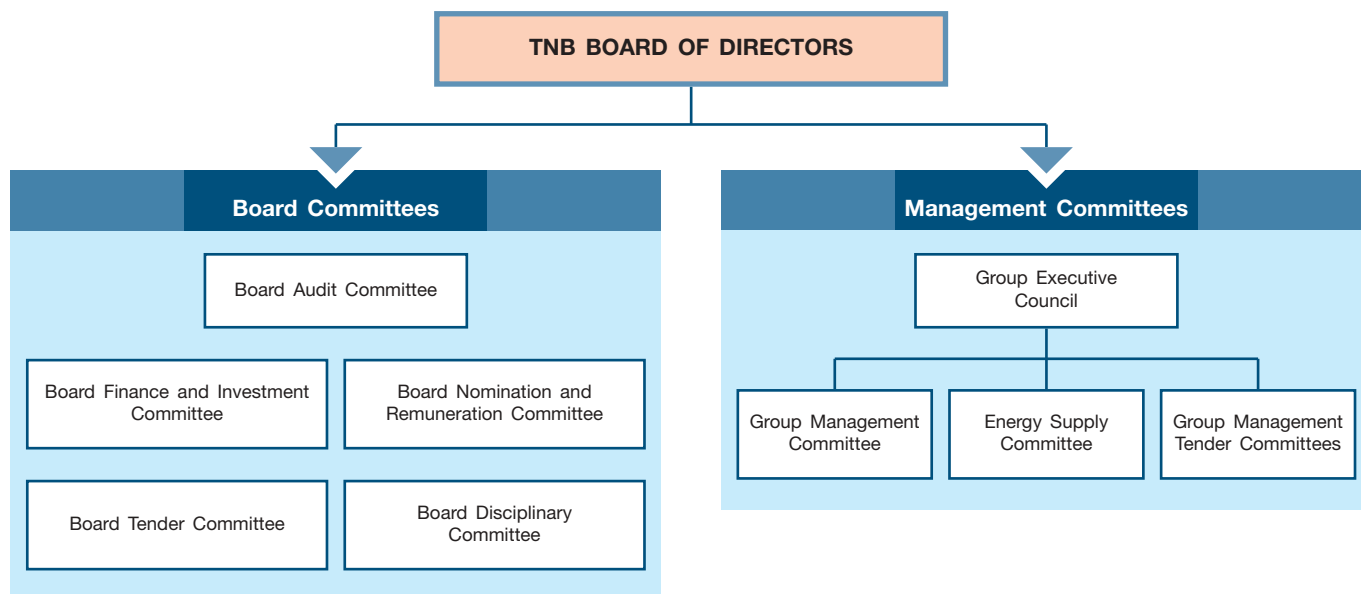
The President/Chief Executive Officer, supported by his team of management through the Group Executive Council, Group Management Committee, Group Management Tender Committee and Energy Supply Committee are responsible for the running of the business as a whole.

Board effectiveness is further enhanced by the strength of relationship between the Board and the Management. The Board has initiated a formal platform outside the boardroom so as to provide the Management with further guidance on the effective implementation and execution of board decisions.

Operation of the Board

The Board has delegated certain responsibilities to Board Committees which operate within clearly defined Terms of References. There are five (5) Board Committees to assist the Board on which the Committees deliberate the issues on a broad and in depth basis before putting up any recommendation to the Board.

A diagram outlining the main Committees involved in the decision making process is set out below:-



The Board Meetings

During the financial year ended 31 August 2004, nineteen (19) Board meetings were convened to deliberate and consider a variety of significant matters including review on quarterly financial statements, overall performance of the Company and the subsidiary companies, budget, risk assessment, debt restructuring and other corporate proposals such as divestment exercise as well as other related business matters that require their deliberation and due approval.

The proceedings and resolutions passed at each Board meeting are minuted and kept in the statutory register at the registered office of the Company.

Attendance Details of Board Members

Dedication and high degree of commitment given by all members of the Board are evident from the attendance record which well surpassed the 50% attendance requirement of the Bursa Malaysia Securities Berhad.

Directors	Meeting Attendance
Datuk Amar Leo Moggie (<i>Chairman</i>) (<i>Appointed w.e.f. 12 April 2004</i>)	9/9
Dato' Lau Yin Pin @ Lau Yen Beng	16/19
Tan Sri Dato' Hari Narayanan a/l Govindasamy	14/19
Dato' Zainal Abidin bin Putih	16/19
Dato' Che Khalib bin Mohamad Noh (<i>Appointed w.e.f. 1 July 2004</i>)	4/4
Datuk Mohd Zaid bin Ibrahim (<i>Appointed w.e.f. 15 June 2004</i>)	3/5
Dato' Azman bin Mokhtar (<i>Appointed w.e.f. 15 June 2004</i>)	4/5
Dato' Abdul Rahim bin Mokti (<i>Appointed w.e.f. 4 November 2004</i>) Zalekha binti Hassan (Alternate Director to Dato' Abdul Rahim bin Mokti) (<i>Appointed w.e.f. 4 November 2004</i>)	Not Applicable
Dato' Dr. Awang Adek bin Hussin (<i>Resigned w.e.f. 31 March 2004</i>)	10/10
Datuk Dr. Halim bin Shafie (<i>Resigned w.e.f. 7 June 2004</i>) Dato' Syed Hamzah bin Syed Othman (Alternate Director to Datuk Dr. Halim bin Shafie attended 2 Board Meetings) (<i>Resigned w.e.f. 7 June 2004</i>)	11/13
Raja Dato' Zaharaton binti Raja Zainal Abidin (<i>Appointed w.e.f. 8 March 2004 and Resigned w.e.f. 7 June 2004</i>)	3/5
Datuk Zainun Aishah binti Ahmad (<i>Resigned w.e.f. 7 June 2004</i>)	13/13
Dato' Shaziman bin Abu Mansor (<i>Resigned w.e.f. 31 March 2004</i>)	7/10
Dato' Pian bin Sukro (<i>Resigned w.e.f. 1 July 2004</i>)	13/15
Datin Paduka Hajjah Seripah Noli binti Syed Hussin (<i>Resigned w.e.f. 31 March 2004</i>)	7/10
Ng Lip Yong @ Ng Lip Sat (<i>Resigned w.e.f. 31 March 2004</i>)	9/10
Datuk Iskandar Dzakurnain bin Badarudin (<i>Resigned w.e.f. 21 December 2003</i>) Raja Dato' Zaharaton binti Raja Zainal Abidin (Alternate Director to Datuk Iskandar Dzakurnain bin Badarudin) (<i>Resigned w.e.f. 21 December 2003</i>)	3/4
Datin Husniarti binti Tamin (<i>Resigned w.e.f. 31 October 2004</i>) Dato' Kamariah binti Hussain (Alternate Director to Datin Husniarti binti Tamin) (<i>Resigned w.e.f. 31 October 2004</i>)	19/19

Supply of Information to the Board

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs.

