



ANNUAL REPORT 2004



Shangri-La Hotels (Malaysia) Berhad
(10889-U)



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GROUP FINANCIAL HIGHLIGHTS

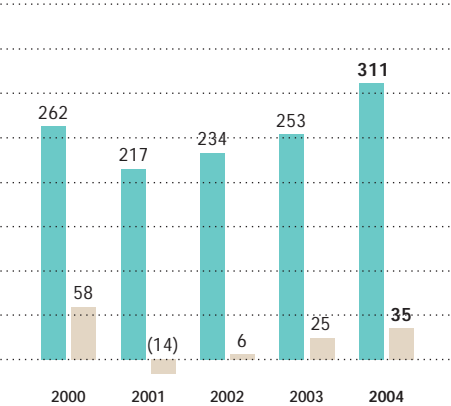
	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
RESULTS					
Revenue	311,352	253,219	233,547	217,130	262,075
Exceptional items	(16,989)	–	(3,292)	(36,049)	6,264
Profit/(Loss) before tax	35,046	24,710	5,769	(14,348)	58,255
Profit/(Loss) attributable to shareholders	30,941	16,472	3,269	(21,819)	39,916
Dividend-net	23,760	20,592	19,008	19,008	25,608
KEY BALANCE SHEET DATA					
Issued capital	440,000	440,000	440,000	440,000	440,000
Total assets employed	1,509,010	1,556,079	1,521,610	1,306,625	1,122,208
Shareholders' funds	1,113,205	1,136,056	1,138,592	1,196,737	988,264
Net tangible assets	1,113,205	1,136,056	1,138,592	1,196,737	988,264
PER SHARE DATA					
Net earnings/(loss) per share (sen)	7.03	3.74	0.74	(4.96)	9.07
Net tangible assets (RM)	2.53	2.58	2.59	2.72	2.25
Dividend-gross (sen)	7.5	6.5	6.0	6.0	7.5
FINANCIAL RATIOS					
Return on shareholders' funds (%)	2.8	1.4	0.3	(2.0)	4.1
Return on total assets (%)	2.1	1.1	0.2	(1.8)	3.5
Net borrowings to shareholders' funds (%)	15.6	17.1	15.0	–	–

NOTES

1. Exceptional items in 2004 of RM16.989 million relates to certain assets written off and retrenchment costs arising from the cessation of business and closure of Rasa Sayang Resort for a major redevelopment and repositioning exercise.
2. Shareholders' funds decreased by 2% from RM1,136 million to RM1,113 million as at 31 December 2004 primarily due to the exceptional items of RM16.989 million and impairment of assets of RM33.200 million charged directly to reserves in relation to the closure of Rasa Sayang. Consequently, net tangible assets per share reduced from RM2.58 at end 2003 to RM2.53 as at 31 December 2004.
3. Dividends of RM23.760 million for the financial year ended 31 December 2004 consist of (a) the interim dividend of 3% per share less tax at 28% paid on 17 November 2004 amounting to RM9.504 million and (b) the proposed final dividend of 4.5% per share less tax at 28% amounting to RM14.256 million. The proposed final dividend of 4.5% per share less tax at 28% for the financial year ended 2004 is subject to approval at the Annual General Meeting of the Company to be held on 19 May 2005.

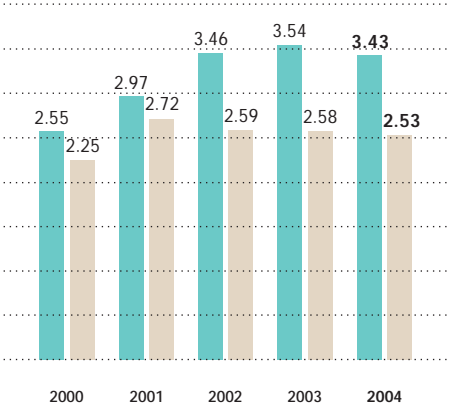
GROUP FINANCIAL HIGHLIGHTS

REVENUE & PROFIT/(LOSS) BEFORE TAX



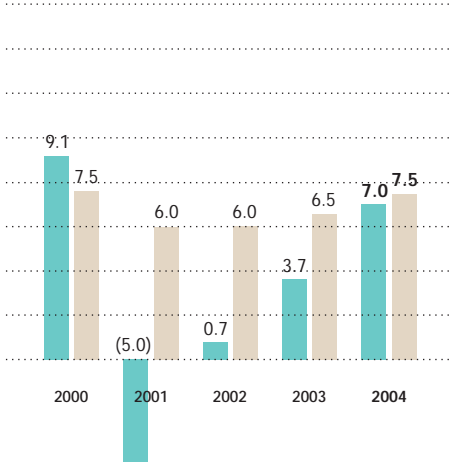
■ Revenue (RM'Million)
■ Profit / (Loss) Before Tax (RM'Million)

TOTAL ASSETS EMPLOYED PER SHARE & NET TANGIBLE ASSETS PER SHARE



■ Total Assets Employed Per Share (RM)
■ Net Tangible Assets Per Share (RM)

EARNINGS/(LOSS) PER SHARE & DIVIDEND PER SHARE



■ Earnings / (Loss) Per Share (sen)
■ Dividend Per Share (sen)

REVENUE BY SEGMENT

CITY HOTELS



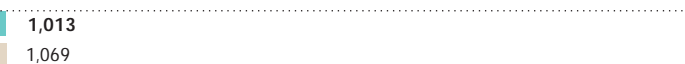
RESORTS & GOLF COURSE



COMMERCIAL & RESIDENTIAL



OTHERS



■ 2004 : Total 311,352 (RM'000)
■ 2003 : Total 253,219 (RM'000)

REVENUE OF HOTELS & RESORTS BY DEPARTMENTS

ROOMS



FOOD & BEVERAGE



OTHERS



■ 2004 : Total 293,769 (RM'000)
■ 2003 : Total 235,488 (RM'000)

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

THE COMPANY HAS DELIVERED A BETTER PERFORMANCE IN 2004, REFLECTING STRONGER RESULTS FROM OUR HOTEL OPERATIONS. AN IMPROVED TRADING ENVIRONMENT AIDED BY A SHARP RECOVERY IN GLOBAL TRAVEL ENABLED OUR HOTELS AND RESORTS TO ACHIEVE SIGNIFICANT GROWTH IN OCCUPANCY LEVELS. AT THE SAME TIME, A REDUCED TAX CHARGE DUE TO THE AVAILABILITY OF TAX INCENTIVES IN CERTAIN SUBSIDIARIES AND THE REVERSAL OF TAX PROVISIONS MADE IN PRIOR YEARS ALSO HAD A POSITIVE EFFECT ON THE OVERALL RESULTS FOR 2004.



GROUP RESULTS

For the twelve months to 31 December 2004, the Group recorded revenues of RM311.352 million, an increase of RM58.133 million or 23% over the previous year. Group profit before tax and exceptional items consequently rose by more than 110% to RM52.035 million from RM24.710 million in 2003.

Exceptional items for 2004 taken to the Group's income statement amounted to a net charge of RM16.989 million. This pertains to certain asset write-offs and retrenchment costs arising from the cessation of business and closure of Rasa Sayang Resort from 1 December 2004 for a major redevelopment and repositioning exercise.

After taking into account the exceptional items, the Group made a profit before tax of RM35.046 million, 42% higher than RM24.710 million in 2003. The Group's profit after tax attributable to shareholders was RM30.941 million, an increase of 88% compared with RM16.472 million in the previous year. Earnings per share after exceptional items for the year rose to 7.03 sen from 3.74 sen in 2003.

Shareholders' funds at 31 December 2004 were RM1,113 million, a decrease of 2% from RM1,136 million at the end of 2003. This primarily reflected the exceptional items recorded in 2004, as well as asset impairments of RM33.200 million associated with Rasa Sayang's closure, which has been charged directly to reserves. In tandem, net tangible assets per share reduced to RM2.53 at 31 December 2004 from RM2.58 at year-end 2003.

The Group's net debt amounted to RM173.686 million at end 2004, down from RM194.041 million at the end of the previous year. Net debt of RM173.686 million represented about 16% of shareholders' funds at 31 December 2004.

DIVIDENDS

On account of the improved results, your Board has proposed a final dividend of 4.5% less tax at 28% which, when added to the interim dividend of 3.0% less tax at 28% paid last November, brings the total dividend for the financial year 2004 to 7.5% less tax at 28%. This compares to the total dividend paid of 6.5% less tax at 28% for the financial year 2003, an increase of 1%. The final dividend will be payable on 20 June 2005, subject to approval at the Annual General Meeting to be held on 19 May 2005.

PERFORMANCE REVIEW

Shangri-La Hotel Kuala Lumpur produced a year of strong performance, underscoring the increasing benefits of the significant investments made in recent years to extensively improve its product offering. Good growth in business volumes in both rooms and food and beverage operations resulted in a 20% rise in total revenues to RM126.795 million. The hotel's pre-tax profit for 2004 at RM26.638 million was substantially higher compared with RM14.746 million in the prior year. Occupancy at the hotel reached 74% against 65% in 2003, and the average room rate was 5% ahead of last year.

CHAIRMAN'S STATEMENT

In Sabah, Rasa Ria Resort performed exceptionally well and achieved significant increases in both occupancy and room rates. The resort took full advantage of buoyant leisure demand to record a higher occupancy of 79% versus 64% in 2003, with average room rate rising strongly by 25%. Total revenues of RM44.431 million for 2004, represented a 48% increase over 2003, whilst pre-tax profit at RM9.774 million exceeded last year by 146%.

There were also improved results from Golden Sands Resort in Penang, helped by the resurgence in visitor arrivals from key regional and long haul markets. The resort increased its occupancy to 79% from 58% in 2003, with total revenues up 43% to RM41.133 million. At Rasa Sayang Resort, occupancy averaged 59% for the eleven-month period from January to November 2004. The operating results for Rasa Sayang reflected only eleven months of operations as it ceased business operations and closed from 1 December 2004 to enable a major redevelopment of the resort to be implemented.

Elsewhere, Shangri-La Hotel Penang also turned in an encouraging performance attributable to a healthy rebound in business travel and the continued benefits of its improved room product. Total revenues at the hotel went up by 22% to RM29.682 million and a pre-tax profit of RM2.853 million was achieved for 2004, 189% higher than in 2003. Occupancy rose to 70% from 55% in 2003, while the average room rate increased by 4%.

Performance by the Group's investment properties in Kuala Lumpur was less satisfactory indicating continued sluggish trading conditions in the property rental market. The total combined profit contribution from UBN Tower and UBN Apartments showed a small increase of 2% over the previous year to RM7.709 million in 2004.

For the year under review, our share of losses in associated companies reduced to RM0.842 million from RM1.834 million in 2003 because of higher contribution from Johdaya Karya Sdn Bhd and lower losses incurred by Traders Hotel Yangon.

CHAIRMAN'S STATEMENT

INITIATIVES AND DEVELOPMENT

In the course of 2004, we have continued to enhance the quality of our existing hotel properties through ongoing capital improvement programmes and investments in product and technology innovations. This has been accompanied by our continuing commitment to maintaining and improving the high standards of our service levels so as to drive increased customer satisfaction and loyalty.

We completed the refurbishment of a total of 116 guestrooms at Rasa Ria Resort in 2004, and have also added a new Spa facility to enhance the overall appeal of the resort. Work has recently started on the second and final phase of the refurbishment programme for the remaining 214 guestrooms, with completion planned by mid-July 2005.

In order to capitalise on strengthening demand, we decided to push ahead with the upgrading of the remaining 180 guestrooms on the lower five floors at Shangri-La Hotel Penang, which will take place between May and July 2005. Meanwhile, the hotel's coffee shop reopened for business with a brand new look in early February 2005 after undergoing a complete renovation.

To meet the needs and expectations of customers, particularly for business travellers, we have also substantially completed the installation of wireless internet capability in meeting rooms and public areas, as well as high-speed wired internet access in the guestrooms at our hotels and resorts.

Several significant projects to revamp and refresh certain facilities at Shangri-La Hotel Kuala Lumpur and Rasa Ria Resort will be undertaken in the current year, including enhancements to existing critical IT systems for greater integration and efficiency.

During the year, we effectively leveraged on our strong marketing and sales platform to capture increased business from both the corporate and leisure travel sectors. At the same time, our hotels and resorts also made considerable headway in important emerging markets, particularly China through more aggressive marketing activities and wider sales representations.

With increasing levels of business activity, we are taking every opportunity to maximise profitability by maintaining a tighter control over operating costs, improving operational efficiencies across the Group's businesses, wherever possible, whilst keeping capital expenditure spending under close review.

Just as importantly, we are also paying particular attention on human resource management in order to achieve higher levels of performance and service efficiency. Over the year, a wide range of training and development programmes was implemented across all areas of operations designed to harness and develop the skills, energy and leadership capabilities of our employees. Their wellbeing remains a key priority and we continually seek new ways at further promoting their health, safety and welfare.

CHAIRMAN'S STATEMENT

In late September 2004, we announced our plans for the major redevelopment of Rasa Sayang Resort. Having undertaken a detailed strategic review of the business operations of this 32-year old resort, your Board, concluded that it is necessary to redevelop and reposition the entire operations of the resort to ensure and secure its long-term survival. We firmly believe that this major undertaking will provide the resort with a solid basis for future growth.

In order to facilitate the extensive and heavy structural and construction works, including demolition of certain parts of the existing building, it was decided that the resort should cease business operations and close during the entire period of redevelopment. Accordingly, the resort was closed from 1 December 2004 for an anticipated period of about 18 to 24 months.

Regrettably, the closure necessitated the unavoidable retrenchment of our long serving employees. In relation to this, we have amicably resolved the retrenchment settlement for the employees affected covering both management and Unionised staff, and also extended as much support and help in so far as we possibly could to assist them.

The costs associated with the closure of the resort have been reflected in the 2004 financial statements. We are hopeful of receiving planning permission for the redevelopment shortly and expect to make a start on site by end April 2005, with completion scheduled sometime in the second half of 2006. The total cost to redevelop the resort is estimated at around RM70 million and the plans are described in more detail in the Operations Review.

We were deeply saddened by the Tsunami disaster that ravaged the shores of this part of the world on 26 December 2004. We were very fortunate that our beach resorts at Batu Feringgi in Penang escaped unscathed. In addition to the fund-raising drive initiated by our hotels and resorts, as well as individual contributions from our employees, the Company also made a cash donation of RM200,000 to the Mercy Humanitarian Fund in aid of the victims of the Tsunami catastrophe.

CORPORATE HIGHLIGHTS

On 31 May 2004, we entered into a Conditional Sale and Purchase Agreement for the sale of the Group's entire 30% equity interest comprising 16,200,000 ordinary shares of RM1.00 each fully paid-up in Johdaya Karya Sdn Bhd to Reco City Square JB Sdn Bhd, a nominee of the Government of Singapore Investment Corporation for a total cash consideration of RM39.366 million or RM2.43 per share. The transaction is still pending regulatory approval and is expected to be completed sometime in the second quarter of 2005.

CHAIRMAN'S STATEMENT

OUTLOOK

Prospects for the hotel and travel industry remain positive for 2005, underpinned by continued economic recovery. At the same time, with improving business sentiment and increasing levels of economic activity, we also hope to see a gradual improvement in the property rental market in Kuala Lumpur.

The Group's results for 2005 will reflect the loss of revenue and profit contribution from Rasa Sayang Resort in view of its closure for major redevelopment. Nevertheless, our other hotels and resorts should continue to produce good performances in 2005 as they are well positioned to benefit strongly from the expected continuing growth in business and leisure travel.

All in all, we are determined to deliver further progress in 2005. To this end, we will stay focused and continue to build on our strong market presence by strengthening our sales efforts, driving cost efficiencies, while at the same time progressing our ongoing enhancement projects to ensure that our hotel properties are at the forefront of the industry.

THE BOARD

There have been several changes to the composition of the Board since the previous Annual Report to shareholders.

In June 2004, Dato' Annuar Senawi stepped down from the Board, while Tan Sri Datuk Asmat Kamaludin and Encik Faisal Ismail resigned in September 2004 and February 2005 respectively. We take this

opportunity to record our thanks and appreciation to them for their significant contributions to the Group, and wish them every success.

At the same time, we are pleased to welcome Tan Sri A. Razak Ramli, Datuk Supperamaniam Manickam and Encik Harun Halim Rasip as non-executive directors on to our Board. Tan Sri Razak joined our Board in November 2004, whilst Datuk Supperamaniam and Encik Harun were appointed in January 2005 and February 2005 respectively.

SPECIAL THANKS

On behalf of the Board and shareholders, I would like to offer my sincere thanks to all our employees for their tremendous efforts and strong contributions to our achievements and performance in 2004. Their tireless commitment, loyalty and hard work will be the driving force behind our continued success. Once again, I also want to thank my Board colleagues for their leadership and valuable support over the past year.

Furthermore, we must thank you, our shareholders for your continuing support and confidence in us.

TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN

CHAIRMAN

8 April 2005



Speciality Suite, Shangri-La Hotel Kuala Lumpur



The Islander, Shangri-La Hotel Penang

Shangri-La Hotel Kuala Lumpur produced a strong set of operating results for 2004. Total revenues for the year were up 20% to RM126.795 million, while pre-tax profit rose to RM26.638 million compared with RM14.746 million in 2003. These results reflected a stronger business climate in 2004, and further underscored the strength of the hotel's product offering, which has undergone substantial renovations in recent years. The hotel has firmly established itself as one of the leading luxury hotels in Kuala Lumpur and realised significant market share gains during 2004.

Higher levels of demand boosted the hotel's occupancy to 74% for the year, and the average room rate has risen by 5% over 2003. As a consequence, the hotel's total room revenues improved by 21% to RM54.086 million from RM44.830 million in 2003.

During the course of 2004, a strong marketing programme enabled the hotel to generate significant business volumes in the corporate group and corporate individual segments from its major markets of UK, Japan and Singapore. This was supported by good growth in the incentive travel markets, as well as increased corporate business from China, which is showing great potential for the hotel. In addition, the hotel successfully captured an increasing share of the higher-yield corporate business for its Horizon Club guestrooms on five dedicated floors through focused marketing efforts. At the same time, the hotel also did well in the leisure group segment benefiting from a strong surge in demand from Australia and the Middle East.

Likewise, the hotel's food and beverage operations performed strongly in 2004, consolidating its position as a market leader. Revenues from food and beverage amounted to RM64.292 million, 21% above that achieved in 2003, and operating margins have also improved considerably due to continued cost efficiencies.

The hotel's food and beverage outlets continued to enjoy high levels of patronage from both hotel guests and the local community. More particularly, *Lemon Garden Café*, *Lobby Lounge* and *Shang Palace* showed a marked increase in covers and average checks. Additionally, the hotel's banqueting and catering facilities made solid progress during the year driven by increased corporate functions, conventions and social events, together with stronger wedding business.

OPERATIONS REVIEW CITY HOTELS



Lafite, Shangri-La Hotel Kuala Lumpur



Lemon Garden 2Go, Shangri-La Hotel Kuala Lumpur

To maintain growth and market leadership, the hotel's ballroom and function rooms including pre-function areas will be undergoing a RM3 million comprehensive refurbishment programme in the third quarter of 2005. Plans for 2005 also include the upgrading of the hotel's outlet, *The Pub* to bring it more in line with the other renovated food and beverage outlets.

