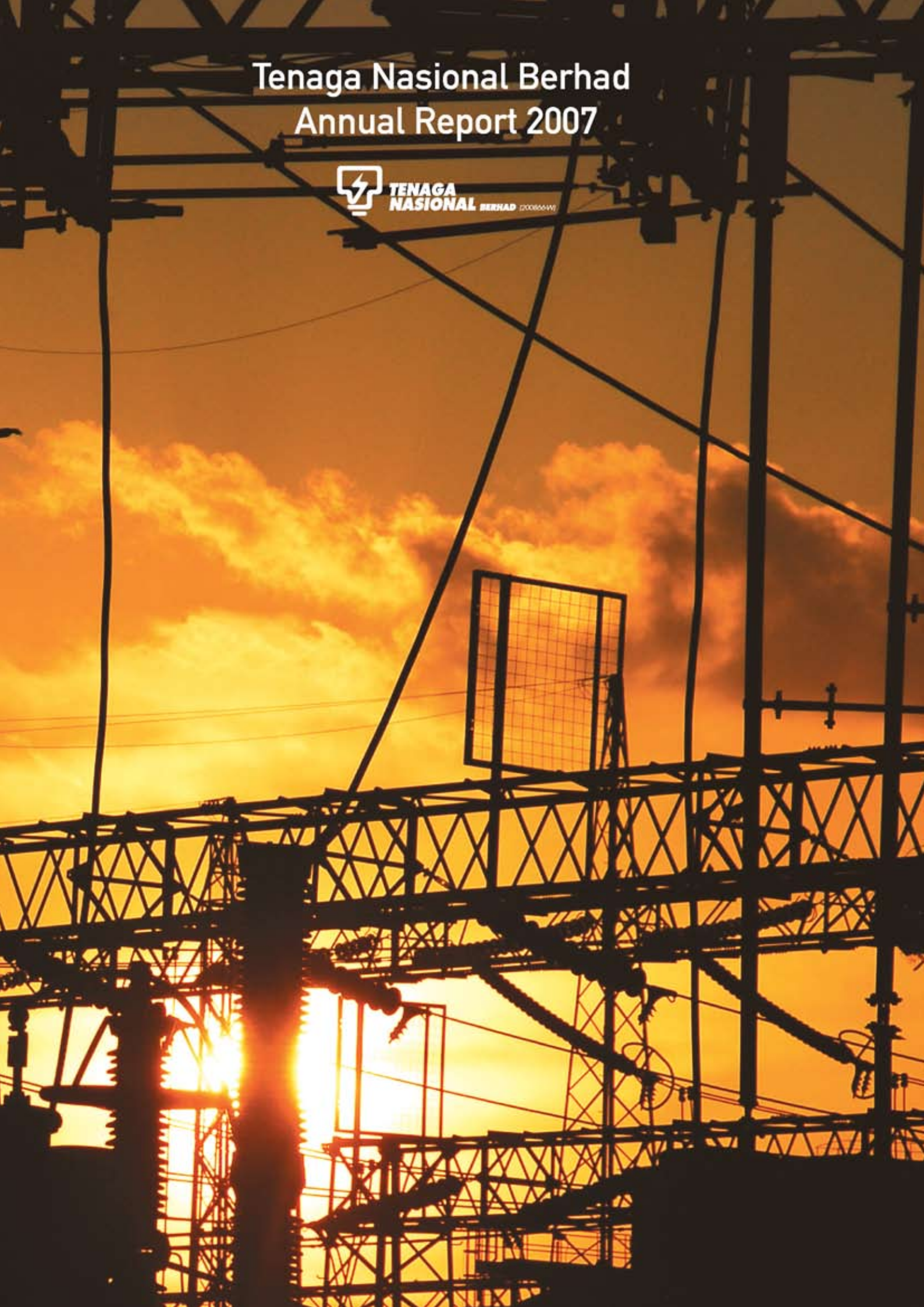
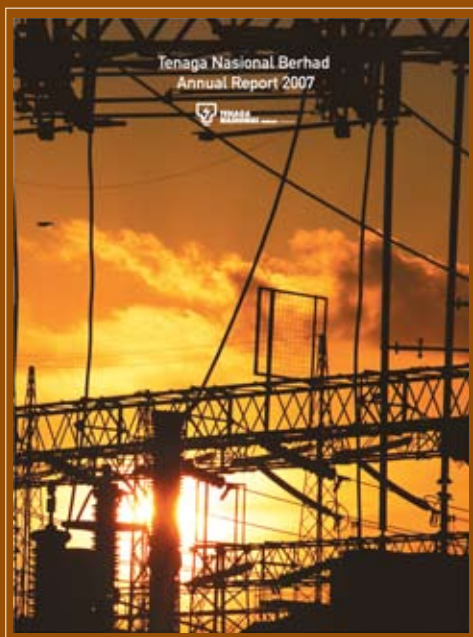


# Tenaga Nasional Berhad Annual Report 2007



**TENAGA  
NASIONAL** BERHAD (000666-W)





## Nerve and Drive

The electricity business had its humble beginnings as Central Electricity Board in 1949 with an initial generation capacity of 40 MW and 2,466 employees serving 45,000 customers. Over the last five decades, this has grown to a formidable proportion with Tenaga Nasional Berhad (TNB) established and having today, over 11,200 MW in installed generation capacity, more than RM67 billion in assets, over 28,000 employees, and a customer base of more than seven million. Our infrastructure is a complete generation, transmission and distribution system that forms the driving nucleus powering the nation's progress, lighting up commerce and the lives of Malaysians.

Today the electrical pulse rendered by TNB is indeed felt here, there and everywhere. As the nerve and drive of human mankind's development, TNB through its workforce, places its commitment to all touchpoints with full fervour and dedication. From the break of dawn as reflected on the front cover of our annual report, TNB remains constant in its delivery of electricity, serving 24/7 throughout Peninsular Malaysia and Sabah. And as the country rises to the challenges of tomorrow, you can be assured that we are always there to help communities thrive.





Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia with more than RM67.0 billion in assets. The Company is listed on the main board of Bursa Malaysia and employs approximately 28,000 people to serve a customer base of over seven million in Peninsular Malaysia and Sabah. TNB plays an integral role in the national, economic and social prosperity of the country by providing reliable and efficient services.

The Company has earned a reputation for outstanding performance, regionally and globally. TNB is the only Asian energy company short-listed as one of five finalists for the "Power Company of the Year" in the 2007 Platts Global Energy Awards.

TNB's core businesses are in the generation, transmission and distribution of electricity. It has a total installed generation capacity of about 11,200 MW (including SESB and Kapar Energy Ventures). In Peninsular Malaysia, TNB contributes to 55 per cent of the total industry capacity through six thermal stations and three major hydroelectric schemes. TNB also manages and operates a comprehensive transmission network, the National Grid. Spanning the peninsula, the grid links TNB power stations and IPPs to the distribution network. The grid is also interconnected to Thailand's transmission system in the North and Singapore's transmission system in the South. TNB's distribution network is managed through a comprehensive distribution system, customer service centres and call management centres.

Today, TNB is also involved in diversified activities linked to the power industry. Through subsidiaries, the Company is in the manufacture of transformers, high voltage switchgears and cables; the provision of professional consultancy services; architectural, civil and electrical engineering works and services, repair and maintenance; as well as in research and development; property development; and project management services.

In advancing human capital, Universiti Tenaga Nasional (UNITEN) has been established to produce well-rounded competent individuals in various fields. A major part of the Company's corporate social responsibility in education, sponsorships and contributions, is channeled through our trust foundation - Yayasan Tenaga Nasional.

To ensure the Company's continued service excellence and to support its strategic vision of global leadership, employee competencies are continuously enhanced through structured programmes. As a responsible corporate citizen, TNB also places great emphasis on its engagement with the community to ensure society gains and benefits from our efforts.

# Key Financial Highlights

RM	FY06	FY07
Revenue	20,384.2	23,320.4
Operating Expenses	(16,916.9)	(18,371.4)
Other Operating Income	489.3	593.7
Operating Surplus	3,956.6	5,542.7
Finance Cost	(1,539.3)	(1,305.0)
Transaction Gain/(Loss)	(166.4)	33.5
Profit Before Tax & Translation Gain/(Loss)	2,265.5	4,313.6
Net Profit Before Translation Gain	1,635.6	3,608.8
Translation Gain	491.3	452.3
Profit for the period	2,161.7	4,067.6
<b>Profit Attributable to:</b>		
Equity Holders	2,126.9	4,061.1
Minority Interests	34.8	6.5
	<b>2,161.7</b>	<b>4,067.6</b>



# Key Corporate Highlights

Unit Demand Growth	+ 5.3% + 5.5%	- Group - TNB
Revenue Growth	+ 14.4%	
Operating Expenses	+ 8.6%	i) 22.5% increase in IPP cost principally from the additional capacity payments to Tg. Bin upon commissioning of Units 1 & 2 (Sep'06 and Feb'07 respectively) ii) Increase in provisions made under FRS119 for staff benefits
Core Profits	+ 29.8%	Excluding new tariff, forex, deferred tax writeback and one-off provisions
EBITDA Margin	37.6%	35.7% last year
ROA	6.3%	Based on adjusted net profit
Total Debt	RM 24.0 bn	Reduction from RM27.1 bn as at 31st Agt 2006
Capex	RM 5.2 bn	i) Completion of carried forward projects from FY2006 ii) Finalisation of project accounts iii) Acceleration of projects (especially the Central Area Reinforcement project) iv) System improvement as pledged under the tariff increase

# Five-Year Performance Highlights

	2007	2006	2005	2004	2003
<b>Group</b>					
<b>Finance (RM' million)</b>					
Total Revenue	23,320.4	20,384.2	18,977.5	17,712.1	16,457.8
Profit Before Taxation and Zakat#	4,765.9	2,756.8	1,818.9	1,482.7	1,648.5
Property, Plant and Equipment	57,382.9	55,201.3	54,721.0	53,443.7	51,768.4
<b>Generation</b>					
Group Installed Capacity (MW)	11,514.5*	11,464.8	11,497.8	11,137.5	10,854.5
<b>Sales Of Electricity</b>					
Total Units Sold (GWh)	86,545.0	82,214.8	78,933.4	72,921.4	68,254.3
Sales Revenue (RM' million)	22,384.0	19,707.4	18,326.4	17,219.4	15,973.9
<b>Customers</b>					
Total Number of Customers	7,068,329	6,814,523	6,582,374	6,323,719	6,069,561
<b>Employees (Group)</b>					
Total Number of Employees	28,822	28,067	27,727	26,989	27,238
<b>Shareholders</b>					
Total Number of Bumiputera Shareholders	5,865	5,943	5,971	6,526	6,778
Total Number of Non-Bumiputera Shareholders	17,516	17,318	14,935	15,726	16,471
Total Number of Institutional Shareholders	539	586	577	497	612
Total Number of Foreign Shareholders	1,242	1,067	1,379	715	702
Total Number of Government Agency Shareholders	26	28	35	42	43
Total Number of Nominee Company Shareholders	3,656	3,814	6,080	4,717	2,499
<b>Dividends (Gross)</b>					
	36.3 sen	14.8 sen	16.2 sen	18.2 sen	12.0 sen
<b>Financial Ratios</b>					
Debt-Equity (Net of Cash) Ratio	0.78	1.19	1.69	1.94	2.11
Earnings Per Share - Basic (sen)	94.92	52.52	32.01	26.1	34.1
Net Assets Per Share (sen)	554	470	499	460	449

# The financials for 2003 to 2005 have not been adjusted for the adoption of FRS 101-Presentation of Financial Statements  
 \*(Figure includes TNB, Sabah Electricity Sdn Bhd and Liberty Power Limited)

# Corporate Award Highlights

During FY2007, Tenaga Nasional Berhad was recognised with numerous accolades, awards and honours conferred by both national and international organisations as well as by leading publications. Here is our Top 20 -

1. TNB, the only Asian energy company short-listed as one of five finalists for the "Power Company of the Year" in the 2007 Platts Global Energy Awards
2. Asiamoney Awards -
  - TNB - Best Investor Relations, Malaysia
  - TNB - Second Best For Corporate Governance
  - TNB - Third Best Asian Investor Relations Company (excluding Japan)
3. Silver Award presented to Ir Haji Sazali P Abdul Karim at the International Product and New Technique Exhibition in Geneva, Switzerland on 22 April 2007
4. IABC Malaysia Silver Quill Awards 2007 by the International Association of Business Communicators Malaysia Chapter for TNB's Annual Report 2006 awarded in April 2007 -
  - Silver Quill for Publication
  - Excellence Award for Communication Skills
  - Merit Award for Publication Design
5. FinanceAsia's Best Managed Companies Poll 2007 - TNB among Malaysia's Top Ten
6. Best Brand Award under Energy and Utility Corporate Branding at The Brand Laureate on 8 January 2007
7. Occupational Safety and Health Gold Award 2005 to Connaught Bridge Power Station on 8 September 2006
8. Dato' Izzaddin Idris declared Second Best CFO in Malaysia by FinanceAsia on 3 September 2007
9. National Annual Corporate Report Awards (NACRA) Silver Award for Best Design for TNB Annual Report 2005 awarded on 30 November 2006
10. Gold Award for Best Emerging Contact Center (Category GLC) for CMC 15454 presented by the Contact Centre Association of Malaysia on 8 September 2007
11. National Labour Day Celebrations 2007 -
  - Anugerah Harapan Majikan Berdaya Saing kategori Industri Besar
  - Anugerah Tokoh Pekerja Lelaki (Bukan Eksekutif)
  - Anugerah Harapan Tokoh Pekerja Lelaki (Eksekutif)
  - Anugerah Harapan Tokoh Pekerja Lelaki (Bukan Eksekutif)
12. Silver and Bronze Awards at Pecipta '07 for UNITEN on 12 August 2007
13. Best Theme Booth Award at the 50<sup>th</sup> Merdeka Expo on 30 August – 2 September 2007 at Putra World Trade Centre, Kuala Lumpur
14. League Champion in the TNB-Malaysia Hockey League 2007
15. MECD Award - Ministry of Entrepreneur and Co-operative Development on 26 August 2007
16. Ministry of Human Resource 2007 Award for Institut Latihan TNB-ILSAS for Best Training Provider category
17. Champion in the National ICC Convention 2006 from 19-21 September 2006
18. 5S certification awarded to Yayasan Tenaga Nasional (YTN) by National Productivity Council (NPC)
19. National 5S Practice Award 2006 under Open Category (Service) awarded to SJ Tuanku Ja'afar, Port Dickson on 29 November 2006
20. 5S certification from NPC to SJ Connaught Bridge (SJJC), Klang on 18 September 2006



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TNB's core businesses are in the generation, transmission and distribution of electricity

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To be among the leading corporations in energy and related businesses globally

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Our meaningful progress in operations and financials for FY2007, has us well positioned to continue to perform in this culture and to accelerate our efforts

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The BAC Chairman submits a report on matters deliberated to the Board of Directors after each BAC meeting

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TNB was recognised with numerous accolades, awards and honours conferred by both national and international organisations

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A quick display of Associated/Investment Companies, Trust Foundation and Subsidiaries as at October 2007

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Pictorial Portfolio of the Board of Directors of TNB

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The Group Executive Council Committee (GECC) plays a key role in reviewing the Group's policies, strategies and procedures, overall performance of the Group

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This Committee endorses and approves all power system development plans and proposals for TNB in Peninsular Malaysia, and for SESB in Sabah, prior to submission to TNB Board

## 106

### **Group Executive Management Committee**

The Group Executive Management Committee (GEMC) facilitates better coordination and effective interaction between the Company and its group of companies.

## Part II

### **Financial Statements**

Abridged Financial Statements presented





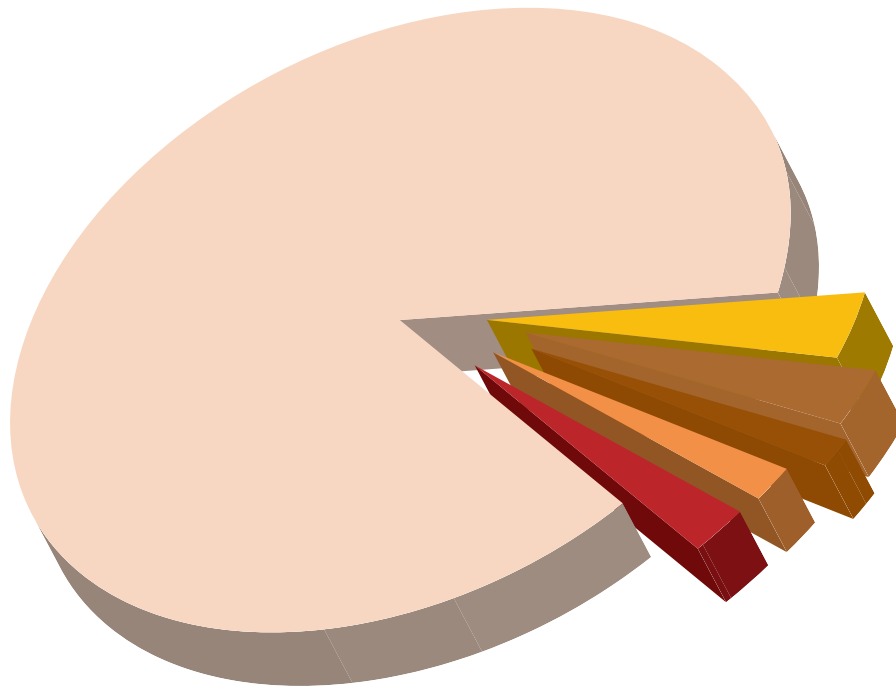
# Vision

To be among the leading corporations in energy and related businesses globally

# Mission

We are committed to excellence in our products and services





Peninsular Malaysia 88.7%

SESB 3.5%

Goods & Services 2.6%

Deferred Income 1.4%

EGAT 1.8%

LPL 2.0%

3.8%

**FY2007 Total RM23,320.4 million**

**FY2006 Total RM20,384.2 million**



# Notice Of 17<sup>th</sup> Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of Tenaga Nasional Berhad will be held on Thursday, 13 December 2007, at 10.00 a.m. at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur to transact the following businesses:**

## **AS ORDINARY BUSINESS:-**

1. To lay before the meeting the Audited Financial Statements together with the reports of the Directors and Auditors thereon for the Financial Year ended 31 August 2007.

**Ordinary Resolution 1**

2. To approve the declaration of final gross dividend of 16.3 sen per ordinary share less tax for the Financial Year ended 31 August 2007.

**Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the Financial Year ended 31 August 2007.

**Ordinary Resolution 3**

4. To re-elect the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:-

(i) Dato' Sri Che Khalib bin Mohamad Noh;

**Ordinary Resolution 4**

(ii) Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng.

**Ordinary Resolution 5**

5. To re-elect the following Directors who retire in accordance with Article 133 of the Company's Articles of Association:-

(i) Dato' Fuad bin Jaafar;

**Ordinary Resolution 6**

(ii) Mohammad Zainal bin Shaari.

**Ordinary Resolution 7**

6. To re-appoint Messrs PricewaterhouseCoopers, having consented to act, as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting ("AGM") and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 8**

## **AS SPECIAL BUSINESS:-**

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

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE ENTERED WITH PERSONS CONNECTED TO A MAJOR SHAREHOLDER OF TNB, DETAILS OF WHICH ARE SET OUT IN APPENDIX II OF THE CIRCULAR TO SHAREHOLDERS.

"THAT the mandate granted by the shareholders of the Company at the AGM of the Company held on 14 December 2006 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities ("Listing Requirements") be and is hereby renewed to authorise the Company and its subsidiaries ("the Group") to enter into the specified RRPT as set out in Section 1 of Appendix II of the Circular to Shareholders with persons connected to a Major Shareholder of TNB as mentioned therein which are necessary for the Group's day-to-day operations subject to the following:

- (i) the transactions 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 relating to the proposed renewal of shareholders' mandate for RRPT of a revenue or trading nature entered with persons connected to a Major Shareholder of TNB conducted during a Financial Year will be made in the annual report for the said Financial Year.

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

- (i) the conclusion of the Eighteenth AGM of the Company following the forthcoming AGM at which the proposed renewal of shareholders' mandate for RRPT of a revenue or trading nature entered with persons connected to a Major Shareholder of TNB is approved, at which time it will lapse, unless the mandate is renewed by a resolution passed at the Eighteenth AGM;
- (ii) the expiration of the period within which the Eighteenth AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("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 a resolution passed by the shareholders in a general meeting, whichever is the earlier.

AND THAT the Board 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 for RRPT of a revenue or trading nature entered with persons connected to a Major Shareholder of TNB."

**Ordinary Resolution 9**

8. PROPOSED SHAREHOLDERS' MANDATE FOR RRPT OF A REVENUE OR TRADING NATURE ENTERED WITH PERSONS CONNECTED TO A DIRECTOR AND A MAJOR SHAREHOLDER OF TNB, DETAILS OF WHICH ARE SET OUT IN APPENDIX II OF THE CIRCULAR TO SHAREHOLDERS.

"THAT the Group be and is hereby authorised to enter into the specified RRPT as set out in Section 2 of Appendix II of the Circular to Shareholders with the persons connected to a Director and a Major Shareholder of TNB as mentioned therein which are necessary for the Group's day-to-day operations subject to the following:

- (i) the transactions 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 relating to the proposed shareholders' mandate for RRPT of a revenue or trading nature entered with persons connected to a Director and a Major Shareholder of TNB 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 shall continue to be in force until:**

- (i) the conclusion of the Eighteenth AGM of the Company following the forthcoming AGM at which the proposed shareholders' mandate for RRPT of a revenue or trading nature entered with persons connected to a Director and a Major Shareholder of TNB is approved, at which time it will lapse, unless the mandate is renewed by a resolution passed at the Eighteenth AGM;
- (ii) the expiration of the period within which the Eighteenth 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 a general meeting whichever is the earlier.

AND THAT the Board 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 shareholders' mandate for RRPT of a revenue or trading nature entered with persons connected to a Director and a Major Shareholder of TNB."

**Ordinary Resolution 10**



9. Specific authority for the Directors to issue shares pursuant to the Employees' Share Option Scheme II

"THAT pursuant to the TNB 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 to issue shares in the Company at any time and in accordance with the terms and conditions of the said scheme."

**Ordinary Resolution 11**

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

"THAT pursuant to Section 132D of the Act, 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 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 ten per cent (10%) of the issued share capital of the Company for the time being, subject to the provision of the Act, Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and all the relevant regulatory bodies where such approval is necessary."

**Ordinary Resolution 12**

AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties."

**Special Resolution 1**

12. To transact any other business of which due notice shall have been given in accordance with the Act.

**BY ORDER OF THE BOARD**



**NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)**  
**WAN MARZIMIN BIN WAN MUHAMMAD (LS 0009013)**  
Company Secretaries

Kuala Lumpur  
21 November 2007

**To consider and if thought fit, to pass the following Special Resolution:-**

11. **PROPOSED AMMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION:-**

"THAT the Company's Articles of Association be altered, modified, added and deleted:-

- (a) in the form and manner as set out in the Appendix I of the Circular to Shareholders dated 21 November 2007;
- (b) by the re-arrangement of the definitions set out in Article 1(2) of the Articles of Association (as altered, modified, added and deleted), in alphabetical order; and
- (c) by the substitution throughout the Articles of Association, of the defined term "Bursa Securities", with the defined term "the Exchange" as appropriate ("Proposed Amendments");

## EXPLANATORY NOTES ON SPECIAL BUSINESS

- (i) Ordinary Resolution 9 and 10 : Details on the Proposed Renewal of Shareholders' Mandate and Proposed 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 21 November 2007.

- (ii) Ordinary Resolution 11 : Power for the Directors to issue shares pursuant to the ESOS II.

The proposed Ordinary Resolution, if passed, is to 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.

- (iii) Ordinary Resolution 12 : Power to issue shares pursuant to Section 132D, of the Act.

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.

- (iv) Special Resolution 1: Details on the Proposed Amendments to the Articles of Association as mentioned above are set out in the Circular to Shareholders dated 21 November 2007.

## Notes:-

### Registration of Members/Proxies

Registration of Members/Proxies attending the Meeting will be from 7.00 a.m. on the day of the Meeting. Members/Proxies are required to produce identification documents for registration.

### Proxy

- (i) Any member entitled to attend and vote at this Meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/proxies is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
- (iii) Pursuant to Article 105(4) of the Company's Articles of Association, a member is entitled to appoint not more than two proxies, and where a member appoints two proxies, the appointment shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- (iv) A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 107(6) of the Company's Articles of Association.
- (v) The instrument appointing a proxy/proxies must be deposited at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the Meeting.

### Additional Information on Ordinary Resolutions 4 to 6

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

# Statement Accompanying Notice Of Annual General Meeting

## Pursuant To Paragraph 8.28 (2) Of The Listing Requirements Of Bursa Malaysia Securities Berhad

### The Directors Who Are Standing For Re-election At The 17<sup>th</sup> Annual General Meeting

(a) Directors retiring pursuant to Article 135 of the Company's Articles of Association:-

- Dato' Sri Che Khalib bin Mohamad Noh;
- Tan Sri Dato Lau Yin Pin @ Lau Yen Beng.

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

- Dato' Fuad bin Jaafar;
- Encik Mohammad Zainal bin Shaari.

The details of the four (4) Directors seeking re-election are set out in their respective profiles which appear in the Directors' profiles on pages 86 to 90 of this Annual Report.

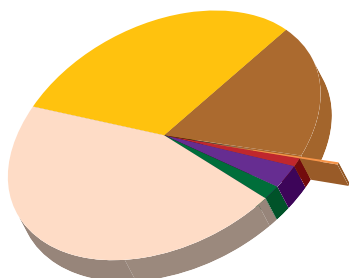
The details of any interest in the securities of the Company or its subsidiaries (if any) held by the said Directors are stated on page 4 of the Audited Financial Statements of the Annual Report.