Prior to each Board meeting, papers on specific subjects are sent to the Directors in advance so that time at Board Meetings can be utilised for focused discussion. Management is responsible to provide the Board with all the relevant information to facilitate informed decision-making process.

All Directors have the right and duty to make further enquiries where they consider necessary. In most instances, senior management of the Company as well as professionals and external advisors are invited to be in attendance at Board meetings to furnish clarification on issues that may be raised by the Board. Directors are at liberty to take independent advice on any matter connected with the discharge of their responsibilities.

In addition, the Board invites senior Management to brief the Board from time to time on matters being deliberated as they are able to help bring insight into these matters. Directors have full and unrestricted access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

Re-election

All Directors are required to retire from office at least once in every three years in accordance with Article 135 and newly appointed Directors are subject to re-election by shareholders at the first opportunity after their appointment, in accordance with Article 133 of the Company's Articles of Association. Retiring Directors may offer themselves for re-election by the shareholders.

Continuing Professional Development

All Directors are provided with appropriate professional development training to enhance their business acumen and professionalism in discharging their fiduciary duties to the Company. Apart from attending Mandatory Accreditation Programme and Continuing Educational Programme accredited by Bursa Malaysia to keep abreast with corporate regulatory affairs, the Directors are also equipped with technical exposure on operational side of the business through technical visits to power plants.

In line with the recent amendment to Practice Note No. 15/2003 which prescribed that the Board of Directors of all Public Listed Companies shall be responsible for determining the training needs of the Directors with effect from 1 January 2005, TNB has initiated its own comprehensive and formal training programme tailored to the needs of the Board of Directors.

Directors' Remuneration Procedure

The Board Nomination and Remuneration Committee recommends to the Board the framework and the remuneration package for the Executive Director and Senior Management. In determining the framework, the Committee has access to professional advice from both internal and external sources.

The Level and Make-Up of Remuneration

- (a) The remuneration package of the Executive Director comprises of the following:-
 - (i) *Basic salary*

The basic salary (inclusive of statutory employer contributions to the Employee Provident Fund) for Executive Director is recommended by the Board Nomination and Remuneration Committee, taking into account the individual performance and information from independent sources on the rates of salary for similar position in a selected group of comparable companies.

(ii) *Reward Scheme*

The Group operates a bonus scheme for all employees, including the Executive Director. The criteria for the scheme is the level of profit achieved from the Group's business activities against targets, together with an assessment of each individual's performance. Bonus payable to the Executive Director is reviewed by the Board Nomination and Remuneration Committee and approved by the Board.

(iii) *Directors' share options*

The Executive Director's share options during the year ended 31 August 2004 is set out on page 162 of the Director's Report and Financial Statements.

(b) The remuneration package of Non-Executive Directors comprises of the following:

(i) *Fees*

Fees payable to Directors are determined by the Board after considering rates comparable to other Government-Link Companies and the level of responsibilities undertaken by the Directors. Such fees are tabled to the shareholders of the Company for approval.

(ii) *Benefits in kind*

Other benefits in the form of coverage on electricity bills and reimbursement are made available as appropriate.

Disclosure on Directors' Remuneration

The details on the aggregate remuneration of directors for the financial year ended 31 August 2004 are as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Directors' Fees	5,000.00	*404,830.00	409,830.00
Meeting Allowances	2,000.00	*277,900.00	279,900.00
Salaries, Bonus & Allowances	811,261.08	—	811,261.08
Employees Provident Fund	102,406.00	—	102,406.00
Benefits-in-kind	—	81,846.03	81,846.03
Total	920,667.08	764,576.03	1,685,243.11

**Inclusive of RM5,300 and RM3,300 paid to Khazanah Nasional Berhad, in respect of Directors' Fee and Meeting Allowance provided for Dato' Azman bin Mokhtar.*

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 August 2004 is as follows:-

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
0 – RM50,000	—	11	11
RM50,001 – RM100,000	—	5	5
RM100,001 – RM150,000	1	—	1
RM150,001 – RM200,000	—	1	1
RM750,001 – RM800,000	1	—	1
TOTAL	2	17	19

(B) SHAREHOLDERS

The Board recognises its principal responsibility towards protecting and enhancing long term shareholders' value and that in order to prosper and achieve growth, it must (amongst other things) earn the trust of shareholders and the stakeholders ranging from regulators, customers, employees, bankers and creditors.

Relations between the Company and Investors

TNB maintains an interactive relationship with the shareholders with a view to promote transparency and to build shareholder confidence. The company has set up a dedicated department called the Investor Relations Department (IRD) since 1992 to attend to all queries raised by shareholders and investors. IRD sets annual programmes to meet both domestic and international investment communities (both equity and fixed income) on a monthly basis. In addition, the Company holds briefing with fund managers and analysts after each quarter's announcements of financial results to Bursa Malaysia.

During the year under review, TNB conducted four (4) non deal road shows throughout Europe, Middle East and Japan as well as participating in five (5) Investors Conferences in London, United Kingdom, Hong Kong and Singapore. IRD also held eighty-five (85) networking meetings with foreign investors and analysts.

Shareholders also have access to information about TNB and its subsidiaries (the Group) through the website at www.tnb.com.my. The website maintained by TNB website Management and Co-ordination Work Group feature an information which is up to date and up to disclosure expectations of the shareholders and stakeholders at large.

Constructive Use of the Annual General Meeting

TNB encourages the exercise of voting rights and constructive dialogue between the Board and the shareholders at the Annual General Meeting, whereby shareholders are given opportunity to pose their questions on proposed resolutions and the Group's operations.