During 2004, the hotel received an array of significant awards and accolades for its high quality of products and services, and excellence in dining. Among others, Global Finance (USA) magazine recognised the hotel for the third consecutive year as the *Best Hotel in Kuala Lumpur for 2004*. The hotel was also voted the *Best Business Hotel in Kuala Lumpur for 2004* by readers of Business Traveller (Asia Pacific) magazine for the second year in the row. In addition, Condé Nast Traveler (USA) Readers Choice Awards ranked the hotel number eleven in the *Top 50 Asia Hotels for 2004* and number seventy-five in the *Best of the Best Hotels Worldwide*. At the same time, Condé Nast Traveler (USA) magazine named the hotel to its prestigious *Gold List for 2005* and the *Gold List Best By Food Category for 2005*.

The hotel should see further good progress in 2005 as it is well placed to capitalise on the continuing upward trend in business travel. It will continue to focus on initiatives to accelerate revenue growth, improve yields and market share, as well as to further enhance its service standards and overall operational efficiency. The hotel market in Kuala Lumpur has nevertheless seen an increased level of competitor activity with the entry of two new luxury hotels in the third quarter of 2004.

In Penang, results of Shangri-La Hotel Penang were considerably better against 2003. This was attributable to a significant rebound in business travel buoyed by the more positive economic environment coupled with the continued benefits of its renovated guestrooms and Club floors.

OPERATIONS REVIEW CITY HOTELS



Cinnamon, Shangri-La Hotel Kuala Lumpur



Lemon Garden Café, Shangri-La Hotel Kuala Lumpur

Overall, the hotel achieved total revenues of RM29.682 million, an improvement of 22% on 2003, and ended 2004 with a pre-tax profit of RM2.853 million compared with RM0.987 million in the prior year.

In 2004, the hotel benefited from a strong pick up in business arrivals from Japan and the USA, where the number of room nights sold have risen markedly over 2003. At the same time, the hotel also experienced robust corporate demand from the domestic market and Singapore for most of the year. Aggressive marketing activities targeted at selected market segments also enabled the hotel to strengthen its base of high-end corporate accounts for its guestrooms on the Horizon Club floors. Additionally, the hotel also registered a healthy growth in business from the aircrew sector, as well as in the leisure sector mainly from the short haul leisure market of Indonesia.

Occupancy at the hotel for the year increased to 70%, up from 55% in 2003, while the average room rate grew steadily by 4% in a highly competitive market. The hotel's total room revenues for 2004 at

RM16.875 million represented a growth of 35% compared to the previous year. A programme to fully refurbish the remaining 180 guestrooms on the lower five floors of the hotel will commence in May 2005 with completion due by end July 2005. This initiative will enable the hotel to further enhance its competitive standing in the market.

Revenues from the hotel's food and beverage department also rose with higher occupancy and improved local market sentiment. Revenues for 2004 totalled RM11.258 million, 8% better than in 2003 driven primarily by increased levels of business in its food and beverage outlets. The coffee shop at the hotel was completely upgraded and successfully relaunched in early February 2005 as *The Islander* with very favourable response from both the local community and hotel guests.

The hotel should be able to continue to deliver a satisfactory performance in 2005, given the improving demand outlook and also due to its renovated room product. The continuing enhancement programme for its remaining guestrooms will also add further opportunities for growth in 2005.



Deluxe Guestroom, Rasa Ria Resort



Executive Suite, Rasa Ria Resort

During 2004, Golden Sands Resort experienced a recovery in demand from its key regional and long haul leisure markets following lacklustre trading conditions in 2003 due to the adverse effects of the Iraq conflict, the outbreak of SARS and overall economic uncertainties. Encouragingly, the resort has seen a marked return in leisure arrivals from its major markets of UK, Australia, Japan and the Middle East, where intensive sales and marketing activities have generated positive results.

Room occupancy at the resort climbed from 58% in 2003 to 79%, with the average room rate up slightly. Total room revenues improved by 41% over that of 2003 to RM24.366 million. In line with increased occupancy, its food and beverage operations also enjoyed higher food covers despite greater competition in the surrounding area. Overall, total revenues from the resort's operations grew by 43% to RM41.133 million and a pre-tax profit of RM9.561 million was recorded for 2004 compared with RM2.980 million in 2003.

The Tsunami disaster, which occurred at the end of December 2004, has had some impact on the occupancy levels at the resort. Although there was no physical damage to the property, the resort experienced a number of cancellations and softer demand particularly in the month of January 2005. The pace of room bookings has, nevertheless re-gained momentum from end-February. Marketing programmes are being stepped up in the current year to further capitalise on the continuing revival of long haul and regional leisure travel and at the same time, key strategic actions are in place to maximise yield and drive higher room rates.

Rasa Sayang Resort, on the other hand registered an average occupancy of 59% and produced total revenues of RM51.728 million for the eleven months to 30 November 2004. The resort ceased business operations and closed from 1 December 2004 to allow for a major redevelopment and repositioning exercise to be carried out over a period of approximately 18 to 24 months in order to secure its long-term survival.

The resort was built more than 32 years ago and its physical structure and supporting facilities have aged and become less competitive in comparison with other hotels, both domestically and in the region. In recent years, the resort has also been experiencing stiff competition from other domestic and regional destinations, in particular Bali, Phuket, Langkawi and Sabah. These destinations are offering newer resorts with differentiated and up-to-date products and facilities. Additionally, there is also an urgent need to realign its products, facilities and services to successfully meet the changing needs and expectations of contemporary leisure travellers.

OPERATIONS REVIEW RESORTS



Sampan Bar, Rasa Ria Resort

The nature and scale of the redevelopment works to be undertaken by the resort will be major and extensive. It would involve heavy construction and structural works, including demolition of certain parts of the existing building, and thereby necessitating the total closure of the resort over the entire duration of the redevelopment period.

The redevelopment programme will entail a reduction of its room inventory from 512 rooms to about 300 rooms. A large number of the rooms and suites at the resort will be larger in size with a modern concept and of a premier quality. New Club floors with dedicated lounge facilities will also be introduced on selected floors. The resort will also feature an elegant new lobby, upscale food and beverage outlets with innovative dining concepts, a luxurious Spa, as well as a fully equipped health club. In addition, the ballroom and meeting rooms at the resort will be completely upgraded with state-of-the-art facilities. Further, the public areas and swimming pools at the resort will also be redesigned, including extensive re-landscaping to its grounds and gardens.

Development and building design plans are well advanced, and demolition and construction works are due to commence on site before end April 2005. The total redevelopment cost is estimated at RM70 million, and completion of the project is targeted during the second half of 2006.

Its major redevelopment marks an important milestone for Rasa Sayang and will reposition it among the top luxury resort destinations in the region. More importantly, this substantial project is expected to considerably enhance Rasa Sayang's long-term market position and provide the resort with a strong platform for future growth.

In Sabah, Rasa Ria Resort made excellent progress in 2004 with a 48% growth in total revenues to RM44.431 million and a 146% increase in pre-tax profit to RM9.774 million, all ahead of expectations.

As a whole, the hotel and tourism industry in Sabah enjoyed a robust year. This was mainly attributable to improved air accessibility, with additional direct and charter flights from the regional destinations of Japan, China and Korea, as well as increased frequencies in domestic flights. At the same time, the local hotel market also experienced continued strong recovery in long haul leisure arrivals especially from the UK and Europe.

OPERATIONS REVIEW RESORTS



Naan, Rasa Ria Resort

Buoyant demand throughout most of 2004 enabled the resort to grow its occupancy to 79% from 64% in 2003. Specifically, extensive marketing activity produced a substantial growth in room nights from the leisure travel markets of Australia, Japan and the UK, and also drove a healthy increase in business from the emerging market of China. Furthermore, the newly refurbished rooms, which became available from mid-July 2004 onwards, have been able to command significantly higher room rates. This, coupled with strengthening demand resulted in a strong rise in its average room rate, up 25% compared with 2003. Consequently, rooms revenue for the year amounted to RM20.234 million against RM12.968 million in 2003, an increase of 56%.

Similarly, the resort's food and beverage operations showed solid growth during the year bolstered by higher occupancy levels. Total revenues rose 38% to RM17.138 million with profits advancing by 48% over 2003 to RM6.884 million, reflecting increased efficiencies and tighter cost control. All the food and beverage outlets at the resort saw substantial improvements in business volumes, whilst revenue from its banqueting and catering facilities benefited from increased meetings and corporate functions.

In December 2004, the resort completed refurbishing 116 guestrooms under the first phase of a two-phased soft refurbishment programme for all the guestrooms at the resort. The remaining phase covering 214 guestrooms is now under way, with completion due in mid-July 2005. When fully completed, the improved room product will significantly boost the resort's competitiveness and enhance its ability to further increase room rates as the market continues to improve. Also in December, the resort introduced a new Spa facility with seven treatment rooms and a retail beauty shop in order to broaden and strengthen its product offering. This has met with very encouraging response from both hotel guests as well as the local residents.

During 2005, significant enhancements will be made to the resort's nature centre recreation facility and its outdoor dining outlet. In addition, the resort will also offer a wedding pavilion to capitalise on the growing wedding markets particularly from the UK, Australia and Japan. Going forward, the focus for the resort remains on capturing greater market share, increasing profitability in all areas of the business, and improving the customer experience and service.





The performance of the Group's investment properties in Kuala Lumpur was only marginally better than that of 2003. For the year under review, the total combined pre-tax profit from UBN Tower and UBN Apartments registered a modest increase of 2% to RM7.709 million from RM7.581 million earned in 2003. This improvement came from higher profit contribution from the operations of UBN Apartments mainly as a result of stronger occupancy levels.

Trading conditions in the office sector of the property rental market in Kuala Lumpur remained relatively subdued throughout the course of 2004, as the existing large oversupply of office space continued to exert tremendous downward pressure on both occupancy levels and rental rates. Notwithstanding the healthy rebound in economic activity and improved business confidence, the level of leasing enquiries was generally weak with limited new demand for prime office space. In addition, companies continued to rationalise their operations and either sought to reduce their office space requirements or opt for cheaper locations. This situation led to fierce competition in the market as landlords competed aggressively to retain existing tenants and secure new tenants by offering attractive leasing packages and incentives.

Against this backdrop, the average occupancy rate for UBN Tower decreased from 45% in the previous year to 43%, whilst the average rental rate has held up well.

UBN Apartments, on the other hand, fared better owing to increased levels of demand from new expatriate arrivals from multinational corporations in the telecommunications, oil & gas and industrial sectors. However, rental rates continued to be soft because of keen price competition brought on by new supply of high-end apartments, which entered the market during the year. Through strong marketing efforts, UBN Apartments was able to improve the average occupancy rate for its owned units to 71% compared with 58% in 2003. As a consequence, total rental revenues from UBN Apartments amounted to RM1.698 million for 2004, up 22% from 2003 levels.

During 2004, continued strong emphasis was placed on the upkeep and maintenance of the two properties to ensure they remain in good condition, as well as to further enhance the security within the buildings and the standards of service for the tenants. Importantly, aggressive marketing strategies are in hand to retain existing tenants, and also to attract new prospective commercial and residential tenants.

CORPORATE STRUCTURE

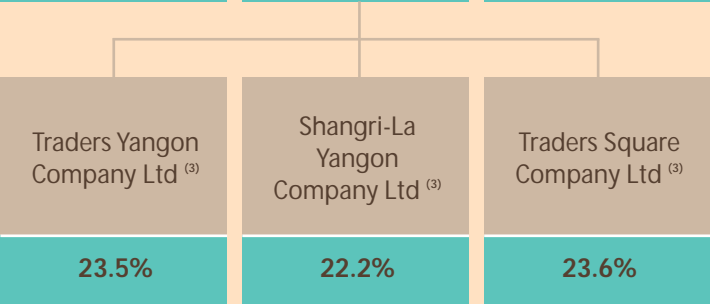
SHANGRI-LA HOTELS (MALAYSIA) BERHAD

HOTELS, RESORTS & GOLF COURSE

Shangri-La Hotel (KL) Sdn Bhd	Golden Sands Beach Resort Sdn Bhd	Palm Beach Hotel Sdn Bhd	Pantai Dalit Beach Resort Sdn Bhd	Dalit Bay Golf & Country Club Berhad ⁽¹⁾	Komtar Hotel Sdn Bhd
100%	100%	100%	75%	75%	60%

INVESTMENT HOLDING & OTHERS

Pantai Emas Sdn Bhd	Madarac Corporation ⁽²⁾	Wisegain Sdn Bhd	Hasil-Usaha Sdn Bhd	Pantai Dalit Development Sdn Bhd ⁽¹⁾	Johdaya Karya Sdn Bhd
100%	100%	100%	100%	75%	30%



COMMERCIAL & RESIDENTIAL PROPERTIES

UBN Tower Sdn Bhd	UBN Holdings Sdn Bhd
100%	100%

⁽¹⁾ Held via Pantai Dalit Beach Resort Sdn Bhd
⁽²⁾ Incorporated in British Virgin Islands
⁽³⁾ Incorporated in Union of Myanmar

2004

21

MAY

Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2004

23

AUGUST

Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2004

27

OCTOBER

2004 Interim Dividend Entitlement Date

9

NOVEMBER

Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2004

17

NOVEMBER

2004 Interim Dividend Payment Date

31

DECEMBER

Financial Year End

2005

18

FEBRUARY

Announcement of Audited Consolidated Results for the 4th Quarter and Financial year ended 31.12.2004

27

APRIL

Issue of 2004 Annual Report

19

MAY

2005 Annual General Meeting to be held

30

MAY

Entitlement Date for the proposed 2004 Final Dividend

20

JUNE

Payment Date for the proposed 2004 Final Dividend

CORPORATE DATA

BOARD OF DIRECTORS

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman* CHAIRMAN

Kuok Oon Kwong MANAGING DIRECTOR

Rozina Mohd Amin EXECUTIVE DIRECTOR

Tan Sri A. Razak bin Ramli

Harun bin Halim Rasip

Dato' Seri Ismail Farouk Abdullah*

Kuok Khoon Ho

Tan Sri Dato' Mohd Amin bin Osman

Mohamad Abdul Halim bin Ahmad

Datuk Supperamaniam a/l Manickam*

Dato' Dr Tan Tat Wai*

* INDEPENDENT NON-EXECUTIVE DIRECTORS

AUDIT COMMITTEE

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman CHAIRMAN

Dato' Seri Ismail Farouk Abdullah

Mohamad Abdul Halim bin Ahmad

POLICY IMPLEMENTATION COMMITTEE – HOTELS & RESORTS

Kuok Oon Kwong CHAIRMAN

Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman CHAIRMAN

Kuok Khoon Ho

Dato' Dr Tan Tat Wai

COMPANY SECRETARY

Rozina Mohd Amin

REGISTERED OFFICE

13th Floor, UBN Tower

10 Jalan P. Ramlee

50250 Kuala Lumpur

Tel (+60-3) 2026 1018

Fax (+60-3) 2026 1068

E-Mail shmb@po.jaring.my

AUDITORS

KPMG

Wisma KPMG, Jalan Dungun

Damansara Heights

50490 Kuala Lumpur

SOLICITORS

Kadir, Andri & Partners

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

RHB Bank Berhad

SHARE REGISTRAR

PPB Corporate Services Sdn Bhd

14th Floor, Wisma Jerneh

38 Jalan Sultan Ismail

50250 Kuala Lumpur

Tel (+60-3) 2141 2077

Fax (+60-3) 2141 8242

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

PROFILE OF BOARD OF DIRECTORS

TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN

BOARD CHAIRMAN

Malaysian, Independent Non-Executive Director

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman was appointed to the Board of Shangri-La Hotels (Malaysia) Berhad ("SHMB") on 3 December 1992 and became Board Chairman of SHMB on 27 May 1995. He is also currently Chairman of the Audit Committee and the Nomination & Remuneration Committee. Tan Sri Dato' Wan Sidek holds a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He has vast experience in the civil service where he held several senior posts such as Secretary General of the Ministry of Science, Technology & Environment (1981–1982), Secretary General of the Ministry of Information (1982–1986), Deputy Secretary General in the Prime Minister's Department (1986–1988) and Secretary General in the Ministry of Home Affairs Malaysia (1988–1990). Between 1990 and 1993, he served as High Commissioner for Malaysia to the United Kingdom and Ambassador for Malaysia to the Republic of Ireland.

He is also a board member of a number of public listed companies namely Resorts World Berhad, Eng Teknologi Holdings Berhad, Olympia Industries Berhad and I-Power Berhad.

Tan Sri Dato' Wan Sidek has no family relationship with any Director and/or major shareholder of SHMB and has no conflict of interest with SHMB. He has no convictions for any offences within the past ten years. He attended all six Board meetings held in 2004. Age 68.

KUOK OON KWONG

MANAGING DIRECTOR

Singaporean, Non-Independent Executive Director

Madam Kuok Oon Kwong was appointed Managing Director on 16 November 1998 and has been an Executive Director of the Company since 14 November 1996. In her capacity as Managing Director, she has overall responsibility for the Group's business operations and development. She also sits on the board of all the major subsidiaries in the SHMB Group and is the Chairman of the Policy Implementation Committee, which oversees the Group's hotel operations.

Madam Kuok joined Shangri-La Hotel Limited, Singapore in 1986 where she gained extensive practical and business experience in hotel operations through her various senior management positions. She is also Executive Chairman of Shangri-La Hotel Limited, Singapore, Managing Director of Shangri-La Hotel Public Company Limited, Thailand and a non-executive Director of Shangri-La Asia Limited, Hong Kong. Madam Kuok is an Advocate and Solicitor (Barrister-at-Law) of Gray's Inn, London.

Her brother, Mr Kuok Khoon Ho is also a member of the Board. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all six Board meetings held in 2004. Age 58.

PROFILE OF BOARD OF DIRECTORS

ROZINA MOHD AMIN

EXECUTIVE DIRECTOR

Malaysian, Non-Independent Executive Director

Puan Rozina Mohd Amin was appointed as an Executive Director of SHMB on 1 June 1998. She sits on the board of a number of companies in the SHMB Group and has also been a member of the Policy Implementation Committee since 1996. She has been with the Group for more than twenty years and has held various senior corporate positions within the Group before her present appointment as Executive Director. Puan Rozina is also Group Company Secretary, a position which she has held since August 1991, and oversees the Group's corporate finance, legal and company secretarial functions. She is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators.

Her father, Tan Sri Dato' Mohd Amin bin Osman is also a member of the Board. She does not have any family relationship with any major shareholder of SHMB. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all six Board meetings held in 2004. Age 45.