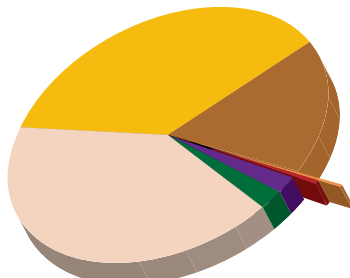
# Operational Statistics

Sales Of Electricity (GWh) Group



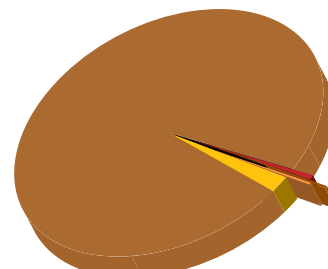
Industrial	45.40%	(39,289.1 GWh)
Commercial	30.42%	(26,323.3 GWh)
Domestic	18.55%	(16,051.8 GWh)
Agriculture	0.19%	(165.6 GWh)
Mining	0.04%	(34.4 GWh)
Public Lighting	1.07%	(926.9 GWh)
Export	2.82%	(2,443.7 GWh)
Others (TNB LPL)	1.51%	(1,310.2 GWh)

Sales Of Electricity (RM' Million) Group



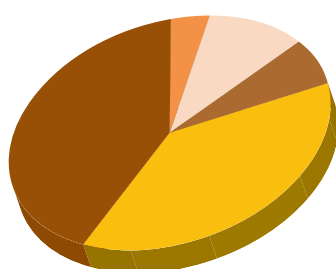
Industrial	41.44%	(RM9,275.3 million)
Commercial	36.08%	(RM8,075.5 million)
Domestic	17.58%	(RM3,935.0 million)
Agriculture	0.22%	(RM49.7 million)
Mining	0.02%	(RM5.6 million)
Public Lighting	0.73%	(RM162.4 million)
Export	1.84%	(RM412.4 million)
Others (TNB LPL)	2.09%	(RM468.1 million)

Number Of Customers By Classification Group



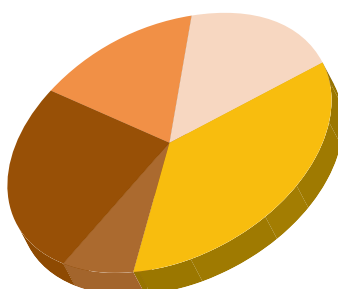
Industrial	0.3906%	(27,613 )
Commercial	15.7637%	(1,114,230 )
Domestic	83.1915%	(5,880,250 )
Agriculture	0.0111%	(782 )
Mining	0.0002%	(14 )
Public Lighting	0.6429%	(45,440 )

TNB Generation Mix (National Grid)



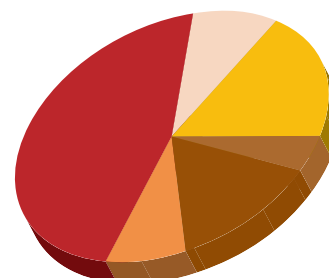
Hydro	10.9%	(4,945.9 GWh)
Conventional Thermal (Coal)	36.9%	(16,816.3 GWh)
Conventional Thermal (Oil & Gas)	7.4%	(3,361.3 GWh)
Combined Cycle	41.0%	(18,650.4 GWh)
Gas Turbine	3.8%	(1,740.0 GWh)

TNB Installed Capacity (National Grid)



Hydro	17.6%	(1,910.5 MW)
Conventional Thermal (Coal)	33.9%	(3,670 MW)
Conventional Thermal (Oil and Gas)	7.7%	(840 MW)
Combined Cycle	25.5%	(2,762 MW)
Gas Turbine	15.3%	(1,653 MW )

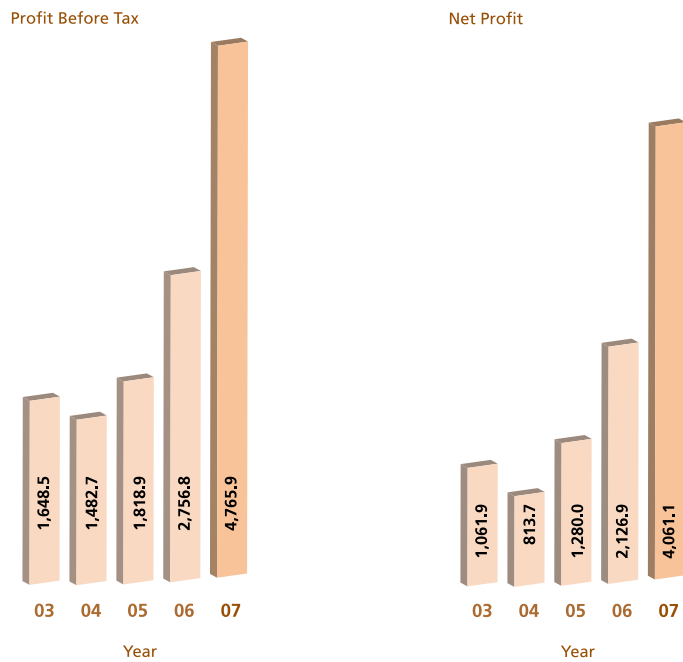
TNB Installed Capacity including IPPs (National Grid)



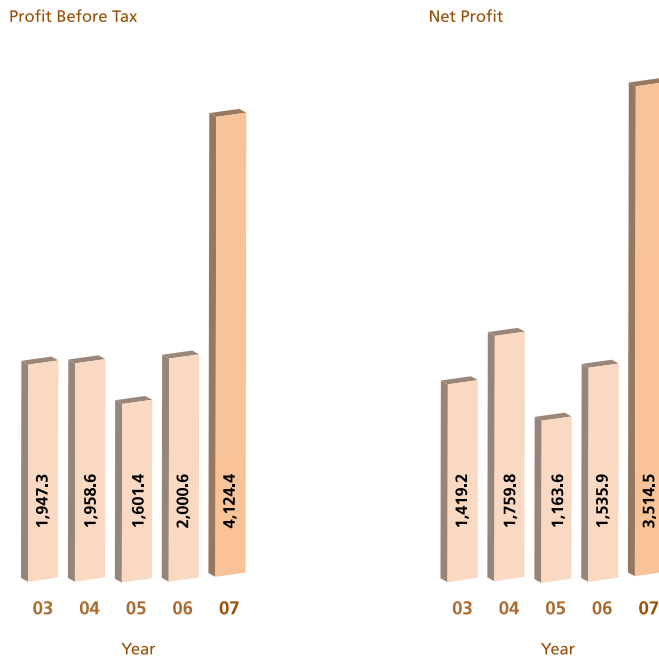
Hydro	9.7%	(1,910.5 MW)
Conventional Thermal (Coal)	18.6%	(3,670 MW)
Conventional Thermal (Oil and Gas)	4.2%	(840 MW)
Combined Cycle	14.0%	(2,762 MW)
Gas Turbine	8.4%	(1,653 MW )
IPPs	45.1%	(8,887.4 MW )

# Corporate Performance Charts

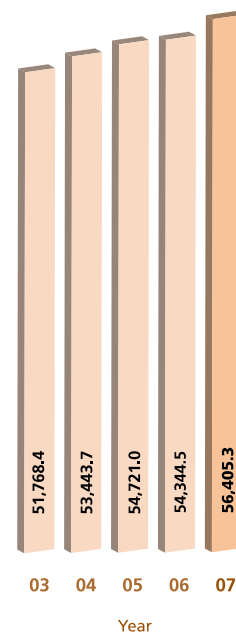
Profit Before Tax# And Net Profit (Group)



Profit Before Tax And Net Profit (Company)



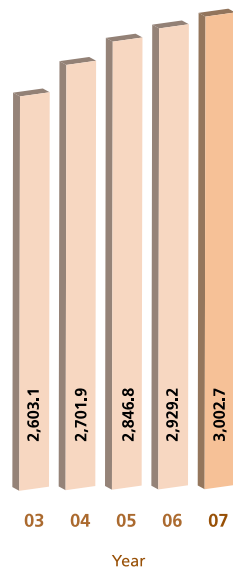
Property, Plant and Equipment (Group)



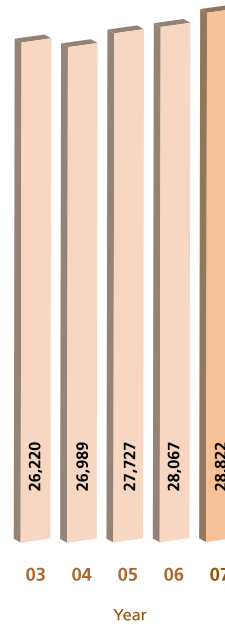
# The financials for 2003 to 2005 have not been adjusted for the adoption of FRS 101-Presentation of Financial Statements

### Productivity (Group)

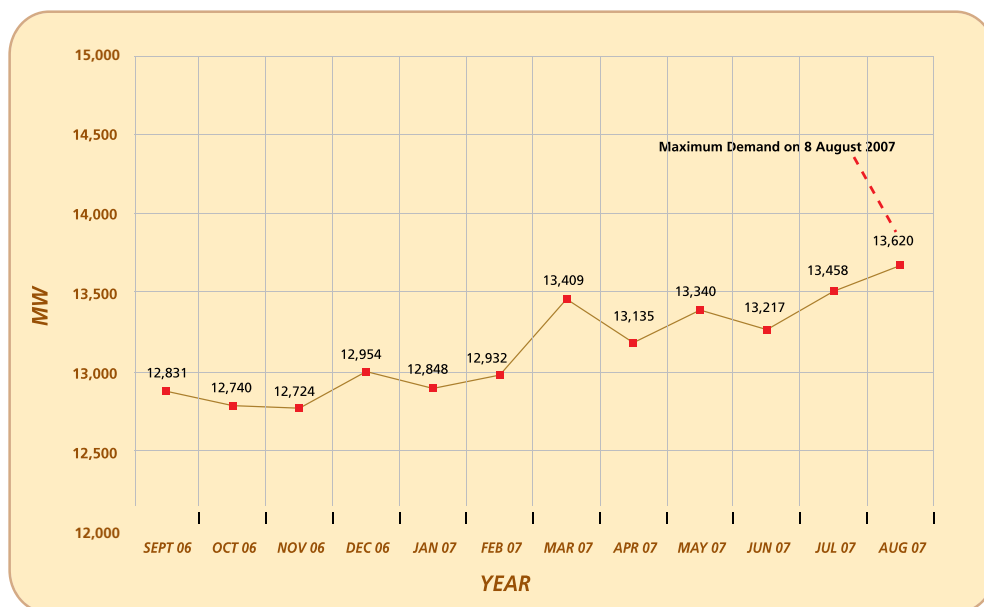
Units Sold / Employee



Number Of Employees

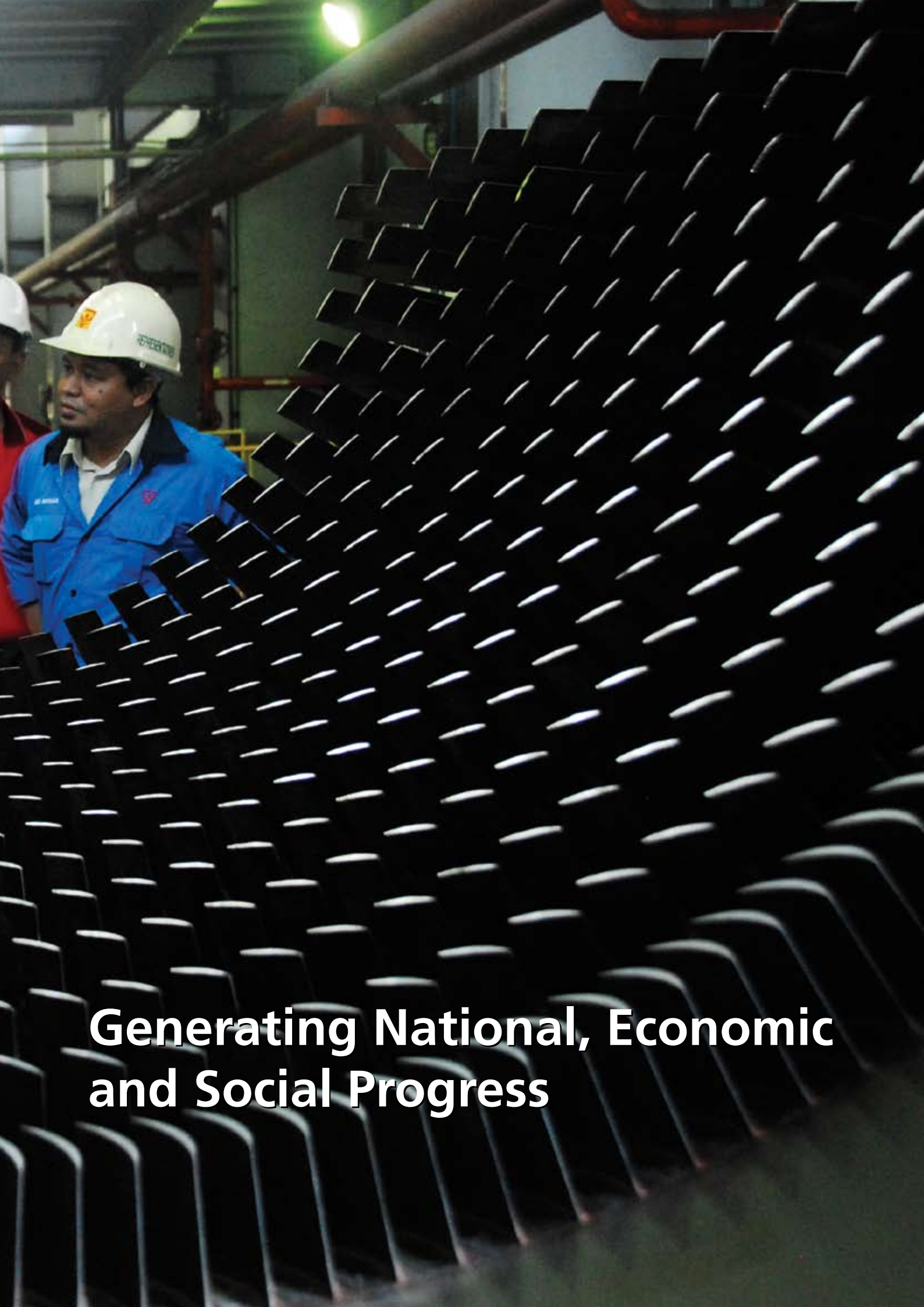


### Maximum Demand Trend










**Generating National, Economic  
and Social Progress**

A portrait of Tan Sri Leo Moggie, an elderly man with grey hair, wearing a blue suit, white shirt, and red tie. He is standing and smiling slightly. The background is a blurred, warm-toned interior with wooden elements.

“ We are  
strengthening  
our initiatives and  
constantly looking at  
ways to improve our  
customer services ”

TAN SRI LEO MOGGIE  
Chairman

# Chairman's Letter To Shareholders

On behalf of the Board of Directors of Tenaga Nasional Berhad (TNB), I take great pride in reporting that Financial Year 2007 was a year of notable achievements for the Group. Despite the many challenges faced by the local energy industry for the year under review, TNB rose to the occasion. The Group posted a record net profit of RM3,608.8 million before foreign exchange translation gains. We also exceeded most of our targeted Headline Key Performance Indicators (KPIs) and company-wide initiatives. These achievements are testament of our commitment to the GLC Transformation efforts advocated by the Government.

The year under review saw TNB recording our best ever Unplanned Outage Rate at 2.2 per cent, which surpassed the global industry's benchmark of 4.0 per cent. Gearing was reduced to 49.9 per cent, while Transmission and Distribution losses narrowed to 10.0 per cent. Our Distribution SAIDI reduced to a double-digit of 83 minutes, an achievement which deservedly positions TNB amongst the best utility companies in the world.

Our accomplishments in FY2007 will help us maintain our operational and financial performance next year as expected by our stakeholders. We shall remain focused on strengthening our financial fundamentals, improving our operational performance and providing high quality and reliable services to all our customers.





“Lighting up retail malls”



## Financials

The Group recorded a 14.4 per cent growth in revenue to RM23,320.4 million in FY2007 from RM20,384.2 million in FY2006. This was driven by various factors such as the implementation of the new tariff structure which took effect in the middle of last year, foreign exchange translation gains and a 5.3 per cent increase in electricity demand. EBITDA increased to 37.6 per cent compared to 35.7 per cent last year while net profit increased by 90.9 per cent from RM2,126.9 million to RM4,061.1 million.

During the year, the Board announced a dividend policy for the purpose of providing stable and sustainable dividends to shareholders while maintaining an efficient capital structure and ensuring sufficient funding for future growth. Under this policy, TNB will distribute 40-60 per cent of the Company's annual free cash flow as dividends. As such, the Board of Directors is recommending a final gross dividend of 16.3 sen per ordinary share less income tax of 26 per cent to shareholders of the Company. Together with the interim dividend of RM632 million, the total dividend declared for this Financial Year amounts to an estimated RM1,154.5 million.

## Customer Focus

Customers being our priority, TNB is proud of our role in providing an integral service to the more than seven million households and business customers across the country. We are strengthening our initiatives and constantly looking at ways to improve our services.

One of the efforts being taken to improve customer service is by enhancing the image and quality of our service outlets, currently known as "Kedai Tenaga".

Meanwhile, on-going initiatives are undertaken to train our front line employees to be more professional, efficient, courteous and friendly. These include our "Service with a Smile" campaign and the introduction of new corporate uniforms for our counter staffs.

An FAQ booklet was also produced to assist and guide our counter staffs on prompt and proper response to customers' enquiries. Access to our Call Management Centre (CMC) has also been further expanded with the introduction of TNB's SMS CareLine 15454 which provides another quick and easy channel to submit reports on electricity breakdowns to our call center.



## “Lighting up the city”

### Industry Development

In view of the rising cost of fuels and the challenges facing the power industry, TNB will continue to work closely and strategically with the Government and relevant regulatory bodies on the gradual unwinding of the cross-subsidy embedded in the tariff structure. This includes the setting up of a mechanism to pass through uncontrollable costs, in order to ensure that the impact to the general consumers will be gradual and minimal.

The Financial Year saw a new Independent Power Producer (IPP) Tanjung Bin joining the energy industry with a capacity of 2,100 MW. As the sole purchaser and grid operator in Peninsular Malaysia, TNB will maintain a strategic relationship with all IPPs to ensure reliability of supply to customers.

An equity stake has been offered to TNB to participate in the company involved in the transmission of electricity generated from Bakun in Sarawak. Any consideration of TNB's involvement will be made based on the additional capacity requirement in Peninsular Malaysia and also subject to further feasibility studies.

The Company will continue to support the Government's target of achieving 500 MW capacity from renewable energy sources and to conform with the Kyoto Protocol's Clean Development Mechanism to promote efficient renewable energy development. TNB has agreed to pay a higher price for the renewable energy it purchases. Nevertheless, renewable energy purchase agreements will be structured in such a way to ensure fairness and commercial viability to all parties.





## Energy Efficiency

Increasing energy efficiency is one of the efforts undertaken by TNB to reduce wastage and help meet the demand for electricity in the country. A continuous and reliable supply of electricity is essential for Malaysia to achieve its economic goals under the 9<sup>th</sup> Malaysian Plan. Although currently TNB has an excess reserve margin, in time this margin will quickly diminish to a figure more reflective of our prudent utility practice. Hence, even though encouraging customers to be efficient in their energy usage conflicts with the Company's earning goals, TNB will continue to engage and educate our customers on the importance of using electricity wisely and efficiently.

Within this context, Demand Side Management (DSM) has become an increasingly important component of the resource mix that TNB can apply to meet growing system requirements. Constant dialogues are also conducted with our industrial customers on the intelligent use of energy through the adoption of smart energy systems such as energy efficient lightings and programmable thermostats. Strategic conservation will help reduce power fluctuations and increase stability of the system.

## Corporate Governance

TNB remains committed to improving our corporate governance practices and to ensuring that the highest standards of governance culture are practiced throughout the Group. Risk management initiatives within TNB will be strengthened continuously to ensure TNB is able to respond effectively to the constantly changing business environment and thus able to protect and enhance our stakeholders' value.

The Code of Ethics, which was launched in July 2007, further enhanced the existing framework for effective corporate governance. It encompasses best practices, which set the manner in which the Company is governed, expressly with high ethical standards and uncompromising integrity.

The Limits of Authority (LOA) Manual was also established. The LOA Manual, which is a fundamental and integral component of TNB's Group Financial Control and Risk Management Framework, contains both the monetary and non-monetary limits of authority. The manual will promote greater managerial discipline, accountability and transparency in the performance of identified operational and management decision-making activities.

A whistle blowing procedure has also been established to act as a mechanism for internal and external parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rules or procedures by an employee of TNB. This procedure also functions as an internal control mechanism, allowing for effective action to be taken and providing preventive measures to ensure that the integrity of the Company is maintained.





“As we grow,  
we are staying  
true to our roots  
as a company  
embedded in the  
communities we  
serve”





## Prospects and Challenges

Of late, the price of fuels has increased significantly, increasing the cost for TNB to maintain surplus plant capacity, including those operated by IPPs. This scenario poses a challenge for us to maintain a high level of service quality demanded by our customers, and at the same ensure a fair return to shareholders. TNB will strive to balance this dual expectation for the benefit of our customers, our shareholders and the country.

Our energy reserve margin currently stands at about 44 per cent. This margin will comfortably cater to the growth in demand for at least the next three years, without needing additional capacity to be connected to the system. This provides an opportunity for TNB to focus its initiative on capital expenditure to improve or upgrade our transmission and distribution networks. It will also allow for planned outages to be carried out for aging generation plants such as Paka and Pasir Gudang.

In today's globalised environment, it is no longer sufficient to operate in a single market. TNB has diversified its earnings base abroad to help spread business risks and create new sources of income. However such ventures will be carefully studied with considerations given on its feasibility and the country risk involved.





Our strategy will also be on adding value to TNB's core competencies rather than as an equity investor.

TNB intends to leverage our repair and maintenance skills under TNB Repair and Maintenance Sdn Bhd (REMACO) by penetrating promising markets abroad, especially in the emerging markets of the Middle East and Asia.

In Saudi Arabia, TNB's investment through the consortium Saudi-Malaysia Water and Electricity Company Limited (SAMAWEC) in the Shuaibah III Independent Water and Power Project (IWPP) is progressing well, as scheduled. It is expected to commence commercial operations in July 2009. SAMAWEC is also set to undertake a special project to expand the Shuaibah III IWPP's desalination plant.

Our wholly-owned subsidiary in Pakistan - TNB Liberty Power Limited - continues to be profitable and has already repatriated sponsored loans to TNB. In the Philippines, TNB is making a bid with our partner to operate the Philippines' power grid. A successful bid would allow TNB to have a foothold in the country for more lucrative power generation projects in the future.

TNB's 20-Year Strategic Plan initiatives to position the Company at the pinnacle of global service excellence is backed by our human resource master plan to maximise the Company's human capital potential. One of the key features of the plan is our talent pool programme which serves to support succession management. Meanwhile, the 'SE 10/10' acts as a guideline and benchmark to measure our growth.







## Corporate Social Responsibility

As a leading corporate entity, TNB takes our Corporate Social Responsibility (CSR) very seriously. As we grow, we are staying true to our roots as a company embedded in the communities we serve. Our CSR policy is founded on supporting initiatives in key areas such as education, arts and culture, sports, the environment and helping the underprivileged. For Financial Year 2007, TNB invested RM1.4 billion to uphold our CSR commitments. What I will share with you here are just a few of the CSR initiatives that we have undertaken. A comprehensive presentation can be found on pages 54 to 61 of this Annual Report.

TNB continues to support the Government's plans to enhance the quality of life in rural areas. Under the Rural Street Lighting Programme, TNB has embarked on Phase III of the programme which involves the installation of 26,408 units of 150W streetlights throughout Peninsular Malaysia. This programme helps improve public safety and assists in the prevention of social ills and accidents.

Our solar and wind hybrid power plant projects in remote islands have also made a positive impact on the quality of life of the respective communities. In places like Pulau Sibul, off Mersing, Johor, the electricity supply provided allows for internet connection, enabling this once remote village to be now connected to the rest of the world. These efforts which promote the use of renewable energy to produce electricity, are recognised worldwide.

Our commitment to the environment has prompted TNB to undertake a long-term project on the funding, rehabilitation and preservation of the firefly colony in Kuala Selangor, Selangor Darul Ehsan. TNB's participation in this project through the infrastructures we have built will also help develop the area into a tourist haven, which in turn will assist in improving the economic well-being of the local community.

In sports, the Company is recognised not just for our social role but more importantly for our contribution as a catalyst in the development of past and future champions. We are the main supporter for hockey, which is one of the few sports where the Malaysian team is highly ranked, internationally. We also take pride in the fact that there are six TNB players in the national team.

In celebrating Malaysia's 50<sup>th</sup> Independence Anniversary, TNB, in the true style of a patriot, was the sponsor of a national patriotic song and an accompanying video clip entitled - "Malaysiaku Gemilang, Kibarkan Jalur Gemilang"- specially created to commemorate the historic occasion. The song is our way of helping to instil national patriotism and of saying Thank You to the nation.

In TNB, we encourage our employees to be actively involved in voluntary and welfare activities such as gotong-royong and special visits to orphanages and welfare homes, besides making charitable donations. This concept of doing things together and helping each other in the spirit of goodwill is our culture of giving back to the communities in which we operate.

**"TNB continues to support the Government's plans to enhance the quality of life in rural areas"**



## Recognition and Awards

TNB takes pride in the various national and international excellence awards that we have received. Asiamoney, in its Corporate Governance Poll 2006, recognised TNB as the overall Second Best Company in Malaysia for Corporate Governance, the Best Company in Malaysia for Investor Relations and Third Best in Asia (excluding Japan). In addition, our Chief Financial Officer (CFO) was named the Second Best CFO in Malaysia. In FinanceAsia's Best Managed Companies Poll 2007, TNB was among the Top Ten in the Best Managed Companies in Malaysia.

TNB's Call Management Centre (TNB CareLine 15454) was the recipient of the Gold Award from the Ministry of Science, Technology and Innovation, Malaysia in the Best Emerging Contact Centre for the GLC Category, while our Institut Latihan TNB-ILSAS was awarded the Human Resource Ministry Award 2007 in the Training Provider Category.

It was also a momentous occasion for TNB when five of our generation stations received awards in the Utilities Sector Category at the Malaysian Society of Occupational Safety and Health Award 2006. The stations awarded the Gold Award (Class II) were Stesen Janaelektrik Putrajaya, Stesen Janaelektrik Sultan Iskandar, Stesen Janaelektrik Tuanku Jaafar and Stesen Janaelektrik Jambatan Connaught, while Stesen Janaelektrik Gelugor received the Silver Award.

Adding further to the list of accolades received during the year was the National Award for OSH Excellence 2006 which saw four stations, namely Stesen Janaelektrik Chenderoh and Stesen Janaelektrik Sultan Ismail Petra receiving the Gold Award, and Stesen Janaelektrik Tuanku Jaafar and Tenaga National Distribution Division (Johore) receiving the Silver Award.

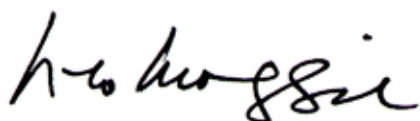
The Malaysia Chapter of the International Association of Business Communicators also awarded TNB three honours in the IABC Silver Quill Awards 2007 for best annual reporting and publication.

At the time of publishing this report, TNB received another accolade in being shortlisted as one of five finalists for the "Power Company of the Year" in the 2007 Platts Global Energy Awards.

## Appreciations

I would like to thank our shareholders, affiliates, partners and our esteemed customers for their continued support and confidence in TNB. My appreciation also goes to the Government of Malaysia and the various regulatory bodies, particularly the Ministry of Energy, Water and Communications, and the Energy Commission, for their support and assistance.

My sincere gratitude also goes to the Management led by Dato' Sri Che Khalib Mohamad Noh and all employees of TNB for their striving efforts, dedication and contributions, which have enabled the Company to fulfill its obligations to all stakeholders by delivering a record performance for this Financial Year.



**TAN SRI LEO MOGGIE**  
Chairman



**“TNB takes pride in the various national and international excellence awards that we have received”**



Ready To Serve 24/7











“ What is also  
delightful news is  
that the Group has for  
the past three years,  
reduced its loan  
from RM32.4 billion  
to RM23.9 billion,  
reflecting a RM8.5  
billion or 26.2 per  
cent reduction ”

DATO' SRI CHE KHALIB BIN  
MOHAMAD NOH  
President/Chief Executive Officer

For Tenaga Nasional Berhad (TNB), “Powering the Nation” is not just a clarion call but an expectation that society and stakeholders expect of us to deliver. Our meaningful progress in operations and financials for Financial Year 2007 (FY2007), have us well positioned to continue to perform in this culture and to accelerate our efforts. TNB will remain focused on strengthening our financial fundamentals, improving operational performance and efficiency, and providing a high quality and reliable service to our customers.

For the Financial Year under review, the Company has exceeded the targets for most of its Key Performance Indicators. For the first time, our Distribution's System Average Interruption Duration Index (SAIDI) has been reduced to a double-digit of 83 minutes, from 104 minutes the previous year. This remarkable achievement has ranked the Company as one of the best utility companies in the world. TNB also achieved Generation Unplanned Outage Rate (UOR) figure of 2.2 per cent, which places us at par with or better than some power producers internationally.

Despite the many challenges confronting the local energy sector, the Company's financial performance improved considerably for FY2007. Our outcomes were boosted by profits due to the tariff review, unrealised forex gains and improved collections.

As a result, the Group's revenue increased to RM23,320.4 million in FY2007 compared to RM20,384.2 million recorded in FY2006, reflecting an increase of 14.4 per

cent. With the increase, the Group also chalked in a profit after tax of RM4,061.1 million, almost double from the previous year's figure of RM2,126.9 million.

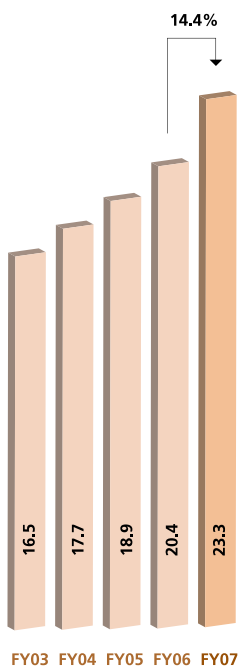
Apart from registering its highest profit ever, what is also delightful news is that the Group has for the past three years, reduced its loan from RM32.4 billion to RM23.9 billion, reflecting a RM8.5 billion or 26.2 per cent reduction. During the same period, we have also managed to collect RM553 million from our major delinquent debtors. Due to the various cost management initiatives undertaken by the Management, the Company has realised around RM2.4 billion in terms of value creation since 2004. TNB also saw increasing foreign investors' interest in its shares, when foreign shareholding reached 28.4 per cent in May 2007, its highest since the Company's privatisation.

Given the continued strong financial outcomes, the Company is poised to undertake appropriate growth opportunities within its core business areas.