Each item of ordinary and special business in the notice of the General Meeting would be accompanied by a full explanation of the effects of any proposed resolution. Separate resolutions are proposed for separate issues at the meeting and the Chairman declares the outcome of each resolution.

As a matter of providing all stakeholders with the latest update on the Company, a press conference and analyst briefing are held immediately after the general meeting where the Chairman and the President/Chief Executive Officer will address all the issues raised by the press and analyst.

Continuing Disclosure of Material Information

TNB has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Company has in place Corporate Disclosure Policy and Procedures since 1994 which provides for adoption of Best Practices in Corporate Disclosure laid down by the Bursa Malaysia in July 2004.

As required under the said Best Practice, the Company Secretaries are identified as "Corporate Disclosure Managers" within the context of the aforementioned Best Practice.

The following material information and the material development thereof have been released to shareholders via Bursa Malaysia Link on a timely basis:-

- (i) divestment of stake in Kapar Energy Ventures, Port Dickson Power Bhd and Janaurus PDP Sdn Bhd;
- (ii) execution of HVDC System Interconnection Agreement with Electricity Generating Authority of Thailand;
- (iii) proposed subscription of equity in Jimah Energy Ventures Sdn Bhd;
- (iv) execution of Power Purchase Agreement with Jimah Energy Ventures Sdn Bhd.

Confidentiality of Information

In the conduct of briefings or presentations, the Company takes care to ensure that any information regarded as undisclosed material information about the company and its operations will not be given to any single shareholder or shareholder group.

(C) ACCOUNTABILITY AND AUDIT

Relationship with the Auditors

Through the Board Audit Committee, the Group has established a transparent and appropriate relationship with the Group's Auditors, both external and internal. The Board Audit Committee meets with the External Auditors without the presence of management at least once a year. A report by the Board Audit Committee is provided in page 46 and its Terms of Reference is provided on pages 51 to 55.

Internal Control

The Code requires the Board to maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets. TNB adhere to Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies, as a guidance for compliance with these requirements.

The Group's Statement of Internal Controls, pursuant to paragraph 15.27(b) is set out on page 56.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

(Pursuant to paragraph 15.27(a) of the Bursa Malaysia Listing Requirements)

The Board is accountable to ensure that the Financial Statements are prepared in accordance with the Companies Act 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to present a balanced and understandable assessment of the Group's financial position and prospects. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

Board Audit Committee reviews the statutory compliance and scrutinises the financial aspects of the Audited Financial Statements prior to full deliberation at the Board level.

ADDITIONAL COMPLIANCE STATEMENT

Apart from providing the shareholders and the stakeholders with an overview of the state of corporate governance in the Company, TNB is also pleased to disclose the following information:

(1) Utilisation of Proceeds Raised from any Corporate Proposal

The proceeds from the issuance of RM3,402 million of non-recourse Al-Bai Bithaman Ajil (BaIDS) securing RM200 million Murabahah working capital facility by Kapar Energy Ventures Sdn Bhd will be utilised in the following manner:-

- (i) to finance capital expenditure for the financial year 2004-2005; and
- (ii) to prepay high interest rate loans.

(2) Share Buy-Backs for the Financial Year

There was no share buy back exercise carried out by the Company for the financial year ended 31 August 2004.

(3) Options, Warrants or Convertible Securities Exercised

The status on Options, Warrants or Convertible Securities exercised by the Company are as follows:-

- (a) The Company launched the second Employees Share Options Scheme (ESOS II) in July 2003 and as at October 2004, two (2) offers have been made to eligible employees whereas:-
- (i) under the First Offer, options representing 199,994,000 shares were offered at an exercise price of RM8.39 (being the 5 day weighted average price from 1 July 2003 to 7 July 2003, net of 10% discount) to 22,815 eligible employees. A total options representing 199,347,000 shares were taken up by the grantees and the options exercised until October 2004 represented 62,311,900 shares;
- (ii) under the Second Offer, options representing a total of 16,872,000 shares were offered at an option price of RM8.74 (being the 5 day weighted average price from 17 February 2004 to 24 February 2004, net of 10% discount) to 2,927 eligible employees. Options representing a total of 16,838,000 shares were taken up and until October 2004, options representing 2,664,400 shares were exercised.
- (b) The Company has not issued any warrants for the financial year ended 31 August 2004.
- (c) As at May 2003, TNB has issued RM200.0 million nominal value Convertible Redeemable Income Securities (CRIS) at an issue price of RM1.00 per unit. The CRIS are convertible into ordinary shares at a conversion priced of RM11.47, subject to certain adjustments at any time commencing from 9 June 2004 and ending on 9 April 2009. The said CRIS will mature on 8 May 2009.

(4) American Depository Receipts (ADR)

In January 1994, TNB launched its Level 1 (ADR) in New York, United States of America. Each ADR carries an equivalent of four underlying TNB shares. The only custodian bank for TNB's ADR programme is Malayan Banking Berhad. The Bank of New York in the US is the depository bank and the ADRs are traded over the counter. As at 30 October 2004, a total of 272,952 ADRs were issued. Therefore, the total number of ordinary shares held through these ADRs is 1,091,808. This represents less than five per cent of the ordinary share capital of 3,148,303,900 shares in TNB as at 31 August 2004.

(5) Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 August 2004.

(6) Non Audit Fees

The amount of non audit fees paid to the external auditors and their affiliated companies by the Group for the financial year ended 31 August 2004 is as follows:-

External Auditor	Amount RM
PricewaterhouseCoopers	418,038.50
KPMG	517,098.93
Total	935,132.43

(7) Variation in Results

The Company did not issue any profit forecast for the financial year ended 31 August 2004. As such, no commentary is made on variation in results.

(8) Profit Guarantee

The Company did not issue any profit guarantee for the financial year ended 31 August 2004.

(9) Material Contracts

Save as disclosed below, there is no other contracts which may be material (not being contracts entered into in the ordinary course of business) that have been entered into by TNB or its subsidiary in the financial year under review, apart from the power Purchase Agreement between Tenaga Nasional Berhad and Jimah Energy Ventures Sdn Bhd.