TAN SRI A. RAZAK BIN RAMLI

Malaysian, Non-Independent Non-Executive Director

Tan Sri A. Razak bin Ramli was appointed to the Board on 1 November 2004. He holds a Bachelor of Arts (Honours) degree in Public Administration from the University of Tasmania, Australia and has a diploma in Gestion Publique from Institut International d'Administration Publique, Paris, France. He has served in various Ministries including the Public Services Department and Economic Planning Unit in the Prime Minister's Department and the Ministry of International Trade and Industry (MITI). Tan Sri A. Razak was Chairman of APEC Senior Officials when Malaysia hosted APEC, and held various positions in MITI including Deputy Secretary General (Industry), Deputy Secretary General (Trade) and retired as the Secretary General of MITI. He was also actively involved as MITI's representative in several government agencies such as MIDA and MATRADE. He also sits on the boards of Lafarge Malayan Cement Berhad and Ann Joo Resources Berhad.

Tan Sri A. Razak has no family relationship with any Director and/or major shareholder of SHMB and has no conflict of interest with SHMB. He has no convictions for any offences within the past ten years. Since his appointment in November 2004, he attended the last two Board meetings held in 2004. Age 56.

HARUN BIN HALIM RASIP

Malaysian, Non-Independent Non-Executive Director

Encik Harun bin Halim Rasip was appointed to the Board on 1 February 2005. He graduated from the University of Western Australia with a Bachelor of Commerce Degree (Accounting). He then articulated with Price Waterhouse in Perth, Australia for admission to the Australian Institute of Chartered Accountants and later returned to join Price Waterhouse in Kuala Lumpur. He is also a member of the Malaysian Institute of Accountants. He is currently the Chairman and Co-Chief Executive of Integrax Berhad and Chairman of Landmarks Berhad, both of which are listed on the Main Board of Bursa Malaysia Securities Berhad. He is also an Executive Committee member of the Federation of Public Listed Companies Berhad (FPLC) and sits on its Technical & Regulatory Committee and Accounting Standard Sub-Committee.

Encik Harun does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. Age 51.

PROFILE OF BOARD OF DIRECTORS

DATO' SERI ISMAIL FAROUK ABDULLAH

Malaysian, Independent Non-Executive Director

Dato' Seri Ismail Farouk Abdullah was appointed to the Board on 23 June 1979. He is also a member of the Audit Committee. He holds a degree in Hotel Management from L'Ecole Hoteliere, Lausanne, Switzerland. His experience in the hospitality industry spans over twenty years both in Europe and Asia. He is actively involved in the development and management of hotels and resorts, travel and leisure, property development, manufacturing and education. He is currently the Chairman of The KAB Group of Companies. He also sits on the board of Jerneh Asia Berhad and several other private limited companies.

Dato' Seri Ismail Farouk has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended five out of six Board meetings held in 2004. Age 59.

KUOK KHOON HO

Malaysian, Non-Independent Non-Executive Director

Mr Kuok Khoon Ho was appointed to the Board of SHMB on 1 June 2001 and is a member of the Nomination & Remuneration Committee. He graduated from McGill University, Canada with a bachelor's degree in Commerce. He began his career with the Kuok Group in 1976 and has extensive international experience in hotel management, property development and corporate management. He previously held the positions of Managing Director and Deputy Chairman of Shangri-La Asia Limited, Hong Kong and is currently the Chairman of Kuok Brothers Sdn Bhd, Malaysia. He also sits on the boards of Astro All Asia Networks plc and Transmile Group Berhad, which are listed on Bursa Malaysia Securities Berhad.

His sister, Madam Kuok Oon Kwong is also a member of the Board. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all six Board meetings held in 2004. Age 54.

TAN SRI DATO' MOHD AMIN BIN OSMAN

Malaysian, Non-Independent Non-Executive Director

Tan Sri Dato' Mohd Amin bin Osman joined the Board on 3 December 1992. He has had a successful and distinguished career with the Royal Malaysian Police Force spanning over thirty-six years. He joined the Royal Malaysian Police Force in 1949 as an Inspector and held various senior posts including Deputy Commissioner of Police (Sabah), Brigade Commander, Police Field Force (East Malaysia), Chief of City Police (Kuala Lumpur) and Director of Special Branch (Malaysia). He later became the Acting Inspector General of Police (Malaysia) before retiring from the civil service in 1985. He also sits on the boards of Genting Berhad and Asiatic Development Berhad.

His daughter, Puan Rozina Mohd Amin is also a member of the Board. He does not have any family relationship with any major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all six Board meetings held in 2004. Age 77.

PROFILE OF BOARD OF DIRECTORS

MOHAMAD ABDUL HALIM BIN AHMAD

Malaysian, Non-Independent Non-Executive Director

Encik Mohamad Abdul Halim bin Ahmad joined the Board on 29 March 1996. He also serves as a member of the Audit Committee. He holds a Bachelor of Science (Honours–First Class) degree in Civil Engineering from the Imperial College, University of London and is an Associate Member of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Accountants. Encik Mohamad Abdul Halim is currently the Managing Director of Landmarks Berhad, which is involved in a wide range of activities including hotel business, property investment and development, healthcare services and infrastructure works. He joined Landmarks Berhad in 1988 and he has since held several senior financial positions such as General Manager (Finance) and Finance Director. He also sits on the board of Saujana Consolidated Berhad.

Encik Mohamad Abdul Halim does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all six Board meetings held in 2004. Age 44.

DATUK SUPPERAMANIAM A/L MANICKAM

Malaysian, Independent Non-Executive Director

Datuk Supperamaniam a/l Manickam was appointed to the Board on 3 January 2005. He holds a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. Datuk Supperamaniam joined the Malaysian Administrative and Diplomatic Service in 1970 and was posted to the Ministry of Trade and Industry as Assistant Director. He served in the civil service for thirty-three years and was the Deputy Secretary General of the Ministry of International Trade and Industry (MITI) from 1997 upto his official retirement in March 2000. In May 2000, he was then appointed as the Ambassador/Permanent Representative of Malaysia to the World Trade Organisation, Geneva, Switzerland and held the position until September 2003. During the tenure of his service, he represented Malaysia at various bilateral regional and international conferences and participated in Senior Officials Meetings as well as in Summits and Ministerial Conferences of G77, G15, APEC, Indian Ocean Rim Regional Cooperation, UNCTAD and ASEAN. Since his retirement from government service, he has continued to be invited to participate as a resource person in workshops and conferences organised by United Nations Agencies, regional and international organisations and foreign governments. He has also been appointed to serve as a member on several committees of MITI and the National Economic Action Council Consultative Committee on Globalisation. He does not sit on the board of any other public listed companies.

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. Age 60.

DATO' DR TAN TAT WAI

Malaysian, Independent Non-Executive Director

Dato' Dr Tan Tat Wai was appointed to the Board on 6 June 1995 and is a member of the Nomination & Remuneration Committee. He holds a Bachelor of Science degree in Electrical Engineering and Economics from the Massachusetts Institute of Technology and a PhD in Economics from Harvard University. He started his career with Bank Negara Malaysia in 1978 undertaking research in economic policies. In 1984, he became a consultant to Bank Negara, World Bank and the United Nations University for several years. He served as the Secretary and a member of the Council of Malaysian Invisible Trade set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the government appointed Malaysian Business Council and is currently a member of the Penang Industrial Council, the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry (MITI). He represents Malaysia as a member of the APEC Business Advisory Council (ABAC) and a member of Corporate Malaysia Roundtable and Malaysia-Thailand Business Group. Dato' Dr Tan is currently the Group Managing Director of Southern Steel Berhad and also sits on the Board of NatSteel Ltd, Singapore.

Dato' Dr Tan does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended five out of six Board meetings held in 2004. Age 58.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board supports the fundamental principles of good corporate governance and the best practice provisions contained in the Malaysian Code on Corporate Governance ("the Code"). The Board is firmly committed to upholding the highest standards of integrity, accountability and transparency in the governance of the Company in order to protect and enhance the interests of all shareholders.

The revamped Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), requires listed companies to publish each year in the annual report, a disclosure statement describing the manner in which the principles of the Code have been applied and the extent of compliance with its best practices during the financial year. In the opinion of the Directors, this statement reflects the way in which the Company has applied the principles in Part 1 and, save where otherwise identified, its compliance with the best practices set out in Part 2 of the Code for the year ended 31 December 2004.

THE BOARD

BOARD STRUCTURE AND PROCEDURES

The Board currently consists of nine non-executive directors and two executive directors namely Madam Kuok Oon Kwong and Puan Rozina Mohd Amin.

Two new Board appointments were made in 2005. Datuk Supperamaniam a/l Manickam and Encik Harun bin Halim Rasip were appointed as non-executive directors on 3 January 2005 and 1 February 2005 respectively.

All the other members of the Board served throughout 2004 except for Dato' Che Mohd Annuar bin Che Mohd Senawi, Tan Sri Datuk Asmat bin Kamaludin, Encik Faisal bin Ismail and Tan Sri A. Razak bin Ramli. Dato' Che Mohd Annuar and Tan Sri Datuk Asmat stepped down from the Board on 11 June 2004 and 23 September 2004 respectively. Encik Faisal, who was appointed on 17 August 2004, resigned as a director with effect from 1 February 2005. Tan Sri A. Razak was appointed to the Board as a non-executive director on 1 November 2004. The brief profiles of the current members of the Board are given on pages 23 to 26 of this annual report.

Of the nine non-executive directors on the Board, four including the Board Chairman are considered to be fully independent. As such, independent non-executive directors make-up more than one-third of the membership of the Board as prescribed by the Bursa Malaysia Listing Requirements. The composition of the Board also fairly reflects the investment of the minority shareholders of the Company as only two out of the eleven-member board represent the interests of Shangri-La Asia Limited, the largest shareholder of the Company holding 52.78% equity interest.

The Board is responsible to the shareholders for the good standing of the Company and the strategic direction for its future development. It has adopted a formal schedule of matters specifically reserved to itself for decision and approval to ensure that the overall control of the affairs of the Company is firmly in its hands. These include approval of corporate strategic plans, financial statements, dividend recommendations, annual operating budgets, major capital projects and expenditure, major acquisitions and disposals, risk management policies, appointment of directors and important announcements to be issued.

The responsibility for managing business, for implementing policy and monitoring business performance is delegated to the executive directors. There is an effective working relationship between the executive and non-executive directors. All directors are expected to bring independent, objective judgement to the Board's deliberations and decision-making process.

Given the present scope and nature of the Group's business operations, the Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Board is also satisfied that there is a broad spread of knowledge and relevant competencies among its current members for it to operate effectively and expeditiously in the overall interests of the Company.

STATEMENT ON CORPORATE GOVERNANCE

BOARD STRUCTURE AND PROCEDURES (cont'd)

The non-executive directors bring a wide range of business and financial experience, and have proven track records in the private and public service sectors vital to the success of the Company. They fulfil a key role in ensuring that corporate strategic plans and business proposals are fully discussed and critically reviewed. This process ensures that the Board acts in the best long-term interest of the shareholders.

There is a clear separation of the roles of the Board Chairman and the Managing Director, each with clearly defined responsibilities to ensure a balance of power and authority. Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman is the Board Chairman with responsibility for ensuring the integrity and effectiveness of the Board. Madam Kuok Oon Kwong who is the Managing Director is responsible to the Board for the operational and financial performance of the Group's businesses.

During the period under review, the Board has not adopted the Code's recommendation pursuant to best practice AA VII whereby a senior independent non-executive director should be identified. The Board has again considered this appointment and has concluded that given the strong independent element on the Board, it is appropriate that if a shareholder wishes to convey a concern, he or she should contact the Board Chairman.

RE-ELECTION OF DIRECTORS

All directors are required to seek re-appointment by the shareholders at the first Annual General Meeting ("AGM") after their appointment, and thereafter are subject to retirement by rotation in accordance with the articles of association of the Company. Additionally, all Directors are required to retire from office at least once in every three years, but shall be eligible for re-election. Directors of the Company over the age of seventy years are required to submit themselves for re-appointment annually in accordance with section 129 (6) of the Companies Act, 1965.

The directors of the Company who are seeking election, re-election or re-appointment at the Thirty-fourth AGM of the Company to be held on 19 May 2005 are contained in the Notice and the Statement Accompanying the Notice of AGM.

BOARD MEETINGS

The Board meets at least five times a year to deal with business requiring Board approval, but arranges to meet at other times, if the need arises.

The Board met six times during 2004 and the record of attendance of each director at the board meetings is set out in the table below. Several meetings of board committees were also held during 2004 and generally, these meetings correspond with major phases of the financial reporting cycles.

NAME OF DIRECTOR	TOTAL ATTENDANCE
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	6 / 6
Kuok Oon Kwong	6 / 6
Rozina Mohd Amin	6 / 6
Dato' Seri Ismail Farouk Abdullah	5 / 6
Kuok Khoon Ho	6 / 6
Tan Sri Dato' Mohd Amin bin Osman	6 / 6
Mohamad Abdul Halim bin Ahmad	6 / 6
Dato' Dr Tan Tat Wai	5 / 6
Faisal bin Ismail (Appointed on 17.8.2004, resigned on 1.2.2005)	4 / 4
Tan Sri A. Razak bin Ramli (Appointed on 1.11.2004)	2 / 2
Dato' Che Mohd Annuar bin Che Mohd Senawi (Resigned on 11.6.2004)	2 / 2
Tan Sri Datuk Asmat bin Kamaludin (Resigned on 23.9.2004)	3 / 3

STATEMENT ON CORPORATE GOVERNANCE

SUPPLY OF INFORMATION AND ACCESS TO ADVICE

All directors are briefed by use of comprehensive papers, in advance of Board meetings and by presentations at meetings, to allow proper consideration of the matters on the agenda. From time to time, the Board requests for additional information to regular reporting as it requires. The Board Chairman ensures that the meeting agenda is designed to meet the Board's objectives and that all directors have complete and timely access to all relevant information. The Managing Director keeps the Board informed on a timely basis, of all material matters affecting the Group's performance and major developments within the Group.

The directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the board procedures are followed and that the Company observes all relevant laws and regulations. Additionally, the full Board as well as any member of the Board may in exercising their duties take independent professional advice if necessary, at the Company's expense.

BOARD COMMITTEES

The Board has delegated specific responsibilities to established board committees, as described below, which all operate within defined terms of reference. Decisions and recommendations of the committees of the board are reported to the Board on a formal basis.

a. Audit Committee ("AC")

The AC is chaired by Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman and meets at least four times a year. In September 2004, Tan Sri Datuk Asmat bin Kamaludin ceased to be a member of the AC following his resignation from the Board. The AC now comprises three non-executive directors, two of whom are independent including the Chairman. The other two members are Dato' Seri Ismail Farouk Abdullah and Encik Mohamad Abdul Halim bin Ahmad. Its primary functions include the review of the effectiveness of the internal control and risk management processes within the Group, overseeing the financial reporting process and the external audit process.

b. Policy Implementation Committee ("PIC") – Hotels & Resorts

The PIC comprises the two executive directors under the chairmanship of the Managing Director and met on fourteen occasions during the year. The PIC oversees the overall business operations and activities of the Group's hotels and resorts. The respective General Managers together with other senior management attend the meetings to report on operational issues, business performance and project developments. The committee is authorised to approve capital expenditure within the levels agreed by the Board.

c. Nomination & Remuneration Committee ("NRC")

The NRC met in December 2004 and comprises three non-executive directors, two of whom are independent. Tan Sri Datuk Asmat ceased to act as a member of the committee in September 2004. The Board Chairman acts as Chairman of this committee and the other members are Mr Kuok Khoo Ho and Dato' Dr Tan Tat Wai, who succeeded Tan Sri Datuk Asmat bin Kamaludin. The key functions of the NRC are to make recommendations on all new appointments to the Board, and to recommend membership of board committees as well as the remuneration framework for executive directors. Its other responsibilities include the review of the structure, size and composition of the Board, including the ongoing effectiveness of the Board as a whole and the committees of the board, and the contributions of each director towards the effective functioning of the Board.

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' TRAINING

The Board places the responsibility for training of directors on the NRC. To ensure that the Directors are competent in carrying out their expected roles and responsibilities, they are provided with the opportunity for training on an ongoing basis so as to keep up to date on relevant new legislation, regulations and changing commercial risks. During the year, the Directors attended the Continuing Education Programmes ("CEP"), which were organised in-house as well as by the relevant regulatory authorities and professional bodies, accredited by Bursa Malaysia.

In addition, Tan Sri A. Razak bin Ramli, Datuk Supperamaniam a/l Manickam and Encik Harun bin Halim Rasip, who are new members of the Board have completed the Mandatory Accreditation Programme in compliance with the requirements of Bursa Malaysia Listing Requirements.

DIRECTORS' REMUNERATION

The Company's general policy on the remuneration of executive directors is to offer competitive remuneration packages, which are designed to attract and retain high calibre executives, and to motivate the highest performance. The NRC advises the Board on the overall remuneration policy for the executive directors and, in doing so, has given full consideration to the best practice provisions of the Code dealing with the level and make-up of directors' remuneration.

In determining the structure and level of individual remuneration packages, the NRC takes into account specific responsibilities, individual performance, the business performance of the Company and the general economic outlook. It aims to provide a balanced remuneration package, which consists of an appropriate level of basic salary and annual bonus that is linked to the achievement of annual targets related to the performance of the Company. The NRC makes comparison with the remuneration practices and salary levels of comparable companies, particularly in the hotel industry, but exercises its own judgement as to whether such other practices are appropriate for the Company.

The non-executive directors of the Company are paid an annual fixed fee for serving on the Board, which is determined by the Board as a whole, subject to shareholders approval at the Annual General Meeting. No director is involved in deciding his or her own remuneration. The aggregate remuneration of the directors of the Company categorised into the appropriate components and analysed into bands of RM50,000 for the financial year ended 31 December 2004 is set out below.

CATEGORY	FEES & ALLOWANCES (RM)	SALARIES & BONUS (RM)	BENEFITS-IN-KIND (RM)
Executive Directors	–	783,000	21,000
Non-Executive Directors	213,000	–	–
Total	213,000	783,000	21,000

AMOUNT OF REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Below RM50,000	–	10
RM50,001 to RM100,000	–	–
RM200,001 to RM250,000	–	–
RM250,001 to RM300,000	–	–
RM300,001 to RM350,000	1	–
RM350,001 to RM400,000	–	–
RM400,001 to RM450,000	–	–
RM450,001 to RM500,000	1	–

STATEMENT ON CORPORATE GOVERNANCE

RELATIONSHIP WITH SHAREHOLDERS

Communications with shareholders are given high priority. The Board aims to ensure the timely disclosure of information to all shareholders. The Company keeps the shareholders abreast of the overall financial performance and future developments of the Group through its annual report and accounts, quarterly announcements of results made through Bursa Malaysia, press releases and circulars to shareholders. The Company values its dialogue with institutional investors and analysts, and responds continually to their ad-hoc requests for discussion on the Group's strategy and financial performance.

The Board uses the Annual General Meeting ("AGM") as an important means of communication with shareholders. At that meeting, shareholders are given a balanced report of the results and progress of the Group's performance and its future prospects. Shareholders are also invited to ask questions on items of business put before the meeting and have the opportunity to vote separately on each resolution. The Board encourages shareholders to participate in discussions with the Board and to give their views to directors. After the meeting, the directors are available to answer further questions on the business of the Group.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcement of results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit Committee of the Board assists the Board in ensuring the reliability and integrity of the accounting and financial reporting systems of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval. A statement of the directors' responsibilities for preparing the financial statements is set out on page 39 of this annual report.