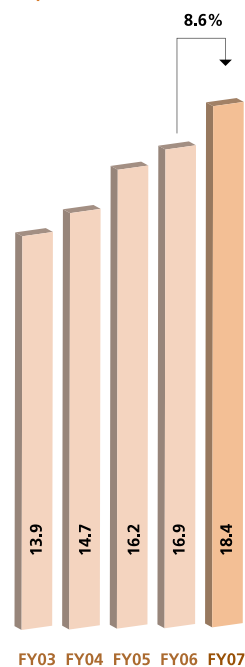


## Financial Performance

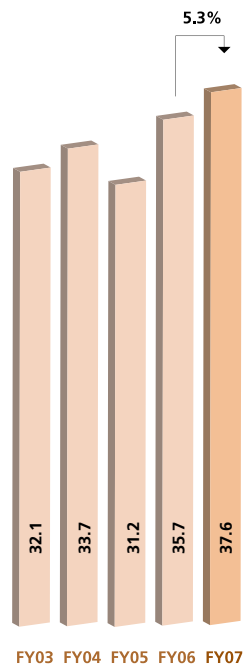
Revenue



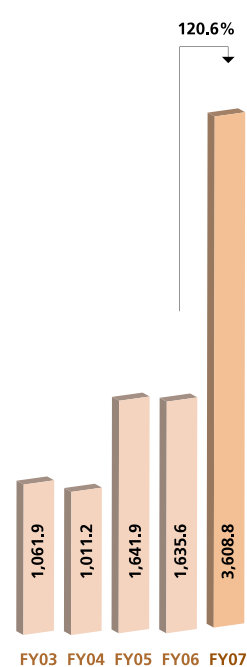
Operating Expenses



EBITDA

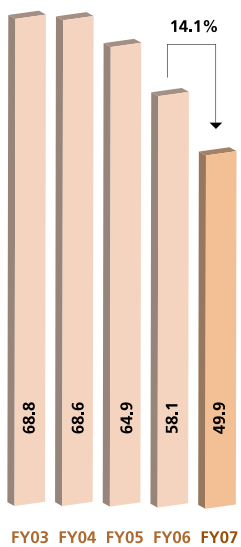


Net Profit ex  
Forex Trans.

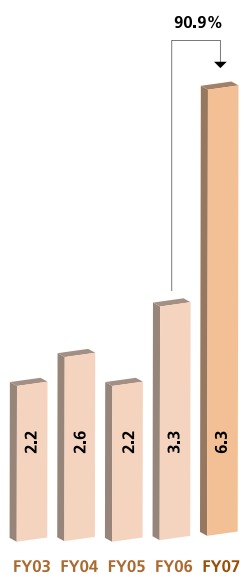


## Financial Ratios

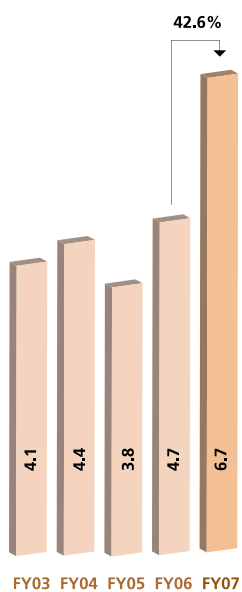
Gearing



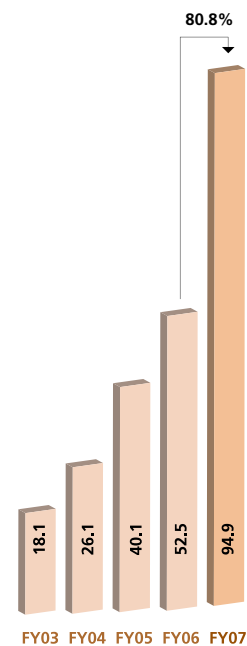
ROA



Interest  
Coverage



Basic EPS





## Strategising Towards Service Excellence

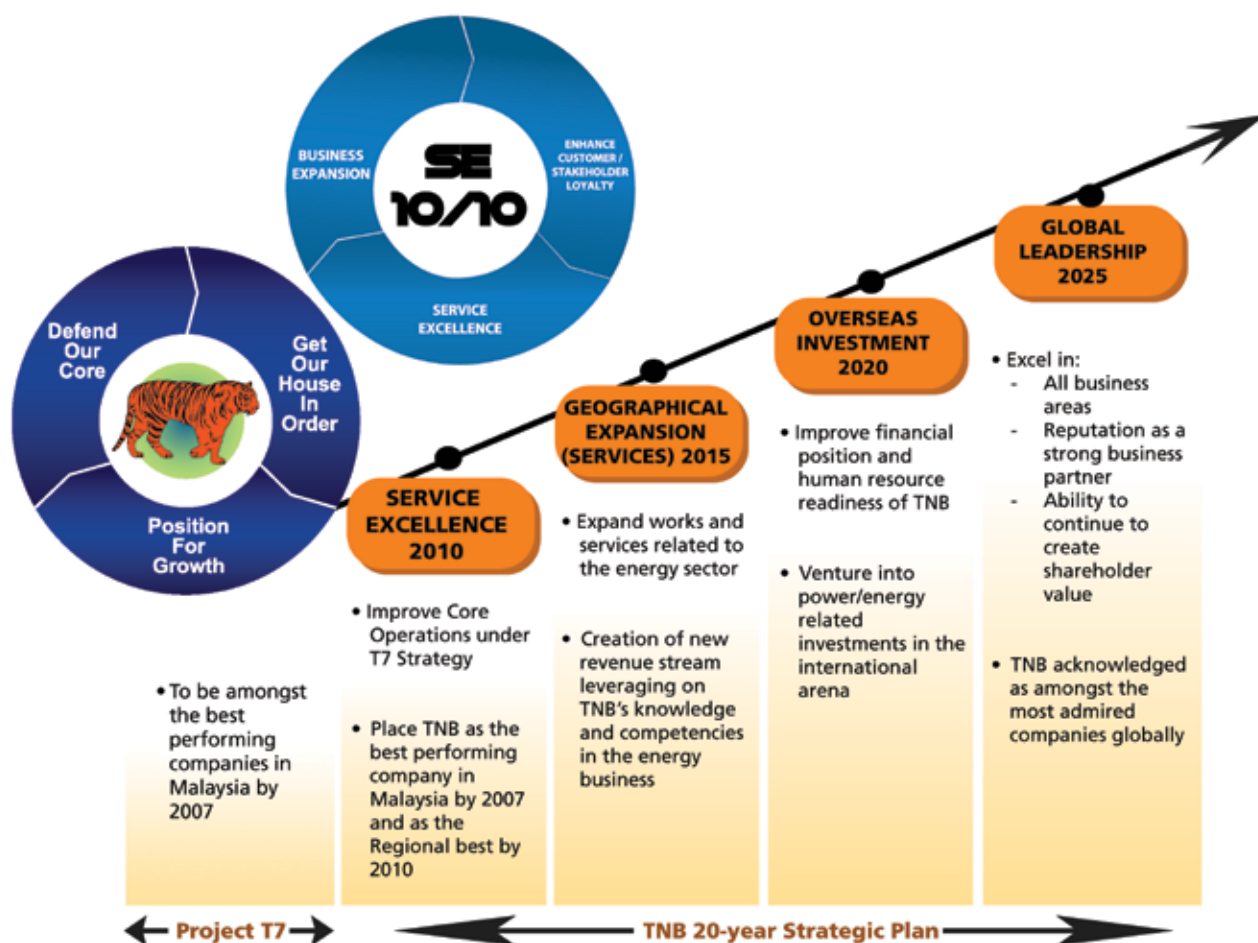
There is a big picture to the future of TNB. We have a well-focused 20-year strategic action plan to realise our goals and aspirations. When the T7 Strategy was first implemented in 2002, it was designed for the purpose of transforming and inculcating an effective goal-oriented culture. T7 laid the foundations for TNB to be amongst the best performing companies in Malaysia. That phase was successfully completed by the close of our Financial Year ended 31 August 2007. Now the excitement and momentum of our next phase continues with the 'Service Excellence 10/10 (SE 10/10)' programme roll-out. In this stage, the SE 10/10 aims to position TNB not only as the nation's best, but the region's as well, by 2010. Our long-term goal by 2025 is to command global leadership in the relevant business areas, and to establish a reputation as a strong business partner and shareholder value creator. Ultimately, TNB desires to be acknowledged as amongst the most admired companies in the world.

Three strategic themes underpin the SE 10/10. The first is by building customer and stakeholder loyalty, the second by building a strong foundation for service excellence and operations effectiveness, and the third by building a strong platform for business expansion, locally and globally.

TNB's drive to reach its goals is not a sprint to a destination. Ours is a strategic plan that requires perseverance and a focused and unwavering commitment to continuously improve, to become even stronger and to deliver on results that our stakeholders expect of us.



## SERVICE EXCELLENCE INITIATIVES IS IN LINE WITH TNB'S 20-YEAR STRATEGIC PLAN





## Focusing on Customer Satisfaction

Delighting customers is a key priority in TNB. Companies with satisfied customers consistently perform better. They also attain a more positive image in the eyes of society. It is with this in mind and following the 2006 tariff review that TNB is intensifying efforts in the upgrading and maintenance of its existing infrastructure for the purpose of ensuring supply reliability to customers. Networks will be improved by replacing old cables, switchgears and transformers; building new substations, upgrading transmission systems; building new regional control centres and installing the Geographical Information System (GIS) to assist in asset maintenance and security.

The implementation of the RM399 million Supervisory Control and Data Acquisition and Distribution Automation (SCADA/DA) Project is expected to improve and reduce SAIDI to a lower double-digit. This is achievable through the system's ability to identify fault location, isolate the fault and mobilise technical staff or carry out remote switching to restore supply to our customers.

TNB is constantly evolving with new technologies to automate the various processes within the Company. These include the Enhanced Customer Information Billing System (e-CIBS) which enhances our customer management and billing systems, and an e-Application System which allows our customers to make online applications for the new supply of electricity. Other customer-related applications currently in use are the Customer Feedback System or Sistem Maklumbalas Pelanggan (SMP), Enterprise Wide Resource Management System (EWRM), e-Payment Service and the TNB Outage Management System (TOMS).

The Customer Feedback System (SMP) has also been upgraded to provide an automated tool in handling customer complaints. In addition, our Call Management Centre (CMC), Electric Eyes and the Prime Customer Management Programmes are interfacing with SMP to form a structured web-based customer complaints handling system. The PQMS (Power Quality Monitoring System), meanwhile, identifies real time power quality incidents on the system and the information is accessible nationwide to allow for remedial action as and when required.

Seminars and dialogues with leaders and representatives of industries, businesses and Government Agencies, also form part of the whole process of handling customer complaints. By managing the three different channels of customer complaints through the PAP, we are able to monitor, report and evaluate the feedback. Integrating customer information on a single platform is a step towards achieving better Customer Relationship Management (CRM).

TNB is working closely with the Ministry of Energy, Water and Communications and the relevant regulatory agencies to establish a Customer Charter. This is aimed at improving the quality of services rendered by TNB and further strengthening our commitment in fulfilling customer needs, expectations and satisfaction.



## Ensuring Supply Reliability

In order to ensure adequate system capacity and supply reliability, TNB continues to make huge investments in electricity supply systems. At the same time we will continue to ensure that additional generation capacity is integrated into the system in a timely and efficient manner.

In 2007, there were two major on-going Generation projects- the PD2 Combined Cycle Gas Turbine Project and the Cameron Highlands Rehabilitation Project. The PD 2 project at Tuanku Jaafar Power Station, which will see the installation of a 750 MW gas-fired combined cycle plant, is scheduled for completion by December 2008. Currently, 85 per cent of the project has been completed. The Cameron Highlands Rehabilitation Project is meant to rehabilitate a 40-year hydro scheme. Works being done involve the de-silting of the Ringlet Lake to recover live storage volume and the project is scheduled for completion in December 2008.

Currently, TNB is also implementing system improvements to strengthen its network and improve supply security in Kuala Lumpur and Selangor Darul Ehsan. The ongoing RM400 million Central Area Reinforcement Project (CAR) is aimed at upgrading transmission and distribution systems within the Klang Valley. The Chubadak 275 kV substation near Gombak, which is part of the Central Area Reinforcement





(CAR) Project, was completed and commissioned in May 2007. The CAR Project, which will strengthen the electricity transmission systems around Kuala Lumpur and the Klang Valley, continues in progress and is targeted for completion in December 2007. The 500 kV transmission line, which connects the Jimah IPP Coal Fired Power Station to Lenggeng Substation and to Olak Lempit Substation is well under construction and is targeted for completion by December 2007.

In addition, other system improvement projects that are underway include the replacement and upgrading of the Perak 22 kV distribution system, and the replacement of old distribution switchgears and transformers across Peninsular Malaysia. These projects are expected to be ready within the next few years.

With fossil fuel cost increasing significantly over the last few years, TNB needs to continuously identify and harness all possible hydro power potential in Peninsular Malaysia and Sarawak.

In preparation for the near future, TNB has also embarked on the engineering design for two new hydro power plants in Ulu Jelai (372 MW) and Hulu Terengganu (212 MW). These two hydro power plants are projected for completion in year 2013/2014.





## Benchmarking Performance

In an effort to enhance performance measurement, Divisional Accounting was introduced within TNB in FY2007 by creating separate financial statements for TNB's core businesses (Generation, Transmission and Distribution). The Divisional Accounting framework ensures that costs are allocated in a consistent and equitable basis to the respective units and also helps to identify enhancements, where applicable. In addition, this framework makes it possible for TNB to benchmark with other utilities, in terms of cost allocation amongst our power plants. The cost and revenue elements used for the benchmarking have to be comparable in common units of measurement.

TNB has always recognised that proactive supervision of power plant performance is essential towards the success of TNB's business objectives. As a pivotal player in the power industry, it has been in the Company's commercial interest to monitor the performance of all our power plants and to ensure that electricity supply is delivered with optimum efficiency and economy without compromising on service quality. TNB has established benchmarks for our power plants and is systematically keeping track of outage rates and monitoring the availability of each generating unit. Detailed procedures to encourage professionalism and efficient operations that will support our business discipline are therefore imperative.

Towards this end, TNB's Transmission and Generation Divisions have resorted to Service Level Agreements (SLAs) for the purchase of power. SLAs would be utilised as benchmarks for all power plants owned by TNB with each of our thermal power stations committing to clear performance targets. These SLAs – with concepts and conditions typical of Malaysian Power Purchase Agreements – reinforce TNB's commitment to high performance standards and transparency. Today, all thermal power plants in the TNB Generation network are measured not only by their technical achievements, but by their financial performance as well.

As is typical in Power Purchase Agreements with IPPs, the performance of each power plant will be closely monitored. The technical and financial performance of the power plants will be assessed, thus providing valuable input for decision making and resource allocation.



## Capacity Building

Capability development is crucial for TNB. As we explore new frontiers globally, the Company will require an abundant pool of able leaders to carry the torch for its long-term strategic plans and to keep TNB on par with the competition. The talents assessed under the succession management initiative in 2006, were reviewed in 2007. Currently, a total of 188 talents from a group of 227 assessed have been formally included in the talent pool. An additional 103 executives were evaluated for entry into the pool. Altogether, there are now 330 executive candidates in the talent pool for consideration into key leadership positions.

In our effort to further build the Company's human capital and retain technical expertise, a Technical Expert was promoted to Specialist, whilst 16 new Technical Experts were appointed under the Specialist Career Path (SCP) programme in FY2007. This brings the total number of expertise in our SCP pool to date, to two Specialists and 20 Technical Experts. A similar scheme, known as the Specialised Technician Career Path, was introduced for the non-executives, resulting in the creation of 38 Specialised Technician positions.

In increasing TNB's competency levels, 123 Development Programmes and 1,227 Mandatory Training Programmes were organised for both Executives and Non-Executives. During the year under review, the Company spent more than RM72 million for staff training and developmental programmes, including sponsorship for further studies locally and abroad.





## Prioritising Safety and Health

Safety is a priority at TNB. As such, the Company has established a comprehensive Occupational Safety and Health (OSH) Management System, aptly known as the Safety Excellence Management System (SEMS). We have increased the number of qualified Safety and Health Officers to ensure TNB's readiness for any crisis or emergency situation. Second level Safety Inspectors and third level Safety Representatives were also appointed to ensure OSH performance at the far end of the job chain is monitored and reported to the management.

Alertness and readiness for any crisis and emergency situation is a key factor in the effort to preserve life and assets. Priority has therefore been given to planning for eventualities. New risks were identified and efforts were taken to ensure that an immediate response is readily available should any disaster arises.

All staff are required to be exposed to OSH and to attend training while practitioners are required to impart OSH knowledge. Continuous training programmes, seminars, conferences, symposiums and workshops were identified for all levels. This is to ensure that participants gain exposure on new developments in OSH. Contractors working in TNB are also educated on the importance of OSH. An NIOSH-TNB Safety Passport was developed in a joint effort with the National Institute of Occupational Safety and Health (NIOSH) to ensure contractors are aware of the basic requirements of occupational safety.

Equally important was electrical safety education for members of the public. Assistance was provided to schools, non-governmental organisations, industries and various associations following their requests for safety information on the proper use of electricity. Safety campaigns were also carried out in our effort to optimise information dissemination.

**“Ensuring safety at work”**



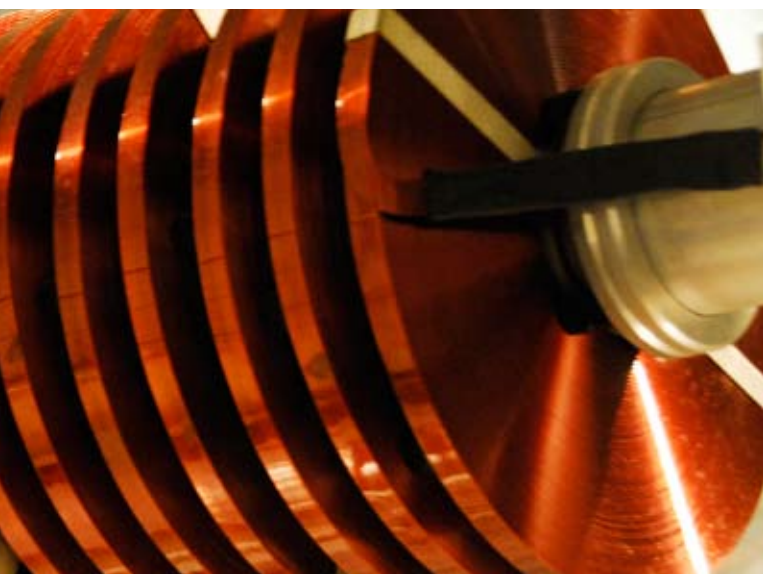


## Enhancing Research and Development

TNB continued to enhance on our intellectual capacity and core businesses through TNB Research (TNBR), an approved Research and Development (R&D) company and the research arm of TNB. The key role of TNBR is to enhance TNB's core businesses through R&D, consultancy services, laboratory testing and quality assurance. Its research and development findings are widely applied to improve efficiency, availability and reliability of TNB's electricity supply network.

During the year under review, 26 research and development projects worth RM30.5 million were completed for TNB's core businesses and support divisions, including SESB. The projects addressed different areas of impact such as reliability, efficiency, environment, technological evaluation, quality assurance and cost savings. As the Quality Assurance agent for the Company, TNBR was also responsible for ensuring that all equipments supplied to TNB met with the necessary technical and functional standards.

TNBR is registered with the Department of Environment, Malaysia, as an approved body to conduct Environment Impact Assessment studies. TNBR is also engaged as a consultant in energy-related works, especially on Renewable Energy, by the Ministry of Energy, Water and Communications, the Malaysia Energy Centre and universities. Scientific services are a revenue earner and the biggest contribution comes from laboratory testing and research works. TNBR has successfully taken over some of the technical works previously undertaken by foreign consultants. In areas such as Material Engineering, High Voltage Diagnostics, Lightning and Hydro Plant Optimisation, TNBR has developed its own intellectual capital to meet the technology and engineering challenges faced by the core divisions in TNB.



## Towards Geographical Expansion

TNB will continue to explore opportunities abroad. Our wholly-owned subsidiary, TNB REMACO Sdn Bhd has entered into a synergistic alliance with Turbocare SpA of Italy to collaborate technically and commercially in order to serve local and regional market demands for services related to our products. Through this alliance, we are working together to offer better service at a competitive price to the target market. This alliance will also enhance TNB REMACO Repair Centre's capabilities and hence reduce production costs through localisation of advance technology repair procedures. This collaboration is an important achievement for TNB in our quest to expand our business within Malaysia and in the region.

TNB is continuously exploring other opportunities that could potentially lead to partnerships and cooperation with international counterparts in utility services around the region. In building relationships with other utility companies, TNB plans to sign an MOU with the Korea Electric Power Corporation. This MOU will encompass technical cooperation activities in identified areas, including the exchange of information and personnel on subject areas mutually agreed by both parties.

During the year under review, TNB, through its Sultan Ahmad Shah Training Institute (ILSAS), successfully completed its training services and cooperation activities with power utility companies in Vietnam, Yemen and Mongolia. This is an added plus to ILSAS' track record of providing training services to various utilities in this region, including Laos, Indonesia, Thailand, Vietnam, Nepal, Egypt and Pakistan.

In Saudi Arabia, TNB's investment through the consortium undertaken by Saudi-Malaysia Water and Electricity Company Limited (SAMAWEC) in Shuaibah III Independent Water and Power Project (IWPP), is progressing well as scheduled. As of August 2007, 68.9 per cent of the overall construction of Shuaibah III has been completed. The USD2.5 billion project is scheduled to commence commercial operation in July 2009.

Following the success of Shuaibah III, the Government of Saudi Arabia has requested SAMAWEC to undertake a special project to expand the Shuaibah III IWPP's desalination plant by 150,000 m<sup>3</sup>/day over the planned capacity of 880,000 m<sup>3</sup>/day. The USD232 million expansion project, which utilises the reverse osmosis desalination technology, is located at a site adjacent to the main project and is expected to commence commercial operation in February 2009.





## Looking Ahead

The journey ahead will be rough but we are up for the challenge. Profitability for the coming year will be affected by additional IPP capacity payments from new plants coming on-stream and increasing fuel, metal and equipment prices. In this respect, TNB will continue to adapt to changing market demands and challenges, and to find solutions to counter balance possible erosion on its revenue.

Managing fuel costs in the future will be the biggest challenge for TNB. For instance, coal prices in the international market have rocketed for the past few years and is expected to continue to increase. It is unrealistic to expect local gas prices to remain as cost of production has been rising while local sources are depleting. At the same time, there is a continuing need to invest in the system's improvement to ensure reliability and security of supply.

For the year under review, our coal consumption amounted to 8.7 million metric tons. This figure is estimated to be higher in the coming year at 14.1 million metric tons. Nevertheless, we have managed to hedge 49 per cent of the requirements for 2008. TNB will continue to discuss and negotiate with the relevant parties/authorities on any issues relating to any potential increment in the price of gas and to develop solutions to gradually unwind the cross-subsidy embedded in the tariff structure. We see this possibility through a proposed new tariff framework that will allow the passing of any increase in fuel costs to consumers. We will also actively pursue the use of alternative energy sources, new technology and practices to keep costs down, while remaining alert for new opportunities, locally and globally.

Several value-creation initiatives are already in place to enhance the Company's profitability in 2008. We see our strategy continuing to produce long-term growth to create significant value to our shareholders. We have set the target to be amongst the most admired companies globally by 2025. It is a tall order, but we are up to the challenge and we are making good progress.

## Acknowledgements

Our appreciation goes to the Government of Malaysia, Ministry of Energy, Water and Communications, Ministry of Finance, Ministry of International Trade and Industry, Energy Commission, Malaysian Industrial Development Authority (MIDA) and other agencies for all assistance rendered. Our thanks must also go to our valued shareholders and customers for their loyalty and trust, which we very much appreciate.

Our record performance this year would not have been achieved without the dedication of our employees and the pride they have in their work. Hence, I would like to record my deepest appreciation and gratitude to the Board of Directors and staff of TNB for their dedication and constant hard work that has kept us in the forefront of Corporate Malaysia. **We've Got the Power – to serve, to deliver, to excel.**



**DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
President/Chief Executive Officer









# Corporate Social Responsibility





## Corporate Social Responsibility

Tenaga Nasional Berhad (TNB) has powered the length and breadth of the nation for decades through the generation, transmission and distribution of electricity but its social responsibility has been equally far reaching to the public.

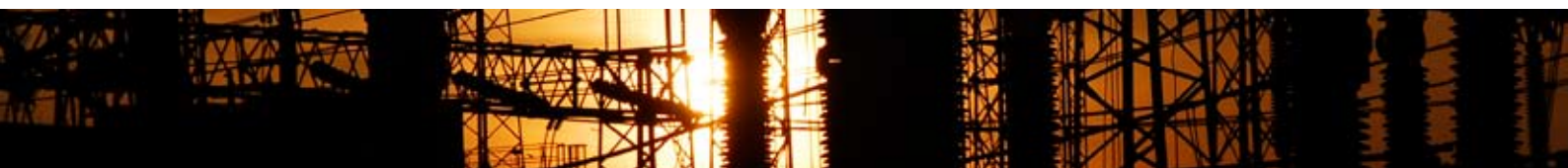
TNB's Corporate Social Responsibility (CSR) policy is founded on philanthropy in key areas such as education, sports, the environment and helping the underprivileged. As a leader in the country's power industry, we realise this position requires TNB to be the catalyst for change when it comes to CSR. Because of this, TNB has always demonstrated a diligent response to offer its commitment to philanthropic causes and corporate sponsorships. For the Financial Year, TNB spent RM1.4 billion to uphold its CSR policy, which made it one of the largest contributors in the country.

The far reaching impact of TNB's CSR policy was acknowledged by the Government who has singled out our policy as the basis for the pilot study on CSR initiatives for the Silver Book on GLCs, launched in September last year.

It is important to note that our CSR efforts lie deep beyond philanthropic or sponsorship activities. The major CSR contribution is in fact not easily visible to the eyes of the public. TNB's integral role to deliver electricity to the public efficiently and at the lowest rate possible is by far a single most important CSR activity undertaken by the Company. Providing a reliable and competitive electricity supply, which require tremendous effort and resources by the Company, benefit all Malaysians regardless of where they live or whatever level of their income.

TNB also recognises the need and the relevance of the Government's policy for the country's ongoing development, and the various initiatives we have undertaken to deliver safe, reliable and secure electricity to customers for their private and economic needs, are testament to our commitment to ensure society will gain and benefit from these developments. With this in mind, TNB strongly supports government driven policies such as the 9<sup>th</sup> Malaysian Plan and its aims to continue powering the country's vision of becoming a fully developed nation by the year 2020.

The need to support the Government has been translated into the Company's battle cry of "Powering the Nation", which sets the tone for our CSR activities.





## Powering Business Excellence

As a major player in the energy sector and a responsible corporate citizen, TNB is committed to play an important role in nation building. TNB's most integral CSR policy is in its core businesses and operations where it ensures delivery of adequate, safe, reliable and continuous power supply that is critical to the nation. To deliver this commitment, TNB must have reliable transmission and distribution systems that can fulfill the demand of electricity at the highest level of consumption or peak demand.

This is done through having a reasonable reserve margin, which could sustain demand for electricity for industries, commercial operations as well as residences. Reserve margin is important to ensure that factories, shopping complexes continue to have its electricity supply despite the country experiencing the hottest month or any factors that may increase the demand for electricity.

To ensure this delivery, TNB has also on the average invested some RM4 billion annually for new infrastructures such as the building of new transmission lines, power plants or substations.

## Powering Communities

Despite TNB's efforts to deliver electricity to every nook and hidden corner of the country, there are some areas which remain unreachable to the common electricity grids which traverse the nation. In these remote places, the only means to reach them is through an independent solar hybrid power plant that runs on diesel in addition to sun rays tapped from solar panels.

TNB is responsible for the maintenance and operations of these stations in remote areas as well as offshore islands at a subsidised rate. Besides providing electricity to the rural areas, our efforts are recognised world wide for promoting the use of renewable energy to produce electricity.

More recently, TNB added a wind turbine technology to the hybrid plant, the first project being the Wind/Solar Hybrid plant installed in Pulau Perhentian Kecil in Terengganu. The plant harnesses the strong wind presence on the island to power its two 100 kW wind turbines. The technology not only makes the plant more efficient, it also consumes less diesel, thus reducing possible pollution sources from fossil fuel.

These efforts have made a positive impact on the quality of life for those in the community it serves. In places like Pulau Sibu off Mersing, round the clock electricity supply allows for internet connections that connects the once remote village to the rest of the world. In some of the islands including Pulau Perhentian, the availability of 24-hour electricity has allowed tourism activities to thrive. Electricity enables tourism operators to upgrade their chalets into full-scale resorts, thus allowing more high-end tourist arrivals and bringing more income to the local community.