Briefly, Jimah Energy Ventures Sdn Bhd proposes to design, construct, own, operate and maintain a coal-fired electricity generating Facility with a nominal capacity of 1,400 Megawatts proposed to be located at Mukim Jimah, Sepang, Negeri Sembilan to generate and deliver electrical energy and make generating capacity available to TNB.

This Agreement governs the obligations of the Parties to sell and purchase the Daily Available Capacity and to the extent despatched, the Net Electrical Output generated by the Facility for a term of 25 years in accordance with the agreed terms and conditions.

The Facility comprises two (2) generating units with total capacity of 1,400MW. The First Unit is expected to be on commercial operations on 1st January 2009 while the Second Unit is expected to be on commercial operations on 1 July 2009. The existence of this Facility will assist in meeting the power demand from the year 2009 onwards.

(10) Revaluation Policy

The revaluation policy of the Company in relation to its' landed properties is set out in Note 13 of the Notes to the Financial Statements set out on page 195 of this Annual Report.

(11) Recurrent Related Party Transactions of a Revenue Nature

At the Thirteenth Annual General Meeting of the Company held on 23 December 2003, the shareholders of TNB had approved and ratified all recurrent transactions of a revenue or trading nature, which are necessary for the day-to-day operations of the Group, entered into by the Company and/or its subsidiaries with certain classes of related parties from 23 December 2003 until the forth coming Annual General Meeting. Such approval will expire at the conclusion of the forthcoming Fourteenth Annual General Meeting thus compelling the Board to propose to seek the shareholders' mandate for the renewal of the same, together with new mandate on recurrent transactions of a revenue or trading nature with the new related parties.

Pursuant to paragraph 4.1.5 of Practice Note 12/2001 of the Bursa Malaysia Listing Requirements, a breakdown of the aggregate value of the Recurrent Transactions together with the type of the Recurrent Transactions, the related parties involved and the nature of their relationship with TNB in each type of the Recurrent Transaction made during the financial year are tabulated below:-

(1) RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPT OF A REVENUE OR TRADING NATURE

Interested Major Shareholders	Persons Connected to Major Shareholders/ Related Parties Involved	Nature of Relationship	Nature of Recurrent Transaction	Transaction/ Actual Value (RM) from 1 September 2003 until 31 August 2004	Transacting Company in TNB Group
Khazanah Nasional Berhad	YTL Power International Berhad	Khazanah Nasional Berhad being Major shareholder in TNB has 3.48% shareholding in YTL Power International Berhad, making the latter person connected to the Major Shareholder.	Purchase of power	1,121,953,633.59	Tenaga Nasional Berhad

(2) RATIFICATION AND SHAREHOLDERS' MANDATE FOR RRPT OF A REVENUE OR TRADING NATURE

Interested Major Shareholders	Persons Connected to Major Shareholders/ Related Parties Involved	Nature of Relationship	Nature of Recurrent Transaction	Transaction/ Actual Value (RM) from 1 September 2003 until 31 August 2004	Transacting Company in TNB Group
Minister Of Finance (Incorporated)	B & Z Plastic Industries Sdn Bhd*	Minister Of Finance (Incorporated) being Major Shareholder in TNB has indirect interest in B & Z Plastics Industries vide Yayasan Pelaburan Bumiputra (YPB) stake in Perbadanan Usahawan Nasional Berhad (PUNB) YPB was chaired by the then Finance Minister of Minister of Finance (Incorporated). PUNB which is wholly owned by YPB holds 34% shareholding in B & Z Plastics Industries, making the latter person connected to the Major Shareholder.	Purchase of Cable Slab	17,000,000.00	TNB Distribution Sdn Bhd
Minister Of Finance (Incorporated)	Hyrax Oil Sdn Bhd*	Minister Of Finance (Incorporated) being Major Shareholder in TNB has indirect interest in Hyrax Oil Sdn Bhd vide YPB stake in PUNB. YPB was chaired by the then Finance Minister of Minister of Finance (Incorporated). PUNB which is wholly owned by YPB holds 30% shareholding in Hyrax Oil Sdn Bhd, making the latter person connected to the Major Shareholder.	Purchase of Transformer Oil	6,300,000.00	1) TNB Generation Sdn Bhd 2) TNB Distribution Sdn Bhd 3) TNB Transmission Network Sdn Bhd

Interested Major Shareholders	Persons Connected to Major Shareholders/ Related Parties Involved	Nature of Relationship	Nature of Recurrent Transaction	Transaction/ Actual Value (RM) from 1 September 2003 until 31 August 2004	Transacting Company in TNB Group
Minister Of Finance (Incorporated)	Opcom Cable Sdn Bhd*	Mukhriz bin Mahathir who is in the Board of Directors of Opcom Cables Sdn Bhd is the son of the then Finance Minister of the Minister of Finance making the latter person connected to the Major Shareholder.	Purchase of Fibre Optic Cables	1,000,000.00	1) TNB Transmission Network Sdn Bhd 2) TNB Distribution Sdn Bhd
Minister Of Finance (Incorporated)	Federal Power Sdn Bhd*	Minister Of Finance being major shareholder in TNB has one golden share in Permodalan Nasional Berhad which has 50.5% shareholding in Federal Power Sdn Bhd making the latter person connected to the major shareholder.	Provisions of Cables	28,817,151.47	TNB Distribution Sdn Bhd
AGGREGATE VALUE OF THE TRANSACTIONS				1,175,070,785.06	—

Note: * Minister Of Finance (Incorporated) ceased to become interested major shareholder with effect from 15 December 2003. Therefore, recurrent transactions with persons connected to Minister Of Finance (Incorporated) are no longer regarded as recurrent related party transactions.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENT OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

(Pursuant to paragraph 15.26 of the Bursa Malaysia Listing Requirements)

The Board is pleased to state that the Company has applied the principles of corporate governance in its entirety thus in full compliance with Part 1 of the Code. Further to that, the Board remains committed to attain highest possible standard of corporate governance through continuous adoption of best practices recommended in Part 2 of the Code and other globally recognised best practice.

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 November 2004.