INTERNAL CONTROL

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The Statement on Internal Control which provides an overview of the state of the Group's system of internal control is set out on pages 32 to 34 of this annual report.

RELATIONSHIP WITH THE AUDITORS

The Audit Committee of the Board provides an independent channel of communication for the external and internal auditors. The Board ensures that an objective and professional relationship is maintained with the external auditors through the Audit Committee which keeps under review the nature, scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. It also reviews the scope of work and extent of the activity of the internal audit function.

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2005.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance. The Board is committed to practising the highest standards of corporate governance and observing best practices, and will continue to improve on current practices.

BOARD RESPONSIBILITY

The Board has ultimate responsibility for the system of internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations, and risk management in order to safeguard shareholders' investments and the Group's assets.

The Board recognises that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and that it can only provide reasonable and not absolute assurance against misstatement or loss.

The Group has established the necessary procedures, which accord with the guidance on internal controls provided in the Statement on Internal Control: Guidance for Directors of Public Listed Companies, and that these procedures have been in place throughout the financial year and up to the date of approval of this report.

These procedures ensure that the Board is aware of the key risks facing the Group and that the system of internal control is regularly reviewed for effectiveness and adequacy. The Board has delegated the primary responsibility for the operation of the system of internal control to the executive directors and management within an established framework that applies throughout the Group.

RISK MANAGEMENT FRAMEWORK

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in the context of its business objectives. Each major operating unit of the Group has produced a risk register, which identifies the key risks, their potential impact and likelihood of occurrence as well as the control strategies in place to manage those risks. Action plans have been developed and monitored continuously to ensure compliance, and these plans are regularly reviewed by the Board through the Audit Committee. The Group's risk profile is updated periodically to reflect the changing business environment and to enable the implementation of control strategies to manage new risks on a timely basis.

The process is supported by the engagement of a firm of external risk consultants, which monitors the continuing effectiveness of the Group's risk management activities and reports to the Audit Committee of the Board on any control failings and corrective action.

STATEMENT ON INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control system are described below.

- **ORGANISATION STRUCTURE WITH CLEARLY DEFINED LINES OF RESPONSIBILITY AND DELEGATED AUTHORITY**
The Group has in place an organisation structure with key responsibilities clearly defined for the Board, committees of the board and the executive management of the Group's major operating units.
- **INDEPENDENCE OF AUDIT COMMITTEE**
The Audit Committee of the Board currently comprises three non-executive directors, the majority of whom are independent, and has full access to both the internal and external auditors.
- **DOCUMENTED INTERNAL POLICIES AND PROCEDURES**
Key policies and control procedures regulating financial and operating activities are clearly documented in manuals for the hotel operating units. Compliance with the controls set out in the manuals is monitored by monthly self assessment reports from the finance heads of each operating unit and a rolling programme of internal audit reviews. These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve operational deficiencies, if any.
- **DETAILED BUDGETING PROCESS**
Detailed annual budgets are prepared by individual operating units containing business strategies, financial and operating targets, performance indicators and capital expenditure proposals, which are reviewed by the Policy Implementation Committee of the Board. The Board approves the consolidated Group budget with objectives for each operating unit.
- **COMPREHENSIVE SYSTEM OF FINANCIAL REPORTING**
A comprehensive system of reporting financial information to the executive management of major operating units, the executive directors and the Board is in place. Detailed management accounts are prepared by each operating unit based on an annual budget with monthly reports compared against budget, analysis of significant variances and key performance indicators and regular re-forecasting.

The Board also reviews the treasury reports on a quarterly basis, which analyse the Group's funding requirements and monitor the Group's borrowings and exposure to interest rate risk. Other important areas such as legal and regulatory compliance and insurance risk management are monitored and reviewed by the Policy Implementation Committee of the Board on a continuous basis.

The Policy Implementation Committee and senior management keep the Board updated periodically on the Group's operation and on any significant changes in the business and external environment that may have an impact on the financial position of the Group.

STATEMENT ON INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL (cont'd)

- **ESTABLISHED CAPITAL EXPENDITURE APPROVAL PROCESS**

The Group has formal procedures for the appraisal of major capital expenditure, which must be approved by the Board, and detailed procedures and authority levels relating to all other capital expenditure. There are also clear procedures for obtaining approval for assets disposal and major business transactions.

- **EMPLOYEE COMPETENCY**

Continuous staff training and development are emphasised to enhance and improve employee competencies and proficiencies via on-the-job and classroom training. The Group also places high emphasis on communicating information relating to business plans and performance to employees so as to encourage participation and to create awareness of the financial and economic factors affecting the Group. This is achieved through established communication channels between executive management and employees, ad-hoc briefings and periodic in-house publications.

The Group's hotel operating units have in place a Code of Conduct, to which all employees are signatories, governing the standards of ethical behaviour in dealing with customers, suppliers and fellow employees. The Shangri-La's Strategic Plan, *One Team – One Way Towards Dominance* sets out the guiding principles for all employees towards achieving market leadership, the goals and financial objectives for the Group's hotels.

INTERNAL AUDIT FUNCTION

Internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee of the Board with reasonable independent assurance on the effectiveness and integrity of the Group's system of internal control.

The Audit Committee of the Board is assisted by the Internal Audit Department ("IAD") of the Company's ultimate holding company. The role of the IAD is to perform independent reviews, and monitor and ensure compliance with the Group's policies, procedures and systems of internal control. The Group has outsourced the risk-based internal audit function to KPMG Internal Audit Services ("KIAS") (formerly known as KPMG Management Assurance Services), which reports to the Audit Committee of the Board regarding the effectiveness of risk and control management, and also recommends improvements in controls. The audits performed by KIAS are based on risk based audit plans approved by the Audit Committee.

The Audit Committee of the Board considers significant control matters and receives regular reports from both the IAD and KIAS, and reports its findings and conclusions to the full Board on a quarterly basis.

There were no material losses incurred arising from weaknesses in internal control identified during the financial year that would require mention in the Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2005.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2004

The Audit Committee (“committee”) of Shangri-La Hotels (Malaysia) Berhad was established on 6 July 1994. The committee assists the Board in fulfilling its responsibility for maintaining a sound system of internal control in order to safeguard the assets of the Group and shareholders investments. It also assists the Board in ensuring the reliability of financial information for publication, the maintenance of proper accounting records, the efficiency of operations and compliance with relevant laws and regulations. In carrying out its duties, the committee maintains effective working relationships with the Board, management, and the external and internal auditors.

COMPOSITION AND ATTENDANCE AT MEETINGS

The committee currently consists three non-executive directors, two of whom are independent under the chairmanship of Tan Sri Dato’ Wan Sidek bin Wan Abd. Rahman. The other members of the committee are Dato’ Seri Ismail Farouk Abdullah and Encik Mohamad Abdul Halim bin Ahmad. In September 2004, Tan Sri Datuk Asmat bin Kamaludin ceased as a member of the committee following his resignation from the Board.

The committee met four times in 2004. Detailed written agendas are prepared and distributed to committee members in advance of each meeting to allow proper consideration of enclosed reports. While the executive directors and senior management are normally invited to attend the meetings, the external and internal auditors may have private discussions with the members of the committee. The committee reports its conclusions and recommendations to the Board on a quarterly basis and the minutes of the committee meetings are made available to the full Board. The record of attendance of each member at the committee meetings is set out in the table below.

NAME OF MEMBER			TOTAL ATTENDANCE
Tan Sri Dato’ Wan Sidek bin Wan Abd. Rahman	CHAIRMAN	Independent Non-Executive Director	4 / 4
Dato’ Seri Ismail Farouk Abdullah		Independent Non-Executive Director	4 / 4
Mohamad Abdul Halim bin Ahmad		Non-Independent Non-Executive Director	4 / 4
Tan Sri Datuk Asmat bin Kamaludin*		Independent Non-Executive Director	3 / 3

* Ceased as a member on 23.9.2004

SUMMARY OF ACTIVITIES OF THE COMMITTEE

A summary of the activities performed by the committee during the year under review is given below.

- reviewed with the external auditors their scope of work, the audit plan for the year, the audit findings and management’s follow-up actions.
- reviewed with the external auditors the annual financial statements, the auditors’ report and the impact of changes in accounting policies and regulatory requirements on the financial statements before submission to the Board.
- reviewed the quarterly announcements of results prior to their submission to the Board for approval.
- reviewed reports from the internal audit on the effectiveness of the Group’s internal control system and monitored the progress of actions taken in relation to significant internal control issues.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2004

TERMS OF REFERENCE OF THE COMMITTEE

1. MEMBERSHIP

- 1.1 The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members, the majority of whom shall be independent non-executive directors in accordance with the definition provided under Paragraph 1.01 of Bursa Malaysia Listing Requirements. If membership for any reason falls below three members, the Board of Directors shall, within one month of that event, appoint such number of new members as may be required to fulfil the minimum requirement.
- 1.2 No alternate directors shall be appointed to the Audit Committee.
- 1.3 At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- 1.4 The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.
- 1.5 The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

2. MEETINGS

- 2.1 Meetings of the Audit Committee shall be held at least four times a year.
- 2.2 The quorum for a meeting of the Audit Committee shall be two members, a majority of whom must be independent non-executive directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.
- 2.3 The meetings of the Audit Committee shall normally be attended by the executive director and the Head of Internal Audit. The Audit Committee may also request other directors, members of senior management, counsels, internal and external auditors to participate in the Audit Committee meetings, as necessary.
- 2.4 The Audit Committee shall meet the external auditors at least once a year without members of senior management and executive directors present.
- 2.5 Minutes of the Audit Committee meetings shall be tabled at the meeting of the Board of Directors. The Audit Committee, through its Chairman, shall report on each meeting to the Board of Directors.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2004

3. AUTHORITY

In the performance of its duties and responsibilities, the Audit Committee shall at the cost of the Company:

- a. have authority to investigate any activity within its Terms of Reference;
- b. have access to resources required to perform its duties within its Terms of Reference;
- c. have full and unrestricted access to any employee and information pertaining to the Group;
- d. have direct communication channels with the external auditors and members of the internal audit department who carry out the internal audit function of the Group;
- e. be able to engage independent professional advisers or to secure attendance of outsiders with relevant experience and expertise, when the Audit Committee considers this necessary.

4. FUNCTIONS AND DUTIES

The Audit Committee shall carry out the following functions and duties:

- a. review external audit plans and scope of work before audit commences.
- b. review the adequacy of the internal audit plan and its scope of audit and ensure that the internal audit function has the necessary authority and resources to carry out its work.
- c. review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - any changes in or implementation of major accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - the going concern assumptions;
 - compliance with accounting standards and regulatory requirements.
- d. review and assess the adequacy and effectiveness of the systems of internal control and the efficiency of the Group's operations in particular those relating to areas of significant risks. Additionally, to assess the internal process for determining and managing the principal risks throughout the Group.
- e. review the scope of internal and external auditors' evaluation of the systems of internal control of the Group.
- f. review audit reports prepared by the internal and external auditors, the major findings and management's responses thereto and ensure that appropriate action is taken in respect of these reports.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2004

4. FUNCTIONS AND DUTIES (cont'd)

- g. review appraisals or assessment of the performance of the staff members of the internal audit function.
- h. approve the appointments or termination of the Head of Internal Audit and senior executives in the internal audit function.
- i. be informed of resignations of internal audit staff members and provide the resigning staff member with an opportunity to submit his/her reasons for resigning.
- j. direct any special investigations to be carried out by internal audit.
- k. discuss problems arising from external audit including the assistance given by employees of the Group to the external auditors and any matters the external auditors may wish to discuss.
- l. nominate the external auditors and recommend for approval of the Board of Directors the external audit fee; and consider any questions of resignation or dismissal, resources and capability.
- m. review the effectiveness of the system for monitoring compliance with applicable laws and regulatory requirements.
- n. review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- o. where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Listing Requirements, the Audit Committee shall promptly report such matters to Bursa Malaysia.
- p. perform other duties as directed by the Board of Directors.

INTERNAL AUDIT FUNCTION

Internal audit plays a critical role in the objective assessment of the Group's business processes and the provision of assurance. The Audit Committee of the Board is assisted by the Internal Audit Department ("IAD") of the Company's ultimate holding company. The role of the IAD is to perform independent reviews, monitor and ensure compliance with the Group's policies, procedures and systems of internal control. The Group has outsourced the risk-based internal audit function to KPMG Internal Audit Services (formerly known as KPMG Management Assurance Services), which reports to the Audit Committee of the Board regarding the effectiveness of risk and control management, and also recommends improvements in controls.

ADDITIONAL COMPLIANCE INFORMATION

1. NON-AUDIT FEES

Non-audit fees paid by the Company and its subsidiaries to the external Auditors, Messrs KPMG and its affiliated companies for the financial year ended 31 December 2004 amounted to RM358,862. These were mainly in respect of tax advisory services, as well as enterprise risk management advisory services and risk-based internal audits undertaken by KPMG Internal Audit Services (formerly known as KPMG Management Assurance Services).

	RM
KPMG	185,228
KPMG Tax Services Sdn Bhd	173,634
Total	358,862

2. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Other than those disclosed in the financial statements of the Group and of the Company for the financial year ended 31 December 2004, there were no material contracts entered into by the Company or its subsidiaries, involving the interests of Directors and substantial shareholders.

STATEMENT ON DIRECTORS' RESPONSIBILITY

in relation to the audited financial statements for the year ended 31 December 2004

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period.

The Directors consider that in preparing the financial statements for the year ended 31 December 2004 on pages 50 to 87, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards in Malaysia have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to seek to prevent and detect fraud and other irregularities.



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DIRECTORS' REPORT

for the year ended 31 December 2004

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Group is engaged in the operation of hotels and beach resorts, a golf course and clubhouse, property management and investment and commercial laundry.

The principal activities of the Company are investment holding and the operation of a beach resort.

There has been no significant change in the nature of these activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	GROUP RM'000	COMPANY RM'000
Net profit for the year	30,941	6,345
Unappropriated profits brought forward	201,848	110,580
Profits available for appropriation	232,789	116,925
Dividends	(20,592)	(20,592)
Unappropriated profits carried forward	212,197	96,333

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

The Company did not issue any shares during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2004

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final dividend of 3.5% less tax at 28% totalling RM11,088,000 in respect of the year ended 31 December 2003 on 18 June 2004; and
- ii) an interim dividend of 3.0% less tax at 28% totalling RM9,504,000 in respect of the year ended 31 December 2004 on 17 November 2004.

The Board has proposed a final dividend of 4.5% less tax at 28% totalling RM14,256,000 for the financial year ended 31 December 2004. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 19 May 2005. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of unappropriated profits in the financial year ending 31 December 2005.

DIRECTORS OF THE COMPANY

The Directors of the Company in office since the date of the last Directors' Report are:

DIRECTORS

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman CHAIRMAN

Kuok Oon Kwong MANAGING DIRECTOR

Rozina Mohd Amin EXECUTIVE DIRECTOR

Dato' Seri Ismail Farouk Abdullah

Kuok Khoo Ho

Tan Sri Dato' Mohd Amin bin Osman

Mohamad Abdul Halim bin Ahmad

Dato' Dr Tan Tat Wai

Tan Sri A. Razak bin Ramli (Appointed on 1.11.2004)

Datuk Supperamaniam a/l Manickam (Appointed on 3.1.2005)

Harun bin Halim Rasip (Appointed on 1.2.2005)

Dato' Che Mohd Annuar bin Che Mohd Senawi (Resigned on 11.6.2004)

Tan Sri Datuk Asmat bin Kamaludin (Resigned on 23.9.2004)

Faisal bin Ismail (Appointed as a Director and ceased as Alternate Director to Mohamad Abdul Halim bin Ahmad on 17.8.2004; resigned on 1.2.2005)

In accordance with Article 76 of the Company's Articles of Association, Tan Sri A. Razak bin Ramli, Datuk Supperamaniam a/l Manickam and Encik Harun bin Halim Rasip, retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 95 of the Company's Articles of Association, Madam Kuok Oon Kwong, Puan Rozina Mohd Amin and Encik Mohamad Abdul Halim bin Ahmad retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Dato' Mohd Amin bin Osman, who has attained the age of seventy (70) years, retires in accordance with Section 129(2) of the Companies Act, 1965 and offers himself for re-appointment in accordance with Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' REPORT

for the year ended 31 December 2004

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the particulars of interests of Directors who held office at the end of the financial year in shares and share options in the Company and a related corporation are as follows:

	As at 1.1.2004	Acquired	(Disposed)	As at 31.12.2004
THE COMPANY				
Number of Ordinary Shares of RM1.00 each				
DIRECT INTERESTS				
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	–	–	–	–
Kuok Oon Kwong	–	–	–	–
Rozina Mohd Amin	–	–	–	–
Tan Sri A. Razak bin Ramli	–	–	–	–
Faisal bin Ismail	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	19,000	181,000	–	200,000
Kuok Khoon Ho	–	–	–	–
Tan Sri Dato' Mohd Amin bin Osman	–	–	–	–
Mohamad Abdul Halim bin Ahmad	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	–	–	10,000
Kuok Khoon Ho	10,000	–	–	10,000
RELATED CORPORATION				
SHANGRI-LA ASIA LIMITED ("SAL") – ULTIMATE HOLDING COMPANY				
Number of Ordinary Shares of HKD1.00 each				
DIRECT INTERESTS IN SAL				
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	–	–	–	–
Kuok Oon Kwong	151,379	300,000 ⁽¹⁾	(300,000) ⁽¹⁾	151,379
Rozina Mohd Amin	–	60,000 ⁽¹⁾	(60,000) ⁽¹⁾	–
Tan Sri A. Razak bin Ramli	–	–	–	–
Faisal bin Ismail	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–	–
Kuok Khoon Ho	3,510	–	(3,510)	–
Tan Sri Dato' Mohd Amin bin Osman	15,900	–	–	15,900
Mohamad Abdul Halim bin Ahmad	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	2,834,815	29,122	–	2,863,937
Kuok Khoon Ho	3,219,965	36,423	–	3,256,388

DIRECTORS' REPORT

for the year ended 31 December 2004

SHARE OPTIONS IN SAL

	Option period	Exercise price per share option	Number of Ordinary Shares of HKD1.00 each granted under the option			
			As at 1.1.2004	Granted	Exercised	As at 31.12.2004
Kuok Oon Kwong	29.5.2003 – 28.5.2012	HKD 6.81	150,000	–	(150,000) ⁽¹⁾	–
	29.5.2004 – 28.5.2012	HKD 6.81	150,000	–	(150,000) ⁽¹⁾	–
Rozina Mohd Amin	29.5.2003 – 28.5.2012	HKD 6.81	30,000	–	(30,000) ⁽¹⁾	–
	29.5.2004 – 28.5.2012	HKD 6.81	30,000	–	(30,000) ⁽¹⁾	–
Kuok Khoon Ho	1.5.1999 – 30.4.2008	HKD 8.26	387,041	–	–	387,041
	1.5.2000 – 30.4.2008	HKD 8.26	387,041	–	–	387,041
	1.5.2001 – 30.4.2008	HKD 8.26	387,041	–	–	387,041
	15.1.2001 – 14.1.2010	HKD 8.82	242,278	–	–	242,278
	15.1.2002 – 14.1.2010	HKD 8.82	242,277	–	–	242,277
	15.1.2002 – 14.1.2011	HKD 8.18	145,545	–	–	145,545
	15.1.2003 – 14.1.2011	HKD 8.18	145,545	–	–	145,545
	29.5.2003 – 28.5.2012	HKD 6.81	500,000	–	–	500,000
	29.5.2004 – 28.5.2012	HKD 6.81	500,000	–	–	500,000

⁽¹⁾ Exercise of Share Options in SAL and subsequent disposal of the shares to the open market.