Other CSR activities for the communities are also prevalent in all TNB divisions and subsidiaries. These activities include raising funds for flood victims, providing tuition for underprivileged children, and visiting homes for the disabled and orphanages. In addition, each of the respective departments and units in TNB implement CSR initiatives through direct contacts with the public. These initiatives are either structured, or built in into their daily activities, or taken by the group on an ad-hoc basis to help needy causes.







## Powering Education

TNB believes that education can turn dreams into realities. TNB has a very strong tradition in producing world-class scholars and researchers through its education and scholarship programmes. Many of the current business leaders in the country are TNB scholars and have enjoyed the education provided by the Company under its scholarship programmes.

Over the years, TNB has strengthened this role and is now actively involved in not only providing scholarships, but also in providing education through Universiti Tenaga Nasional (UNITEN) and Institut Latihan Sultan Ahmad Shah (ILSAS).

As an institute of higher learning, UNITEN has an immense and important responsibility in helping the Government produce well rounded individuals. The University also gives primary focus on research and development activities which encourage and develop the culture of innovation and competition among the academic staff as well as its students. Strategic cooperation between UNITEN and the industrial sector provides access and opportunities for students and academic staff to master knowledge as well as scientific and technical expertise that are relevant with industrial and market place needs.

Yayasan Tenaga Nasional (YTN) as a trust body for TNB, provides sponsorships through scholarships and study loans to deserving students. For FY2007, YTN provided loans amounting to RM47 million for top students to pursue their tertiary education at local and world-renowned universities overseas as an effort to build a pool of good scholars for TNB and the country.

YTN was also involved in community welfare development projects, such as the Track to Excellence Programme (Program Jejak Kegemilangan) and the Smart Youth Camps Programme (Program Kem Remaja Bistari). In the Track to Excellence Programme, 140 good students from rural areas and underprivileged families from across Malaysia got an unprecedented chance to visit UNITEN, exposing them to campus life and inspiring them to seek great achievements. The Smart Youth Camps are essentially education camps for the children of TNB employees as well as orphans.

TNB also embarked on various initiatives to improve language proficiency among the students in rural areas throughout the country by supplying, for example, mainstream newspapers to the schools. All these activities were undertaken to increase the performance of students in an effort towards making Malaysia a Knowledge Nation.



## Powering Champions

TNB regards sports in not just its social role but more importantly as a catalyst to develop future champions. TNB's involvement in sports through the years is in line with the Government's aspiration to produce top athletes and for Malaysia to be a top-notch sporting nation.

TNB is the main supporter for hockey, which is one of the few sports which the Malaysian team is highly ranked in the world. For FY2007, TNB contributed RM1.1 million to the Malaysian Olympic Council which was channeled to the Malaysian Hockey Federations (MHF), the body tasked to develop hockey in the country.

TNB is the main sponsor for the Sultan Azlan Shah Cup hockey tournament, which feature top hockey teams from around the world. TNB is also the title sponsor for the TNB-MHL Hockey League, which is organised by the MHF. The TNB team which competed in the Division 1 of the League emerged as Overall Champion and won the inaugural TNB Cup in 2007. Six TNB players have also been selected to play for the national team.

To strengthen its involvement in hockey, TNB is working with several state hockey bodies to develop the sports further. It has set up a Special Sports Unit, to conduct specialised hockey skills to rising hockey stars. The project is expected to teach at least 2,000 talents and is aimed at exposing specific hockey skills that are important for the development of the game.

Besides hockey, TNB will also be the major sponsor for the 2008 Malaysian Game (SUKMA) which will be held in Terengganu. TNB is also the main sponsor for cricket in the country.

## Powering a Green Nation

As a power producer and distributor, TNB's nature of operations requires the Company to take great interest in its environment. As a principle, TNB embraces the notion that any project or development undertaken by TNB must blend and not be in conflict with the environment it operates in.

TNB takes pride of its corporate responsibility in ensuring that its projects comply with the strictest world environment standard. A recent example was the construction of the coal powered Stesen Janakuasa Sultan Azlan Shah, which has adopted a clean coal technology. This technology ensures that the plant does not emit harmful discharge to the environment, thus helping to conserve nature in the surrounding areas. The grounds of TNB's associate independent power producers, Kapar Energy Ventures, has also now become one of the main stops for migratory birds which are attracted to the warm water and abundance of food in the plant's ash pond.

In the protection and conservation of environment, TNB's major contribution can be seen in the Company's efforts in the preservation of the firefly colony in Kampung Kuantan in Kuala Selangor. This species of firefly flickers in unison creating a natural lightshow after dark along the Kuala Selangor riverbank. Over the years, TNB has contributed around RM1.5 million to help in the protection of the fireflies.

TNB's contribution to the conservation of the area goes beyond monetary value. Visitors who come provide a sustainable livelihood to the boatmen, and if the boatmen could live comfortably on the income derived from tourism activities, there is a strong chance that TNB's conservation efforts would be sustained.

In the firefly conservation project, TNB's subsidiary, TNB Research has been involved in conducting studies on the lampyridae firefly. The research will cover the study of the entire ecology of the insects and when completed, is expected to provide a scientific basis for future conservation efforts of the species and its environment.





# Statement Of Corporate Governance

Building a strong governance foundation and undertaking continuous efforts in it's improvement, remain the focus of the Board of Directors (the Board) of Tenaga Nasional Berhad (TNB or the Company) to safeguard and promote the interest of all stakeholders. This improvement begins with the board structure itself, as for the year under review an additional member with a technical engineering background was brought onto the Board. His knowledge and experience would serve the Board well in assessing and evaluating technical issues before decisions are made.

The existing framework for effective corporate governance is further enhanced with the introduction of the Code of Ethics which was launched on 23 July 2007. It encompasses best practices which set the manner in which the Company is governed, expressly with high ethical standards and uncompromising integrity. The Code of Ethics also served to complement the Company's current policies and procedures. In order to ensure its effective application, the Code is incorporated in the Integrity and Ethics Training Module conducted in house by the Company's training centre, ILSAS.

A Whistle Blowing Procedure was established to provide a platform and to act as a mechanism for internal and external parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rules/procedures by the employee or management of the Company. An appropriately managed whistle blowing system functions as an internal control mechanism allowing for effective action to be taken and to provide preventive measures in order to ensure that the integrity of the Company is maintained.

A compilation of the existing Limits of Authority (LOA) for ease of reference and compliance was made. The LOA which is updated from time to time contains both the monetary and non-monetary limits of authority for recommending and approving the Company's operational and management decision making activities prior to execution. The LOA is the fundamental and integral component of the Company's Group Financial Control and Risk Management Framework. As a pivotal internal control mechanism, the LOA will promote greater managerial discipline, accountability and transparency in the performance of the identified operational and management decision-making activities.

Initiatives that were identified under the Government Linked Companies Transformation Programme continues to progress throughout the year under review. For example, procurement guidelines and best practices as well as the TNB Procurement Code of Conduct were put in place as recommended by the "Red Book". The improved procurement method will have the potential to realise value with significant savings and to also provide quality products, hence the ability to deliver better quality services.





During the year, the Board had announced a dividend policy for the Company for the purpose of providing stable and sustainable dividends to shareholders while maintaining an efficient capital structure and ensuring sufficient of funding for future growth. This commitment can be realised by the Company through efficient financial management coupled with quality and reliable services.

The Company has earned recognition from Asiamoney in its Corporate Governance Poll 2006 as the overall second best company in Malaysia for Corporate Governance, the best company in Malaysia for Investor Relations and third best in Asia. In addition, the Chief Financial Officer (CFO) has also been proclaimed as the second best CFO in Malaysia.

To add to the list of accolades that TNB has received, a recent FinanceAsia Best Managed Companies Poll 2007 has voted TNB as among the top ten (10) best managed companies in Malaysia.

Essentially, the good governance culture in TNB begins with an effective Board and Management team which are transparent in their action and accountable throughout the Company. Both teams are firmly grounded in sound business ethics particularly in implementing the strategic business initiatives. Sufficient checks and balances in the management structures, particularly in finance and operations, provide an effective system of internal controls while risk management systems and actions help to mitigate potential risks.

The Board of Directors of TNB remains committed to improving corporate governance practices to ensure that the highest standards of corporate culture are practiced throughout the Group in the interest of shareholders. The Board is pleased to report to the shareholders on the manner TNB has strengthened its application of the principles of corporate governance and on the adoption of corporate governance best practices laid down in the Malaysian Code on Corporate Governance (the Code).



## (A) THE BOARD OF DIRECTORS

The Board remains resolute and upholds its responsibility in governing, guiding and monitoring the direction of the Company with the eventual objective of enhancing long term sustainable value creation aligned with the interests of shareholders, while taking into account the interests of other stakeholders. The Board is committed to ensuring good corporate governance practices are well applied inline with the six (6) principal responsibilities outlined in the Code that operate within a set of governance as set out below:-

### Composition of the Board

The Board of Directors of TNB consists of ten (10) members comprising of one (1) Non-Executive Chairman, one (1) Executive Director, seven (7) Non-Executive Directors and one (1) Alternate Director. The diverse background of members in various fields such as financial, legal, engineering, management and public administration provide considerable depth and wisdom of knowledge, expertise and experience to the Board of TNB. A brief profile of each Director is set out on pages 86 to 90 of this Annual Report.

### Process of Appointment to the Board

Appointment to the Board of TNB is made either by the Special Shareholder pursuant to Article 5(2) of the Company's Articles of Association or by the Board of Directors pursuant to Article 133 of the Company's Articles of Association.

The Board Nomination & Remuneration Committee (BNRC) scrutinises the sourcing and nomination of suitable candidates for appointment as Director in TNB and its subsidiary companies. This Committee will ensure the selection of Board members with the right skill set, expertise and industry knowledge thus strengthen the composition of the Board and contribute significantly to the effectiveness of the Board.

## Roles and Responsibilities

The Board puts in place long term strategic plans and reviews the short and medium term performance on an annual basis. This is to align the long term strategic plans and directions with current demand of the customers and change in the economic outlook. Monitoring by the Board on the achievement of the business targets is made quarterly with monthly management reporting on financial and technical performance updates.

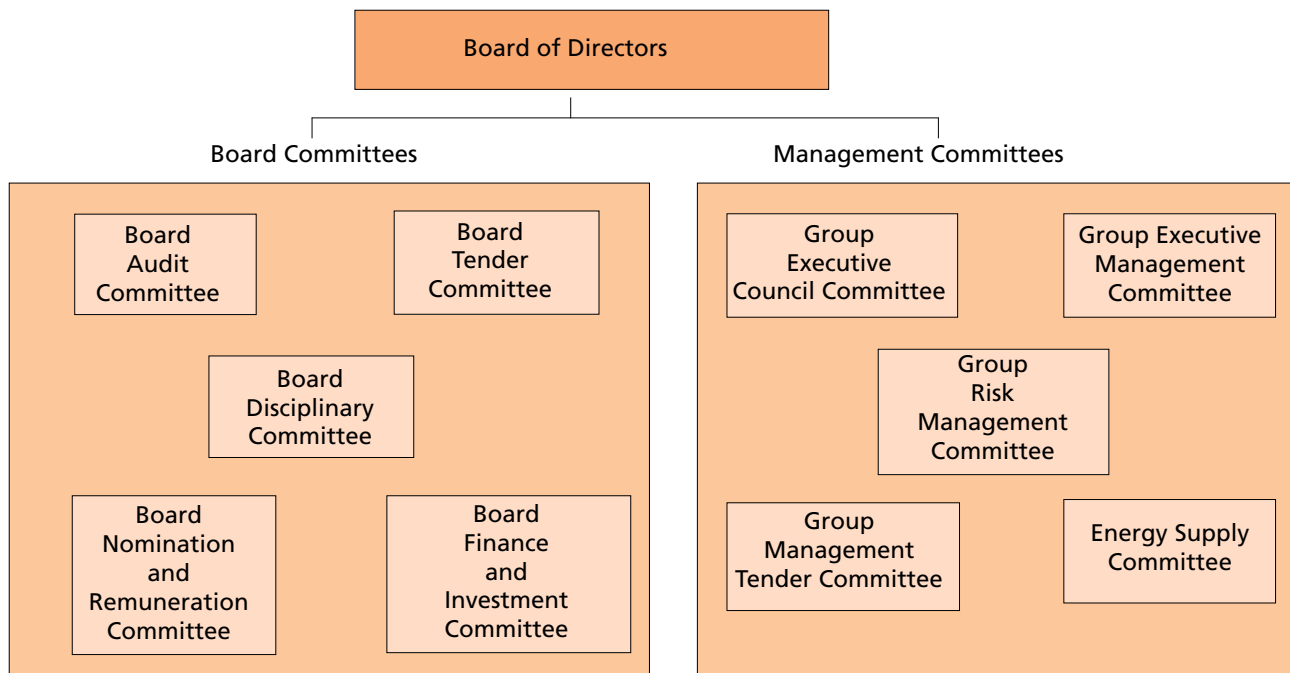
The roles and responsibilities of the Chairman of the Board and the President/Chief Executive Officer are distinct and separated. The Chairman is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in a manner that all views are taken into account before a decision is made. The President/Chief Executive Officer has the general responsibility for running the business on a day-to-day basis thus ensuring a balance of power and authority so as to provide a safeguard against the exercise of unfettered powers in decision-making.

Accountability is part and parcel of governance in TNB. The Board is accountable to the shareholders, and the Management is accountable to the Board. The Board ensures that the Management acts in the best interests of the Company and its shareholders by working to enhance the Company's performance.

There is a clear division of responsibilities between the Board and the Management. The President/Chief Executive Officer supported by his team of Management through Committees namely the Group Executive Council Committee, Group Executive Management Committee, Group Management Tender Committee, Energy Supply Committee and Group Risk Management Committee. These Committees are responsible for the implementation of Board resolutions, overall responsibilities over the day-to-day operations of the Group's business and operational efficiency.

## Operation of the Board

The Board has established five (5) Board Committees. The Board has entrusted certain responsibilities to the Board Committees, which operate within clearly defined written terms of references 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

The Board meetings are scheduled in advance and during the Financial Year ended 31 August 2007, 17 Board Meetings were convened to deliberate and consider a variety of significant matters. These include reviews on business plans, budgets, quarterly financial results, risk assessments, key performance indicators of the Senior Management, debt restructuring and other corporate proposals such as foreign investment exercise, overall performance of the Company and the subsidiary companies as well as other related business matters that require the Board's deliberation and due approval.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the statutory register at the registered office of the Company. In the event of a potential conflict of interest, the Director in such a position will make a declaration to that effect as soon as practicable. The Director concerned will then abstain from any decision-making process in which he/she has an interest in.

## Attendance Details of Board Members

Directors	Meeting Attendance
Tan Sri Leo Moggie (Chairman)	17/17
Dato' Sri Che Khalib bin Mohamad Noh	17/17
Dato' Puteh Rukiah binti Abd Majid (Appointed w.e.f. 13 September 2006)	15/17
Datuk Zalekha binti Hassan (Alternate Director to Dato' Puteh Rukiah binti Abd Majid) (Appointed w.e.f. 13 September 2006)	2/2
Encik Mohammad Zainal bin Shaari (Appointed w.e.f. 31 March 2007)	5/7
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	16/17
Tan Sri Dato' Hari Narayanan a/l Govindasamy	16/17
Dato' Zainal Abidin bin Putih	13/17
Datuk Mohd Zaid bin Ibrahim	14/17
Dato' Fuad bin Jaafar (Appointed w.e.f. 15 March 2007)	8/8

*(Note:- Attendance record of Alternate Director must be read in concurrence with attendance record of the Principal Director)*

## Supply of Information to the Board

The Board and its Committees have full and unrestricted access to all information within TNB pertaining to the Group's business and affairs.

The Board Meetings are held regularly, on a monthly basis and special meetings will be convened as warranted by specific circumstances. The Board is provided in advance with the agenda for every Board meeting, together with comprehensive management reports which includes proposal analysis, risk evaluation and supporting documents for the Board's perusal. Before decisions are made, consideration is given to the adequacy of information available to the Board and, if necessary, decisions are deferred if further information is required.

All Directors have the right and duty to make further enquiries when necessary. In most instances, the Senior Management of the Company as well as external advisors are invited to be in attendance at Board Meetings to provide insights and to furnish clarification on issues that may be raised by the Board. Whether as a full board or in their individual capacities, Directors are also at liberty to take independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate.

The Board is also notified of any disclosures/announcements made to Bursa Malaysia.



## Board Effectiveness

The present composition, size, modus operandi, strength of relationship with the Management and functional Board Committees, contribute to an effective Board. Apart from the convening of Board Meetings on a frequent basis, deliberation and discussion at a Board Meeting are conducted in a comprehensive and in depth manner before arriving at any decision, as recommended by the Management.

A Board and Management interactive session or internally known as Board and Management Break Out Session, held twice a year, provides the Board with an additional formal platform outside the Boardroom to scrutinise the performance, business plan and budget of the Company in greater detail, thus enabling the Board to chart the strategic direction for the Company and to provide effective control linking the business plan to the key performance indicators.

## Board Balance and Independence

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

The present Board consists of four (4) Independent Non-Executive Directors namely Y. Bhg. Tan Sri Dato' Lau Yin Pin, Y. Bhg. Tan Sri Dato' Hari Narayanan a/l Govindasamy, Y. Bhg. Dato' Zainal Abidin bin Putih and Y. Bhg. Dato' Fuad bin Jaafar who are independent of Management and free from any business relationship that could materially interfere with the exercise of their independent judgement. The presence of Independent Directors assures an additional element of balance to the Board as they provide unbiased and independent views, advice and judgement to all Board deliberations. Y. Bhg. Tan Sri Dato' Lau Yin Pin is the Senior Independent Non-Executive Director. He is the Company's longest-serving Director and as such has significant knowledge of the Company and its business. Any concerns on or related to the Company may be conveyed to him by shareholders and the public through e-mail.

## Re-election

Pursuant to Article 133 of the Company's Articles of Association, newly appointed Directors are subject to re-election by shareholders at the first opportunity after their appointment and the retiring Directors may offer themselves for re-election by the shareholders. In accordance with Article 135 of the Company's Articles of Association all Directors are required to retire from office at least once in every three (3) years.

The BNRC reviews the appointment of new Director to the Company and its subsidiaries taking into consideration the required mix of skills and experience before making recommendations to the Board for approval.

Further information concerning the Directors standing for re-election at the Annual General Meeting is included in the Statement Accompanying Notice of Annual General Meeting. The detailed profiles of Directors standing for re-election are provided in order to enable shareholders to make an informed decision in re-electing them.

## Continuing Board Development

Recognising the ever increasing demands of their role as Directors of a leading Public Listed Company, the Directors of TNB continue to equip themselves with the relevant professional advancement programmes particularly in corporate regulatory development and current development in the industry.

All Directors have attended and successfully completed the Mandatory Accreditation Programme in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. The Directors have also been advised and encouraged to attend various professional programmes organised by various professional bodies. During the Financial Year under review, a Director has been nominated to attend the Malaysian Directors Academy (MINDA) – Programme for Building High Performance Director organized by Khazanah Nasional Berhad in collaboration with IMD. The programme is deployed through three (3) modules, namely what makes a Board perform, the strategic dimensions of work and external dimensions. The Chairman of TNB has also been invited and attended the Chairman's Forum organized by MINDA.

Apart from attending various conferences and seminars organised by the external organisers, the Board also benefited from an in-house Board Development Programme. The topic on transformation of an organisation was presented at the in-house Board Development Programme 2007. The training for the Directors also included site visits to power stations where presentations were conducted by power plant managers to explain the operational aspects of power plants.

## Directors' Remuneration Procedure

The BNRC will recommend to the Board on the framework and the remuneration package for the Executive Director and Senior Management. In determining the framework, the Committee has engaged professional advice from internal as well as external sources.

## The Level and Make-Up of Remuneration

(a) The remuneration package of the Executive Director comprises of a fixed and variable pay which is linked to the key performance indicator as follows:-

**(i) Basic Salary**

The basic salary (which include the statutory contributions to the Employee Provident Fund Board) for Executive Director is recommended by the BNRC, taking into account the individual performance and information obtained from independent sources on the rates of salary for similar positions in a selected group of comparable companies in the market.

**(ii) Reward Scheme**

The Group operates a bonus scheme for all employees, including the Executive Director. The criteria set in determining the quantum of bonus is the level of profit achieved by the Company through the Group's business activities as compared against the targets. It is also coupled with an assessment of each individual's performance and competencies. Meanwhile, the Executive Director is provided with a Contractual bonus based on performance.

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

**(i) Fees**

The Directors are paid fixed monthly fees and Meeting allowances for each Board and Board Committee meeting attended during the year. 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 reimbursements are made available as appropriate.

## Disclosure on Directors' Remuneration

The details on the aggregate remuneration received by the Directors for the Financial Year ended 31 August 2007 are as follows:-

Executive	Basic Salary (RM)	Bonus (RM)	Contribution to EPF (RM)	Car Allowance (RM)	Flexible Benefits (RM)	Total (RM)
Dato' Sri Che Khalib bin Mohamad Noh	600,000.00	302,000.00	113,280.00	42,000.00	50,000.00	1,107,280.00

Non-Executive	Fees & Allowances (RM)	Benefits in kind (RM)	Total (RM)
Tan Sri Leo Moggie	127,500.00 (TNB) 98,000.00 (Subsidiaries)	11,747.96	237,247.96
Dato' Puteh Rukiah binti Abd Majid	59,950.00 (TNB)	6,790.00	66,740.00
Mohammad Zainal bin Shaari	*38,825.00 (TNB)	18,591.23	57,416.23
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	66,850.00 (TNB)	6,481.98	73,331.98
Tan Sri Dato' Hari Narayanan a/l Govindasamy	58,475.00 (TNB) 12,500.00 (Subsidiaries)	26,328.84	97,303.84
Dato' Zainal Abidin bin Putih	55,700.00 (TNB)	12,165.25	67,865.25
Datuk Mohd Zaid bin Ibrahim	49,000.00 (TNB) 16,500.00 (Subsidiaries)	34,448.18	99,948.18
Dato' Fuad bin Jaafar	27,746.00 (TNB) 16,500.00 (Subsidiaries)	3,748.64	47,994.64
Datuk Zalekha bin Hassan	3,200.00 (TNB)	5,338.00	8,538.00
Dato' Azman bin Mokhtar (resigned w.e.f. 31 March 2007)	*23,500.00 (TNB)	11,415.89	34,915.89

*\*Paid to Khazanah Nasional Berhad in respect of Directors Fees and Meeting Allowance provided for Dato' Azman bin Mokhtar and Mohammad Zainal bin Shaari for the Financial Year ended 31 August.*



## (B) SHAREHOLDERS

TNB is committed to maintaining a constructive relationship with its shareholders, pursuing its on-going commitment to sustain the highest standards of corporate governance practices throughout the Group with full appreciation of its impact on long-term corporate performance and optimal shareholder value.

### Relations Between the Company and Investors

The Board and Management of TNB recognise the importance of transparency and accountability to its shareholders and investors, thereby its pursuit of the highest standards of corporate governance practices throughout the Group.

Whilst various channels of communication are optimised to provide shareholders and investors with a balanced and comprehensive view of the Group's performance and the issues faced by the Group in light of the challenging environment, the role of investor relations is entrenched as the communications platform between the Group and the investor at large. In this regard, the Investor Relations & Management Reporting Unit (IRMU), a dedicated unit under the Finance Division has been entrusted with the responsibility of coordinating and responding to all queries and information raised by shareholders, research analysts and investors. An equal level of importance is placed on the need for investor relations to channel the views of the investment community back to the Management and the Board of Directors.

Under the annual investor relations programme, TNB participated in 11 utility conferences arranged by leading investment banks both in Malaysia and overseas. This provided the platform to meet with fund managers and investors, both existing and potential, to update them on the Company's performance and to address any issues and concerns that they may

have regarding the Company. During the year TNB attended 4 investor conferences held in Kuala Lumpur and 4 international conferences held in Singapore, Hong Kong, Japan and the United States. In July 2007, the TNB Management met with its local shareholders under a domestic roadshow programme arranged by the Company, whilst in November 2006, TNB accepted the invitation to go on a non-deal roadshow covering parts of Europe and the United Kingdom to meet with investors and fund managers.

In FY2007, TNB met with a total of 200 fund managers and investors during the conferences and roadshows attended.

The attendance of the financial community and news media to TNB's quarterly financial result presentations, have been good. The presentations were attended by research analysts covering TNB, credit-rating agencies, and media news reporters. Fund managers on the other hand, were invited to teleconferences for the sessions. On the average, a total of 85 research analysts, several news media reporters and fund managers attended or were teleconferenced in for these quarterly presentations.

In FY2007, TNB had approximately 68 meetings with equity research analysts, fund managers and investors who had requested to meet with company officials (excluding investors that were seen at conferences, roadshows and quarterly financial result presentations).

TNB is a participant in the CMDP-Bursa Research Scheme (CBRS) which was initiated by Bursa Malaysia Securities Berhad in 2005. CBRS is aimed at ensuring a wider research coverage of Bursa Listed companies and to provide a platform for research to be made available to retail investors as the research coverage under CBRS is posted on Bursa's website.

The company's website at [www.tnb.com.my](http://www.tnb.com.my) also provides easy and quick access to financial, corporate and other pertinent information on the Group's various activities.

## Constructive Use of the Annual General Meeting

The Annual General Meeting (AGM) is the principal avenue for shareholders to communicate and engage in dialogue with the Board and Management of TNB. The highlights of the Company's technical and financial performance which is made via visual presentation is made by the Chairman and President/Chief Executive Officer at the AGM. The turnout of shareholders at AGMs of TNB has always been high. A total of 2,942 shareholders and proxies attended the Sixteenth AGM held in 2006.

Constructive dialogue between the Board and the shareholders are encouraged whereby at the AGM, shareholders are given the opportunity to raise questions on issues pertaining to the Company's financial and operational performance. At the AGM, the shareholders can exercise their voting rights and the meeting is convened in strict compliance with the laws and procedures of general meeting. Separate resolutions are proposed for separate motions and the Chairman will declare the outcome of each resolution after a proposal and a secondment are done by the shareholders. Each item of ordinary and special business in the notice of the AGM would be accompanied by a full explanation of the effects of the proposed resolution. Shareholders are also given the opportunity to put forward their questions on the proposed resolutions and on the Company's operations. The Chairman will provide sufficient time for shareholder questions on matters pertaining to the Company's performance and would seek to explain to the shareholders with regard to their concerns.

Immediately after the AGM, the Chairman and the President/Chief Executive Officer will address all issues raised by the media and analysts through a news conference and analyst briefing in the course of providing all stakeholders with the latest update on the Company.

## Continuing Disclosure of Material Information

TNB firmly 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 Bursa Malaysia in July 2004. As required under the said Best Practice, the Company Secretary is identified as "Corporate Disclosure Manager" within the context of the aforementioned Best Practice.

Timely and accurate disclosure is made on all material information and throughout the Financial Year under review, material information and material development thereof on acquisition, disposal, divestment, issuance of notes, proposed financing facility, conversion of bonds, related party transaction, employees' share option scheme, notice of book closure, change in boardroom are among the material information released to Bursa Malaysia via Bursa Link.

## 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

### Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the requirements of the Companies Act, 1965 and in line with approved accounting standards in Malaysia so as to present an objective and understandable assessment of the Group's financial position and prospects. TNB publishes quarterly financial reports so that its shareholders can monitor the Company's financial position regularly. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

On behalf of the Board, the Board Audit Committee (BAC) scrutinises the quarterly financials, statutory compliance aspects of the Audited Financial Statements, and the Company's policies and procedures prior to full deliberation at the Board level. The Board ensures the integrity of the Company's financial reporting and fully recognises that accountability in financial disclosure forms an integral part of good corporate governance practices.

### Relationship with the Auditors

The Board has, through the BAC, established a formal, transparent and appropriate relationship with the Group's Auditors, both external and internal. A report by the BAC is provided on page 91 and its Terms of Reference is provided from pages 94 to 99.

The BAC meets regularly with the external and internal auditors to discuss and review the audit plan, quarterly financial results, annual financial statements and the audit findings and makes recommendations for the Board's approval.

### Internal Control

The Board acknowledges that they are responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. TNB adheres to Bursa Malaysia guidelines on the Statement on Internal Control: Guidance for Directors of Public Listed Companies, as guidance for compliance with these requirements.

On 16 July 2007, the Board Audit Committee met with the External Auditors without the presence of the Executive Director and the Management.