Dato' Lau Yin Pin @ Lau Yen Beng

Senior Independent Non-Executive Director

STATEMENT OF internalcontrol

In compliance with Paragraph 15.24 and 15.27(b) of the Listing Requirements of Bursa Malaysia and Statement on Internal Control: Guidance for Directors of Public Listed Companies (Internal Control Guidance), the Board is pleased to provide the following disclosures on the state of internal control in Tenaga Nasional Berhad as a Group.

BOARD RESPONSIBILITY

The Board of Directors (Board) is responsible for the Group's system of internal controls and for regularly reviewing its effectiveness. The principal objective of the system of internal control is to effectively manage business risks to enhance the value of shareholder's investments and safeguard all assets.

In view of the limitations that are inherent in any system of internal control, this system is designed to mitigate, rather than eliminate, the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the identification and the management of principal risks play an important and integral part in achieving the Group's business objectives and the management of its daily operations.

Enterprise Wide Risk Management (EWRM) Department was established to coordinate the efforts to build a structured risk management framework for TNB divisions and subsidiaries. The structured risk management framework enables the divisions and subsidiaries to identify, analyse and mitigate the business risks within the TNB Group, both at divisional and subsidiary levels.

The TNB EWRM Policy and Guidelines were approved by the TNB Board and launched in March 2004. It defines the objectives, applicability, roles, responsibilities and accountabilities for managing risks in TNB. Each operating division or subsidiary is responsible for the management and half-yearly reporting of risks and controls to the EWRM Department.

The risk reports are reviewed by the Group Risk Management Committee (GRMC) before being presented to the Board Audit Committee (BAC) and the Board for deliberations and endorsement. This process ensures that the risks are adequately mitigated and independently reviewed. The GRMC sat twice in the year under review.

A detailed implementation of the EWRM framework has been carried out throughout TNB from June 2003, whereby a standardised group-wide risk assessment process was used. For the year under review, more than thirty (30) workshops were organised and risk registers and risk profiles for each TNB division and subsidiary were developed. Subsequently, risk mitigation plans were produced to address key risks which include strategic risks at the Group level.

With the EWRM framework in place, the Board is able to ensure that risk management activities are continuously practised throughout the Group and that the principal risks are adequately addressed and mitigated.

CONTROL STRUCTURE

The Board is fully committed to ensuring that a proper control environment is maintained within the Group. The key elements of the Group control structure are listed below.

Board and Management Committees

Specific Board responsibilities have been delegated to committees established with formalised and specific terms of reference, to assist the Board in the execution of its responsibilities.

The following are the committees established:

Board Committees:

- Audit Committee
- Tender Committee
- Disciplinary Committee
- Finance and Investment Committee
- Nomination and Remuneration Committee

Management Committees:

- Group Executive Committee
- Group Management Committee
- Energy Supply Committee
- Tender Committee

These committees have the authority to examine all matters within their scope and terms of reference and report back to the Board on a periodic basis with their recommendations for review or approval by the Board, where appropriate.

Organisational Structure

The Board has put in place a well-defined organisational structure that is directly aligned to the strategic and operational demand of the business. Each operational unit is headed by reliable and responsible personnel who are fully accountable to ensure that the business activities are implemented with full compliance with the Group's objectives, policies and procedures.

Management Systems

Two major management systems were completed and implemented for the year under review:

- **Enterprise Resource Management System (ERMS)**

The objectives of ERMS are:

- to integrate all the Group's business and administration applications and,
- to provide a standard application across the Group with the objectives of improving, among others, project planning and delivery, capital budgeting, materials, financial and asset management, and maintenance planning.

- **Performance Management System (PMS)**

The objectives of PMS are:-

- to cascade down the Group's objectives including its key performance indicators and strategic plans to all its business units and employees;
- to reward annually to employees based on their individual achievement captured in the PMS; and,
- to ensure that employees' competency are enhanced through training and continued education.

- **Enterprise Resource Management System (ERMS)**

The Group has successfully implemented the first phase of Enterprise Human Resource Management System (E-HRMS) in July 2004. The modules implemented under the first phase among others will control the payroll, loans, retirement benefits and time management.

Group Policies and Procedures

Internal policies and procedures are set out in a series of clearly-documented standard practice manuals and circulars covering the financial and operational areas within the Group where delegated authority limits are clearly defined and operational framework provided for the management to deal with significant risks.

The Group has already put in place various policies and procedures, among others:

- Financial Policies and Procedures
- Safety and Health Policy
- Environmental Policy
- Investment Policy
- Procurement Policy
- Disciplinary Policy

For the year under review, the Group has launched the revised Group Procurement Policy and Procedures to provide broad guidelines for the procurement of equipment, materials, works and services through a consistent procurement system across all divisions and wholly-owned subsidiaries of the Group. This is aimed at ensuring effectiveness and efficiency in the system of internal control embedded in the procurement process.

In addition, the Board placed a very high emphasis on integrity and transparency in its business dealings and activities. As such, the Group Disciplinary Policies and Procedures promotes good business ethics which will then ensure that the business is managed to the highest professional standards.

Non-Technical Losses of Electricity

The Group has set up a special team called the Special Engagement Against Losses (SEAL) Team for the purpose of reducing non-technical losses. The SEAL Team's activities include improving metering and billing processes, ensuring metering is accurate, and reducing theft of electricity. In the year under review, the Group successfully reduced distribution losses by about one per cent mainly through the efforts of the SEAL Team.

MONITORING AND REVIEW

Financial and Operational Review

The Board Finance and Investment Committee and the Board Audit Committee together with the respective business units review the quarterly financial statements and performance of the Group in detail before they are tabled to the Board for their review, consideration, and approval.

Monthly performance reports produced by core business divisions are compared against the approved performance budget. In addition, detailed monthly management reports containing key financial results and operational performance indicators are prepared and compared with the approved operating plan. The Group Executive Committee (GEC) monitors the performance of all business units on a regular basis and a consolidated reporting of the Group's performance is carried out by the GEC and submitted to the Board on a periodic basis for deliberation.

The Board, through the Board Audit Committee, regularly reviews reports from internal audit reports on internal control, to help ensure effectiveness, adequacy and integrity of internal control system of the Group.

Business Planning & Budgeting Review

The Group undertakes a detailed business planning and budgeting process each year, to establish plans and targets against which performance is monitored on an ongoing basis. Key business risks identified during the business planning process are reviewed periodically during the year.