Other than as disclosed above, none of the Directors held any shares as at 31 December 2004, nor has any Director acquired or disposed any shares during the course of the year, in any other related corporations of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object 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.

DIRECTORS' REPORT

for the year ended 31 December 2004

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) 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, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the exceptional items as disclosed in Note 22 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, which would affect substantially the results of the operation of the Group or of the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard Shangri-La Asia Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited as the ultimate holding company.

DIRECTORS' REPORT

for the year ended 31 December 2004

SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 31 May 2004, the Company together with Shangri-La Hotel Limited, Kuok Brothers Sdn Bhd, Lee Rubber (Selangor) Sdn Bhd, Majlis Bandaraya Johor Bahru and Merit Properties Sdn Bhd (collectively, the "Vendors"), entered into a Conditional Sale & Purchase Agreement with Reco City Square JB Sdn Bhd (the "Purchaser"), a nominee of Government of Singapore Investment Corporation to dispose of the Company's entire equity interest comprising 16,200,000 ordinary shares of RM1.00 each fully paid-up in Johdaya Karya Sdn Bhd, for a total cash consideration of RM39,366,000 or RM2.43 per share ("Proposed Disposal"), based upon the terms and conditions as stipulated in the said Conditional Sale & Purchase Agreement.

The Proposed Disposal is pending fulfilment of certain conditions precedent and the approval of all relevant regulatory authorities.

- (b) On 28 September 2004, the Directors of the Company announced its decision to close Rasa Sayang Resort (the "Resort") for a major redevelopment and repositioning exercise to ensure and secure its long term survival, and thereby necessitating the unavoidable retrenchment of employees.

The Resort ceased operations and closed from 1 December 2004 for a period of approximately eighteen (18) to twenty-four (24) months to enable such redevelopment to be effected.

The impairment of assets arising from the redevelopment of the Resort relating to the hotel building of the Resort amounted to RM33,200,000 and has been taken directly to the Asset Revaluation Reserve (Note 3). The retrenchment payouts and write off of certain furniture, fixtures and equipment amounting to RM16,989,000 was charged against the income statement of the Group. The said charge of RM16,989,000 is shown as Exceptional Items (Notes 18 & 22) and was arrived at after taking into account the reversal of retirement benefit provision of RM8,055,000 (Note 17).

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN

CHAIRMAN

KUOK OON KWONG

MANAGING DIRECTOR

Kuala Lumpur
18 February 2005

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

We, TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN and KUOK OON KWONG, being two of the Directors of SHANGRI-LA HOTELS (MALAYSIA) BERHAD state that, in the opinion of the Directors, the financial statements set out on pages 50 to 87 are drawn up in accordance with applicable approved accounting standards in Malaysia and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors :

TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN
CHAIRMAN

KUOK OON KWONG
MANAGING DIRECTOR

Kuala Lumpur
18 February 2005

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, TAY KENG HOCK, the Officer primarily responsible for the financial management of SHANGRI-LA HOTELS (MALAYSIA) BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 50 to 87 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
TAY KENG HOCK at Kuala Lumpur in
Wilayah Persekutuan on 18 February 2005

Before me :

ONG KAH CHONG, A.M.N.
COMMISSIONER FOR OATHS
Kuala Lumpur

REPORT OF THE AUDITORS

to the Members of Shangri-La Hotels (Malaysia) Berhad

We have audited the financial statements set out on pages 50 to 87. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758

CHARTERED ACCOUNTANTS

TANG SENG CHOON

PARTNER

Approval Number : 2011/12/05(J)

Kuala Lumpur

18 February 2005

BALANCE SHEETS

at 31 December 2004

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment	2	284,745	298,221	4,877	11,366
Hotel properties	3	891,731	921,383	190,039	223,056
Investment properties	4	213,065	213,269	–	–
Investments in subsidiaries	5	–	–	591,403	591,403
Interests in associates	6	44,559	46,702	16,200	16,200
Property development expenditure	7	11,578	11,578	–	–
Deferred tax assets	16	14,700	17,497	–	–
		1,460,378	1,508,650	802,519	842,025
Current assets					
Inventories	8	9,207	9,622	–	780
Trade and other receivables	9	20,145	23,552	214,146	216,915
Tax recoverable	9	12,449	4,975	2,817	2,017
Cash and cash equivalents	10	6,831	9,280	2,438	5,175
		48,632	47,429	219,401	224,887
Current liabilities					
Trade and other payables	11	61,881	54,118	35,208	27,133
Borrowings (unsecured)	12	97,785	103,490	29,579	34,500
Taxation		674	813	–	–
		160,340	158,421	64,787	61,633
Net current (liabilities) / assets		(111,708)	(110,992)	154,614	163,254
		1,348,670	1,397,658	957,133	1,005,279
Financed by:					
Capital and reserves					
Share capital	13	440,000	440,000	440,000	440,000
Reserves	14	673,205	696,056	463,706	511,153
		1,113,205	1,136,056	903,706	951,153
Negative goodwill		2,874	2,874	–	–
Minority shareholders' interests	15	68,120	66,044	–	–
Long term and deferred liabilities					
Borrowings (unsecured)	12	82,732	99,831	40,423	30,000
Deferred taxation	16	72,850	77,094	13,004	15,829
Retirement benefits	17	8,889	15,759	–	8,297
		1,348,670	1,397,658	957,133	1,005,279

The financial statements were approved and authorised for issue by the Board of Directors on 18 February 2005.

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2004

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	18	311,352	253,219	76,933	70,947
Operating profit	18	42,258	33,876	8,193	23,676
Interest expense	20	(6,518)	(7,396)	(2,490)	(2,456)
Interest income	21	148	64	400	852
Share of losses of associates		(842)	(1,834)	–	–
Profit before taxation		35,046	24,710	6,103	22,072
Tax expense					
– Company and subsidiaries		(455)	(6,879)	242	(5,658)
– Associates		(854)	(617)	–	–
	23	(1,309)	(7,496)	242	(5,658)
Profit after taxation		33,737	17,214	6,345	16,414
Less : Minority interest		(2,796)	(742)	–	–
Net profit for the year		30,941	16,472	6,345	16,414
Basic earnings per ordinary share (sen)	24	7.0	3.7		
Dividends per ordinary share – gross (sen)	25	7.5	6.5	7.5	6.5
– net (sen)		5.4	4.7	5.4	4.7

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

	NOTE	NON-DISTRIBUTABLE			DISTRIBUTABLE			TOTAL RM'000
		SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	ASSET REVALUATION RESERVE RM'000	MERGER RESERVES RM'000	OTHER RESERVES RM'000	UNAPPROPRIATED PROFITS RM'000	
GROUP								
At 1 January 2003		440,000	104,501	448,055	(65,859)	7,511	204,384	1,138,592
Net profit for the year		–	–	–	–	–	16,472	16,472
Dividends – 2002 final	25	–	–	–	–	–	(9,504)	(9,504)
– 2003 interim	25	–	–	–	–	–	(9,504)	(9,504)
At 31 December 2003		440,000	104,501	448,055	(65,859)	7,511	201,848	1,136,056
At 1 January 2004		440,000	104,501	448,055	(65,859)	7,511	201,848	1,136,056
Net profit for the year		–	–	–	–	–	30,941	30,941
Impairment of hotel properties	3	–	–	(33,200)	–	–	–	(33,200)
Realisation of asset revaluation reserve		–	–	(1)	–	1	–	–
Dividends – 2003 final	25	–	–	–	–	–	(11,088)	(11,088)
– 2004 interim	25	–	–	–	–	–	(9,504)	(9,504)
At 31 December 2004		440,000	104,501	414,854	(65,859)	7,512	212,197	1,113,205
		Note 13		Note 14			Note 14	

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

		NON-DISTRIBUTABLE ASSET				DISTRIBUTABLE	
	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUATION RESERVE RM'000	CAPITAL RESERVE RM'000	UNAPPROPRIATED PROFITS RM'000	TOTAL RM'000
COMPANY							
At 1 January 2003		440,000	104,501	150,237	145,835	113,174	953,747
Net profit for the year		–	–	–	–	16,414	16,414
Dividends – 2002 final		25	–	–	–	(9,504)	(9,504)
– 2003 interim		25	–	–	–	(9,504)	(9,504)
At 31 December 2003		440,000	104,501	150,237	145,835	110,580	951,153
At 1 January 2004		440,000	104,501	150,237	145,835	110,580	951,153
Net profit for the year		–	–	–	–	6,345	6,345
Impairment of hotel properties		3	–	(33,200)	–	–	(33,200)
Dividends – 2003 final		25	–	–	–	(11,088)	(11,088)
– 2004 interim		25	–	–	–	(9,504)	(9,504)
At 31 December 2004		440,000	104,501	117,037	145,835	96,333	903,706
		Note 13		Note 14		Note 14	

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	35,046	24,710	6,103	22,072
Adjustments for :				
Allowance for doubtful debts on shareholders' loan in associates assigned from a shareholder of the associates	1,644	–	–	–
Depreciation	18,948	19,625	1,863	3,328
Gain on disposal of investment properties	(177)	–	–	–
Hotel properties written off	261	386	–	–
Impairment loss on shares in associates transferred by a shareholder of the associates	183	–	–	–
Interest expense	6,518	7,396	2,490	2,456
Interest income	(148)	(64)	(400)	(852)
Loss on disposal of property, plant and equipment and hotel properties	705	1,032	103	797
Property, plant and equipment written off	6,380	1,093	5,656	–
Retirement benefits charged	3,645	3,018	1,987	1,663
Share of losses of associates	842	1,834	–	–
Shareholders' loan in associates assigned from a shareholder of the associates	(1,644)	–	–	–
Shares in associates transferred from a shareholder of the associates	(183)	–	–	–
Reversal of retirement benefits	(8,055)	–	(8,055)	–
Operating profit before working capital changes	63,965	59,030	9,747	29,464
(Increase) / Decrease in working capital :				
Inventories	415	232	780	196
Trade and other receivables	3,407	(2,667)	1,112	(8,146)
Trade and other payables	7,763	5,426	6,271	(1,002)
Cash generated from operations	75,550	62,021	17,910	20,512
Income taxes paid	(9,515)	(6,520)	(3,383)	(7,344)
Retirement benefits paid	(2,460)	(1,259)	(2,229)	(992)
Net cash generated from operating activities	63,575	54,242	12,298	12,176

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Additions to hotel properties	(1,365)	(2,175)	(286)	(59)
Additions to investment properties	–	(4,416)	–	–
Interest received	148	64	400	852
Proceeds from disposal of property, plant and equipment, hotel properties and investment properties	600	206	–	32
Purchase of property, plant and equipment	(15,220)	(44,421)	(1,030)	(6,636)
Net cash used in investing activities	(15,837)	(50,742)	(916)	(5,811)
Cash flows from financing activities				
Advances and payments made on behalf of subsidiaries	–	–	3,461	(1,571)
Drawdown of loans to associates	–	(303)	–	–
Dividend paid to minority interest	(720)	–	–	–
Dividend paid to shareholders of the Company	(20,592)	(19,008)	(20,592)	(19,008)
Interest paid	(6,518)	(7,396)	(2,490)	(2,456)
Refund of excess call from associates	447	451	–	–
Repayments of revolving credits	(18,810)	(14,320)	(13,000)	(8,400)
(Repayments) / Drawdown of term loans	(3,647)	43,000	18,500	30,000
Net cash (used in) / generated from financing activities	(49,840)	2,424	(14,121)	(1,435)
Net (decrease) / increase in cash and cash equivalents	(2,102)	5,924	(2,739)	4,930
Cash and cash equivalents at beginning of year	8,563	2,639	5,175	245
Cash and cash equivalents at end of year	6,461	8,563	2,436	5,175
Cash and cash equivalents comprise:				
Cash and bank balances	6,051	2,799	2,158	775
Deposits placed with licensed banks and a licensed financial institution	780	6,481	280	4,400
Bank overdrafts	(370)	(717)	(2)	–
	6,461	8,563	2,436	5,175

The notes set out on pages 56 to 87 form an integral part of, and should be read in conjunction with, these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

(a) BASIS OF ACCOUNTING

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) BASIS OF CONSOLIDATION

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for UBN Holdings Sdn Bhd, which is consolidated using the merger method of accounting. Merger method of accounting for the consolidation of UBN Holdings Sdn Bhd is continued to be applied in line with the transition provision of MASB 21, Business Combinations, which allows the Group to apply the standard prospectively.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Under the merger method of accounting, the results of subsidiaries acquired are accounted for on a full year basis irrespective of the date of merger. The difference between the cost of acquisition and the nominal value of the share capital and reserves of the subsidiaries is taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences).

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) ASSOCIATES

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The Group's share of result of associates is accounted for in the consolidated income statement in place of dividend received and receivable and the Group's share of post-acquisition reserves is added to the cost of investments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

The Group's share of results and reserves of associates are based on the audited and unaudited financial statements of these companies for the year ended 31 December 2004.

(d) PROPERTY, PLANT AND EQUIPMENT

Freehold, long term leasehold land (with an unexpired lease period of fifty (50) years or more) and renovation and contract-in-progress are stated at cost/valuation. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

The Group revalues its properties comprising freehold land, leasehold land and buildings and golf course and its related buildings at least once in every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the Asset Revaluation Reserve. Any deficit arising is offset against the Asset Revaluation Reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold and long term leasehold land (with an unexpired lease period of fifty (50) years or more) and renovation and contract-in-progress are not amortised. Short term leasehold land is amortised in equal instalments over the period of lease of fifty (50) years. The straight line method is used to write off the cost of the other property, plant and equipment over the term of their estimated useful lives at the following principal annual rates:

Buildings and improvements	2%
Golf course and its related buildings (60 years)	1.7%
Furniture, fixtures and equipment	5% to 20%
Motor vehicles	20%

The initial cost of operating equipment is capitalised and amortised between five (5) to twenty (20) years, and subsequent replacements are written off in the income statement as and when incurred.

Renovation-in-progress represent the renovation works-in-progress for the hotel properties and they will be reclassified to the respective categories of assets upon completion of the renovation.

(e) HOTEL PROPERTIES

Hotel properties comprise land, the hotel buildings thereon and the related fixed plant. No depreciation is provided on freehold hotel properties or those with unexpired lease periods of twenty (20) years or more. The Directors are of the opinion that it is more appropriate not to depreciate hotel properties since it is the Group's practice to maintain all its hotel properties to a high standard and condition in order to maintain residual values at least equal to their respective book values such that depreciation would be insignificant. The related maintenance expenditure is dealt with in the income statement.

In order to establish whether hotel properties have maintained residual value at least equal to their respective book values, all hotel properties are appraised by independent professional valuers at least once in every five (5) years and at shorter intervals whenever the fair value of the revalued hotel properties is expected to differ materially from their carrying value based on open market value on an existing use basis.

Surpluses arising from revaluation are dealt with in the Asset Revaluation Reserve. Any deficit arising is offset against the Asset Revaluation Reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

(f) INVESTMENT PROPERTIES

Investment properties are properties held for their investment potential and rental income.

Investment properties are stated at Directors' valuations based on independent professional valuers' reports. Additions subsequent to the date of the last valuation are stated at cost. Investment properties are appraised by independent professional valuers at least once in every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value based on open market value on an existing use basis.

Revaluation surpluses, if considered by the Directors to be other than temporary, are incorporated in the financial statements through the Asset Revaluation Reserve. Any deficit would be set off against the Asset Revaluation Reserve. If the reserve is insufficient to cover a deficit on an individual basis, the excess of the deficit is charged to the income statement.

No depreciation is provided on investment properties. Maintenance is regularly undertaken and is expensed off to the income statement.

(g) INVESTMENTS

Investments in subsidiaries and associates are stated at cost in the Company, less impairment losses, where applicable.

(h) PROPERTY DEVELOPMENT EXPENDITURE

Property development expenditure are stated at cost less foreseeable losses, if any. Cost comprises direct cost of development, capitalised interest cost and other related expenses.

(i) GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost. Annual review will be carried out and an adjustment is made, if in the opinion of the Directors, its value has fallen below the carrying value.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition and is stated at cost.

(j) INVENTORIES

Inventories are stated at the lower of cost and net realisable value with the weighted average cost being the main basis for cost.

(k) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost less allowance for doubtful debts.

(l) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(m) LIABILITIES

Borrowings and trade and other payables are stated at cost.

(n) IMPAIRMENT

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (financial assets in this context does not include investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(o) BORROWING COSTS

Borrowing costs incurred on property development project are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the actual borrowing costs applicable to the borrowing that is specifically for the purpose of financing a property under development.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(p) INCOME TAX

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(q) EMPLOYEE BENEFITS

(i) *Short term employee benefits*

Wages, salaries and bonuses are recognised as expenses in the year in which the related services are rendered by employees of the Group and of the Company. Short term employee benefits in respect of accumulating compensated absences namely paid annual leave are accrued in the period in which the related services are rendered by employees.

(ii) *Defined contribution plan*

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(iii) *Defined benefit plans*

The Company and certain subsidiaries ("the Group") provides retirement benefits for its unionised employees in accordance with the Collective Union Agreement, which is operated on an unfunded defined benefit scheme.

The Group's net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method (accrued benefit valuation method).

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(r) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are an integral part of the Company's operations. Accordingly, the long term assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation and the short term assets and liabilities, are translated to Ringgit Malaysia at exchange rates ruling at the transaction date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the exchange fluctuation account in equity.

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

	2004	2003
USD 1.00	RM3.800	RM3.800
HKD 1.00	RM0.489	RM0.494
JPY 1.00	RM0.037	RM0.036
SGD 1.00	RM2.284	RM2.250

(s) REVENUE

(i) Hotel and golf operations

Revenue from the provision of rooms, food and beverage, other department sales, laundry service fees and golf related income are recognised when services are rendered.

(ii) Rental

Revenue from rental of offices, shoplots and apartment lettings and rental of car park are recognised based on the value invoiced to customers during the year.

(iii) Dividend income

Dividend income from subsidiaries and associates is recognised when the right to receive payment is established.

(iv) Laundry services

Revenue from the provision of laundry services by non-hotel operations is recognised when services are rendered.