Information on the Group's internal control is presented in the Statement on Internal Control, pursuant to paragraph 15.27(b) of the Bursa Malaysia Listing Requirements as set out from pages 100 to 103.



## 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 fully accountable to ensure that the financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards set by the Malaysian Accounting Standards Board so as to present a true and fair view, 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 Statement.

The BAC reviews the statutory compliance and scrutinises the financial aspects of the Audited Financial Statement 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

During the Financial Year 2007, the proceeds from the disposal of TNB shares in Malaysian Technology Development Corporation Sdn. Bhd. and the exercise of the Employees' Share Option Scheme were utilised to finance the Company's working capital and capital expenditure.

### (2) Share Buy-Back for the Financial Year

There was no share buy-back exercise carried out by the Company for the Financial Year ended 31 August 2007.

### (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 Option Scheme (ESOS II) in July 2003 and as at August 2007, eight (8) offers have been made to eligible employees where:-
  - (i) under the First Offer, options representing 199,994,000 shares were offered at an option price of RM8.39 (being the 5 day weighted average price from 30 June 2003 to 4 July 2003 net of 10% discount) to 22,815 eligible employees. Options representing a total of 199,347,000 shares were taken up by the grantees and the options exercised until August 2007 represented 176,718,764 shares. Under the First Offer an additional 6,000 shares options were also offered and taken up by 1 eligible employee and until August 2007, 6,000 shares were exercised;
  - (ii) under the Second Offer, options representing 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 August 2007, 13,674,112 shares were exercised;
  - (iii) under the Third Offer, options representing 14,128,000 shares were offered at an option price of RM9.28 (being the 5 day weighted average price from 21 February 2005 to 25 February 2005 net of 10% discount) to 2,209 eligible employees. Options representing a total of 13,192,000 shares were taken up and until August 2007, 8,520,045 shares were exercised;

- (iv) under the additional Offer, 450,000 shares options were offered at an option price of RM9.69 (being the 5 day weighted average price from 18 January 2005 to 25 January 2005 net of 10% discount) and RM9.75 (being the 5 day weighted average price from 10 June 2005 to 16 June 2005 net of 10% discount) to 2 eligible employees. The total shares of 450,000 were taken up and until August 2007, 70,000 shares were exercised;
- (v) under the fourth, fifth, sixth and seventh Offers, options representing 17,267,000 shares were offered at an option price of RM9.17 (being the 5 day weighted average price from 18 January 2006 to 24 January 2006 net of 10% discount) to 4,055 eligible employees. Options representing a total of 16,843,000 shares were taken up and until August 2007, 9,887,115 shares were exercised;
- (vi) under the Performance Stock Options for Senior Management employees, options representing 1,336,000 shares were offered at an option price of RM9.189 (being the 5 day weighted average price from 18 August 2006 and 21 August 2006 to 24 August 2006) to 16 eligible employees. Options representing a total of 1,336,000 shares were taken up and until August 2007, 30,000 shares were exercised;
- (vii) under the eighth Offer, options representing 15,751,000 shares were offered at an option price of RM11.07 (being the 5 day weighted average price from 15 February 2007 to 16 February 2007 and 21 February 2007 to 23 February 2007 net of 10% discount) to 2,853 eligible employees. Options representing a total of 14,806,000 shares were taken up and until August 2007, 18,000 shares were exercised.

#### (4) American Depositary Receipts ("ADR")

In January 1994, TNB launched its Level 1 American Depositary Receipts (ADR) in New York, the 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 USA is the Depositary Bank and the ADRs are traded over the counter. As at 31 August 2007, the total number of ordinary shares held through these ADRs was 2,008,825 which represented less than five per cent of the issued and paid-up capital of the 4,331,709,068 shares of TNB.

#### (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 2007.

#### (6) Non Audit Fees

Apart from the annual audit fees, the Group had paid non audit fees to the external auditors. The amounts paid for the Financial Year ended 31 August 2007 are as follows:-

External Auditor	Total Paid
PricewaterhouseCoopers	RM1,305,000.00
PT Prima Wahana Caraka, PricewaterhouseCoopers, Jakarta	USD78,648.90

**(7) Variation in Results**

The Company did not issue any profit forecast for the Financial Year ended 31 August 2007. 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 2007.

**(9) Material Contracts**

Save as disclosed below, there is no other contracts which may be material that have been entered into by TNB or its subsidiaries in the Financial Year under review, apart from material contracts concerning borrowings as follows:-

- (i) On 9 February 2006, TNB executed 4 sets of Term Loan Agreements for a total combined term loan facility of RM1.0 billion with Malayan Banking Berhad. The term loans were structured into 4 tranches of RM250 million, each with varying tenors ranging from 7 to 10 years from the date of drawdown.
- (ii) On 24 August 2006, TNB had entered into a Novation and Amendment Agreement with TNB Janamanjung Sdn. Bhd., TNB Capital (L) Ltd. and HSBC Bank PLC to effect the novation of the outstanding ECA Loan equivalent to US\$503,003,321 from TNB Janamanjung Sdn. Bhd. to TNB Capital (L) Ltd. The novation forms part of the restructuring of the ECA Loan which entails a re-pricing of the interest rate and unification of the currencies into a single currency namely from USD, € and £ into USD.

**(10) Revaluation Policy**

The revaluation policy of the Company in relation to its landed properties is set out in Note 2(f) of the Notes to the Financial Statements set out on page 17 of the Financial Report in the full version of the digital Annual Report contained in the CD enclosed.

**(11) Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the Extraordinary General Meeting of the Company held on 14 December 2006, 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 14 December 2006 until the forthcoming AGM. Such approval will expire at the conclusion of the forthcoming Seventeenth AGM thus compelling the Board to propose to seek the shareholders' mandate for the renewal of the same, together with a new mandate on recurrent transactions of a revenue or trading nature with the new related parties.

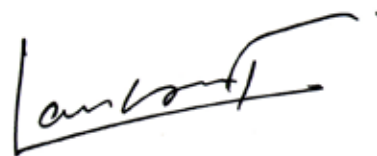
Pursuant to paragraph 4.1.5 of Practice Note 12/2001 of the Listing Requirements, a breakdown of the aggregate value of the Recurrent Transactions together with the type of the Recurrent Transactions, the related parties involved and the nature of their relationship with TNB in each type of the Recurrent Transaction made during the Financial Year are set out on page 76 of this Annual Report.

**STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS 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 report to shareholders that the Company has applied the principles of corporate governance and is in compliance with Part 1 of the Code. Further to that, the Board remains committed to attain the highest possible standard of corporate governance through continuous adoption of best practices as recommended in Part 2 of the Code.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 October 2007.



**TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**  
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR



# Recurrent Related Party Transactions

At the Sixteenth Annual General Meeting of TNB which was held on 14 December 2006, the shareholders had approved and ratified all recurrent related party transactions (RRPT) 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 15 December 2006 until the forthcoming AGM. In accordance with paragraph 4.1.5 of Practice Note 12/2001 of the 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

Transacting Company in TNB Group	Persons Connected to Major Shareholder (Related Parties Involved)	Interested Major Shareholder	Nature of Relationship	Nature of Recurrent Transactions	Aggregate Value (RM) of the Transaction during the validity of the Mandate
TNB	Edaran Otomobil Nasional Berhad	Khazanah Nasional Berhad	Khazanah Nasional Berhad being a major shareholder of TNB has 6.27% interest in EON, making the latter person connected to the Major Shareholder.	i) Purchase of Vehicle ii) Repair of vehicle	346,312.60 14,498.41
TNB	Putrajaya Holdings Sdn. Bhd.	Khazanah Nasional Berhad	Khazanah Nasional Berhad being a major shareholder of TNB has 15.59% interest in Putrajaya Holdings Sdn. Bhd., making the latter person connected to the Major Shareholder.	Payment on office rental	1,209,423.85

## (2) SHAREHOLDERS' MANDATE FOR RRPT OF REVENUE OR TRADING NATURE









Transacting Companies in TNB Group	Persons Connected to Major Shareholder (Related Parties Involved)	Interested Major Shareholder	Nature of Relationship	Nature of Recurrent Transactions	Aggregate Value (RM) of the Transactions during the validity of the Mandate
Bangsar Energy Systems Sdn. Bhd.	Telekom Malaysia Berhad	Khazanah Nasional Berhad	Khazanah Nasional Berhad being a major shareholder of TNB has 40.13% interest in Telekom Malaysia Berhad, making the latter a person connected to the Major Shareholder.	Supply of chilled water	7,474,644.36
TNB	UDA Holdings Berhad	Khazanah Nasional Berhad	Khazanah Nasional Berhad being a major shareholder of TNB has 50.01% interest in UDA Holdings Berhad, making the latter a person connected to the Major Shareholder.	Payment on office rental	44,640.00
<b>AGGREGATE VALUE OF THE TRANSACTIONS</b>					<b>9,089,519.22</b>





# Group Corporate Structure

(As at October 2007)






















## Associate/Investment Companies

	FIBRECOMM NETWORK (M) SDN. BHD. (49%)
	TEKNOLOGI TENAGA PERLIS CONSORTIUM SDN. BHD. (20%)
	PERUSAHAAN OTOMOBIL ELEKTRIK (MALAYSIA) SDN. BHD. (20%)
	GB3 SDN. BHD. (20%)
	LABUAN REINSURANCE (L) LTD. (10%)
	FEDERAL POWER SDN. BHD. (8.91%)
	BAKUN HYDRO-ELECTRIC CORPORATION SDN. BHD. (6.67%)
	ELECTROSTORM INC. (1.58%)

## Trust Foundation

	YAYASAN TENAGA NASIONAL
	RETIREMENT BENEFIT TRUST FUND

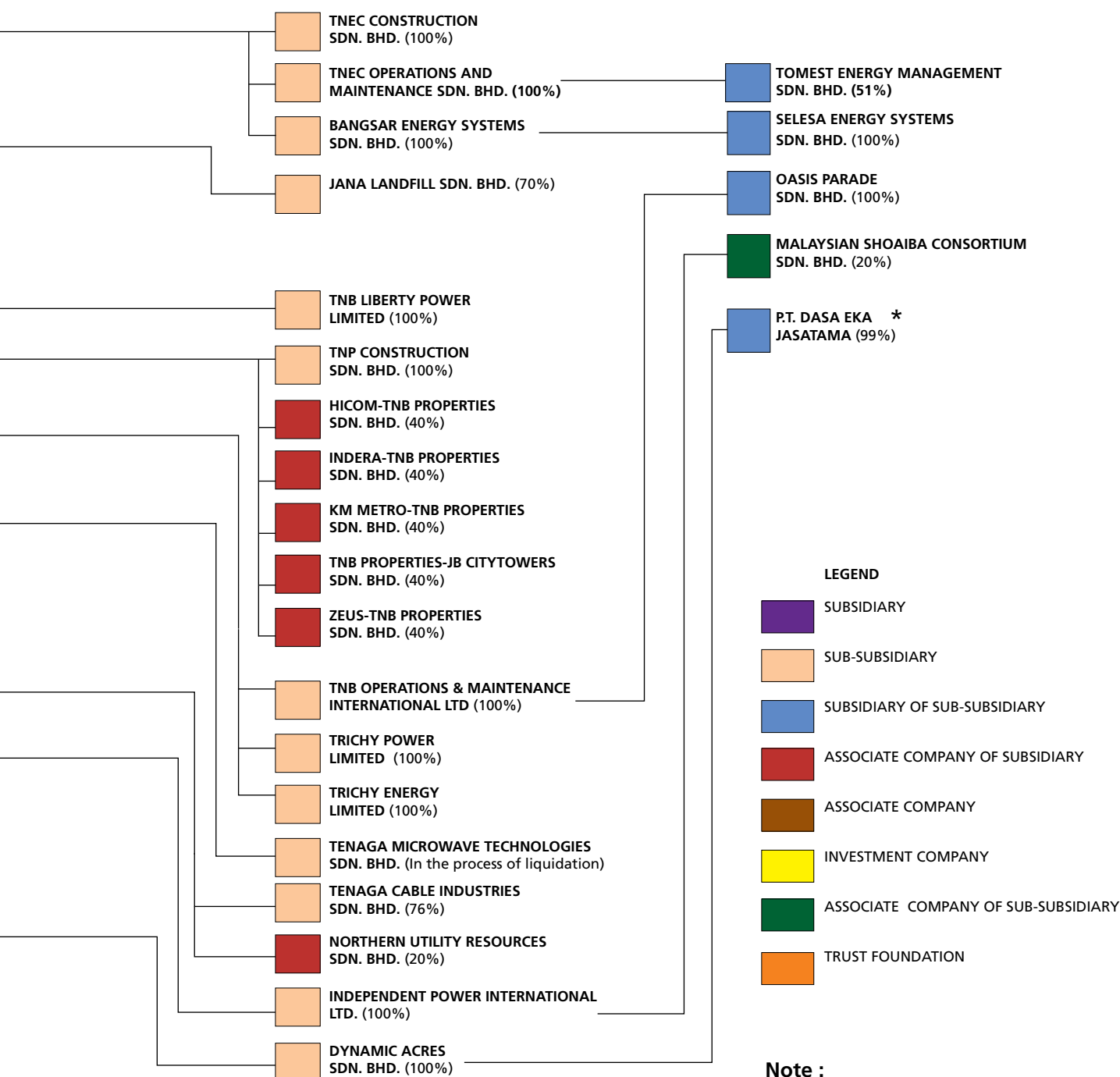
## Subsidiaries

	TNB ENGINEERING CORP. SDN. BHD. (100%)
	TNB ENGINEERS SDN. BHD. (100%)
	TNB ENERGY SERVICES SDN. BHD. (100%)
	TNB FUEL SERVICES SDN. BHD. (100%)
	TNB JANAMANJUNG SDN. BHD. (100%)
	TNB POWER DAHARKI LTD. (100%)
	TNB PROPERTIES SDN. BHD. (100%)
	TNB REPAIR AND MAINTENANCE SDN. BHD. (100%)
	TNB RESEARCH SDN. BHD. (100%)
	UNIVERSITI TENAGA NASIONAL SDN. BHD. (100%)
	TNB CAPITAL (L) LTD. (100%)
	TNB VENTURES SDN. BHD. (100%)
	POWER AND ENERGY INTERNATIONAL (MAURITIUS) LTD. (100%)
	TNB KULIM DISTRIBUTION SDN. BHD. (100%)
	TNB KULIM GENERATION SDN. BHD. (100%)
	TNB COAL INTERNATIONAL LIMITED. (92.5%)
	SABAH ELECTRICITY SDN. BHD. (80%)
	MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD. (100%)
	SEPANG POWER SDN. BHD. (70%)
	TENAGA SWITCHGEAR SDN. BHD. (60%)
	KAPAR ENERGY VENTURES SDN. BHD. (60%)

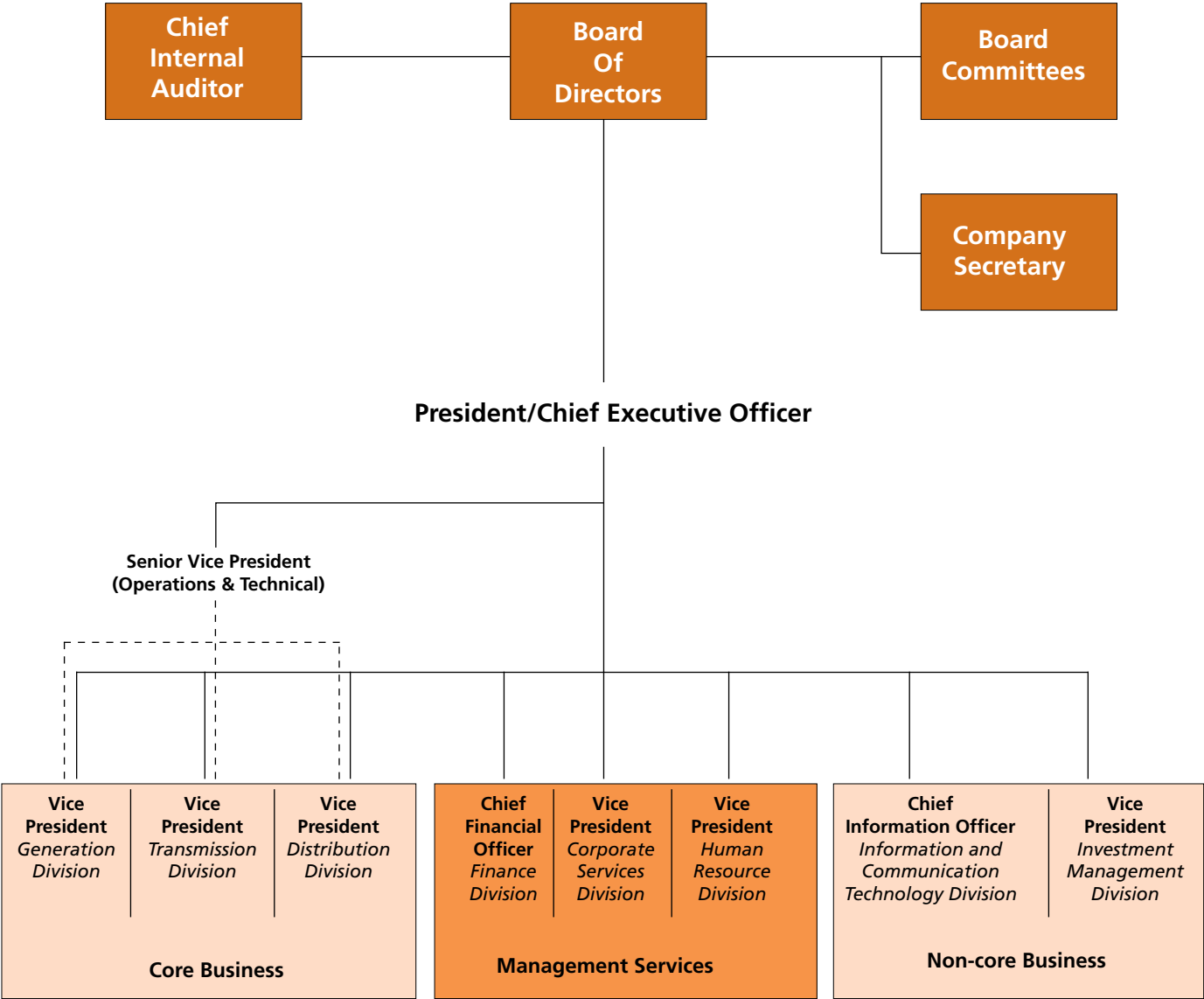
## Dormant Subsidiaries:

TNB DISTRIBUTION SDN. BHD. (100%)
SUMBER HIDRO MANAGEMENT SDN. BHD. (100%)
TNB GENERATION SDN. BHD. (100%)
- TNBG POWER SERVICES SDN. BHD. (100%)
TNB HIDRO SDN. BHD. (100%)
TNB-IT SDN. BHD. (100%)
TNB KAPAR SDN. BHD. (100%)
TNB KEKAL SDN. BHD. (100%)
TNB LOGISTICS SDN. BHD. (100%)
TNB PAKA SDN. BHD. (100%)
TNB METERING SERVICES SDN. BHD. (100%)
TNB RISK MANAGEMENT SDN. BHD. (100%)
TNB PRAI SDN. BHD. (100%)
TNB WORKSHOP SERVICES SDN. BHD. (100%)
TNB TRANSMISSION NETWORK SDN. BHD. (100%)





# Organisational Structure



-----  
*Functional Reporting*

-----  
*Direct Reporting*



TENAGA  
NASIONAL





## Board Of Directors

**Tan Sri Leo Moggie**  
(Non-Independent Non-Executive Chairman)

**Dato' Sri Che Khalib bin Mohamad Noh**  
(President/Chief Executive Officer)  
(Non-Independent Executive Director)

**Dato' Puteh Rukiah binti Abd Majid**  
(Non-Independent Non-Executive Director)

**Mohammad Zainal bin Shaari**  
(Non-Independent Non-Executive Director)  
(Appointed w.e.f. 31.3.2007)  
(Resigned as Alternate Director to Dato' Azman bin Mokhtar on 31.3.2007)

**Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**  
(Senior Independent Non-Executive Director)

**Tan Sri Dato' Hari Narayanan a/l Govindasamy**  
(Independent Non-Executive Director)

**Dato' Zainal Abidin bin Putih**  
(Independent Non-Executive Director)

**Datuk Mohd Zaid bin Ibrahim**  
(Non-Independent Non-Executive Director)

**Dato' Fuad bin Jaafar**  
(Independent Non-Executive Director)  
(Appointed w.e.f. 15.3.2007)

**Datuk Zalekha binti Hassan**  
(Alternate Director to Dato' Puteh Rukiah binti Abd Majid)  
(Non-Independent Non-Executive Director)

**Dato' Azman bin Mokhtar**  
(Non-Independent Non-Executive Director)  
(Resigned on 31.3.2007)

## Board Audit Committee

**Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**  
(Chairman of the Committee)

**Mohammad Zainal bin Shaari**

**Dato' Zainal Abidin bin Putih**

**Tan Sri Dato' Hari Narayanan a/l Govindasamy**

## Board Nomination And Remuneration Committee

**Tan Sri Leo Moggie**  
(Chairman of the Committee)

**Mohammad Zainal bin Shaari**

**Tan Sri Dato' Hari Narayanan a/l Govindasamy**

**Dato' Fuad bin Jaafar**

## Company Secretaries

**Nor Zakiah binti Abdul Ghani**  
(LS 0008795)

**Wan Marzimin bin Wan Muhammad**  
(LS 0009013)

## Share Registrar

**Symphony Share Registrars Sdn. Bhd.**  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia

## Principal Bankers

### Malayan Banking Berhad

Level 1, Tower A, Dataran Maybank  
No.1, Jalan Maarof  
59000 Kuala Lumpur, Malaysia

### CIMB Bank Berhad

No. 21 & 23, Lorong Ara Kiri 1  
Lucky Garden, Bangsar  
59100 Kuala Lumpur, Malaysia

### Bank Islam Malaysia Berhad

Cawangan KL Sentral  
Tingkat Bawah, No. CS/3B/G  
Block 3B, Plaza Sentral, KL Sentral  
50748 Kuala Lumpur, Malaysia

## Stock Exchange Listing

### Main Board

Bursa Malaysia Securities Berhad  
Malaysia

## Ratings

<b>Baa1</b>	(Moody's)
<b>BBB</b>	(Standard & Poor's)
<b>AA1</b>	(Rating Agency Malaysia)
<b>AA+</b>	(Malaysian Rating Agency Corporation Berhad)

## American Depositary Receipts Programme (ADR)

ADR Level 1

## External Auditor

### Messrs PricewaterhouseCoopers (No. AF: 1146)

Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
P.O Box 10192  
50706 Kuala Lumpur, Malaysia

## Registered Office And Head Office

### Tenaga Nasional Berhad

No. 129, Jalan Bangsar  
59200 Kuala Lumpur, Malaysia

**Telephone** : 603- 2296 5566

**Facsimile** : 603-2296 3686

**Website** : [www.tnb.com.my](http://www.tnb.com.my)

**E-mail** : [CoSec@tnb.com.my](mailto:CoSec@tnb.com.my)  
[lauyp@tnb.com.my](mailto:lauyp@tnb.com.my)  
(Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng)  
(Senior Independent Non-Executive Director)

# Board Of Directors'



1. **Tan Sri Leo Moggie**  
(Non-Independent Non-Executive Chairman)
2. **Dato' Sri Che Khalib bin Mohamad Noh**  
(President/Chief Executive Officer)  
(Non-Independent Executive Director)
3. **Dato' Puteh Rukiah binti Abd Majid**  
(Non-Independent Non-Executive Director)

4. **Mohammad Zainal bin Shaari**  
(Non-Independent Non-Executive Director)  
(Appointed w.e.f. 31.3.2007)
5. **Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**  
(Senior Independent Non-Executive Director)
6. **Tan Sri Dato' Hari Narayanan a/l Govindasamy**  
(Independent Non-Executive Director)





7. **Dato' Zainal Abidin bin Putih**  
(Independent Non-Executive Director)

8. **Datuk Mohd Zaid bin Ibrahim**  
(Non-Independent Non-Executive Director)

9. **Dato' Fuad bin Jaafar**  
(Independent Non-Executive Director)  
(Appointed w.e.f. 15.3.2007)

10. **Datuk Zalekha binti Hassan**  
(Alternate Director to Dato' Puteh Rukiah binti Abd Majid)  
(Non-Independent Non-Executive Director)

11. **Nor Zakiah binti Abdul Ghani**  
Company Secretary

12. **Wan Marzimin bin Wan Muhammad**  
Company Secretary

# Profile Of Board Of Directors

## TAN SRI LEO MOGGIE

Chairman

Non-Independent Non-Executive Director

Tan Sri Leo Moggie, 66 years of age and a Malaysian was appointed as Non-Independent Non-Executive Chairman of Tenaga Nasional Berhad on 12 April 2004. He is the Chairman of the Board Nomination & Remuneration Committee and Board Finance & Investment Committee. Tan Sri Leo Moggie also sits on the Board of Digi.Com Berhad.

Tan Sri Leo Moggie holds a Master of Arts in History from University of Otago, New Zealand and a Masters in Business Administration from Pennsylvania State University, USA.

He held several senior ministerial posts both at the federal and state levels prior to his appointment as Chairman of Tenaga Nasional Berhad. Tan Sri Leo Moggie was the former Minister of Energy, Communications and Multimedia (1998–2004), Minister of Works (1989–1995), Minister of Energy, Telecommunications and Posts (1978–1989 and 1995–1998) in the Federal Cabinet and Minister of Local Government (1977–1978) and Minister of Welfare Services (1976–1977) in the State Government of Sarawak.

He began his career as a Civil Servant and held various positions in the Sarawak State Civil Service from 1966 to 1974. He was also a member of Council Negeri Sarawak (1974–1978) and a member of Parliament (1974–2004).

Tan Sri Leo Moggie attended all the 17 Board Meetings held in the Financial Year.

## DATO' SRI CHE KHALIB BIN MOHAMAD NOH

President/Chief Executive Officer

Non-Independent Executive Director

Dato' Sri Che Khalib bin Mohamad Noh, 42 years of age and a Malaysian, was appointed as a Non-Independent Executive Director of Tenaga Nasional Berhad on 1 July 2004. He sits on the Board Disciplinary Committee.

He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and also a member of the Malaysian Institute of Accountants.

Dato' Sri Che Khalib has held several key positions in the private sector. He started his career with Messrs Ernst & Young and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within Renong Group, including Projek Lebuhraya Utara-Selatan, HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., the consortium company responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as the Chief Executive Officer. He was the Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of Tenaga Nasional Berhad.

Prior to joining Tenaga Nasional Berhad, Dato' Sri Che Khalib served as a member of the Board and Executive Committee of Khazanah Nasional Berhad from 2000 till 2004. He also served as Board member on several of the United Engineers Malaysia Berhad Group of Companies and Bank Industri & Teknologi Malaysia Berhad.

He attended all the 17 Board Meetings held in the Financial Year.

**DATO' PUTEH RUKIAH BINTI ABD MAJID**  
Non-Independent Non-Executive Director

Dato' Puteh Rukiah binti Abd Majid, 54 years of age and a Malaysian, was appointed as Non-Independent Non-Executive Director of Tenaga Nasional Berhad on 13 September 2006. She is the Chairman of Board Tender Committee and a member of the Board Disciplinary Committee.

She is a holder of a Bachelor of Economics (Hons) from University Malaya, Malaysia and Masters (Economy) from Western Michigan University, USA.

She has held various posts in the Government such as the Deputy Under Secretary, Minister of Finance (Incorporated), Privatisation and Public Enterprise Division (2000 – 2004) and later as Under Secretary, Investment, Minister of Finance (Incorporated) and Privatisation Division (2004 – August 2006). At present, she is the Deputy Secretary General (Systems and Controls), Ministry of Finance.

She sits on the Boards of Perbadanan Usahawan Nasional Berhad, Pengurusan Aset Air Berhad, Malaysia Airlines System Berhad (as an Alternate Director), Penerbangan Malaysia Berhad and Pelaburan Hartanah Bumiputera Berhad.

She attended 15 out of the 17 Board Meetings held in the Financial Year.