The Business Planning & Budgeting Processes are documented in the Group's Business Planning Process Manual. The process comprises five (5) stages:

- Strategy review and update
- Plan development
- Plan challenge and finalisation
- Budget plan development
- Budget plan approval process.

The Board and the senior management play a significant role in the stages of strategy review and update, which include, among others reviewing the plan before its finalisation, and the budget approval process to ensure that the plan developed reflects the corporate intent of the Group and that resource allocation is strategically aligned.

Further, the business plan and the budget undergo a mid-term review to ensure that they correspond to the business needs due to any changes in the business environment.

ASSURANCE

The Group Internal Audit conducts reviews of the system of controls and the effectiveness of the processes that are in place and reports the results of these reviews to the Board Audit Committee. The following are the functions of the two entities:

The Board Audit Committee (BAC)

Majority of the members of BAC are Independent Non-Executive Directors all of whom have diverse qualifications and experience. The Board Audit Committee has full and unimpeded access to both the Internal and External Auditors.

The Board Audit Committee plays an active oversight role in maintaining the system of internal controls at both subsidiary and divisional levels. The Board Audit Committee and the Group Internal Audit Function perform their duties to uphold a constant level of integrity and competency in operational, financial, and business functions and to assure that the applicable laws, regulations, rules, directives and guidelines are complied with.

The BAC regularly reviews the internal audit reports on internal controls, to ensure effectiveness, adequacy and integrity of the internal control system of the Group. With the implementation of the EWRM, the BAC was given the mandate to oversee the risks management review function in their Terms of Reference. This is to ensure the adequacy and effectiveness of the risk management system in the Group, and that appropriate policy, organisation and reporting structure are in place to support the management of risks. Details of the BAC report are on pages 46 to 50.

Group Internal Audit (GIA)

The GIA's primary responsibility is to provide independent assurance to BAC on adequacy and effectiveness of internal control systems in place to manage risks across the Group. In providing this assurance, the GIA has formulated a rolling two-year audit plan that focuses on key auditable areas to be covered within a two-year cycle. To ensure that the planned coverage is met, several internal audit engagements have been outsourced to firms of professional accountants. In addition to the operational, compliance and investigative reviews conducted, the GIA assisted in the co-ordination of the Management and Engineering Audit by an independent party as required under the licence requirements once every four years.

CONCLUSION

The Board is of the view that the system of internal controls being instituted throughout the Group is sound and effective. Notwithstanding this, reviews of all control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the systems of internal control, so as to safeguard shareholders' investment and the Group's assets.

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 November 2004.



Dato' Lau Yin Pin @ Lau Yen Beng

Chairman

The Board Audit Committee

Tenaga Nasional Berhad

(Senior Independent Non-Executive Director)

Tenaga Nasional Berhad recognises its responsibility to provide employees with a safe and healthy workplace and proper facilities to help employees do their jobs effectively. TNB is committed to putting in place systems and processes that identify, assess, manage or mitigate hazards or risks faced by employees and stakeholders.

statement of occupational safety & health

Our employees are our most valuable asset. We are committed to the provision and maintenance of a safe and healthy environment and to compliance with statutory requirements. It is also our aim to ensure the safety of our customers, contractors, the public and others who may be affected by our activities.

In line with this policy, TNB shall:-

- Ensure Occupational Safety and Health is incorporated in design, planning, evaluation, and construction of all projects.
- Ensure safe work procedures are complied with during operations and maintenance.
- Give high priority to Occupational Safety and Health in the procurement of all services and equipment.
- Provide information and training to employees and contractors who may be exposed to hazards at work.

- Ensure all incidents, accidents, and occupational diseases are reported, investigated, and corrective measures taken to prevent reoccurrence.
- Promote Occupational Safety and Health awareness amongst employees and the public.
- Carry out regular workplace Occupational Safety and Health inspections, monitoring, and auditing.

In upholding this policy, the employee shall:-

- Work safely and maintain good housekeeping practices.
- Use and maintain all personal protective equipment.
- Report all hazardous conditions, accidents, and occupational diseases.
- Participate in and support all Occupational Safety and Health programmes.

We firmly believe that Occupational Safety and Health contributes to quality, efficiency and the success of our business.

Report On Occupational Safety & Health

TNB continued with its commitment to the 'Safety Excellence Management System (SEMS)', which is key to improving our Occupational Safety and Health (OSH) performance. Our values are focused on the concept of total OSH, through the ongoing integration of Occupational Safety and Health into all activities, with the objective of attaining industry leadership in OSH performance.

The Serdang and Sultan Mahmud Power Stations were both certified with OHSAS 18001 by SIRIM QAS Sdn Bhd.

The Malaysian Association of Occupational Safety and Health (MSOSH) awarded gold/silver awards for the year 2003 to the following stations:

- Sultan Iskandar Power Station, Pasir Gudang, Johor – Gold Award
- Sultan Mahmud Power Station, Kenyir, Terengganu – Gold Award
- Sg Perak Power Stations, Perak – Silver Award
- Connaught Bridge Power Station, Klang, Selangor – Silver Award
- Chenderoh Power Station – Bronze Award

The Sultan Mahmud Power Station, Kenyir, Terengganu was again honoured with a prestigious safety award in June 2004 – the gold medal from the Royal Society for the Prevention of Accidents (RoSPA) United Kingdom.

In July 2004, TNB launched a National Occupational Safety and Health campaign to promote OSH values and understanding. Annual OSH awards were also conferred to TNB stations with the highest SEMS achievement.

Besides the above programmes, TNB also places great emphasis on commuting safety and fire safety. The 'Ride-Safe' programme for employees, 'Bicycle Safety', and the 'Fire Kids Club' programme for children of TNB employees were organised with the cooperation of the Malaysian Volunteer Fire and Rescue Association (MVFRA). A safety programme, 'City Survival', was also introduced to show our female employees how to overcome and survive dangerous situations when commuting to and from work.

As a responsible corporate citizen TNB also embarked on a programme with the Department of Occupational Safety and Health (DOSH) to assist small and medium scale industries through the Mentor Programme. A 'Safety in School' programme, through the National Institute of Occupational Safety & Health (NIOSH) was also initiated. TNB's participation in these programmes indicates the high value the authorities have placed on our OSH management.