(v) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

(t) FINANCING COSTS

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1(o), are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

2. PROPERTY, PLANT AND EQUIPMENT

GROUP	NOTE	FREEHOLD LAND RM'000	LONG TERM LEASEHOLD LAND RM'000	SHORT TERM LEASEHOLD LAND AND BUILDINGS RM'000	GOLF COURSE AND ITS RELATED BUILDINGS RM'000	FURNITURE, FIXTURES, EQUIPMENT AND MOTOR VEHICLES RM'000	RENOVATION AND CONTRACT- IN-PROGRESS RM'000	TOTAL RM'000
Cost / Valuation								
At 1 January 2004		155,000	9,173	2,500	38,165	259,216	5,471	469,525
Additions		-	-	-	69	7,246	7,905	15,220
Disposals		-	-	-	-	(2,307)	-	(2,307)
Write off		-	-	-	-	(48,640)	(1,053)	(49,693)
Transfers		-	-	-	4	2,277	(2,281)	-
Transfers to hotel properties	3	-	-	-	-	-	(2,903)	(2,903)
At 31 December 2004		155,000	9,173	2,500	38,238	217,792	7,139	429,842
Representing items at:								
Cost		-	-	-	248	217,792	7,139	225,179
Directors' valuation – 2001		155,000	-	2,500	-	-	-	157,500
– 2002		-	9,173	-	37,990	-	-	47,163
At 31 December 2004		155,000	9,173	2,500	38,238	217,792	7,139	429,842
Accumulated depreciation								
At 1 January 2004		-	-	104	719	170,481	-	171,304
Charge for the year		-	-	51	717	18,180	-	18,948
Disposals		-	-	-	-	(1,842)	-	(1,842)
Write off		-	-	-	-	(43,313)	-	(43,313)
At 31 December 2004		-	-	155	1,436	143,506	-	145,097
Net book value								
At 31 December 2004		155,000	9,173	2,345	36,802	74,286	7,139	284,745
At 31 December 2003		155,000	9,173	2,396	37,446	88,735	5,471	298,221
Depreciation charge for the year ended 31 December 2003		-	-	51	719	18,855	-	19,625

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

COMPANY	SHORT TERM LEASEHOLD LAND RM'000	FURNITURE, FIXTURES, EQUIPMENT AND MOTOR VEHICLES RM'000	RENOVATION- IN-PROGRESS RM'000	TOTAL RM'000
Cost /Valuation				
At 1 January 2004	800	59,206	1,073	61,079
Additions	–	601	429	1,030
Write off	–	(46,391)	(1,053)	(47,444)
At 31 December 2004	800	13,416	449	14,665
Representing items at :				
Cost	–	13,416	449	13,865
Directors' valuation – 2001	800	–	–	800
At 31 December 2004	800	13,416	449	14,665
Accumulated depreciation				
At 1 January 2004	36	49,677	–	49,713
Charge for the year	17	1,846	–	1,863
Write off	–	(41,788)	–	(41,788)
At 31 December 2004	53	9,735	–	9,788
Net book value				
At 31 December 2004	747	3,681	449	4,877
At 31 December 2003	764	9,529	1,073	11,366
Depreciation charge for the year ended 31 December 2003	17	3,311	–	3,328

Revaluation

GROUP

The long term leasehold land and the golf course together with its related buildings were revalued by the Directors in 2002 based on valuation performed by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, which was based on open market value on an existing use basis. In relation to this, the said leasehold land and the golf course together with its related buildings were revalued at RM9,173,000 and RM37,990,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The freehold land, short term leasehold land and buildings were revalued by the Directors in 2001 based on valuation performed by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, which was based on open market value on an existing use basis. In relation to this, the freehold land and the short term leasehold land and buildings were revalued at RM155,000,000 and RM2,500,000 respectively.

As at 31 December 2004, the Group updated the valuations of its freehold land, long term leasehold land, short term leasehold land and buildings, golf course and its related buildings based on valuations performed by a firm of independent professional valuers, which were based on open market value on an existing use basis. In relation to this, there are no material differences between the carrying values of the assets and their fair values.

Included in renovation and contract-in-progress of the Group is RM1,414,000 (2003 – RM1,414,000) pertaining to redevelopment project of a subsidiary, which has been shelved for the time being until market conditions improve.

COMPANY

The short term leasehold land was revalued by the Directors in 2001 based on valuation performed by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, which was based on open market value on an existing use basis. In relation to this, the said short term leasehold land was revalued at RM800,000.

As at 31 December 2004, the Company updated the valuation of its short term leasehold land based on a valuation performed by a firm of independent professional valuers, which was based on open market value on an existing use basis. In relation to this, there is no material difference between the carrying value of the asset and its fair value.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Freehold land	11,718	11,718	–	–
Long term leasehold land	4,867	4,867	–	–
Short term leasehold land and buildings	2,568	2,630	2,103	2,153
Golf course and its related buildings	42,572	43,437	–	–
	61,725	62,652	2,103	2,153

NOTES TO THE FINANCIAL STATEMENTS

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3. HOTEL PROPERTIES

		GROUP		COMPANY	
	NOTE	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cost / Valuation					
At 1 January		921,383	867,032	223,056	220,102
Additions		1,365	2,175	286	59
Disposals		(459)	(423)	(103)	(407)
Write off		(261)	(386)	–	–
Impairment losses	32(b)	(33,200)	–	(33,200)	–
Transfers from property, plant and equipment	2	2,903	55,313	–	3,302
Transfers to property, plant and equipment		–	(2,328)	–	–
At 31 December		891,731	921,383	190,039	223,056
Representing items at:					
Cost		62,406	58,684	3,239	3,056
Directors' valuation – 2001		722,455	755,829	186,800	220,000
– 2002		106,870	106,870	–	–
At 31 December		891,731	921,383	190,039	223,056
Hotel properties consist:					
Freehold hotel properties		683,029	713,267	190,039	223,056
Long term leasehold hotel properties		208,702	208,116	–	–
		891,731	921,383	190,039	223,056

Hotel properties of RM2,328,000, which were transferred to property, plant and equipment in the previous year were stated at Directors' valuation in year 2002.

GROUP AND COMPANY

Impairment losses on the hotel properties of the Company of RM33,200,000 arose from the closure of Rasa Sayang Resort for major redevelopment, which has been charged against the Asset Revaluation Reserve (Note 32(b)).

Hotel property of the subsidiary acquired in 2002 was revalued by the Directors in 2002 based on valuation performed by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, which was based on open market value on an existing use basis at RM109,198,000.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

3. HOTEL PROPERTIES (cont'd)

The Group's and Company's other hotel properties were revalued by the Directors in 2001 based on valuation performed by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, which was based on open market value on an existing use basis. In relation to this, the hotel properties were revalued at RM757,000,000 for the Group and RM220,000,000 for the Company.

As at 31 December 2004, the Group and the Company updated the valuations of its hotel properties based on valuations performed by a firm of independent professional valuers, which were based on open market value on an existing use basis. In relation to this, there are no material differences between the carrying values of the hotel properties and their fair values, other than the impairment losses arising from the closure of Rasa Sayang Resort for major redevelopment of RM33,200,000.

The hotel properties of a subsidiary are erected on a freehold land leased from a related company. The freehold land is included in property, plant and equipment.

Had the hotel properties been carried at historical cost, the carrying amount of the revalued hotel properties that would have been included in the financial statements at the end of the year would be as follows :

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Hotel properties	577,106	575,110	133,413	133,230

Hotel properties at 31 December 2004 are all located in Malaysia and comprised the following :

PROPERTY	LOCATION	USAGE	TITLE
Rasa Sayang Resort	Batu Feringgi Beach, Penang	512 room resort	Freehold
Shangri-La Hotel Kuala Lumpur	Jalan Sultan Ismail, Kuala Lumpur	701 room hotel	Freehold
Shangri-La Hotel Penang	Magazine Road, Penang	444 room hotel	Leasehold*
Golden Sands Resort	Batu Feringgi Beach, Penang	395 room resort	Freehold
Palm Beach Resort	Batu Feringgi Beach, Penang	Vacant land	Freehold
Rasa Ria Resort	Tuaran, Sabah	330 room resort	Leasehold

NOTE

* The title deed to the long term leasehold land has yet to be issued by the relevant authority.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

4. INVESTMENT PROPERTIES

	GROUP	
	2004 RM'000	2003 RM'000
Cost / Valuation		
Freehold office and its integral plant and machinery		
At 1 January	182,280	177,864
Additions	–	4,416
At 31 December	182,280	182,280
Freehold apartment and its integral plant and machinery		
At 1 January	30,989	30,989
Disposal	(204)	–
At 31 December	30,785	30,989
	213,065	213,269
Representing items at:		
Freehold office and its integral plant and machinery		
Cost	13,990	13,990
Directors' valuation – 1991	168,290	168,290
	182,280	182,280
Freehold apartment and its integral plant and machinery		
Directors' valuation – 1991	30,785	30,989
	213,065	213,269

The investment properties were revalued by the Directors in 1991, which was based on a valuation performed by a firm of professional valuers on the existing use basis. The surplus arising from this revaluation was credited to the Asset Revaluation Reserve.

As at 31 December 2004, the investment properties were revalued at a value of RM227,500,000 by an independent firm of professional valuers based on open market value on an existing use basis.

As a matter of prudence, the Directors did not incorporate the surplus arising from the revaluation of RM14,435,000 in the financial statements.

The freehold office and its integral plant and machinery of a subsidiary is erected on a freehold land leased from a related company. The freehold land is included in property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2004 RM'000	2003 RM'000
Unquoted shares, at 1992 valuation	156,448	156,448
Unquoted shares, at cost	434,955	434,955
	591,403	591,403

The unquoted shares at 1992 valuation were revalued by the Directors based on the underlying net tangible assets of the respective subsidiaries concerned. Revaluation of investments in subsidiaries were carried out primarily for the purpose of reflecting the fair values of these investments prior to its merger with UBN Holdings Sdn Bhd. The revaluation has not been updated and they continue to be stated at their carrying amounts.

The principal activities of the subsidiaries and the interest of Shangri-La Hotels (Malaysia) Berhad are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST	
		2004 %	2003 %
Shangri-La Hotel (KL) Sdn Bhd	Operation of a city hotel	100	100
Komtar Hotel Sdn Bhd	Operation of a city hotel	60	60
Golden Sands Beach Resort Sdn Bhd	Operation of a beach resort	100	100
UBN Holdings Sdn Bhd	Investment holding and property investment	100	100
UBN Tower Sdn Bhd	Property investment and office management	100	100
Pantai Emas Sdn Bhd	Operation of a commercial laundry	100	100
Madarac Corporation	Investment holding	100	100
Palm Beach Hotel Sdn Bhd (Note a)	Operation of a beach resort	100	100
Wisegain Sdn Bhd	Investment holding	100	100
Hasil-Usaha Sdn Bhd	Dormant	100	100
Pantai Dalit Beach Resort Sdn Bhd	Operation of a beach resort	75	75
Dalit Bay Golf & Country Club Berhad	Operation of a golf course together with club house and related facilities	75	75
Pantai Dalit Development Sdn Bhd	Property development	75	75

All the subsidiaries are incorporated in Malaysia except for Madarac Corporation, which is incorporated in the British Virgin Islands.

NOTE

(a) The company ceased its operation of a beach resort on 29 February 1996.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

6. INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	19,757	19,574	16,200	16,200
Loans to associates	103,449	102,252	–	–
	123,206	121,826	–	–
Less : Share of losses of associates	(39,603)	(37,907)	–	–
Impairment losses on unquoted shares	(3,557)	(3,374)	–	–
Allowance for doubtful debts on loans to associates	(35,487)	(33,843)	–	–
	44,559	46,702	16,200	16,200
Represented by:				
Group's share of net liabilities	(19,846)	(18,333)		

Details of the associates are as follows:

NAME OF COMPANY	PLACE OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST	
			2004 %	2003 %
Johdaya Karya Sdn Bhd	Malaysia	Property development and investment in real properties	30	30
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	Hotel ownership and operation	23.53	22.22
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	Intended to construct and own apartment	22.22	22.22
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	Intended to construct and own commercial complex	23.56	22.22

The Company together with Shangri-La Hotel Limited, Kuok Brothers Sdn Bhd, Lee Rubber (Selangor) Sdn Bhd, Majlis Bandaraya Johor Bahru and Merit Properties Sdn Bhd (collectively, the "Vendors"), had on 31 May 2004 entered into a Conditional Sale & Purchase Agreement with Reco City Square JB Sdn Bhd (the "Purchaser"), a nominee of Government of Singapore Investment Corporation to dispose of the Company's entire equity interest comprising 16,200,000 ordinary shares of RM1.00 each fully paid-up in Johdaya Karya Sdn Bhd, for a total cash consideration of RM39,366,000 or RM2.43 per share ("Proposed Disposal"). The Proposed Disposal is pending fulfilment of certain conditions precedent and the approval of all relevant regulatory authorities (Note 32(a)).

The Group's interest in TYCL, SYCL and TSCL are held via a wholly-owned subsidiary, Madarac Corporation.

On 31 January 2004, Myanmar Fund Limited ("MFL") transferred its 5.56% equity interest each in TYCL and TSCL, and assigned its shareholders' loans extended to TYCL and TSCL to the other shareholders of TYCL and TSCL in proportion to their existing shareholdings. The transfer of MFL's shares in TYCL and TSCL was conditional upon receipt of approval from the Myanmar Investment Committee ("MIC") which was obtained on 26 May 2004. Thereafter, the registration of the share transfers was effected on 22 June 2004. Consequently, Madarac Corporation's registered shareholding interests of 22.22% each in TYCL and TSCL have increased to 23.53% and 23.56% respectively.

The loans to associates, namely TYCL, SYCL and TSCL are unsecured and repayable on demand, provided that such demand is made by shareholders holding not less than 51% interest in the respective associates. At 31 December 2004, balances of RM59,196,000 (2003 – RM57,552,000) of the loans to associates are interest free and the remaining balances are interest-bearing at 2.5% (2003 – 2.5%) per annum. The loan interest income has not been recognised in the financial statements as the recoverability of the loan interest income is remote and it is prudent to recognise the loan interest income on a cash basis.

NOTE

* The results of these companies are based on unaudited financial statements for the year ended 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS

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7. PROPERTY DEVELOPMENT EXPENDITURE

The property development expenditure represents development expenditure incurred by a subsidiary. Included in property development expenditure is interest capitalised amounting to RM4,142,000 (2003 – RM4,142,000).

8. INVENTORIES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost				
Food, beverage and tobacco	3,684	3,508	–	442
Room supplies	363	437	–	77
Other supplies	5,160	5,677	–	261
	9,207	9,622	–	780

9. TRADE AND OTHER RECEIVABLES AND TAX RECOVERABLE

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables		15,862	19,382	–	5,526
Other receivables, deposits and prepayments		4,283	4,170	657	1,257
Dividends receivable		–	–	22,622	17,460
Subsidiaries	a	–	–	239,358	241,163
Less: Allowance for doubtful debts		–	–	(48,491)	(48,491)
		–	–	190,867	192,672
		20,145	23,552	214,146	216,915
Tax recoverable	b	12,449	4,975	2,817	2,017

(a) SUBSIDIARIES

Amount due from subsidiaries comprises the following:

	COMPANY	
	2004 RM'000	2003 RM'000
Trade	224	372
Non-trade	239,134	240,791
Less: Allowance for doubtful debts	(48,491)	(48,491)
	190,643	192,300
	190,867	192,672

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER RECEIVABLES AND TAX RECOVERABLE (cont'd)

Non-trade balance comprises the following:

	COMPANY	
	2004	2003
	RM'000	RM'000
Advances owing from	24,768	34,400
Interest receivable	28	59
Payments made on behalf of	165,847	157,841
	190,643	192,300

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for an amount of RM5,400,000 (2003 – RM14,946,000), which bears interest at rates ranging from 3.50% to 3.95% (2003 – 3.50% to 3.85%) per annum.

(b) TAX RECOVERABLE

Tax recoverable is in respect of excess taxes paid, which are refundable and are subject to agreement by the Inland Revenue Board.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deposits placed with:				
– licensed banks	–	630	–	–
– a licensed financial institution	780	5,851	280	4,400
Cash and bank balances	6,051	2,799	2,158	775
	6,831	9,280	2,438	5,175

11. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
		2004	2003	2004	2003
	NOTE	RM'000	RM'000	RM'000	RM'000
Trade payables		17,195	16,959	733	1,913
Other payables and accrued expenses		39,886	32,359	14,970	7,356
Loan from minority shareholder	a	4,800	4,800	–	–
Subsidiaries	b	–	–	19,505	17,864
		61,881	54,118	35,208	27,133

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER PAYABLES (cont'd)

(a) LOAN FROM MINORITY SHAREHOLDER

The loan is from Petaling Garden Berhad, a minority shareholder of a subsidiary. The loan is unsecured, interest free and has no fixed terms of repayment.

(b) SUBSIDIARIES

Amount due to subsidiaries comprises the following:

	COMPANY	
	2004 RM'000	2003 RM'000
Trade	36	199
Non-trade	19,469	17,665
	19,505	17,864

Non-trade balance comprises the following:

Advances owing to	19,469	17,665
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Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for an amount of RM11,508,000 (2003 – RM11,033,000) which bears interest at 3.50% (2003 – 3.50%) per annum.

12. BORROWINGS (UNSECURED)

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current:				
Bank overdrafts	370	717	2	–
Revolving credits	63,124	81,934	21,500	34,500
Term loans	34,291	20,839	8,077	–
	97,785	103,490	29,579	34,500
Non-current:				
Term loans	82,732	99,831	40,423	30,000

GROUP

Terms and debt repayment schedule

Bank overdrafts bear interest at rates ranging from Nil to 0.5% (2003 – Nil to 0.5%) per annum above the base lending rate whilst the revolving credits bear interest at rates ranging from 3.50% to 3.95% (2003 – 3.50% to 3.95%) per annum.

The term loans are unsecured and repayable as follows:

- (a) RM29,420,000 (2003 – RM42,500,000), which is repayable in thirteen (13) equal quarterly instalments commencing February 2004;

NOTES TO THE FINANCIAL STATEMENTS

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12. BORROWINGS (UNSECURED) (cont'd)

- (b) RM16,000,000 (2003 – Nil), which was drawdown during the year and is repayable in ten (10) equal quarterly instalments commencing August 2004;
- (c) RM23,103,000 (2003 – RM25,670,000), which is repayable in ten (10) equal semi-annual instalments commencing 10 July 2004;
- (d) RM35,000,000 (2003 – RM30,000,000), which is repayable in thirteen (13) equal quarterly instalments commencing April 2005; and
- (e) RM13,500,000 (2003 – Nil), which was drawdown during the year and is repayable in fifteen (15) quarterly instalments commencing June 2007.

In the previous year, there was an unsecured term loan of RM22,500,000, which was repayable in thirteen (13) equal quarterly instalments commencing June 2004. The term loan was refinanced during the year.

The term loans bear interest at rates ranging from 3.5% to 3.7% (2003 – 3.5% to 4.1%) per annum.

COMPANY

Bank overdrafts bear interest at base lending rate whilst the revolving credits bear interest at rates ranging from 3.50% to 3.95% (2003 – 3.50% to 3.95%) per annum.