**MOHAMMAD ZAINAL BIN SHAARI**  
Non-Independent Non-Executive Director

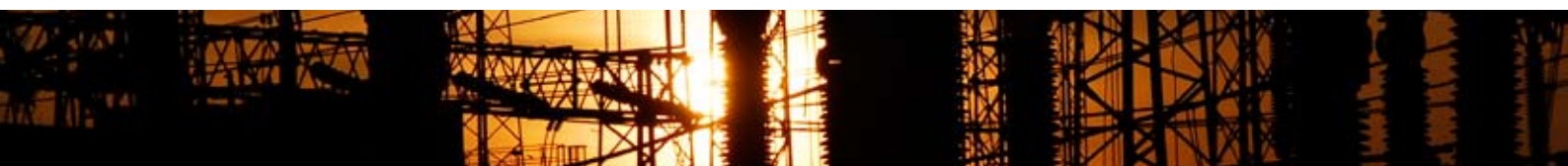
Mohammad Zainal bin Shaari, 44 years of age and a Malaysian. He was appointed as Non-Independent Non-Executive Director of Tenaga Nasional Berhad on 31 March 2007. He sits on the Board Tender Committee, Board Audit Committee, Board Finance & Investment Committee and Board Nomination & Remuneration Committee.

Mohammad Zainal is a Fellow of the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He has extensive experience in the field of accounting and has held various positions in a Public Accounting Firm in the United Kingdom (1984-1990), PricewaterhouseCoopers (1990-2002) and BinaFikir Sdn. Bhd. (January 2003-October 2004). Currently, he is an Executive Director/Chief Operating Officer of Khazanah Nasional Berhad.

He is also a Director of Proton Holdings Berhad and serves as a member of its Board Audit Committee. On 1 September 2006, he was appointed to be a member of the Financial Reporting Foundation.

Mohammad Zainal has attended 5 out of the 7 Board Meetings held in the Financial Year since his appointment on 31 March 2007.





## Profile Of Board Of Directors

### **TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG** Senior Independent Non- Executive Director

Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng, 58 years of age and a Malaysian, is the Senior Independent Non-Executive Director of Tenaga Nasional Berhad. He chairs the Board Audit Committee and sits on the Board Tender Committee.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 1979, a Fellow Member of the Chartered Association of Certified Accountants (ACCA), United Kingdom since 1981 and also a graduate of the Institute of Chartered Secretaries and Administrators (ICSA), United Kingdom. He obtained his Diploma in Commerce (with Distinction), from Kolej Tunku Abdul Rahman.

He is the Chairman of Star Publications (Malaysia) Berhad and a Director of YTL Power International Berhad and Nanyang Press Holdings Bhd.

He attended 16 out of the 17 Board Meetings held in the Financial Year.

### **TAN SRI DATO' HARI NARAYANAN** **A/L GOVINDASAMY** Independent Non- Executive Director

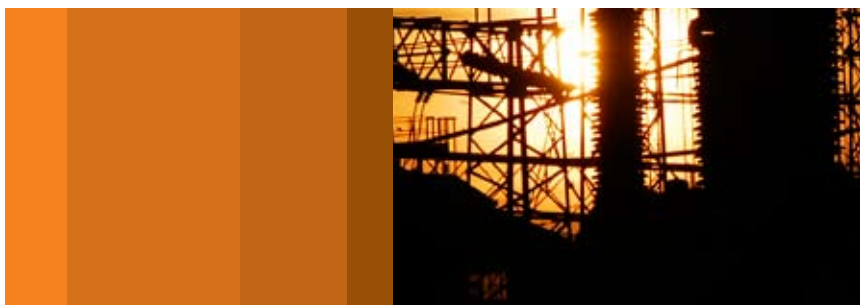
Tan Sri Dato' Hari Narayanan, 57 years of age and a Malaysian, is an Independent Non-Executive Director of Tenaga Nasional Berhad. He was appointed to the Board of Tenaga Nasional Berhad on 1 March 1995. He is a member of the Board Audit Committee and Board Nomination & Remuneration Committee.

Tan Sri Dato' Hari Narayanan's directorships in other public companies are S P Setia Berhad and Puncak Niaga Holdings Berhad. He also sits on the board of Lembaga Lebuhraya Malaysia (The Malaysian Highway Authority).

He holds a Bachelor degree in Electrical and Electronics Engineering from the University of Northumbria, England.

He has vast experience in the field of electrical and electronics engineering and has held key positions at Inchcape Berhad and Tamco Cutler-Hammer Sdn. Bhd. He is currently the Chairman of Noblemax Resources Sdn. Bhd., Chairman of IEV Group Sdn. Bhd., Deputy Chairman of Emrail Sdn. Bhd., Deputy Chairman of Leighton Contractors (M) Sdn. Bhd. and Director of several other private companies.

He has attended 16 out of the 17 Board Meetings held in the Financial Year.



**DATO' ZAINAL ABIDIN BIN PUTIH**  
Independent Non- Executive Director

Dato' Zainal Abidin bin Putih, 61 years of age and a Malaysian. He was appointed as Independent Non-Executive Director of Tenaga Nasional Berhad on 1 May 2003. He serves as a member of the Board Audit Committee as well as the Board Finance & Investment Committee.

He is presently the Chairman of the Malaysian Accounting Standards Board (MASB), Mobile Money International Sdn. Bhd. and a Trustee of IJN Foundation.

He is a qualified Chartered Accountant from the England and Wales Institute. He has extensive experience in Public Accounting Practice and has held various positions such as Partner, Executive Director, Country Managing Partner and Chairman in the firm of Hanafiah Raslan & Mohamed , which merged with Ernst & Young in 2002.

He was also the past Chairman of Mentakab Rubber Company Berhad, Pengurusan Danaharta Nasional Berhad, a past President of Malaysian Institute of Certified Public Accountant (MICPA), a past member of Multimedia & Communication Commission of Malaysia and a past Advisor to Ernst & Young Malaysia.

He also sits on the Board of Bumiputra-Commerce Holdings Berhad, ESSO Malaysia Berhad, CIMB Investment Bank Berhad and CIMB Bank Berhad.

Dato' Zainal Abidin bin Putih attended 13 out of the 17 Board Meetings held in the Financial Year.

**DATUK MOHD ZAID BIN IBRAHIM**  
Non-Independent Non-Executive Director

Datuk Mohd Zaid bin Ibrahim, 56 years of age and a Malaysian, was appointed as a Non-Independent Non-Executive Director of Tenaga Nasional Berhad on 15 June 2004. He chairs the Board Disciplinary Committee and a member of Board Finance & Investment Committee.

He has wide and extensive experience in legal matters which covers corporate, administrative, constitutional, construction, financing and commercial law. He has served as an advocate and solicitor of the High Court of Malaya and as a Notary Public. Datuk Mohd Zaid is also the Chairman of Messrs. Zaid Ibrahim & Co.

He is a qualified Barrister-at-Law from the Inner Temple, United Kingdom and a holder of Bachelor of Laws (Hons) from University of London, United Kingdom.

Datuk Mohd Zaid attended 14 out of the 17 Board Meetings held in the Financial Year.

## Profile Of Board Of Directors

### **DATO' FUAD BIN JAAFAR** Independent Non-Executive Director

Dato' Fuad bin Jaafar, 64 years of age and a Malaysian, was appointed as Independent Non-Executive Director of Tenaga Nasional Berhad on 15 March 2007. He sits on the Board Tender Committee, Board Disciplinary Committee and Board Nomination & Remuneration Committee.

He is a holder of a Diploma in Technology from Brighton University, United Kingdom.

He has served in various capacities during his tenure with Tenaga Nasional Berhad holding positions such as Assistant Distribution Engineer, Senior District Manager, Construction Engineer, Assistant Senior Construction Engineer, Senior Construction Engineer, Deputy Chief Engineer/Assistant General Manager and Deputy General Manager. In January 1994, Dato' Fuad bin Jaafar became the General Manager for Transmission Division and later became the Senior General Manager for Energy Supply. On 4 September 1997, he was appointed as TNB's Chief Operating Officer and Executive Director and subsequently on 16 October 2000 he was appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad.

He attended all the 8 Board Meetings held in the Financial Year since his appointment on 15 March 2007.

### **DATUK ZALEKHA BINTI HASSAN** Non-Independent Non-Executive Director (Alternate Director to Dato' Puteh Rukiah binti Abd Majid)

Datuk Zalekha binti Hassan, 54 years of age and a Malaysian. She was appointed as the Alternate Director to Dato' Puteh Rukiah binti Abd Majid on 13 September 2006.

She is a holder of Bachelor of Arts (Hons) from University of Malaya, Malaysia.

She has held various key positions in the civil service among others, as Deputy Under Secretary in the Government Procurement Management of the Ministry of Finance, Senior Assistant Director with the Budget Division of the Ministry of Finance, Principal Assistant Secretary with the Ministry of National Unity and Community Development, Principal Assistant Secretary with the Ministry of Welfare, Principal Assistant Secretary with the Public Services Department, Assistant Secretary with the Ministry of Health and Assistant Director with the Public Services Department. She is currently the Under Secretary for the Government Procurement Management Division, Ministry of Finance.

She also sits on the Board of Konsortium Baja Nasional Berhad.

Datuk Zalekha attended 2 out of 2 Board Meetings held in the Financial Year on behalf of Dato' Puteh Rukiah binti Abd Majid.



# Board Audit Committee Report

The Board Audit Committee (BAC) was established on 9 December 1990 by the Board of Directors, to assist them to carry out their responsibilities. The BAC is guided by their Terms of Reference which is set out in pages 94 to 103 of the Annual Report.

## Membership And Meetings

The details of the BAC members and the number of meetings which they attended during the financial year were as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Tan Sri Dato' Lau Yin Pin @Lau Yen Beng (Chairman)	Non-Executive Director	Yes	17/17
2.	Tan Sri Dato' Hari Narayanan a/l Govindasamy	Non-Executive Director	Yes	16/17
3.	Dato' Zainal Abidin bin Putih	Non-Executive Director	Yes	17/17
4.	Encik Mohammad Zainal bin Shaari	Non-Executive Director	No	13/17

On 1 April 2007, Encik Mohammad Zainal bin Shaari who was previously an alternate director, was appointed as a member of the BAC to replace Dato' Azman bin Mokhtar who retired on 31 March 2007.

According to the BAC's Terms of Reference, the Committee shall convene meetings as and when required, and at least six (6) times during the financial year. The Committee met seventeen (17) times, and five (5) of the meetings were held at station offices. The meetings at the station offices enabled the BAC members and operating management to interact and facilitated feedback to improve systems and performance.

The Chief Internal Auditor, and Company Secretary who is also the secretary to the BAC, were in attendance during the meetings. The President/Chief Executive Officer was present during the meetings at the invitation of the BAC to provide feedback on strategic and operational matters, and also expedite the implementation and monitoring of corrective actions by operating management. Officers of the Company were also invited to attend the meetings on the matters requiring their attention, feedback and corrective actions.

The BAC Chairman submits a report on matters deliberated to the Board of Directors after each BAC meeting.

### SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

A summary of the activities performed by the BAC during the financial year is set out below.

#### Risk Management

- Reviewed the adequacy of the Group's risk management system for identifying and managing the Group's risks.
- Reviewed the Group's Bi-annual Strategic and Operating Risk Profiles, and the activities undertaken by the Enterprise Wide Risk Management Department to promote and improve risk management awareness and processes.
- Reviewed revisions made to the Enterprise Wide Risk Management Policy to extend the scope of risk management activities and enhance accountability over risk management processes.

#### Internal Audit

- Reviewed and approved Group Internal Audit (GIA)'s Budget and Annual Audit Plan to ensure adequacy of resources and coverage on auditable entities with significant and high risks.
- Reviewed internal audit reports issued by GIA and external parties on the effectiveness and adequacy of risk management, operational, compliance and governance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised.
- Reviewed the results of ad-hoc investigations performed and confirmed that appropriate actions are taken to correct the weaknesses.
- Reviewed and approved the revised GIA Charter which was updated to incorporate professional practices and standards.
- Reviewed the performance of the GIA Department.

#### External Audit

- Reviewed and approved the External Audit Plan and the scope for the annual audit.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Recommended to the Board of Directors the appointment and remuneration of the Group External Auditor.
- Met with the Group External Auditor without the presence of management to discuss any matters that they may wish to present.

#### Financial Results

- Reviewed the Quarterly and Annual Financial statements of the Company and Group including announcements, and recommended them to the Board for their approval.

#### Related Party Transactions

- Reviewed the system for identifying, monitoring and disclosing related party transactions for TNB and its subsidiaries.

#### Annual Reporting

- Reviewed and recommended the Statement on Corporate Governance, Statement on Internal Control, Board Audit Committee Report and Circular to Shareholders on Related Party Transactions to the Board for approval.

### GROUP INTERNAL AUDIT

The internal audit function of the Group is carried out by the GIA Department. GIA is independent and reports directly to the BAC.

GIA provides independent, objective assurance on areas of operations reviewed, and advice on best practices that will improve and add value to the Group.

A systematic and disciplined approach is adopted to evaluate the adequacy and effectiveness of the risk management, financial, operational, compliance and governance processes. Internal audit activities are aligned to the strategic plan/objectives of the company. A risk-based methodology is adopted to ensure that the relevant controls addressing risks are reviewed regularly.

During the Financial Year, a total of 45 reports covering 109 assignments were issued. The areas of coverage includes generation, transmission, distribution, procurement, projects, finance, human resource, logistics, information and communication technology, investments in subsidiaries and risk management.

The reports issued provide independent and objective assessment of the following:

- Existence, effectiveness and adequacy of the internal control systems to manage operations and safeguard the Group's assets.
- Adequacy and effectiveness of the risk management operations, governance and compliance functions to manage and anticipate potential risks over key business processes.

The internal audit reports arising from the assignments were issued to management for their response and corrective actions. Deadlines to complete the relevant preventive and corrective actions were also provided. The reports were subsequently tabled to the BAC for their deliberation. Management staff was present during the deliberation of the reports to ensure that they undertake the responsibility of carrying out preventive and corrective actions on the weaknesses reported.



**Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng**  
Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)



# Terms Of Reference Of The Board Audit Committee

## 1. CONSTITUTION

- 1.1 The Board of Directors of Tenaga Nasional Berhad (TNB), in accordance with Article 146 of the Memorandum and Articles of Association of TNB, has established a Committee of the Board, known as the Board Audit Committee (BAC), vide Minute No. 39/90 on 9 October 1990.
- 1.2 The function and authority of the BAC extends to TNB and all its subsidiaries, joint ventures and associates where management responsibility is vested in TNB or subsidiaries of TNB (collectively referred to as the Group).

## 2. COMPOSITION OF THE COMMITTEE

- 2.1 The members of the BAC shall be appointed by the Board of Directors of TNB and shall consist of not less than three (3) members, the majority of whom shall be independent in accordance with the definition in Bursa Malaysia Listing Requirements.
- 2.2 Where the members for any reason are reduced to less than three (3), that Board shall within one (1) month of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 2.3 At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Listing Requirements, i.e.:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he/she is not a member of the Malaysian Institute of Accountants; he must have at least three (3) years working experience, and:
    - a) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
    - b) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- 2.4 The Board shall elect a Chairman from the Committee who shall be an independent director as set out in the Bursa Malaysia Listing Requirements.
- 2.5 All members shall hold office only for as long as they serve as directors of TNB.
- 2.6 No alternate Directors shall be appointed to the BAC.

### 3. CHAIRMAN OF THE COMMITTEE

- 3.1 The following are the main duties and responsibilities of the Chairman of the Committee:
- 3.1.1 to steer the Committee to achieve its objectives;
  - 3.1.2 to provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;
  - 3.1.3 to provide a reasonable time for discussion at the Committee meetings. Organise and present the agenda for Committee meetings based on input from Members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;
  - 3.1.4 to ensure that consensus is reached on every Committee resolution and where considered necessary, call for a vote and the decision will be made by simple majority. Dissenting opinions should be captured;
  - 3.1.5 to manage the process and working of the Committee and ensure that the Committee discharges its responsibilities;
  - 3.1.6 to ensure that all members participate in the discussion to enable effective decisions to be made; and
  - 3.1.7 the Chairman of the BAC shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

### 4. COMMITTEE MEMBERS

- 4.1 Each Committee Member is expected to:
- 4.1.1 provide independent opinions to the factfinding, analysis and decision making process of the Committee, based on their experience and knowledge;
  - 4.1.2 consider viewpoints of the other committee members; and make decisions and recommendations for the best interest of the Group;
  - 4.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and
  - 4.1.4 continuously seek out best practices in terms of the processes utilised by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

### 5. OBJECTIVES OF THE COMMITTEE

The objectives of the Committee are:

- 5.1 to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- 5.2 to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- 5.3 to improve the Group's business efficiency, the quality of the accounting and audit function and to strengthen public confidence in the Group's reported financial results;

## Terms Of Reference Board Audit Committee Report

- 5.4 to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;
- 5.5 to ensure the independence of the external and internal audit functions; and
- 5.6 to create a climate of discipline and control which will reduce the opportunity for fraud.

## 6. AUTHORITY OF THE COMMITTEE

The Committee is authorised by the Board to:

- 6.1 investigate any activity within its Terms of Reference; or as directed by the Board of Directors;
- 6.2 determine and obtain the resources required to perform its duties, including approving the budget for the external and internal audit functions;
- 6.3 have full and unrestricted access to all employees, the Group's properties and works, to all books, accounts, records and other information of the Group in whatever form;
- 6.4 have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity for the Group;
- 6.5 direct the Internal Audit Function in the Group;
- 6.6 approve the appointment of the Head of Internal Audit;
- 6.7 engage independent advisers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- 6.8 to review the adequacy of the structure and Terms of Reference of the Board Committees, including the BAC.

## 7. FUNCTIONS OF THE COMMITTEE

The functions and responsibilities are as follows:

- 7.1 Corporate Financial Reporting
  - 7.1.1 To review and recommend acceptance or otherwise of accounting policies, principles and practices.
  - 7.1.2 To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
    - i. any changes in existing or implementation of new accounting policies;
    - ii. major judgement areas, significant and unusual events;
    - iii. significant adjustments resulting from audit;
    - iv. the going concern assumptions;
    - v. compliance with accounting standards; and
    - vi. compliance with Bursa Malaysia Listing Requirements and other legal and statutory requirements.
  - 7.1.3 To review with management and the external auditors, the results of the audit including any difficulties encountered.



## 7.2 Enterprise-Wide Risk Management

- 7.2.1 To review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the TNB Group.
- 7.2.2 To ensure that the principles and requirements of managing risk are consistently adopted throughout the TNB Group.
- 7.2.3 To deliberate on the key risk issues highlighted by Group Risk Management Committee in their reports to BAC.

## 7.3 Internal Control

- 7.3.1 To assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations.
- 7.3.2 To review the findings on internal control in the Group by internal and external auditors.
- 7.3.3 To review and approve the Statement on Internal Control for the Annual Report as required under Bursa Malaysia Listing Requirements.

## 7.4 Internal Audit

- 7.4.1 To approve the Corporate Audit Charters of internal audit functions in the Group.
- 7.4.2 To ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority and resources to carry out their work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.
- 7.4.3 To review internal audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate time frame by management, the BAC will report the matter to the Board.
- 7.4.4 To review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.
- 7.4.5 To appraise the performance of Head of Internal Audit.
- 7.4.6 To be informed of resignations and transfers of senior internal audit staff and provide resigning/transferred staff an opportunity to express their views.
- 7.4.7 To direct any special investigation to be carried out by Internal Audit.

## 7.5 External Audit

- 7.5.1 To nominate the External Auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any questions of resignation or termination.
- 7.5.2 To review external audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.
- 7.5.3 To review external audit plans and scope of work.
- 7.5.4 To meet the external auditors at least twice a year to discuss problems and reservations arising out of external audits and any matters the auditors may wish to discuss, in the absence of management, Executive Directors or non-independent Directors where necessary.

### 7.6 Corporate Governance

- 7.6.1 To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of noncompliance.
- 7.6.2 To review the findings of any examinations by regulatory authorities.
- 7.6.3 To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity.
- 7.6.4 To review and approve the Statement of Corporate Governance for the Annual Report as required under Bursa Malaysia Listing Requirements.
- 7.6.5 To review the investor relations programme and shareholder communications policy for the company.
- 7.6.6 To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
- 7.6.7 To develop and regularly review TNB's Code of Corporate Governance and Business Ethics.
- 7.6.8 Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Listing Requirements, the BAC must promptly report such matters to Bursa Malaysia.

## 8. COMMITTEE MEETINGS

- 8.1 The Committee shall convene meetings as and when required, and at least six (6) times during the financial year of TNB.
- 8.2 The number of Committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.
- 8.3 The Chairman of the Committee, or the Secretary on the requisition of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member for the time being absent from Malaysia.
- 8.4 No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum for each meeting shall be three (3) members.
- 8.5 The Chairman of the Committee shall chair the Committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- 8.6 In appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- 8.7 Officers of the Group or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.
- 8.8 All recommendations of the Committee shall be submitted to the Board for approval.

- 8.9 A Committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to appoint another Director(s), which meets the membership criteria.
- 8.10 The Committee, through its Chairman, shall report to the Board after each meeting.
- 8.11 Subject to the provisions of this Terms of Reference and Memorandum and Articles of Association of TNB, the Committee shall establish its own procedures for meetings.

## 9. SECRETARY OF THE COMMITTEE

- 9.1 The Secretary of the Committee shall be the Company Secretary.
- 9.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Agenda shall be sent to all members of the Committee and the Head of Internal Audit at least three (3) working days before each meeting together with the relevant papers.
- 9.3 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of the Committee meeting shall be confirmed and signed by the Chairman of the meeting at the next succeeding meeting.
- 9.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by the members of the Board, external auditors, internal auditors, and other persons deemed appropriate by the Company Secretary.

## 10. DISCLOSURE

- 10.1 The Committee shall assist the Board in making disclosures concerning the activities of the Committee, in the Report of the Board Audit Committee, to be issued in the Annual Report.
- 10.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the Committee with a copy to the Company Secretary.

## 11. REVISION OF THE TERMS OF REFERENCE

- 11.1 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.
- 11.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.



# Statement On Internal Control

## BOARD RESPONSIBILITY

The Board of Directors (Board) is responsible for Tenaga Nasional Berhad's Group ("the Group") system of internal control. The system is designed to meet the Group's business objectives and safeguard shareholders' investments, the interest of customers, regulators and employees, and the Group's assets. The internal control system covers the areas of risk management, finance, operations, management information systems and compliance with the relevant laws, regulations, rules, directives and guidelines. The system provides a reasonable but not an absolute assurance, against material misstatement, loss or fraud.

The Board has established an appropriate framework and on-going processes for identifying, evaluating and managing the significant risks faced by the Group. The process is regularly reviewed by the Board and is in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

## RISK MANAGEMENT

The Board has put in place an Enterprise Wide Risk Management (EWRM) System to identify, assess, treat, report and monitor strategic and operational risks in the Group. This process is one of the Group's key support processes and forms a part of TNB's Corporate Office Quality Management System. The Board Audit Committee (BAC) reviews the effectiveness of this system bi-annually and is assisted by management in the review, treatment and monitoring of the Group's strategic and operating risks. These reviews are presented to the Board for approval. Apart from these, the following activities/initiatives were reviewed by the BAC/ Board during the year:

- Revision of the EWRM Policy to extend the applicability of the Policy to include major projects and new business ventures; establish Divisional Risk Management Committees; incorporate the roles and responsibilities of the Group Risk Management Working Committee and risk officers; and identify the approval authority of risk management matters at the management level.
- Development and implementation of the Code of Ethics, Procurement Code of Conduct, Fraud Policy and Whistle Blowing Procedures to promote higher integrity and transparency as well as provide a feedback mechanism to further improve accountability and responsibility.
- Development of an EWRM Training Module by Institut Latihan Sultan Ahmad Shah for the Group's executive staff to promote risk awareness and improve employees' risk management skills.

## CONTROL STRUCTURES

The Board is committed to maintaining an effective control structure and environment for the proper conduct of the Group's business operations. The following key internal control structures were implemented to ensure an effective control environment:

### Board and Management Committees

To promote corporate governance and transparency, Board and Management Committees (the Committees) were established by the Board. The roles of the Committees are to assist the Board to ensure the effectiveness of the Group's operations and that the Group's actions and operations are in accordance with approved strategies, objectives, business plans, and policies. The responsibilities and authority of the Committees are governed by specific terms of reference. These Committees report to the Board and make recommendations for the Board's approval. The Committees are:

#### Board Committees

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

#### Management Committees

- Group Executive Council Committee
- Group Executive Management Committee
- Energy Supply Committee
- Tender Committees
- Group Risk Management Committee

### Organisation Structure

The Board has approved a divisional structure for the Group. The divisional structure enables the division heads to focus on their assigned core areas of the Group's operations or support functions. Additionally, with each division and operating entity, clear lines of accountability and responsibilities have been established. Limits of authority are also established to govern the management of financial and non financial approval limits.

The Board also reviews and refines the effectiveness of the Group and control structures to ensure that the Group's strategic and operational requirements are met.

## Management Information Systems

The Board recognises the importance of the use of information and communication technology to provide efficient and effective control over business operations, and timely and accurate reporting to stakeholders. During the year, the systems and projects undertaken/embarked on were as follows:

- Supervisory Control and Data Acquisition (SCADA) – Distribution Division. The system enables control and monitoring of the remote supply of electricity for the Distribution Division network from a centralised location. The project covers the whole of Peninsular Malaysia. Presently, the Metro Region SCADA covering Wilayah Persekutuan, Selangor and Petaling Jaya, has been completed.
- Remote Meter Reading System (RMR). This system allows the reading of Large Power Customers' (LPC) meters at remote locations. The High Voltage LPCs have already been installed with remote meters. The current project is aimed at installing RMR Systems for identified Low Voltage LPCs at the Northern, Central, Eastern and Southern Regions.
- Distribution Network Information Management. This system provides a central engineering database and a suite of applications which can improve the areas of distribution planning, development and design; construction; operations and maintenance; asset management; customer service and workforce efficiency.
- Electronic Banking Facilities. The e-banking platforms, Bizchannel and Maybank2e were implemented to increase the efficiency of the payment processing system with enhanced security features.
- Electronic Document Management System. This system promotes a paperless mode of transmitting, storing and retrieving documents, and is being implemented in phases.

## Group Policies and Procedures

The Board has approved policies and procedures to govern the financial and operational functions of the Group. The objectives of the policies and procedures are to ensure that internal control principles/mechanisms are embedded in operations. This enables the organisation to respond quickly to evolving risks and immediately report on any significant control failure. Amongst others, the policies and procedures implemented are:

- Internal Control Guidelines
- Group Financial Policies & Procedures
- Safety & Health Policy
- Environmental Policy
- Investment Policy
- Procurement Policy
- Fraud Policy
- Disciplinary Policy & Procedures
- Information & Communication Technology Security Policy & Codes of Practice
- Enterprise Wide Risk Management Policy & Guidelines
- Limits of Authority
- Code of Ethics
- Procurement Code of Conduct
- Whistle Blowing Procedures

## Revenue Maximisation Unit (RMU)

During the financial year, the RMU was formed to reinforce the initiative to curb non-technical losses by the Special Engagement Against Losses (SEAL) Teams. RMU's focus is to improve billing and collection processes especially for theft of electricity cases.

## MONITORING & REVIEW

### Board Interactions With Management via Board Break Out Sessions

The Board plays an active role in breakout sessions held with management to discuss and review the plans, strategies, performance and risks faced by the Group. During the year, two breakout sessions were conducted. Strategic concerns were deliberated. Strategies and action plans were then reviewed and mandates were given to management by the Board to carry out the agreed strategies and action plans.

## Business Planning & Budgeting Review

Business plans, budgets and Key Performance Indicators (KPI)s are aligned to the Group's 20 Year Strategic Plan, which guide the organisation in achieving its vision of becoming among the leading corporations in energy and related businesses globally.

Based on strategies identified in the Strategic Plan, 5 Year Business Plans and Annual Operation Plans together with KPIs are drawn up and approved by the Board. This is to ensure accountability and achievement of the Group's objectives and strategies. Strategies are also revised based on the changes in business and operating environments. Inputs from the Board Breakout Sessions are used to develop the Five-Year and Annual Operating Plans.

The Five-Year Business Plan and Annual Operating Plan also contain the budget of the Company, to enable the Company to direct its resources toward the achievement of its financial objectives. Effective utilisation of the budget is attained through regular monitoring by management.

## Financial and Operational Review

Quarterly financial statements and the Group's performance are reviewed by the BAC, who subsequently presents them to the Board for their review, consideration and approval. Monthly management accounts containing key financial results, operational performance indicators and budget comparisons are also issued to the Board and senior management to enable them to have regular and updated information of the Group's performance.