Launching of TNB's OSH campaign.

INTRODUCTION

Businesses and their employees are affected in many ways by what happens to the earth's environment. In the 1990's worldwide concerns were voiced over such issues as air quality, water quality, wildlife and forest preservation, toxic waste disposal, pesticides in food, recycling and land reclamation.

statement of environment

Statement of Environmental Policy

Tenaga Nasional Berhad is committed to achieving excellence in environmental management. We are committed to continuous efforts to improve our environmental performance whilst ensuring that we provide a safe, efficient and reliable supply of electricity.

In line with this commitment, TNB shall:

- Protect, conserve and improve the environment in all of its operations and decision making.
- Comply with all applicable laws and regulations, and establish standards that will lead to continuous improvement of its environmental performance.
- Implement an Environmental Management System that will ensure that all impacts to the environment from our operations are eliminated or minimised.
- Carry out Environmental Audits at required intervals to ensure compliance with Corporate Environmental commitments, and implement environmental training programmes for our employees to develop a high level of competency.
- Promote environmental awareness amongst contractors, the public and other stakeholders and to make available our Environmental Policy to them.

It is the responsibility of all TNB staff to ensure that this policy is observed in all their activities.

TNB will attach high priority to environmental performance excellence as we firmly believe that it will contribute to the quality, efficiency and success of our generation business.

Report on Environmental Management

Environmental management programmes were organised by TNB to ensure the implementation of the environment friendly concept by employees. Environmental Week or Month is an annual event in all divisions and subsidiaries to promote the awareness of our employees and the public on the need and importance of conservation of the environment.

In terms of operation, TNB has been the leader in installing the Continuous Monitoring System for its fuel-fired boilers as required by the Department of Environment, Malaysia.

TNB Power Stations and substations have been operating within the allowable noise level of 55 db (A) at the boundaries of its perimeter fencing.

The halon replacement programme with environmentally-friendly alternatives is an ongoing exercise. TNB's objective is to have halon-free installations company-wide by the year 2010. According to its new fire policy, all fire-fighting equipment must be halon-free types.



A view of Kenyir Power Station in synergy with nature.

Training on hazardous wastes has been conducted regularly by all divisions in compliance with the requirements of the Environmental Quality Act 1974 (Scheduled Wastes Regulation 1989).

The Malaysian Government has introduced a policy on waste minimisation and waste recycling. In support of this policy, TNB has formulated a series of programmes throughout the country to promote the 3 'R's – Repair, Reuse and Recycle.

In ensuring compliance with TNB's Environmental Policy and Malaysian Legislation, Environmental Audits based on ISO 14001 are conducted annually for all TNB power stations. This system will be introduced to other divisions of TNB in the near future.

The following power stations have been awarded the ISO 14001 Certification for the year 2004:

- Serdang Power Station, Selangor
- Sultan Mahmud Power Station, Kenyir, Terengganu
- Tuanku Jaafar Power Station, Port Dickson, Negeri Sembilan
- Sultan Ismail Power Station, Paka, Terengganu
- Connaught Bridge Power Station, Klang, Selangor
- Sultan Salahuddin Abdul Aziz Power Station, Kapar, Selangor
- Chenderoh Power Station, Perak
- Prai Power Station
- Sultan Iskandar Power Station, Johor

All power stations have set up an environmental team to fight chemical and oil spillage incidents. These team members have sufficient training and are also equipped with the proper tools to handle such emergencies.

analysis of shareholdings

ANALYSIS OF SHAREHOLDINGS as at 4 November 2004

SHARE CAPITAL

Authorised Share Capital	5,000,000,000 ordinary shares of RM1.00 per share, 1 (One) Special Rights Redeemable Preference Share of RM1.00 per share, 1,000 Class A Redeemable Preference Share of RM1.00 per share, 500 Class B Redeemable Preference Share of RM1.00 per share.
Issued and Fully Paid-Up Share Capital	3,176,806,700 ordinary shares of RM1.00 per share, 1 (One) Special Rights Redeemable Preference Share of RM1.00 per share, 1,000 Class A Redeemable Preference Share of RM1.00 per share, 500 Class B Redeemable Preference Share of RM1.00 per share.
Voting Right	One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDINGS as at 4 November 2004

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	220	0.72	2,103	0.00
100 – 1,000	15,162	49.99	14,802,588	0.47
1,001 – 10,000	13,499	44.50	46,091,700	1.45
10,001 – 100,000	964	3.18	29,327,486	0.92
100,001 to less than 5% of issued shares	482	1.59	723,686,952	22.78
5% and above of issued shares	5	0.02	2,362,895,871	74.38
TOTAL	30,332	100.00	3,176,806,700	100.00

SUBSTANTIAL SHAREHOLDERS (five per cent and more)

Name of Shareholders	No. of Shares Held	Percentage
1 Khazanah Nasional Berhad	1,176,821,571	37.04
2 Bank Negara Malaysia	352,438,000	11.10
3 Employees Provident Fund Board	347,266,200	10.93
4 RHB Nominees (Tempatan) Sdn Bhd <i>Petroleum Nasional Berhad</i>	294,778,100	9.28
5 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	191,592,000	6.03
TOTAL	2,362,895,871	74.38