The term loans are unsecured and repayable as follows:

- (a) RM35,000,000 (2003 – RM30,000,000), which is repayable in thirteen (13) equal quarterly instalments commencing April 2005; and
- (b) RM13,500,000 (2003 – Nil), which was drawdown during the year and is repayable in fifteen (15) quarterly instalments commencing June 2007.

The term loan bears interest at 3.5% (2003 – 3.5%) per annum.

13. SHARE CAPITAL

	COMPANY	
	2004 RM'000	2003 RM'000
Ordinary shares of RM1.00 each:		
Authorised	500,000	500,000
Issued and fully paid	440,000	440,000

14. RESERVES

i) ASSET REVALUATION RESERVE

The Asset Revaluation Reserve arose from the revaluation of property, plant and equipment and hotel properties of the Group and of the Company.

ii) UNAPPROPRIATED PROFITS

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all its distributable reserves at 31 December 2004, if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS

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15. MINORITY SHAREHOLDERS' INTERESTS

These consist of minority shareholders' proportion of share capital and reserves of subsidiaries.

16. DEFERRED TAXATION

The amounts, determined after appropriate offsetting, are as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	(72,850)	(77,094)	(13,004)	(15,829)
Deferred tax assets	14,700	17,497	–	–

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes related to the same taxation authority.

The recognised deferred tax liabilities and assets (before offsetting) are as follows:

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
– capital allowances	(45,406)	(49,972)	(7,335)	(10,308)
– revaluation	(31,248)	(32,908)	(6,247)	(7,907)
Provisions	2,673	5,385	63	2,386
Unabsorbed capital allowances	1,131	401	515	–
	(72,850)	(77,094)	(13,004)	(15,829)
Property, plant and equipment				
– capital allowances	(12,402)	(12,310)	–	–
Provisions	172	172	–	–
Unabsorbed infrastructure allowances	18,944	18,944	–	–
Unutilised tax losses	4,038	4,041	–	–
Unabsorbed capital allowances	3,948	6,650	–	–
	14,700	17,497	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

16. DEFERRED TAXATION (cont'd)

No deferred tax assets, arising from a subsidiary, has been recognised for the following items:

	GROUP	
	2004	2003
	RM'000	RM'000
Taxable temporary differences	(1,318)	(1,658)
Unabsorbed capital allowances	5,043	4,855
Unutilised tax losses	11,114	10,984
Infrastructure allowances	293	207
	15,132	14,388
Deferred tax assets not recognised at 28%	4,237	4,029

The unutilised tax losses, unabsorbed capital allowances and infrastructure allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits.

Two (2) subsidiaries of the Group were granted Investment Tax Allowance ("ITA") by the Ministry of International Trade and Industry (MITI) on 12 August 2004. The ITA tax incentives were granted in respect of the modernisation and renovation projects undertaken by the subsidiaries in the recent years.

Subject to agreement by the Inland Revenue Board, the Group has unutilised investment tax allowances of approximately RM43,000,000 (2003 – Nil), which are available to be offset against future taxable income.

17. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded obligations	8,889	16,997	–	8,999
Unrecognised transition obligations	–	(1,238)	–	(702)
Recognised liability for defined benefit obligations	8,889	15,759	–	8,297

Liability for defined benefit obligations

The Group makes contributions to an unfunded defined benefit scheme in accordance with the Collective Union Agreement that provide pension benefits for employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits based on length of service and last drawn salary of the employees concerned. The most recent actuarial valuation at 31 December 2003, which was performed for the adoption of MASB 29, showed that there was a shortfall carried forward from previous valuation of RM2,476,000 and RM1,404,000 for the Group and for the Company respectively. The shortfall was recognised over a period of two (2) financial years commencing financial year ended 31 December 2003 and it was fully recognised in the current year.

NOTES TO THE FINANCIAL STATEMENTS

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17. RETIREMENT BENEFITS (cont'd)

Movements in the net liability/(asset) recognised in the balance sheets

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Net liability at 1 January	15,759	14,000	8,297	7,626
Benefits paid	(2,460)	(1,259)	(2,229)	(992)
Expense recognised in the income statement	3,645	3,018	1,987	1,663
Reversal	(8,055)*	–	(8,055)*	–
Net liability at 31 December	8,889	15,759	–	8,297

Expense recognised in the income statements

Current service cost	1,253	932	681	398
Interest on obligation	1,154	1,051	604	563
Transition amount	1,238	1,035	702	702
	3,645	3,018	1,987	1,663

The expense is recognised in the following line items in the income statements

Cost of sales	3,120	2,490	1,620	1,333
Administration expenses	305	319	262	231
Other operating expenses	220	209	105	99
	3,645	3,018	1,987	1,663

Liability for defined benefit obligations

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	GROUP		COMPANY	
	2004	2003	2004	2003
	%	%	%	%
Discount rate	7.00	7.00	–*	7.00
Future salary increases	5.25	5.25	–*	4.00

NOTE

* Relates to the reversal of the retirement benefits provision following the retrenchment of the employees of Rasa Sayang Resort under the Union scope arising from the closure of the Resort for major redevelopment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

18. OPERATING PROFIT

	NOTE	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue – hotel and golf operations		297,561	239,027	51,728	46,697
– rental		12,778	13,123	–	–
– dividend income		–	–	25,205	24,250
– laundry services		1,013	1,069	–	–
		311,352	253,219	76,933	70,947
Cost of sales		(141,336)	(118,152)	(26,101)	(23,235)
Cost of services		(7,153)	(7,352)	–	–
		(148,489)	(125,504)	(26,101)	(23,235)
Administration expenses		(45,405)	(39,994)	(9,259)	(8,378)
Other operating expenses		(77,231)	(54,131)	(33,380)	(15,658)
Other operating income		2,031	286	–	–
Operating profit		42,258	33,876	8,193	23,676
Operating profit is arrived at after charging:					
Auditors' remuneration		153	135	35	32
Allowance for doubtful debts					
– associates		1,644	–	–	–
– others		14	82	–	–
Bad debts written off		2	20	–	–
Company's Directors					
– remuneration and meeting allowances		813	664	813	664
– fees		183	188	183	188
Depreciation	2	18,948	19,625	1,863	3,328
Exceptional items	22 & 32(b)	16,989	–	16,989	–
Hire of motor vehicles		165	–	–	–
Hire of equipment		238	238	–	–
Hotel properties written off	3	261	386	–	–
Impairment loss on shares in associates transferred by a shareholder of the associates		183	–	–	–
Inventories written off		550	138	550	–
Loss on disposal of property, plant and equipment and hotel properties		705	1,032	103	797
Property, plant and equipment written off		3,085	1,093	2,361	–
Retirement benefits charged	17	3,645	3,018	1,987	1,663
Rental of apartments		457	709	67	67
and after crediting:					
Allowance for doubtful debts written back		–	34	–	–
Gain on disposal of investment properties		177	–	–	–
Gross dividends from subsidiaries		–	–	25,205	24,250
Realised gain on foreign exchange		327	238	–	–
Rental receivable from					
– subsidiary		–	–	120	120
– others		394	821	–	600
Shareholders' loan in associates assigned from a shareholder of the associates		1,644	–	–	–
Shares in associates transferred from a shareholder of the associates		183	–	–	–

The estimated monetary value of a Director's benefits-in-kind is RM21,000 (2003 – RM21,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

19. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Other staff costs (emoluments of Directors and staff)	81,776	73,730	19,656	18,766
Employees Provident Fund	6,371	6,046	1,453	1,687
	88,147	79,776	21,109	20,453

The average number of employees of the Group and of the Company (including Directors) during the year was 2,918 (2003–2,884) and 602 (2003–672) respectively.

20. INTEREST EXPENSE

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest payable				
Bank overdrafts	13	14	22	14
Revolving credits	2,415	3,381	963	1,596
Term loans	4,090	4,001	1,134	513
Subsidiaries	–	–	371	333
	6,518	7,396	2,490	2,456

21. INTEREST INCOME

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest receivable				
Deposits placed with licensed banks and a licensed financial institution	148	64	97	36
Subsidiaries	–	–	303	816
	148	64	400	852

22. EXCEPTIONAL ITEMS

GROUP AND COMPANY

The exceptional items of RM16,989,000 relate to the cessation of business and closure of Rasa Sayang Resort for major redevelopment and repositioning. The said exceptional items comprise retrenchment payouts and the write off of certain furniture, fixtures and equipment, and was arrived at after taking into account the reversal of retirement benefits provision of RM8,055,000 (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

23. TAX EXPENSE

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current tax expense				
– current year provision	4,267	4,033	2,583	6,894
– over provision in prior years	(2,365)	(801)	–	(693)
	1,902	3,232	2,583	6,201
Deferred tax expense				
Origination and reversal of temporary differences	4,465	4,985	(2,825)	(543)
Over provision in prior years	(5,912)	(1,338)	–	–
	(1,447)	3,647	(2,825)	(543)
Tax expense on share of results of associates	854	617	–	–
	1,309	7,496	(242)	5,658

Reconciliation of effective tax rate/expense

	%	2004 RM'000	%	2003 RM'000
GROUP				
Profit before taxation		35,046		24,710
Income tax using Malaysian tax rate	28.0	9,813	28.0	6,919
Effect of using different tax rates for chargeable income of up to RM500,000 (2003 – RM100,000) of certain subsidiaries	(0.2)	(80)	(0.1)	(16)
Non-deductible expenses	13.1	4,587	9.2	2,285
Losses not available for set-off	–	–	1.8	438
Tax incentives	(14.2)	(4,959)	–	–
Effect of deferred tax assets not recognised during the year	0.6	208	–	–
Other items	0.1	17	–	9
	27.4	9,586	38.9	9,635
Over provision in prior years – current tax expense	(6.8)	(2,365)	(3.2)	(801)
– deferred tax expense	(16.9)	(5,912)	(5.4)	(1,338)
Tax expense	3.7	1,309	30.3	7,496

COMPANY				
Profit before taxation		6,103		22,072
Income tax using Malaysian tax rate	28.0	1,709	28.0	6,180
Non-deductible expenses	41.3	2,523	0.5	114
Non-taxable income	(73.3)	(4,474)	0.2	57
	(4.0)	(242)	28.7	6,351
Over provision in prior years – current tax expense	–	–	(3.1)	(693)
Tax expense	(4.0)	(242)	25.6	5,658

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

24. EARNINGS PER ORDINARY SHARE – GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit of RM30,941,000 (2003 – RM16,472,000) attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 440,000,000 (2003 – 440,000,000).

25. DIVIDENDS

	COMPANY	
	2004 RM'000	2003 RM'000
Ordinary		
2004 – Interim dividends of 3.0% less tax at 28% (2003 – 3.0% less tax at 28%) paid in November 2004	9,504	9,504
2003 – Final dividends of 3.5% less tax at 28% (2002 – 3.0% less tax at 28%) paid in June 2004	11,088	9,504
	20,592	19,008

The Board has proposed a final dividend of 4.5% less tax at 28% totalling RM14,256,000 for the financial year ended 31 December 2004. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 19 May 2005. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of unappropriated profits in the financial year ending 31 December 2005.

26. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments. The Group's business activities are predominantly located in Malaysia.

Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Hotels, resorts and golf course	Hotel, beach resort and golf course business.
Investment properties	Rental from offices, shoplots and apartment and rental of car parks.
Others	Commercial laundry services and investment holding.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

26. SEGMENTAL INFORMATION (cont'd)

	HOTELS, RESORTS AND GOLF COURSE		INVESTMENT PROPERTIES		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business Segments										
Revenue from external customers	297,561	239,027	12,778	13,123	1,013	1,069	–	–	311,352	253,219
Inter-segment revenue	25,205	24,250	1,972	1,945	2,840	2,443	(30,017)	(28,638)	–	–
Total revenue	322,766	263,277	14,750	15,068	3,853	3,512	(30,017)	(28,638)	311,352	253,219
Operating profit	59,478	50,286	7,365	7,313	620	527	(25,205)	(24,250)	42,258	33,876
Interest expense	(6,689)	(8,018)	(7)	(50)	(506)	(478)	684	1,150	(6,518)	(7,396)
Interest income	429	866	351	318	52	29	(684)	(1,149)	148	64
Share of (losses) / profit of associates	(3,380)	(3,652)			2,538	1,818			(842)	(1,834)
Tax expense									(1,309)	(7,496)
Minority interest									(2,796)	(742)
Net profit for the year									30,941	16,472
Segment assets	1,277,681	1,324,152	381,238	380,614	11,536	10,696	(233,153)	(228,557)	1,437,302	1,486,905
Interests in associates	16,200	16,200	–	–	31,495	31,942	(3,136)	(1,440)	44,559	46,702
Unallocated assets	–	–	–	–	–	–	–	–	27,149	22,472
Total assets									1,509,010	1,556,079
Segment liabilities	398,629	415,288	46,601	47,678	87,699	87,279	(281,642)	(277,047)	251,287	273,198
Unallocated liabilities	–	–	–	–	–	–	–	–	73,524	77,907
Total liabilities									324,811	351,105
Capital expenditure	16,424	46,169	9	4,790	152	53	–	–	16,585	51,012
Impairment loss on shares in associates transferred by a shareholder of the associates	–	–	–	–	183	–	–	–	183	–
Depreciation	18,650	19,346	128	119	170	160	–	–	18,948	19,625
Non-cash expenses other than depreciation	10,991	5,485	–	44	–	–	–	–	10,991	5,529

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

27. CONTINGENT LIABILITIES (UNSECURED)

COMPANY

The Company had issued a Corporate Guarantee for an amount up to USD10.0 million to UFJ Bank Limited, Labuan for the revolving credit facility of USD10.0 million granted to a subsidiary, Madarac Corporation. As at 31 December 2004, the said facility utilised was USD4,980,000 (2003 – USD4,930,000).

28. COMMITMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Capital commitments:				
Property, plant and equipment, hotel properties and investment properties				
Contracted but not provided for in the financial statements				
– Company and subsidiaries	4,090	1,839	–	–
Authorised but not contracted for				
– Company and subsidiaries	98,653	20,387	68,016	1,751
– Associates	18,600	18,600	–	–
	117,253	38,987	68,016	1,751
	121,343	40,826	68,016	1,751

29. HOLDING COMPANIES

The ultimate holding company is Shangri-La Asia Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited.

The immediate holding company is Hoopersville Limited, a company incorporated in the British Virgin Islands.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

30. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its associates, its holding company, subsidiaries of its holding company and corporations in which certain Directors have indirect financial interests.

Significant transactions and balances with related corporations are as follows:

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Transactions with subsidiaries				
Interest income receivable or received				
– Shangri-La Hotel (KL) Sdn Bhd	–	–	98	202
– Komtar Hotel Sdn Bhd	–	–	90	122
– Golden Sands Beach Resort Sdn Bhd	–	–	109	392
– UBN Tower Sdn Bhd	–	–	6	50
– Pantai Dalit Beach Resort Sdn Bhd	–	–	–	50
Rental income receivable or received				
– Pantai Emas Sdn Bhd	–	–	120	120
Interest expense payable or paid				
– Shangri-La Hotel (KL) Sdn Bhd	–	–	–	–
– UBN Holdings Sdn Bhd	–	–	329	303
– Pantai Emas Sdn Bhd	–	–	42	30
Laundry service fees payable or paid				
– Pantai Emas Sdn Bhd	–	–	1,062	1,055
Transactions with associates				
Loans granted to				
– Shangri-La Yangon Company Ltd	–	303	–	–
Loan amounts due from				
– Traders Yangon Company Ltd	65,625	66,072	–	–
– Shangri-La Yangon Company Ltd	2,337	2,337	–	–
Transactions with subsidiaries of Shangri-La Asia Limited				
Shangri-La International Hotel Management Ltd				
– Project consultancy fees paid	–	291	–	160
– Management, marketing and reservation fees paid or payable	8,063	7,164	1,757	1,468
Shangri-La International Hotel Management Pte Ltd				
– Management fees paid or payable	1,355	–	209	–
Transactions with corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have indirect financial interests				
Insurance premium paid or payable				
– Jerneh Insurance Bhd	2,190	2,007	447	564
– Jerneh Insurance (HK) Ltd	330	403	41	85
Project management fees paid				
– PPB Hartabina Sdn Bhd	288	226	137	59

Balances with associates and subsidiaries at balance sheet date are disclosed in Notes 6, 9 and 11 to the financial statements.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

31. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group and of the Company's business. In relation to this, the Group has formalised guidelines from its ultimate holding company with regards to its credit policy. The management reviews and manages this credit policy and other policies as summarised below.

CREDIT RISK

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit facilities. The credit evaluation includes reviewing financial statements and information regarding the directors and bankers of these companies. Past histories with the companies will be considered and if necessary, reference checks are made. New companies requiring credit facilities are required to place adequate interest free deposits or provide a bank guarantee. The Group and the Company also require each and every reservation by a corporate customer to be supported by a letter of authorisation signed by an authorised signatory.

At balance sheet date, there were significant concentrations of credit risk in respect of loans granted to associates in the Union of Myanmar (Note 6). The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

LIQUIDITY RISK

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuations in cash flows.

INTEREST RATE RISK

The borrowings of the Group and of the Company as at balance sheet date comprise short term borrowings, which are rolled over at short intervals of one (1) to three (3) months and term loans, which are repayable over various periods not exceeding seven (7) years.

The Group and the Company monitor the interest rates of borrowings offered by the financial institutions on a monthly basis. The interest expense incurred are compared against the approved budget and reported to the Board of Directors ("the Board") and ultimate holding company.

Interest-bearing and interest-earning advances to or from subsidiaries are at variable interest rates as determined by the management to be favourable to either party as compared to the prevailing commercial interest rate.

Excess funds are placed with licensed banks and a licensed financial institution for certain periods during which the interest rates are fixed. The management reviews the rates at regular intervals.

FOREIGN CURRENCY RISK

The Group and the Company incur minimal foreign currency sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. Hence, the Board considers this risk to be insignificant. Furthermore, the main currency giving rise to this risk is primarily US dollars, which does not require hedging at present given the government's "peg" of the Ringgit Malaysia against the US dollars.

As at balance sheet date, the Group and the Company have minimal foreign currency transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

31. FINANCIAL INSTRUMENTS (cont'd)

The following table shows information about the Group and Company's exposure to interest rate risk.

EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	2004					2003				
	EFFECTIVE	TOTAL	WITHIN	1-5	AFTER	EFFECTIVE	TOTAL	WITHIN	1-5	AFTER
	INTEREST RATE %					INTEREST RATE %				
		RM'000	1 YEAR RM'000	YEARS RM'000	5 YEARS RM'000		RM'000	1 YEAR RM'000	YEARS RM'000	5 YEARS RM'000
GROUP										
Financial asset										
Deposits placed with licensed banks and a licensed financial institution	2.7	780	780	—	—	2.8	6,481	6,481	—	—
Financial liabilities										
Unsecured bank overdrafts	6.5	370	370	—	—	6.9	717	717	—	—
Unsecured revolving credits	3.3	63,124	63,124	—	—	3.6	81,934	81,934	—	—
Unsecured term loans	3.5	117,023	117,023	—	—	3.6	120,670	120,670	—	—
COMPANY										
Financial assets										
Advances to subsidiaries	3.5	5,400	5,400	—	—	3.7	14,946	14,946	—	—
Deposits placed with a licensed financial institution	2.7	280	280	—	—	2.8	4,400	4,400	—	—
Financial liabilities										
Advances from subsidiaries	3.0	11,508	11,508	—	—	3.5	11,033	11,033	—	—
Unsecured bank overdrafts	6.5	2	2	—	—	—	—	—	—	—
Unsecured revolving credits	3.4	21,500	21,500	—	—	3.8	34,500	34,500	—	—
Unsecured term loan	3.5	48,500	48,500	—	—	3.5	30,000	30,000	—	—

FAIR VALUES

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

In respect of term loan with variable interest rates, the carrying amounts approximate fair values as they are on floating rates and reprice to market interest rates for liabilities with similar risk portfolios.

32. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 31 May 2004, the Company together with Shangri-La Hotel Limited, Kuok Brothers Sdn Bhd, Lee Rubber (Selangor) Sdn Bhd, Majlis Bandaraya Johor Bahru and Merit Properties Sdn Bhd (collectively, the "Vendors"), entered into a Conditional Sale & Purchase Agreement with Reco City Square JB Sdn Bhd (the "Purchaser"), a nominee of Government of Singapore Investment Corporation to dispose of the Company's entire equity interest comprising 16,200,000 ordinary shares of RM1.00 each fully paid-up in Johdaya Karya Sdn Bhd, for a total cash consideration of RM39,366,000 or RM2.43 per share ("Proposed Disposal"), based upon the terms and conditions as stipulated in the said Conditional Sale & Purchase Agreement.

The Proposed Disposal is pending fulfilment of certain conditions precedent and the approval of all relevant regulatory authorities.

- (b) On 28 September 2004, the Directors of the Company announced its decision to close Rasa Sayang Resort (the "Resort") for a major redevelopment and repositioning exercise to ensure and secure its long term survival, and thereby necessitating the unavoidable retrenchment of employees.

The Resort ceased operations and closed from 1 December 2004 for a period of approximately eighteen (18) to twenty-four (24) months to enable such redevelopment to be effected.

The impairment of assets arising from the redevelopment of the Resort relating to the hotel building of the Resort amounted to RM33,200,000 and has been taken directly to the Asset Revaluation Reserve (Note 3). The retrenchment payouts and write off of certain furniture, fixtures and equipment amounting to RM16,989,000 was charged against the income statement of the Group. The said charge of RM16,989,000 is shown as Exceptional Items (Notes 18 & 22) and was arrived at after taking into account the reversal of retirement benefit provision of RM8,055,000 (Note 17).

GROUP PROPERTIES

as at 31 December 2004

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2004 (RM'000)
Shangri-La Hotel (KL) Sdn Bhd	SHANGRI-LA HOTEL KUALA LUMPUR 29-storey, 701 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	19	16,229	335,725
Komtar Hotel Sdn Bhd	SHANGRI-LA HOTEL PENANG 17-storey, 444 room hotel located at Magazine Road, 10300 Penang	Leasehold (Expires 2082)	18	4,800	100,953
Shangri-La Hotels (Malaysia) Berhad	SHANGRI-LA'S RASA SAYANG RESORT * 512 room resort comprising 11 inter-connected low-rise blocks not exceeding 5 storeys each and 3 inter-connected low-rise blocks of 8 storeys each located at 10th Mile, Batu Feringgi, 11100 Penang	Freehold	31	58,798	190,039
	LAND Lot 402, Section 2 Town of Batu Feringgi North East District, Penang	Leasehold (Expires 2034)	–	2,973	
	Industrial land on which the central laundry owned by Pantai Emas Sdn Bhd is situated on at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	Leasehold (Expires 2047)	–	3,737	747
Palm Beach Hotel Sdn Bhd	LAND Lots 9, 10, 13, 15, 93, 316, 420, 591 & 592, Section 2 Town of Batu Feringgi North East District, Penang	Freehold	–	33,097	47,000

NOTE

* Ceased business operations and closed from 1 December 2004 for a period of approximately 18 to 24 months for major redevelopment and repositioning.

GROUP PROPERTIES

as at 31 December 2004

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2004 (RM'000)
Golden Sands Beach Resort Sdn Bhd	SHANGRI-LA'S GOLDEN SANDS RESORT 8-storey, 395 room resort located at 10th Mile, Batu Feringgi 11100 Penang	Freehold	26	19,359	110,265
	LAND Lot 389, Section 2 Town of Batu Feringgi North East District, Penang	Leasehold (Expires 2050)	–	424	
Pantai Emas Sdn Bhd	PENANG LAUNDRY SERVICES A central laundry located at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	Leasehold (Expires 2047)	14	3,737	1,598
UBN Tower Sdn Bhd	UBN TOWER 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	Freehold	19	3,696	182,280
UBN Holdings Sdn Bhd	UBN APARTMENTS 24-storey apartment block comprising 126 units of apartments located at 1 Lorong P. Ramlee 50250 Kuala Lumpur (# based on 58 units of unsold apartments)	Freehold	19	3,120	30,785 [#]
	Commercial land on which Shangri-La Hotel Kuala Lumpur is situated on at 11 Jalan Sultan Ismail 50250 Kuala Lumpur and UBN Tower at 10 Jalan P. Ramlee 50250 Kuala Lumpur	Freehold	–	19,925	155,000

GROUP PROPERTIES

as at 31 December 2004

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2004 (RM'000)
Pantai Dalit Beach Resort Sdn Bhd	SHANGRI-LA'S RASA RIA RESORT 330 room resort comprising 2 inter-connected low-rise blocks of 4 storeys each and 6 inter-connected low-rise blocks of 6 storeys each located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	8	67,999	107,750
	LAND Undeveloped lands for future development located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	–	880,981	9,173
	Lands on which Shangri-La's Rasa Ria Resort and Dalit Bay Golf & Country Club is situated on at Pantai Dalit, 89208 Tuaran, Sabah	Leasehold (Expires 2090)	–	736,984	
Dalit Bay Golf & Country Club Berhad	DALIT BAY GOLF & COUNTRY CLUB An 18-hole golf course and clubhouse located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	7	668,985	36,801

NOTE

The last revaluation for the Group's Properties comprising freehold land, leasehold land, golf course, buildings and investment properties were carried out by a firm of independent professional valuers as at 31.12.2004 on an open market basis for existing use. Please refer to Notes 2, 3 and 4 of the Financial Statements set out on pages 62 to 67 for further details.

SHAREHOLDING STATISTICS

as at 31 March 2005

- CLASS OF SHARES** – Ordinary Shares of RM1.00 each fully paid
VOTING RIGHTS – One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	% OF ISSUED CAPITAL
Less than 100	78	0.73	1,702	0.00
100 – 1,000	4,071	38.35	4,001,645	0.91
1,001 – 10,000	5,507	51.88	22,143,851	5.03
10,001 – 100,000	858	8.08	24,050,309	5.47
100,001 to less than 5% of issued shares	100	0.94	61,739,900	14.03
5% and above of issued shares	2	0.02	328,062,593	74.56
	10,616	100.00	440,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	Deemed Interest	
NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	NO. OF SHARES	% OF ISSUED CAPITAL
Hoopersville Limited	232,237,841	–	52.78
Shangri-La Asia Limited	–	232,237,841	52.78
Kerry Holdings Limited	–	232,237,841	52.78
Kerry Group Limited	–	232,237,841	52.78
Ikatan Perkasa Sdn Bhd	95,824,752	–	21.78
Landmarks Berhad	–	117,124,012	26.62
Zimulia Sdn Bhd	–	117,124,012	26.62
Loo Khee Kwong @ Danny Loo	–	117,124,012	26.62
Harun bin Halim Rasip	–	117,124,012	26.62

SHAREHOLDING STATISTICS

as at 31 March 2005

DIRECTORS' INTERESTS IN SHARES

The direct and deemed interests of the Directors in the shares of the Company and in its related corporations as at 31 March 2005 are as follows:

	Direct Interest	Deemed Interest	
(Ordinary Shares of RM1.00 each)			
THE COMPANY			
SHANGRI-LA HOTELS (MALAYSIA) BERHAD	NO. OF SHARES	NO. OF SHARES	% OF ISSUED CAPITAL
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	—	—	—
Kuok Oon Kwong	—	10,000	negligible
Rozina Mohd Amin	—	—	—
Tan Sri A. Razak bin Ramli	—	—	—
Harun bin Halim Rasip	—	117,124,012	26.62
Dato' Seri Ismail Farouk Abdullah	200,000	—	0.05
Kuok Khoon Ho	—	10,000	negligible
Tan Sri Dato' Mohd Amin bin Osman	—	—	—
Mohamad Abdul Halim bin Ahmad	—	—	—
Datuk Supperamaniam a/l Manickam	—	—	—
Dato' Dr Tan Tat Wai	—	—	—

(Ordinary Shares of HKD1.00 each)

RELATED CORPORATION

SHANGRI-LA ASIA LIMITED (Ultimate Holding Company)	NO. OF SHARES	NO. OF SHARES	% OF ISSUED CAPITAL
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	—	—	—
Kuok Oon Kwong	151,379	2,972,610	0.13
Rozina Mohd Amin	—	—	—
Tan Sri A. Razak bin Ramli	—	—	—
Harun bin Halim Rasip	—	—	—
Dato' Seri Ismail Farouk Abdullah	—	—	—
Kuok Khoon Ho	—	3,365,061	0.14
Tan Sri Dato' Mohd Amin bin Osman	15,900	—	negligible
Mohamad Abdul Halim bin Ahmad	—	—	—
Datuk Supperamaniam a/l Manickam	—	—	—
Dato' Dr Tan Tat Wai	—	—	—

SHARE OPTIONS IN SHANGRI-LA ASIA LIMITED

	NO. OF SHARES GRANTED UNDER THE OPTION
Kuok Khoon Ho	1,936,768

By virtue of his interest in the shares of the Company, Encik Harun bin Halim Rasip is also deemed interested in the shares of all the subsidiaries of the Company to the extent that the Company has an interest.

SHAREHOLDING STATISTICS

as at 31 March 2005

THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

NAME OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1. Hoopersville Limited	232,237,841	52.78
2. Mayban Trustees Berhad for Ikatan Perkasa Sdn Bhd	95,824,752	21.78
3. Mayban Trustees Berhad for Fokus Asas Sdn Bhd	13,130,173	2.98
4. Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fokus Asas Sdn Bhd	8,000,000	1.82
5. Malaysia Nominees (Tempatan) Sdn Bhd For Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	3,840,000	0.87
6. Ophir Holdings Berhad	3,300,000	0.75
7. Permodalan Nasional Berhad	2,160,000	0.49
8. Lim Yan Pok	1,600,000	0.37
9. Lembaga Tabung Angkatan Tentera	1,510,000	0.34
10. Robert Yong Kuen Loke	1,350,400	0.31
11. Key Development Sdn Bhd	1,140,000	0.26
12. Toh Kam Choy	1,002,000	0.23
13. Migan Sdn Bhd	964,000	0.22
14. Citicorp Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	706,000	0.16
15. Employees Provident Fund Board	660,600	0.15
16. Khoo Lee Hoon @ Khoo Hoon Hoon	628,000	0.14
17. Gan Tee Kian	626,000	0.14
18. Asia Life (M) Berhad	615,000	0.14
19. W. Gan Sdn Bhd	587,000	0.13
20. Lim Kian Huat	570,300	0.13
21. Ying Holding Sdn Bhd	565,000	0.13
22. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Chee Leong	539,000	0.12
23. Bidor Tahan Estates Sdn Bhd	516,000	0.12
24. G.T.Y. Holdings Sdn Bhd	505,000	0.11
25. GTY Holdings Sdn Bhd	501,000	0.11
26. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Sing Ning	480,000	0.11
27. Peringkat Tegas Sdn Bhd	479,600	0.11
28. Citicorp Nominees (Asing) Sdn Bhd for UBS AG	460,100	0.11
29. Wong Lok Jee @ Ong Lok Jee	417,000	0.10
30. Gan Hway Ying	407,000	0.09
	375,321,766	85.30

NOTICE OF ANNUAL GENERAL MEETING

TO: ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting of the Company will be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 19 May 2005 at 10.00 a.m. for the following purposes :

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2004 and the Auditors' Report thereon. **Resolution 1**
2. To approve the payment of a Final dividend of 4.5% less tax of 28% for the year ended 31 December 2004 as recommended by the Directors. **Resolution 2**
3. To approve the payment of Directors' fees for the year ended 31 December 2004. **Resolution 3**
4. To elect the following Directors, each of whom are retiring pursuant to Article 76 of the Company's Articles of Association.
 - i) Tan Sri A. Razak bin Ramli **Resolution 4**
 - ii) Datuk Supperamaniam a/l Manickam **Resolution 5**
 - iii) Harun bin Halim Rasip **Resolution 6**
5. To re-elect the following Directors, each of whom are retiring by rotation pursuant to Article 95 of the Company's Articles of Association.
 - i) Kuok Oon Kwong **Resolution 7**
 - ii) Rozina Mohd Amin **Resolution 8**
 - iii) Mohamad Abdul Halim bin Ahmad **Resolution 9**
6. To re-appoint Tan Sri Dato' Mohd Amin bin Osman as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company. **Resolution 10**
7. To re-appoint Messrs KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 11**
8. To transact any other business for which due notice shall have been given.

By Order of the Board

ROZINA MOHD AMIN

COMPANY SECRETARY

Kuala Lumpur
27 April 2005

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The Form of Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time set for the meeting or any adjournment thereof.
3. The proposed Final dividend, if approved, will be paid on Monday, 20 June 2005 to shareholders whose names appear in the Record of Depositors on Monday, 30 May 2005.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are seeking election, re-election or re-appointment at the Thirty-Fourth Annual General Meeting of the Company

Directors appointed since the date of the last Annual General Meeting and seeking election pursuant to Article 76 of the Company's Articles of Association.

- Tan Sri A. Razak bin Ramli
- Datuk Supperamaniam a/l Manickam
- Harun bin Halim Rasip

Directors retiring by rotation and seeking re-election pursuant to Article 95 of the Company's Articles of Association.

- Kuok Oon Kwong
- Rozina Mohd Amin
- Mohamad Abdul Halim bin Ahmad

Director seeking re-appointment under Section 129(6) of the Companies Act, 1965.

- Tan Sri Dato' Mohd Amin bin Osman

The profiles of the above Directors are set out on pages 23 to 26 of this annual report. Their shareholdings in the Company and its subsidiaries are shown on page 92.

2. Details of Attendance of Directors at Board Meetings

A total of 6 Board Meetings were held during the financial year ended 31 December 2004. Details of attendance of Directors at the Board Meetings are set out below.

NAME OF DIRECTOR	TOTAL ATTENDANCE
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	6 / 6
Kuok Oon Kwong	6 / 6
Rozina Mohd Amin	6 / 6
Dato' Seri Ismail Farouk Abdullah	5 / 6
Kuok Khoon Ho	6 / 6
Tan Sri Dato' Mohd Amin bin Osman	6 / 6
Mohamad Abdul Halim bin Ahmad	6 / 6
Dato' Dr Tan Tat Wai	5 / 6
Faisal bin Ismail (Appointed on 17.8.2004, resigned on 1.2.2005)	4 / 4
Tan Sri A. Razak bin Ramli (Appointed on 1.11.2004)	2 / 2
Dato' Che Mohd Annuar bin Che Mohd Senawi (Resigned on 11.6.2004)	2 / 2
Tan Sri Datuk Asmat bin Kamaludin (Resigned on 23.9.2004)	3 / 3

3. Date, Time and Place of the Thirty-Fourth Annual General Meeting of the Company

Date Thursday, 19 May 2005
Time 10.00 a.m.
Place Sabah Room, B2 Level
Shangri-La Hotel Kuala Lumpur
11 Jalan Sultan Ismail
50250 Kuala Lumpur





Shangri-La Hotels (Malaysia) Berhad

(10889-U)

FORM OF PROXY

NO. OF SHARES HELD

I/We _____
of _____
being a member of **SHANGRI-LA HOTELS (MALAYSIA) BERHAD** hereby,
appoint _____
of _____
or failing him _____
of _____

as my/our proxy, to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Thursday, 19 May 2005 at 10.00 a.m. and at any adjournment thereof in the following manner:

		For	Against
Resolution 1	Adoption of Reports and Financial Statements	_____	_____
Resolution 2	Approval of Final Dividend	_____	_____
Resolution 3	Approval of Directors' Fees	_____	_____
Resolution 4	Election of Tan Sri A. Razak bin Ramli retiring pursuant to Article 76	_____	_____
Resolution 5	Election of Datuk Supperamaniam a/l Manickam retiring pursuant to Article 76	_____	_____
Resolution 6	Election of Harun bin Halim Rasip retiring pursuant to Article 76	_____	_____
Resolution 7	Re-election of Kuok Oon Kwong retiring pursuant to Article 95	_____	_____
Resolution 8	Re-election of Rozina Mohd Amin retiring pursuant to Article 95	_____	_____
Resolution 9	Re-election of Mohamad Abdul Halim bin Ahmad retiring pursuant to Article 95	_____	_____
Resolution 10	Re-appointment of Tan Sri Dato' Mohd Amin bin Osman as a Director pursuant to Section 129(6) of the Companies Act, 1965	_____	_____
Resolution 11	Re-appointment of Messrs KPMG as Auditors	_____	_____

Please indicate with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his discretion.

Dated this _____ day of _____ 2005 Signature _____

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The Form of Proxy must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office of the Company at 13th Floor, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.

Fold here

STAMP

SHANGRI-LA HOTELS (MALAYSIA) BERHAD (10889-U)
13th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur

Fold here

DIRECTORY OF GROUP HOTELS & RESORTS

KUALA LUMPUR

Shangri-La Hotel Kuala Lumpur

11 Jalan Sultan Ismail

50250 Kuala Lumpur

Tel (+60-3) 2032 2388

Fax (+60-3) 2070 1514

E-Mail slkl@shangri-la.com

PENANG

Shangri-La Hotel Penang

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10300 Penang

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Fax (+60-4) 262 6526

E-Mail slp@shangri-la.com

Shangri-La's Golden Sands Resort

10th Mile Batu Feringgi Beach

11100 Penang

Tel (+60-4) 886 1911

Fax (+60-4) 881 1880

E-Mail gsh@shangri-la.com

Shangri-La's Rasa Sayang Resort

10th Mile Batu Feringgi Beach

11100 Penang

Tel (+60-4) 881 1811

Fax (+60-4) 881 1984

E-Mail rsr@shangri-la.com

SABAH

Shangri-La's Rasa Ria Resort

Pantai Dalit, P.O. Box 600

89208 Tuaran, Sabah

Tel (+60-88) 792 888

Fax (+60-88) 792 777

E-Mail rrr@shangri-la.com

Dalit Bay Golf & Country Club

Pantai Dalit, P.O. Box 600

89208 Tuaran, Sabah

Tel (+60-88) 791 188

Fax (+60-88) 792 128

E-Mail dalitbay@tm.net.my



Shangri-La Hotels (Malaysia) Berhad

(10889-U)

REGISTERED OFFICE

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