## Group Internal Audit (GIA)

The Board established the GIA Department to provide independent assurance on the adequacy of risk management, internal control and governance systems. GIA reports to the BAC. Regular reviews are carried out on the business processes to monitor compliance with the Group's procedures, assess the effectiveness of internal controls and highlight significant risks impacting the Group. The BAC holds regular meetings to review internal audit reports, management actions and monitor the implementation of preventive and corrective actions for areas with significant and high risks. The scope of coverage by GIA includes the areas of generation, transmission, distribution, procurement and projects, finance, human resource, information and communication technology, investment in subsidiaries, and risk management and compliance.

Annual Audit Plans are presented to the BAC for their review and approval. The review is to ensure adequacy of resources and sufficient coverage on significant and high risk areas. The audits in the Annual Audit Plans are mostly done internally, with some being outsourced or co-sourced. Outsourcing and co-sourcing of internal audits are done to enable adequate coverage and the transfer of knowledge from external consultants through co-sourcing.

## CONCLUSION

For the financial year under review, some weaknesses in internal control were identified. However, after due and careful inquiry and based on the information and assurance provided, the Board is satisfied that there were no material losses as a result of weaknesses in the system of internal control, that would require separate disclosure in Tenaga Nasional Berhad's Annual Report. Nevertheless, for areas requiring attention, measures have been and are being taken to ensure ongoing adequacy and effectiveness of internal controls and to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the resolution of the Board of Directors dated 25 October 2007.



# Group Executive Council Committee



The Group Executive Council Committee (GECC) is the highest executive forum of the organisation and plays a key role in reviewing the Group's policies, strategies and procedures, overall performance of the Group as well as the promotions of executives.

GECC responsibilities range from coordinating business planning strategies and Group wide policies to the monitoring and overseeing of the effective implementation of activities and performance of other Group Management Committees which cover the appointments of members of the respective committees.

During the Financial Year review, the Committee held nine meetings.



1. Dato' Sri Che Khalib bin Mohamad Noh  
President / Chief Executive Officer

2. Datuk Wira Md. Sidek bin Ahmad  
Senior Vice President, Operations & Technical

3. Dato' Izzaddin Idris  
Chief Financial Officer

# Energy Supply Committee

This Committee is the highest management forum having the authority to endorse and approve all power system development plans and proposals for TNB in Peninsular Malaysia, and for SESB in Sabah, prior to submission to the TNB Board. The Committee also makes decisions related to major TNB's core business operational issues as well as issues related to the expedition of on-going generation, transmission and primary distribution development projects in Peninsular Malaysia.

During the Financial Year under review, the Committee held four meetings.



1. **Dato' Sri Che Khalib bin Mohamad Noh**  
President / Chief Executive Officer

2. **Datuk Wira Md. Sidek bin Ahmad**  
Senior Vice President,  
Operations & Technical

3. **Dato' Abdul Razak bin Abdul Majid**  
Vice President, Generation

4. **Ir. Ab'illah bin Haji Mohd Salleh**  
Vice President, Transmission

5. **Dato' Ir. Aishah binti Dato' Haji Abdul Rauf**  
Vice President, Distribution

6. **Ir. Baharin bin Din**  
Managing Director,  
Sabah Electricity Sdn. Bhd.



# Group Executive Management Committee



The Group Executive Management Committee (GEMC) provides an avenue for the Senior Management to facilitate better coordination and effective interaction between the Company and its group of companies.

The GEMC is primarily responsible for formulating policies, procedures, strategies and undertaking operational decisions pertaining to operational matters, corporate issues, finance, human resource, corporate affairs and entrepreneur development.

During the Financial Year review, the Committee held 14 meetings.



1. **Dato' Sri Che Khalib bin Mohamad Noh**  
President / Chief Executive Officer
2. **Datuk Wira Md. Sidek bin Ahmad**  
Senior Vice President, Operations & Technical
3. **Dato' Izzaddin Idris**  
Chief Financial Officer

4. **Dato' Abdul Razak bin Abdul Majid**  
Vice President, Generation
5. **Dato' Ir. Aishah binti Dato' Haji Abdul Rauf**  
Vice President, Distribution



6. Ir. Ab'llah bin Haji Mohd Salleh  
Vice President, Transmission

7. Dato' Nik Ibrahim bin Nik Mohamed  
Vice President, Investment Management

8. Dato' Kamaruzzaman bin Jusoh  
Vice President, Human Resource

9. Dato' Che Zurina binti Zainul Abidin  
Vice President, Corporate Services

10. Razali bin Awang  
Chief Information Officer



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## PART II

# Financial Report

TNB revenue, profit hit record highs

New Straits Times

TNB profit soars 88%

The Star

Tenaga post record net profit of RM4b in FY07

Malaysian Reserve

Tenaga FY07 net profit soars 91 % to RM4.1b

The Edge FinancialDaily

## Financial Statement 2007

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# Directors' Report

Tenaga Nasional Berhad (Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and the Company for the financial year ended 31 August 2007.

## PRINCIPAL ACTIVITIES

The Group and the Company are primarily involved in the business of the generation, transmission, distribution and sale of electricity and those tabulated in Note 16 to the financial statements.

There have been no significant changes in these activities during the financial year under review.

## FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the year attributable to		
- Equity holders of the Company	4,061.1	3,514.5
- Minority interests	6.5	0
Profit for the year	4,067.6	3,514.5

## DIVIDENDS

The dividends paid or declared since 31 August 2006 were as follows:

	RM'million
In respect of the financial year ended 31 August 2006 as shown in the Directors' Report for that financial year:	
Final dividend of 12.0 sen gross per ordinary share, less income tax at 27% and 2.0 sen per ordinary share, tax exempt, paid on 4 January 2007	459.7
In respect of the financial year ended 31 August 2007:	
First interim dividend of 10.0 sen gross per ordinary share, less income tax at 27%, paid on 7 June 2007	315.8
Second interim dividend of 10.0 sen gross per ordinary share, less income tax at 27%, paid on 30 August 2007	316.2

For the financial year ended 31 August 2007, the Directors had on 25 October 2007 recommended the payment of a final dividend of 16.3 sen gross per ordinary share, less income tax at 26%, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The Books Closure and Payment dates will be announced in due course.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## ISSUE OF SHARES

During the financial year, 196,538,731 new ordinary shares of RM1.00 each were issued by the Company comprising:-

- (a) 66,736,312 ordinary shares of RM1.00 each in TNB pursuant to the Employees' Share Option Scheme II ('ESOS II') at exercise prices of RM6.71, RM6.99, RM7.42, RM7.33, RM7.75, RM7.80, RM9.189 or RM11.07 per share,
- (b) 114,699,925 ordinary shares of RM1.00 each in TNB pursuant to the exchange of Guaranteed Exchangeable Bonds at the exercise price of RM8.10 per share, and
- (c) 15,102,494 ordinary shares of RM1.00 each in TNB pursuant to the conversion of Unsecured Convertible Redeemable Income Securities at the price of RM9.18 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

Options under the ESOS were granted to eligible Directors, employees and retirees of the Group to subscribe for ordinary shares of RM1.00 each in TNB. The first ESOS expired on 11 May 2002.

The Company implemented a new Employees' Share Option Scheme II ('ESOS II') on 8 July 2003 for a period of 10 years. The ESOS II is governed by the bye-laws, which were approved by the shareholders at the Extraordinary General Meeting ('EGM') held on 29 May 2003 and amended at the EGM held on 15 December 2005.

The main features and movement during the financial year in the number of options over the shares of the Company is set out in Note 35 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 26 September 2007 from having to disclose in this Report the name of the persons to whom options have been granted during the year and details of their holdings pursuant to Section 169 (11) of the Companies Act, 1965 except for information on employees who were granted options representing 450,000 ordinary shares and above.

The list of employees of the Company who were granted options representing 450,000 ordinary shares and above under ESOS II are as follows:-

Name	Designation	No. of ordinary shares granted and acquired under the options	No. of ordinary shares exercised under the options
Datuk Wira Md Sidek bin Ahmad	Senior Vice President, Operations and Technical	515,000	470,000
Dato' Abdul Razak bin Abdul Majid	Vice President, Generation	575,000	100,000
Dato' Mohd Izzaddin bin Idris	Chief Financial Officer	490,000	0
Dato' Ir Aishah binti Dato' Haji Abdul Rauf	Vice President, Distribution	555,000	152,500
Dato' Hjh. Che Zurina binti Zainul Abidin	Vice President, Corporate Services	530,000	230,000
Dato' Haji Nik Ibrahim bin Nik Mohamed	Vice President, Investment Management	537,500	310,000
Dato' Kamaruzzaman bin Jusoh	Vice President, Human Resource	554,000	186,500

None of the subsidiaries' employees were granted options representing 450,000 ordinary shares and above under ESOS II.

**DIRECTORS**

The Directors who have held office during the period since the date of the last Report are:

Tan Sri Leo Moggie	
Dato' Sri Che Khalib bin Mohamad Noh	
Dato' Puteh Rukiah binti Abd Majid	
Mohammad Zainal bin Shaari	<i>(Resigned as alternate director to Dato' Azman bin Mokhtar on 31 March 2007. Reappointed as Director on 31 March 2007)</i>
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	
Tan Sri Dato' Hari Narayanan a/l Govindasamy	
Dato' Zainal Abidin bin Putih	
Datuk Mohd Zaid bin Ibrahim	
Dato' Fuad bin Jaafar	<i>(Appointed on 15 March 2007)</i>
Datuk Zalekha binti Hassan	<i>(Alternate Director to Dato' Puteh Rukiah binti Abd Majid)</i>
Dato' Azman bin Mokhtar	<i>(Resigned on 31 March 2007)</i>

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the options granted to the President/Chief Executive Officer pursuant to the ESOS II.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration and benefits in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' shareholdings, particulars of the interests of Directors who held office as at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.9.2006	Acquired	Disposed	As at 31.8.2007
Tan Sri Leo Moggie	0	40,000	0	40,000
Dato' Zainal Abidin bin Putih	1,250	0	0	1,250
Dato' Fuad bin Jaafar	62,500	0	0	62,500

	Options over ordinary shares of RM1.00 each			
	As at 1.9.2006	Granted	Exercised	As at 31.8.2007
Dato' Sri Che Khalib bin Mohamad Noh	375,000	360,000	0	735,000

According to the Register of Directors, none of the other Directors held any options over shares in the Company.

No other Directors in office at the end of the financial year held any other interest in shares and debentures of the Company and its related corporations.



**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) 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
- (b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected to be realised.

At the date of this Report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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 Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION**

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors, 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 likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this Report is made.

**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 31 October 2007.



**TAN SRI LEO MOGGIE**  
**CHAIRMAN**



**DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
**PRESIDENT/CHIEF EXECUTIVE OFFICER**

# Income Statements

for the financial year ended 31 August 2007

	Note	2007 RM'million	Group 2006 RM'million	2007 RM'million	Company 2006 RM'million
Revenue	4	23,320.4	20,384.2	21,400.6	18,815.1
Operating expenses	5	(18,371.4)	(16,916.9)	(17,441.8)	(16,601.6)
Other operating income	7	593.7	489.3	793.9	691.0
Operating profit		5,542.7	3,956.6	4,752.7	2,904.5
Foreign exchange gain	8	485.8	324.9	341.2	197.3
Share of results of associates		42.4	14.6	0	0
Profit before finance cost		6,070.9	4,296.1	5,093.9	3,101.8
Finance cost	9	(1,305.0)	(1,539.3)	(969.5)	(1,101.2)
Profit before taxation and zakat		4,765.9	2,756.8	4,124.4	2,000.6
Taxation and Zakat	10	(698.3)	(595.1)	(609.9)	(464.7)
Profit for the year		4,067.6	2,161.7	3,514.5	1,535.9
Attributable to:					
Equity holders of the Company		4,061.1	2,126.9	3,514.5	1,535.9
Minority interests		6.5	34.8	0	0
Profit for the year		4,067.6	2,161.7	3,514.5	1,535.9
		Sen	Sen		
Earnings per share					
- basic	11(a)	94.92	52.52		
- diluted	11(b)	93.00	50.44		
Dividends per share:				Sen	Sen
Interim dividends (gross)	12			20.0	0
Final dividend (gross)	12			0	12.0
Final dividend (tax exempt)	12			0	2.0
Proposed final dividend (gross)	12			16.3	0

The notes set out on pages 13 to 89 form an integral part of these financial statements

# Balance Sheets

as at 31 August 2007

	Note	2007 RM'million	Group 2006 RM'million	2007 RM'million	Company 2006 RM'million
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	56,405.3	54,344.5	46,332.8	44,136.2
Prepaid operating leases	14	852.6	856.8	693.4	690.2
Coal mining rights	15	0	279.9	0	0
Subsidiaries	16	0	0	4,581.1	743.1
Associates	17	233.0	200.6	125.8	135.8
Investments	18	38.0	38.0	97.4	56.8
Long term receivables	19	0	0	703.1	841.8
		<b>57,528.9</b>	<b>55,719.8</b>	<b>52,533.6</b>	<b>46,603.9</b>
<b>CURRENT ASSETS</b>					
Non-current assets held for sale	20	125.0	0	55.8	0
Inventories	21	1,769.5	1,931.8	1,115.4	1,113.4
Receivables, deposits and prepayments	22	2,921.8	3,415.4	2,204.6	2,501.4
Current tax assets		11.6	10.0	0	0
Amount due from subsidiaries	23	0	0	1,250.1	5,445.9
Amount due from associates		45.3	43.6	34.6	30.7
Short term investments	24	12.6	12.6	12.6	12.6
Marketable securities	25	10.6	9.2	10.6	9.2
Deposits, bank and cash balances	26	5,299.3	3,949.7	4,524.3	3,124.7
		<b>10,195.7</b>	<b>9,372.3</b>	<b>9,208.0</b>	<b>12,237.9</b>
<b>CURRENT LIABILITIES</b>					
Payables	27	4,301.6	3,733.5	3,132.7	2,394.9
Amount due to subsidiaries	23	0	0	1,403.4	1,781.2
Amount due to associates		226.1	212.4	224.5	212.4
Current taxation		226.1	184.6	221.3	175.1
Short term borrowings	28	2,015.5	2,534.7	1,452.7	1,964.5
		<b>6,769.3</b>	<b>6,665.2</b>	<b>6,434.6</b>	<b>6,528.1</b>
<b>NET CURRENT ASSETS</b>		<b>3,426.4</b>	<b>2,707.1</b>	<b>2,773.4</b>	<b>5,709.8</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>60,955.3</b>	<b>58,426.9</b>	<b>55,307.0</b>	<b>52,313.7</b>

The notes set out on pages 13 to 89 form an integral part of these financial statements



# Balance Sheets

as at 31 August 2007 (Continued)

	Note	2007 RM'million	Group 2006 RM'million	2007 RM'million	Company 2006 RM'million
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	29	(21,963.9)	(24,580.9)	(14,898.8)	(16,101.0)
Amount due to subsidiaries	23	0	0	(3,621.1)	(3,829.3)
Consumer deposits	30	(2,319.6)	(2,147.7)	(2,186.0)	(2,029.6)
Employee benefits	31	(2,730.6)	(2,314.1)	(2,627.4)	(2,221.3)
Other liabilities		(145.9)	(72.3)	(63.7)	(72.2)
Deferred taxation	32	(6,274.4)	(6,424.6)	(5,524.8)	(5,758.4)
Deferred income	33	(2,803.5)	(2,675.8)	(2,504.7)	(2,400.6)
Government development grants	34	(620.5)	(665.0)	0	0
		(36,858.4)	(38,880.4)	(31,426.5)	(32,412.4)
<b>TOTAL NET ASSETS</b>		<b>24,096.9</b>	<b>19,546.5</b>	<b>23,880.5</b>	<b>19,901.3</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>					
Share capital	35	4,331.7	4,135.2	4,331.7	4,135.2
Share premium	36	5,242.0	3,912.9	5,242.0	3,912.9
Revaluation and other reserves	37	894.9	843.6	1,021.3	1,017.6
Retained profits	38	13,530.0	10,533.5	13,285.5	10,835.6
		23,998.6	19,425.2	23,880.5	19,901.3
<b>MINORITY INTERESTS</b>		<b>98.3</b>	<b>121.3</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>24,096.9</b>	<b>19,546.5</b>	<b>23,880.5</b>	<b>19,901.3</b>
		Sen	Sen		
<b>NET ASSETS PER SHARE*</b>		<b>554.0</b>	<b>470.0</b>		

\* The net assets per share attributable to ordinary equity holders of the Company.

The notes set out on pages 13 to 89 form an integral part of these financial statements

# Statement of Changes in Equity

for the financial year ended 31 August 2007

Attributable to equity holders of the Company							
Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Revaluation and other reserves RM'million	Retained profits RM'million	Minority interests RM'million	Total equity RM'million
<b>Group</b>							
At 1 September 2006	4,135.2	3,912.9	0	843.6	10,533.5	121.3	19,546.5
Currency translation differences	0	0	0	42.7	0	0	42.7
Realisation of revaluation reserve 37	0	0	0	(27.1)	27.1	0	0
Income and expense recognised directly in equity	0	0	0	15.6	27.1	0	42.7
Profit for the year	0	0	0	0	4,061.1	6.5	4,067.6
Total recognised income and expense for the year	0	0	0	15.6	4,088.2	6.5	4,110.3
Transaction with minority interests in subsidiaries	0	0	0	0	0	(29.5)	(29.5)
Dividends paid for the year ended							
- 31.08.2006 12	0	0	0	0	(459.7)	0	(459.7)
- 31.08.2007 12	0	0	0	0	(632.0)	0	(632.0)
Employees' Share Option Scheme							
- options granted	0	0	35.7	0	0	0	35.7
Issuance of share capital							
- share options, GEB and CRIS 35, 36	196.5	1,329.1	0	0	0	0	1,525.6
At 31 August 2007	4,331.7	5,242.0	35.7	859.2	13,530.0	98.3	24,096.9
At 1 September 2005	3,220.7	3,989.6	0	844.7	8,030.5	115.3	16,200.8
Currency translation differences	0	0	0	5.8	0	0	5.8
Disposal of subsidiary	0	0	0	0	0	(30.4)	(30.4)
Realisation of revaluation reserve 37	0	0	0	(6.9)	6.9	0	0
Income and expense recognised directly in equity	0	0	0	(1.1)	6.9	(30.4)	(24.6)
Profit for the year	0	0	0	0	2,126.9	34.8	2,161.7
Total recognised income and expense for the year	0	0	0	(1.1)	2,133.8	4.4	2,137.1
Transaction with minority interests in subsidiaries	0	0	0	0	0	1.6	1.6
Dividends paid for the year ended							
- 31.08.2005 12	0	0	0	0	(279.4)	0	(279.4)
Goodwill written back	0	0	0	0	5.7	0	5.7
Issuance of share capital							
- share options, GEB and CRIS 35, 36	105.8	732.0	0	0	0	0	837.8
- bonus shares 35, 36	808.7	(808.7)	0	0	0	0	0
Waiver of term loan by Government of Malaysia	0	0	0	0	642.9	0	642.9
At 31 August 2006	4,135.2	3,912.9	0	843.6	10,533.5	121.3	19,546.5

The notes set out on pages 13 to 89 form an integral part of these financial statements

# Statement of Changes in Equity

for the financial year ended 31 August 2007 (Continued)

		Non-distributable			Distributable		
	Note	Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Revaluation and other reserves	Retained profits	Total equity
		RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Company							
At 1 September 2006		4,135.2	3,912.9	0	1,017.6	10,835.6	19,901.3
Realisation of revaluation reserve	37	0	0	0	(27.1)	27.1	0
Income and expense recognised directly in equity		0	0	0	(27.1)	27.1	0
Profit for the year		0	0	0	0	3,514.5	3,514.5
Total recognised income and expense for the year		0	0	0	(27.1)	3,541.6	3,514.5
Dividends paid for the year ended							
- 31.08.2006	12	0	0	0	0	(459.7)	(459.7)
- 31.08.2007	12	0	0	0	0	(632.0)	(632.0)
Employees' Share Option Scheme							
- options granted		0	0	30.8	0	0	30.8
Issuance of share capital							
- share options, GEB and CRIS	35, 36	196.5	1,329.1	0	0	0	1,525.6
At 31 August 2007		4,331.7	5,242.0	30.8	990.5	13,285.5	23,880.5
At 1 September 2005		3,220.7	3,989.6	0	1,028.7	9,568.0	17,807.0
Realisation of revaluation reserve	37	0	0	0	(11.1)	11.1	0
Income and expense recognised directly in equity		0	0	0	(11.1)	11.1	0
Profit for the year		0	0	0	0	1,535.9	1,535.9
Total recognised income and expense for the year		0	0	0	(11.1)	1,547.0	1,535.9
Dividends paid for the year ended							
- 31.08.2006	12	0	0	0	0	(279.4)	(279.4)
Issuance of share capital							
- share options, GEB and CRIS	35, 36	105.8	732.0	0	0	0	837.8
- bonus shares	35, 36	808.7	(808.7)	0	0	0	0
At 31 August 2006		4,135.2	3,912.9	0	1,017.6	10,835.6	19,901.3

The notes set out on pages 13 to 89 form an integral part of these financial statements

# Cash Flow Statements

for the financial year ended 31 August 2007

	Note	2007 RM'million	Group 2006 RM'million	2007 RM'million	Company 2006 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the year		4,067.6	2,161.7	3,514.5	1,535.9
Adjustments for:					
Taxation and Zakat		698.3	595.1	609.9	464.7
Depreciation		3,199.9	3,298.7	2,595.2	2,648.4
Amortisation of prepaid operating leases		22.1	21.8	14.7	14.4
Amortisation of coal mining rights		10.7	10.8	0	0
Provision for employee benefits		649.2	295.1	638.0	285.8
Provision for share options		35.7	0	30.8	0
Translation gain		(452.3)	(491.3)	(288.2)	(324.1)
Release of deferred income		(326.9)	(340.4)	(291.8)	(277.1)
Gain on disposal of property, plant and equipment		(29.1)	(13.2)	(29.0)	(12.7)
Gain on disposal of prepaid operating leases		(4.0)	0	(4.0)	0
Loss on disposal of subsidiaries		0	1.2	0	1.2
Share of results of associates		(42.4)	(14.6)	0	0
Dividend income		(4.4)	(2.5)	(4.8)	(2.9)
Interest income		(201.6)	(134.5)	(463.0)	(385.6)
Interest on borrowings		1,196.0	1,443.6	866.7	1,005.5
Property, plant and equipment written off		5.3	170.3	0	94.8
Release of Government development grants		(44.5)	(47.3)	0	0
Allowance for diminution in value of coal mining rights		200.0	0	0	0
Allowance for diminution in value of subsidiaries		0	0	0	71.9
(Write-back)/allowance for diminution in value of marketable securities		(1.4)	0.2	(1.4)	0.2
Allowance for/(write-back) diminution in value of investments		0.1	1.7	(40.6)	42.3
Allowance for/(write-back) inventory obsolescence		5.9	(34.5)	5.9	(34.5)
Inventories written off		34.3	47.8	33.9	47.8
Goodwill written off		(3.4)	0	0	0
		9,015.1	6,969.7	7,186.8	5,176.0
Inventories		128.0	(101.4)	(41.8)	(124.5)
Receivables		561.4	244.7	326.7	622.8
Payables		553.7	267.8	822.2	(64.4)
Amount due from/to subsidiaries		0	0	(73.6)	81.2
Amount due from/to associates		12.0	(27.4)	8.2	(16.4)
Cash generated from operations		10,270.2	7,353.4	8,228.5	5,674.7
Employee benefits paid		(232.7)	(229.2)	(231.9)	(227.4)
Consumer contributions received		454.6	510.3	395.9	406.7
Consumer deposits received		171.8	195.4	156.4	184.3
Taxation and Zakat paid		(798.7)	(198.9)	(797.2)	(196.9)
Taxation refund received		0	1.9	0	0
Net cash flow from operating activities		9,865.2	7,632.9	7,751.7	5,841.4

The notes set out on pages 13 to 89 form an integral part of these financial statements



# Cash Flow Statements

for the financial year ended 31 August 2007 (Continued)

	Note	2007 RM'million	Group 2006 RM'million	2007 RM'million	Company 2006 RM'million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additional investment in subsidiaries		(26.1)	0	(42.2)	0
Proceeds from disposal of associates		0	0.1	0	7.4
Proceeds from redemption of unsecured loan notes in a subsidiary		4.2	0	4.2	0
Proceeds from redemption of unsecured loan notes in an associate		10.0	0	10.0	0
Proceeds from redemption of redeemable preference shares in an associate		0	16.0	0	16.0
Dividend income received		3.9	0.4	3.9	1.6
Interest income received		253.7	241.8	232.2	218.7
Purchase of property, plant and equipment		(5,063.6)	(3,982.2)	(4,574.0)	(3,612.2)
Payments for prepaid operating leases		(16.6)	(7.3)	(16.6)	(7.3)
Proceeds from disposal of property, plant and equipment		47.6	21.8	47.6	21.8
Proceeds from disposal of prepaid operating leases		8.5	0	8.5	0
Net cash flow from investing activities		(4,778.4)	(3,709.4)	(4,326.4)	(3,354.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Government development grants received		0	26.3	0	0
Proceeds from issuance of shares		1,525.6	837.8	1,525.6	837.8
Proceeds from long term borrowings		782.1	3,600.8	622.0	1,495.1
Repayments of long term borrowings		(3,446.0)	(5,087.2)	(2,072.8)	(2,050.5)
Interest paid		(1,483.7)	(1,658.5)	(1,008.8)	(1,108.7)
Dividends paid to shareholders		(1,091.7)	(279.4)	(1,091.7)	(279.4)
Proceeds from short term borrowings		32.4	164.0	0	0
Repayments of short term borrowings		(48.9)	(424.1)	0	(244.3)
Issue of shares to minority interests		0	1.6	0	0
Net cash flow from financing activities		(3,730.2)	(2,818.7)	(2,025.7)	(1,350.0)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,356.6</b>	<b>1,104.8</b>	<b>1,399.6</b>	<b>1,137.4</b>
<b>EFFECT OF CHANGES IN FOREIGN CURRENCY</b>		<b>(7.0)</b>	<b>(4.5)</b>	<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>3,949.7</b>	<b>2,849.4</b>	<b>3,124.7</b>	<b>1,987.3</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	26	<b>5,299.3</b>	<b>3,949.7</b>	<b>4,524.3</b>	<b>3,124.7</b>
Deposits, held in trust*		0	(0.6)	0	0
Cash at bank, held in trust*		(65.6)	(12.4)	0	0
<b>CASH AVAILABLE</b>		<b>5,233.7</b>	<b>3,936.7</b>	<b>4,524.3</b>	<b>3,124.7</b>

\* Deposits and cash at bank held in trust are in respect of a grant given to a subsidiary by the Government for a designated capital project.