LIST OF 30 LARGEST SHAREHOLDERS as at 4 November 2004

	Name of Shareholders	No. of Shares	Percentage
1	Khazanah Nasional Berhad	1,176,821,571	37.04
2	Bank Negara Malaysia	352,438,000	11.10
3	Employees Provident Fund Board	347,266,200	10.93
4	RHB Nominees (Tempatan) Sdn Bhd <i>Petroleum Nasional Berhad</i>	294,778,100	9.28
5	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	191,592,000	6.03
6	Kumpulan Wang Amanah Pencen	129,287,200	4.07
7	Permodalan Nasional Berhad	39,750,000	1.25
8	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Security Trustee (KCW Issue 1)</i>	31,000,000	0.98
9	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Wawasan 2020</i>	24,353,000	0.77
10	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Sekim Amanah Saham Nasional</i>	19,469,000	0.61
11	Kumpulan Wang Amanah Pencen	16,355,000	0.52
12	Bank Simpanan Nasional	16,335,000	0.51
13	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Malaysia</i>	16,202,700	0.51
14	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	12,905,220	0.41
15	Lembaga Tabung Haji	11,049,600	0.35
16	Kumpulan Wang Amanah Pencen	7,538,000	0.24
17	Citicorp Nominees (Asing) Sdn Bhd <i>American International Assurance Company Limited (P Core)</i>	7,504,700	0.24
18	HSBC Nominees (Asing) Sdn Bhd <i>Emerging Markets Growth Fund</i>	6,950,800	0.22
19	HSBC Nominees (Tempatan) Sdn Bhd <i>Nomura Asset Mgmt Sg For Employees Provident Fund</i>	6,421,400	0.20
20	Malaysia National Insurance Berhad	6,362,600	0.20
21	Kerajaan Negeri Pahang	6,019,029	0.19
22	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Growth Fund</i>	5,396,900	0.17
23	Cartaban Nominees (Tempatan) Sdn Bhd <i>Amanah SSCM Nominees (Tempatan) Sdn Bhd For Employees Provident Fund Board (JF 404)</i>	5,374,000	0.17
24	Lembaga Tabung Angkatan Tentera	4,937,000	0.16
25	Citicorp Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad (INV - IL PAR)</i>	4,900,000	0.15
26	Bank Simpanan Nasional	4,896,000	0.15
27	Bank Simpanan Nasional	4,896,000	0.15
28	Bank Simpanan Nasional	4,896,000	0.15
29	Bank Simpanan Nasional	4,896,000	0.15
30	Kumpulan Wang Amanah Pencen	4,423,900	0.14
TOTAL		2,765,014,920	87.04

ANALYSIS OF CONVERTIBLE SECURITIES HOLDINGS as at 4 November 2004

Type of Security: 3.05% 5 year Unsecured Convertible Redeemable Income Securities 2004-2009 (CRIS) with nominal value of RM1.00 each

Voting Right : Not applicable until upon conversion into Ordinary Shares of RM1.00 each

DISTRIBUTION OF CRIS HOLDINGS as at 4 November 2004

Size Of Holdings	No. of CRIS Holders	% of CRIS Holders	No. of CRIS Held	% of CRIS Issued
Less than 100	–	0.00	-	0.00
100 - 1,000	2	0.73	1,300	0.00
1,001 - 10,000	63	22.91	354,600	0.18
10,001 - 100,000	83	30.18	4,558,700	2.28
100,001 to less than 5% of issued shares	121	44.00	112,141,700	56.07
5% and above of issued shares	6	2.18	82,943,700	41.47
TOTAL	275	100.00	200,000,000	100.00

SUBSTANTIAL CRIS HOLDERS (five per cent and more)

Name of CRIS Holders	No. of CRIS	Percentage
1 Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Regular Savings Fund (N14011940100)</i>	20,000,000	10.00
2 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Savings Fund</i>	18,769,000	9.38
3 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Growth Fund</i>	14,112,500	7.06
4 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Equity Fund</i>	10,062,200	5.03
5 BHLB Trustee Berhad <i>Prubond Fund</i>	10,000,000	5.00
6 Malaysia National Insurance Berhad	10,000,000	5.00
TOTAL	82,943,700	41.47

LIST OF 30 LARGEST CRIS HOLDERS as at 4 November 2004

	Name of CRIS Holders	No. of CRIS	Percentage
1	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Regular Savings Fund (N14011940100)</i>	20,000,000	10.00
2	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Savings Fund</i>	18,769,000	9.38
3	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Growth Fund</i>	14,112,500	7.06
4	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Equity Fund</i>	10,062,200	5.03
5	BHLB Trustee Berhad <i>Prubond Fund</i>	10,000,000	5.00
6	Malaysia National Insurance Berhad	10,000,000	5.00
7	CIMB Nominees (Tempatan) Sdn Bhd <i>Commerce International Merchant Bankers Berhad (ETP)</i>	7,000,000	3.50
8	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	6,800,000	3.40
9	Citicorp Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad (INV - IL PAR)</i>	6,666,800	3.33
10	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Par)</i>	6,500,000	3.25
11	AMMB Nominees (Tempatan) Sdn Bhd <i>AMAssurance Berhad (LF 1/148-1)</i>	5,000,000	2.50
12	Amanah Raya Berhad <i>Kumpulan Wang AM</i>	3,000,000	1.50
13	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Bond Fund (N14011960380)</i>	2,786,600	1.39
14	AMMB Nominees (Tempatan) Sdn Bhd <i>AMAssurance Berhad (GF 1/149-0)</i>	2,500,000	1.25
15	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Ku Tien Sek (PB)</i>	2,500,000	1.25
16	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Ann Par)</i>	2,500,000	1.25
17	Hong Leong Assurance Berhad <i>As Beneficial Owner (Life Non Par)</i>	2,500,000	1.25
18	Hong Leong Assurance Berhad <i>As Beneficial Owner (General NPar)</i>	2,000,000	1.00
19	Hong Leong Assurance Berhad <i>As Beneficial Owner (UnitLinked OP)</i>	2,000,000	1.00
20	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For OSK-UOB Kidsave Trust (3621)</i>	2,000,000	1.00
21	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For OSK-UOB Income Fund (4314)</i>	2,000,000	1.00
22	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Life Assurance Berhad (Shareholders FD)</i>	2,000,000	1.00
23	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Life Assurance Berhad (Par Fund)</i>	2,000,000	1.00
24	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Life Assurance Berhad (Non-Par Fund)</i>	2,000,000	1.00

LIST OF 30 LARGEST CRIS HOLDERS as at 4 November 2004 (Cont'd)

Name of CRIS Holders	No. of CRIS	Percentage
25 CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Lim Ka Kian (PB)</i>	1,800,000	0.90
26 CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Kuan Hun Liang (PB)</i>	1,600,000	0.80
27 Mayban Trustees Berhad <i>Strategic Bond Fund</i>	1,510,000	0.76
28 Jerneh Insurance Bhd	1,460,000	0.73
29 HSBC Nominees (Asing) Sdn Bhd <i>RBC Asia SG For Value Partner Agents Limited</i>	1,300,000	0.65
30 CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB For Shamsuddin Bin Abdul Kadir (PB)</i>	1,121,400	0.56
TOTAL	153,488,500	76.74

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