The notes set out on pages 13 to 89 form an integral part of these financial statements







# Analysis of Shareholdings

as at 10 October 2007

## 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 4,332,064,193 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

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Share Capital
Less Than 100	777	2.55	22,637	0.00
100 - 1,000	5,602	18.39	4,018,134	0.09
1,001 - 10,000	21,412	70.28	55,601,926	1.28
10,001 - 100,000	1,882	6.18	55,326,791	1.28
100,001 To Less Than 5% of Issued Shares	790	2.59	1,817,716,030	41.96
5% and above of Issued Shares	3	0.01	2,399,378,675	55.39
<b>TOTAL</b>	<b>30,466</b>	<b>100.00</b>	<b>4,332,064,193</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of shares Direct/Indirect Interest	%
1	Tan Sri Leo Moggie - 40,000 shares held through Cimsec Nominees (Tempatan) Sdn Bhd	40,000	0.00
2	Dato' Sri Che Khalib Bin Mohamad Noh	-	-
3	Dato' Puteh Rukiah Binti Abd Majid	-	-
4	Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	-	-
5	Tan Sri Dato' Hari Narayanan a/l Govindasamy	-	-
6	Dato' Zainal Abidin Bin Putih	1,250	0.00
7	Datuk Mohd Zaid Bin Ibrahim	-	-
8	Datuk Zalekha Binti Hassan	-	-
9	Mohammad Zainal Bin Shaari	-	-
10	Dato' Fuad Bin Jaafar	62,500	0.00

**SUBSTANTIAL SHAREHOLDERS**

No.	Name of Substantial Shareholders	No. of Shares	%
1	KHAZANAH NASIONAL BERHAD	1,631,574,464	37.66
2	EMPLOYEES PROVIDENT FUND BOARD - 428,939,911 shares held its own name - 13,434,400 shares held through SBB Nominees (Tempatan) Sdn Bhd - 10,400,000 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd - 5,888,750 shares held through HSBC Nominees (Tempatan) Sdn Bhd - 5,225,000 shares held through Cartaban Nominees (Tempatan) Sdn Bhd - 4,018,700 shares held through Am Nominees (Tempatan) Sdn Bhd - 1,650,000 shares held through Citigroup Nominees (Tempatan) Sdn Bhd - 436,100 shares held through Mayban Nominees (Tempatan) Sdn Bhd - 4,660,000 shares held through RHB Nominees (Tempatan) Sdn Bhd - 3,400,000 shares held through Mayban Nominees (Tempatan) Sdn Bhd - 470,000 shares held through Mayban Nominees (Tempatan) Sdn Bhd	478,522,861	11.05
3	SKIM AMANAH SAHAM BUMIPUTERA - 338,864,300 shares held through Amanah Raya Nominees (Tempatan) Sdn Bhd	338,864,300	7.82

**30 LARGEST SHAREHOLDERS**

No.	Name of Shareholders	No. of Shares	%
1	KHAZANAH NASIONAL BERHAD	1,631,574,464	37.66
2	EMPLOYEES PROVIDENT FUND BOARD	428,939,911	9.90
3	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	338,864,300	7.82
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	140,437,300	3.24
5	LEMBAGA TABUNG HAJI	94,996,375	2.19
6	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND NB37 FOR JANUS CONTRARIAN FUND	87,808,700	2.03
7	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM WAWASAN 2020	59,468,300	1.37
8	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM MALAYSIA	43,038,400	0.99
9	VALUECAP SDN BHD	35,813,600	0.83
10	HSBC NOMINEES (ASING) SDN BHD TNTC FOR SAUDI ARABIAN MONETARY AGENCY	35,805,300	0.83
11	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND RNZX FOR STICHTING PENSIOENFONDS ABP	34,042,700	0.79
12	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MELLON BANK (MELLON)	32,310,530	0.75
13	CITIGROUP NOMINEES (ASING) SDN BHD ROYAL BANK OF SCOTLAND AS DEPOSITORY FOR FIRST STATE ASIA PACIFIC LEADER FUND (CB LDN)	30,264,600	0.70



# Analysis of Shareholdings

as at 10 October 2007

## 30 LARGEST SHAREHOLDERS (Continued)

No.	Name of Shareholders	No. of Shares	%
14	HSBC NOMINEES (ASING) SDN BHD BNY BRUSSELS FOR MAGELLAN	27,000,000	0.62
15	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG FOR PRISM OFFSHORE FUND LTD	25,945,500	0.60
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD SECURITY TRUSTEE (KCW ISSUE 1)	23,451,775	0.54
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.	23,305,600	0.54
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL ASSURANCE MALAYSIA BERHAD	22,955,175	0.53
19	PERMODALAN NASIONAL BERHAD	22,873,775	0.53
20	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	20,100,000	0.46
21	CITIGROUP NOMINEES (ASING) SDN BHD GSI FOR PERRY PARTNERS INTER INC	19,018,334	0.44
22	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	18,819,556	0.43
23	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM DIDIK	18,518,350	0.43
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)	17,606,850	0.41
25	CARTABAN NOMINEES (TEMPATAN) SDN BHD PETROLIAM NASIONAL BERHAD (STRATEGIC INV)	17,390,900	0.40
26	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED	16,232,250	0.37
27	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC	16,138,975	0.37
28	CITIGROUP NOMINEES (ASING) SDN BHD GSCO FOR INDUS ASIA PACIFIC MASTER FUND LTD	15,714,200	0.36
29	HSBC NOMINEES (ASING) SDN BHD BNY BRUSSELS FOR CG NOUVELLE ASIE	15,025,000	0.35
30	CARTABAN NOMINEES (ASING) SDN BHD INVESTORS BANK AND TRUST COMPANY FOR ISHARES, INC.	13,737,650	0.32
<b>Total</b>		<b>3,327,198,370</b>	<b>76.80</b>

# Analysis Of Convertible Redeemable Income Securities

## 2004-2009 ("CRIS") Holdings as at 10 October 2007

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

Voting Right : None until upon conversion into Ordinary Shares of RM1.00 each

### STATISTICS ON CONVERTIBLE REDEEMABLE INCOME SECURITIES 2004-2009 ("CRIS") AS AT 10 OCTOBER 2007

### ANALYSIS OF CONVERTIBLE REDEEMABLE INCOME SECURITIES 2004-2009 ("CRIS")

Category	No. of CRIS Holders	% of CRIS Holders	Nominal Value of CRIS (RM)	% of CRIS Issued
LESS THAN 100	3	3.23	72	0.00
100 - 1,000	7	7.52	3,970	0.01
1,001 - 10,000	23	24.73	124,588	0.21
10,001 - 100,000	24	25.81	1,441,540	2.39
100,001 TO LESS THAN 5% OF ISSUED SHARES	31	33.33	23,633,100	39.16
5% AND ABOVE OF ISSUED SHARES	5	5.38	35,137,300	58.23
<b>Total</b>	<b>93</b>	<b>100.00</b>	<b>60,340,570</b>	<b>100.00</b>

### DIRECTORS' CRIS HOLDINGS

No.	Name of Directors	Nominal Value Of CRIS (RM) Direct/Indirect Interest	%
1	TAN SRI LEO MOGGIE	-	-
2	DATO' SRI CHE KHALIB BIN MOHAMAD NOH	-	-
3	DATO' PUTEH RUKIAH BINTI ABD MAJID	-	-
4	TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG	-	-
5	TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY	-	-
6	DATO' ZAINAL ABIDIN BIN PUTIH	-	-
7	DATUK MOHD ZAID BIN IBRAHIM	-	-
8	DATUK ZALEKHA BINTI HASSAN	-	-
9	MOHAMMAD ZAINAL BIN SHAARI	-	-
10	DATO' FUAD BIN JAAFAR	-	-

### SUBSTANTIAL CRIS HOLDERS

No.	Name of CRIS Holders	Nominal Value of CRIS (RM)	%
1	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIA NATIONAL INSURANCE BERHAD (LIFE PAR FUND)	10,000,000	16.57
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	7,743,100	12.83
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	6,800,000	11.27
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST BALANCED FUND	5,500,000	9.11
5	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ENHANCED BOND FUND	5,094,200	8.44

# Analysis Of Convertible Redeemable Income Securities

## 2004-2009 ("CRIS") Holdings as at 10 October 2007 (Continued)

### 30 LARGEST CRIS HOLDERS

No.	Name of CRIS Holders	Nominal Value of CRIS (RM)	%
1	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIA NATIONAL INSURANCE BERHAD (LIFE PAR FUND)	10,000,000	16.57
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL PAR)	7,743,100	12.83
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	6,800,000	11.27
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC FAR-EAST BALANCED FUND	5,500,000	9.11
5	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ENHANCED BOND FUND	5,094,200	8.44
6	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG BERSAMA	3,000,000	4.97
7	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC GLOBAL BALANCED FUND	2,500,000	4.14
8	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC DIVIDEND SELECT FUND	2,000,000	3.31
9	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB KIDSAVE TRUST (3621)	1,544,000	2.56
10	MAYBAN TRUSTEES BERHAD STRATEGIC BOND FUND	1,510,000	2.50
11	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB INCOME FUND (4314)	1,218,000	2.02
12	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM KUAN @ TAN KIM CHIN	1,000,000	1.66
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR INCOME PLUS FUND (N14011980070)	980,000	1.62
14	KE-ZAN NOMINEES (ASING) SDN. BHD. KIM ENG SECURITIES PTE. LTD. FOR CYL INVESTMENTS LIMITED	976,000	1.62
15	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD CIMB-PRINCIPAL ASSET MGMT BHD FOR GLOBALE RUCKVERSICHERUNGS-AKTIENGESELLSCHAFT	963,300	1.60
16	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD HLG BOND FUND (L1)	850,000	1.41
17	DAYA MAHSURI SDN BHD	800,000	1.33
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR HASRAT JAGUH SDN BHD (PB)	800,000	1.33
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ING INSURANCE BERHAD (INV-IL NON-PAR)	687,700	1.14
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SIEH KOK SWEE (PB)	600,000	0.99

# Analysis Of Convertible Redeemable Income Securities

## 2004-2009 ("CRIS") Holdings as at 10 October 2007 (Continued)

### 30 LARGEST CRIS HOLDERS (Continued)

No.	Name of CRIS Holders	Nominal Value of CRIS (RM)	%
21	HLG NOMINEE (TEMPATAN) SDN BHD HLG ASSET MANAGEMENT SDN BHD FOR YAYASAN USAHAWAN BUMIPUTRA (1084)	505,000	0.84
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR FAIRLY YAP SWEE ENG (PB)	500,000	0.83
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHEONG KEE LAI (PB)	482,000	0.80
24	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF)	450,000	0.75
25	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB BALANCED FUND (3936)	347,000	0.58
26	HLG NOMINEE (TEMPATAN) SDN BHD HLG ASSET MANAGEMENT SDN BHD FOR PERBADANAN BEKALAN AIR PULAU PINANG SDN BHD (2052)	338,000	0.56
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TAN KOK HENG (PB)	200,000	0.33
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR ROSLINA BINTI ABDUL RAHMAN (PB-IU)	200,000	0.33
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD AMANAHRAYA-JMF ASSET MANAGEMENT SDN. BHD. FOR AZIAN BINTI AIYUB GHAZALI (C193-240084)	200,000	0.33
30	NADIAH PAUT ABDULLAH @ REBECCA PAUT	187,300	0.31
<b>Total</b>		<b>57,975,600</b>	<b>96.08</b>



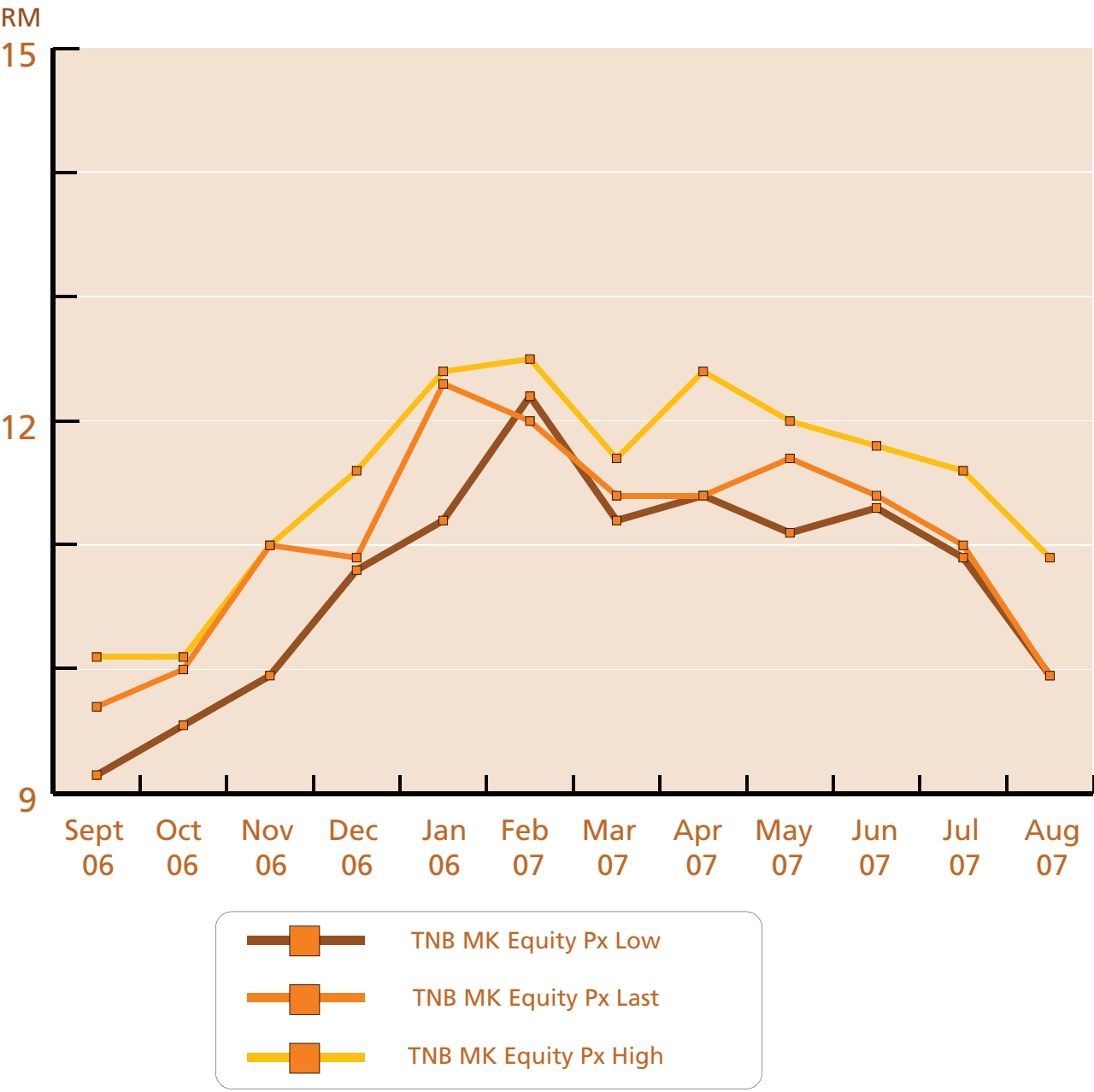






precision maintenance  
works

# Share Price Tracking



Nature of Functional Activity	LAND							BUILDINGS			DESCRIPTION			
	Leasehold			Freehold				Total No. of Lots	Total Area (sq M)	Total NBV (RM'000)		No.	Built-Up Area (sq M)	Total NBV (RM'000)
	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)								
Generation								(1 +4)	(2+5)	(3+6)	(10)	(11)	(12)	(13)
Location														
Perlis	-	-	-	2	1,499	52	2	1,499	1,499	52	-	-	-	Office Buildings, Stores, Jetties, Power Stations, Rural Power Stations, Dams and Mini Hydros
Kedah	2	1,676	28	6	22,280	6,047	8	23,956	23,956	6,075	21	2,493	5,856	
Pulau Pinang	2	163,325	26,972	2	67,726	2,136	4	231,051	231,051	29,108	7	10,258	153,973	
Perak	8	2,933,400	130,751	10	1,684,595	63,916	18	4,617,995	4,617,995	194,667	115	80,378	582,462	
Selangor	5	16,892,869	125,121	4	514,707	25,451	9	17,407,576	17,407,576	150,572	39	11,688	894,067	
W.Persekutuan	-	-	-	-	-	-	-	-	-	-	10	150	7,284	
Putrajaya/Cyberjaya	-	-	-	-	-	-	-	-	-	-	-	-	-	
N.Sembilan	4	170,812	4,159	1	13,550	1,657	5	184,362	184,362	5,816	20	3,257	164,036	
Melaka	-	-	-	-	-	-	-	-	-	-	-	-	-	
Johor	3	89,012	13,240	2	167,515	13,923	5	256,527	256,527	27,163	27	9,850	68,853	
Pahang	47	230,588	243	58	98,742	8,616	105	329,330	329,330	8,859	137	2,755	38,127	
Terengganu	45	239,386	16,753	48	28,817	13,938	93	268,203	268,203	30,691	90	12,316	457,844	
Kelantan	75	76,498	554	39	56,539	1,348	114	133,037	133,037	1,902	94	4,444	861,930	
Sabah	23	5,462,413	6,679	18	4,017,445	5,769	41	9,479,858	9,479,858	12,448	50	11,000	183,350	
Total	214	26,259,979	324,500	190	6,673,415	142,853	404	32,933,394	32,933,394	467,353	610	148,589	3,417,782	

### GENERATION

Electricity is produced through a process of converting other forms of energy into electrical energy. This conversion process is known as generation and is mainly carried out at power stations. In addition, a number of mini hydro stations and numerous diesel generating sets are operated by TNB.

Note : NBV - Net Book Value



# Property List

## Transmission

Nature of Functional Activity	LAND							BUILDINGS			Description		
	Leasehold			Freehold				Total No. of Lots	Total Area (sq M)	Total NBV (RM'000)			
	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)							
Transmission													
Location													
Perlis	4	110,024	1,052	2	15,860	474	6	125,884	1,526	16	3,145	66,056	Main Intake Substations
Kedah	12	445,892	3,500	180	71,451	2,550	192	517,343	6,050	70	7,694	187,314	
Pulau Pinang	15	1,311,447	8,296	36	114,908	4,739	51	1,426,355	13,035	41	3,653	158,064	
Perak	10	157,193	1,529	68	26,438	12,396	78	183,631	13,925	53	8,146	250,199	
Selangor	20	257,523	25,006	45	92,713	109,321	65	350,236	134,327	121	13,673	633,244	
W.Persekutuan	10	176,794	11,221	203	79,800	13,543	213	256,594	24,764	45	7,740	324,386	
Putrajaya/Cyberjaya	-	-	-	-	-	-	-	-	-	-	-	-	
N.Sembilan	13	688,904	6,843	12	87,029	4,633	25	775,933	11,476	57	3,836	120,963	
Melaka	6	59,717	4,984	21	20,627	10,804	27	80,344	15,788	49	7,167	81,508	
Johor	30	554,552	22,617	44	64,522	15,136	74	619,074	37,753	133	9,027	715,557	
Pahang	8	86,487	1,261	18	155,835	3,856	26	242,322	5,117	76	2,934	183,539	
Terengganu	5	170,622	3,433	9	-	54	14	170,622	3,487	41	3,544	71,961	
Kelantan	3	95,628	1,876	169	176,029	5,199	172	271,657	7,075	33	5,551	59,007	
Sabah	3	30,904	1,555	1	14,165	134	4	45,069	1,689	15	3,600	31,520	
Total	139	4,145,687	93,173	808	919,377	182,839	947	5,065,064	276,012	750	79,710	2,883,318	

### TRANSMISSION

Transmission activity relates to the process of transmitting electricity generated at power stations to the load centres where it is required, eg. townships, industrial growth centres and major customers.

A network of transmission lines, forming the National Grid is required for this purpose. At appropriate sites, transmission substation are constructed to channel electricity from the National Grid to the numerous load centres. The transmission system operates at voltage levels of 500 kV, 275 kV, 132 kV and 66 kV.

Note : NBV - Net Book Value

Nature of Functional Activity	LAND						BUILDINGS				Description		
	Leasehold		Freehold				Total No. of Lots	Total Area (sq M)	Total NBV (RM'000)	No.		Built-Up Area (sq M)	Total NBV (RM'000)
Distribution	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	(1 +4)	(2+5)	(3+6)	(10)	(11)	(12)	(13)
Location													
Perlis	37	16,378	795	42	71,964	880	79	88,342	1,675	52	1,200	4,919	Distribution Substations
Kedah	159	296,580	5,491	307	510,601	32,586	466	807,181	38,077	214	46,250	40,171	
Pulau Pinang	106	71,696	4,777	364	131,413	24,271	470	203,109	29,048	175	12,880	25,075	
Perak	538	563,012	10,162	227	528,843	9,755	765	1,091,855	19,917	356	12,617	48,206	
Selangor	398	201,800	39,193	544	481,128	83,376	942	682,928	122,569	790	121,096	142,658	
W.Persekutuan	176	122,882	45,030	157	122,976	21,127	333	245,858	66,157	291	16,603	328,296	
Putrajaya/Cyberjaya	-	-	71	2	-	676	2	-	747	14	-	28,536	
N.Sembilan	246	108,319	2,909	136	40,689	2,369	382	149,008	5,278	123	6,872	6,371	
Melaka	197	80,639	4,606	210	67,646	24,825	407	148,285	29,431	156	6,136	6,217	
Johor	588	464,188	19,161	625	388,894	44,982	1,213	853,082	64,143	465	19,774	41,554	
Pahang	204	157,472	7,591	175	94,830	173	379	252,302	7,764	152	9,801	29,419	
Terengganu	188	638,856	3,373	55	41,337	1,571	243	680,193	4,944	119	4,508	18,278	
Kelantan	175	493,617	3,689	176	236,271	6,601	351	729,888	10,290	139	67,062	10,305	
Sabah	51	637,841	3,572	37	173,243	1,881	88	811,084	5,453	318	84,500	28,188	
Total	3,063	3,853,280	150,420	3,057	2,889,835	255,073	6,120	6,743,115	405,493	3,364	409,299	758,193	

**DISTRIBUTION**

The distribution process begins at the termination of the transmission line where distribution substations step down voltage to enable electricity to be distributed to TNB's customers.

The distribution system consists of distribution substations, overhead lines and underground cables operating at voltage levels of 33 kV and below.

Note : NBV - Net Book Value

# Property List

## Residential & Others

Nature of Functional Activity	LAND							BUILDINGS			Description		
	Leasehold			Freehold				Total Area (sq M) (RM'000)	Built-Up Area (sq M) (RM'000)	Total NBV (RM'000)			
	No.of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No.of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	Total No.of Lots (1 +4) (2+5) (3+6) (10) (11) (12) (13)						
Residential and others													
Location													
Perlis	1	1,037	329	6	50,816	1,987	7	51,853	2,316	13	6,151	6,295	Residential Houses, Apartments, Holiday Bungalows, Office Buildings, Main Store and Warehouse
Kedah	5	43,983	2,543	29	259,202	22,711	34	303,185	25,254	42	39,168	25,309	
Pulau Pinang	8	26,829	5,405	23	256,968	28,168	31	283,797	33,573	54	13,628	139,133	
Perak	37	78,110	3,124	53	1,074,710	28,544	90	1,152,820	31,668	115	134,749	65,419	
Selangor	36	33,009,908	161,887	49	1,764,430	137,897	85	34,774,338	299,784	331	80,974	1,044,809	
W.Persekutuan	3	18,757	7,189	11	79,918	74,101	14	98,675	81,290	123	136,326	148,031	
Putrajaya/Cyberjaya	-	-	-	-	-	-	-	-	-	-	-	-	
N.Sembilan	10	113,329	2,055	28	359,906	29,597	38	473,235	31,652	71	132,894	60,948	
Melaka	4	99,097	8,549	20	142,288	9,582	24	241,385	18,131	31	28,635	19,437	
Johor	23	384,439	36,860	49	773,793	22,953	72	1,158,232	59,813	119	76,373	67,709	
Pahang	23	760,444	15,938	24	67,598	7,332	47	828,042	23,270	183	76,822	158,834	
Terengganu	25	3,306,420	30,026	4	1,922	2,362	29	3,308,342	32,388	53	47,434	92,567	
Kelantan	11	229,863	7,463	22	87,845	5,822	33	317,708	13,285	54	322,636	60,197	
Sabah	5	122,369	3,177	2	59,490	10,043	7	181,859	13,220	12	33,500	19,435	
Pakistan	-	-	-	1	856,207	2,940	1	856,207	2,940	3	12,713	1,999	
Kalimantan*	-	-	-	1	578,317	2,782	1	578,317	2,782	-	-	565	
Total	191	38,194,585	284,545	322	6,413,410	386,821	513	44,607,995	671,366	1,204	1,142,003	1,910,687	

### RESIDENTIAL AND OTHERS

'Residential Property' includes staff quarters, holiday bungalows and apartments. "Others" include office buildings, main store and warehouse.

\*Land Acquired for holding overburden soil during coal mining.

Note : NBV - Net Book Value

# Proxy Form

Number of Ordinary Share(s) held	
CDS Account No.:	



I/We, \_\_\_\_\_ NRIC No./Passport No./Co.No. \_\_\_\_\_  
 (FULL NAME IN CAPITAL)

of \_\_\_\_\_ being a Member/Members of Tenaga Nasional Berhad,  
 (ADDRESS)

hereby appoint \_\_\_\_\_ NRIC No./Passport No./Co.No. \_\_\_\_\_  
 (FULL NAME IN CAPITAL)

of \_\_\_\_\_  
 (ADDRESS)

and/or failing him/her \_\_\_\_\_ NRIC No./Passport No./Co.No. \_\_\_\_\_  
 (FULL NAME IN CAPITAL)

of \_\_\_\_\_  
 (ADDRESS)

Or failing him/her, the Chairman of the Meeting, as my/our proxy, to vote for me/us, and on my/our behalf at THE SEVENTEENTH ANNUAL GENERAL MEETING of TENAGA NASIONAL BERHAD to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on Thursday, 13 December 2007, at 10.00 am and/or at any adjournment thereof.

My/Our proxy is to vote as indicate below:

			FOR	AGAINST
1.	RESOLUTION 1	To receive the Directors' Report and Audited Financial Statements for the Financial Year ended 31 August 2007		
2.	RESOLUTION 2	Declaration of Dividend		
3.	RESOLUTION 3	Payment of Directors' Fees		
4.	RESOLUTION 4	Re-election of Dato' Sri Che Khalib bin Mohamad Noh		
5.	RESOLUTION 5	Re-election of Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng		
6.	RESOLUTION 6	Re-election of Dato' Fuad bin Jaafar		
7.	RESOLUTION 7	Re-election of Mohammad Zainal bin Shaari		
8.	RESOLUTION 8	Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
	<b>SPECIAL BUSINESS</b>			
9.	RESOLUTION 9	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction (RRPT) of a Revenue or Trading Nature Entered With Persons Connected to a Major Shareholder		
10.	RESOLUTION 10	Proposed Shareholders' Mandate for RRPT of a Revenue or Trading Nature Entered With Persons Connected to a Director and a Major Shareholder		
11.	RESOLUTION 11	Issuance of Shares Pursuant to Employees' Share Option Scheme II (ESOS II)		
12.	RESOLUTION 12	Issuance of New Shares Pursuant to Section 132D, Companies Act, 1965		
13.	SPECIAL RESOLUTION 1	Proposed Amendments to the Company's Articles of Association		

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote. If no voting instruction is given, this form will be taken to authorise the proxy/proxies to vote at his/her discretion).

Dated: \_\_\_\_\_ December 2007

\_\_\_\_\_  
 Signature of Shareholder(s) or Common Seal

## NOTES:-

- Any member entitled to attend and vote at this Meeting of the Company is entitled to appoint a proxy 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 attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/proxies is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
- Pursuant to Article 105(4) of the Company's Articles of Association, a member is entitled to appoint not more than two proxies, and where a member appoints two proxies, the appointment shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 107(6) of the Company's Articles of Association.
- The instrument appointing a proxy/proxies must be deposited at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the Meeting.



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Stamp

**Symphony Share Registrars Sdn. Bhd.**  
Level 26, Menara Multi-Purpose  
Capital Square  
No.8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

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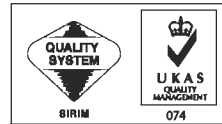
## MS ISO 9001 : 2000 certifications to Tenaga Nasional Berhad for :-

### TNB (Corporate)



MS ISO 9001:2000 REG. NO. AR 3921

### Generation Division



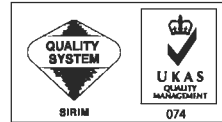
MS ISO 9001:2000 REG. NO. AR 3984

### Transmission Division



MS ISO 9001:2000 REG. NO. AR 3930

### Distribution Division



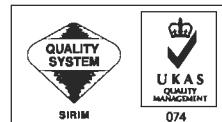
MS ISO 9001:2000 REG. NO. AR 4013

### Institut Latihan TNB-ILSAS



MS ISO 9001:2000 REG. NO. AR 3912

### TNB Engineering Corporation Sdn. Bhd.



MS ISO 9001:2000 REG. NO. AR 3983

### Bangsar Energy System Sdn. Bhd.



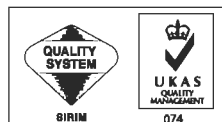
MS ISO 9001:2000 REG. NO. AR 3981

### TNB Janamanjung Sdn. Bhd.



MS ISO 9001:2000 REG. NO. AR 4025

### Universiti Tenaga Nasional



MS ISO 9001:2000 REG. NO. AR 2913

### Yayasan Tenaga Nasional



MS ISO 9001:2000 REG. NO. AR 3730

### **Tenaga Nasional Berhad Annual Report 2007 The Abridged Version**

This annual report represents an abridged version. A copy of the full publication in a digital electronic format is found in the CD enclosed. Should you require a full book in a printed format, please write to us at –

Corporate Communications Department  
5th Floor, TNB Headquarters  
Tenaga Nasional Berhad  
129, Jalan Bangsar  
59200 Kuala Lumpur  
Malaysia

Some photographs appear through the kind  
courtesy of LensaMalaysia.



**TENAGA  
NASIONAL BERHAD**

129 Jalan Bangsar 59200 Kuala Lumpur

**Tel :** 603 2296 5640

**Faks :** 603 2283 5494

**Web :** [www.tnb.com.my](http://www.tnb.com.my)

**Email :** [CoSec@tnb.com.my](mailto:CoSec@tnb.com.my)