SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

ANNUAL REPORT
–
2017

CONTENTS

OUR VISION, MISSION AND CORE VALUES

As a leader in our industry, we are wholly committed to operating in an economically, socially and environmentally responsible manner, whilst balancing the interests of our stakeholders.

Our well-established brand, deep experience, and strong culture and values, combined with our robust approach to governance and sound financial discipline, will allow us to enhance our competitive position and to create sustainable value for our stakeholders.

OUR VISION

To be the first choice for guests, colleagues, shareholders and business partners.

OUR MISSION

Guests: To delight our guests every time with our Asian hospitality by delivering consistent quality and value and creating engaging experiences that come straight from our heart.

Colleagues: To create a working environment that motivates our colleagues to excel and to achieve their personal and career goals, and to make them feel involved and valued.

Shareholders: To deliver sustainable long-term returns for our shareholders through high-quality operations, and to enhance and build on our relationships with our business partners, suppliers and all other stakeholders.

Communities: To care for and enrich the quality of life of the communities in which we operate.

OUR CORE VALUES

Every day, we bring our core values of respect, sincerity, humility and helpfulness to life, and in all our relationships, we demonstrate honesty, care and integrity. To keep us at the forefront of the industry, we constantly strive for excellence and innovation.

These enduring values are central to our business success. They underpin our day-to-day operations at every level, and drive our dynamic spirit and high-performance culture.

Rasa Sayang Resort & Spa

FIVE-YEAR FINANCIAL SUMMARY

		2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
RESULTS						
Revenue		**550,565**	508,559	500,253	513,679	511,225
Exceptional item		**–**	–	–	–	29,744
Profit before tax		**109,660**	106,277	153,641	119,497	168,181
Profit attributable to shareholders		**72,198**	79,243	129,686	79,340	130,367
Dividend-net (Note a)		**66,000**	61,600	61,600	52,800	79,200
KEY BALANCE SHEET DATA						
Issued capital (Note b)		**544,501**	440,000	440,000	440,000	440,000
Total assets employed		**1,485,498**	1,464,361	1,420,160	1,278,976	1,283,214
Shareholders' equity		**1,061,255**	1,048,751	1,031,865	954,979	954,839
Net cash/(net borrowings)		**26,293**	(31,701)	(41,717)	(29,211)	(17,763)
PER SHARE DATA						
Net earnings per share	(sen)	**16.41**	18.01	29.47	18.03	29.63
Net assets per share	(RM)	**2.41**	2.38	2.35	2.17	2.17
Dividend-gross	(sen)	**15.0**	14.0	14.0	12.0	18.0
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**6.8**	7.6	12.6	8.3	13.7
Return on total assets	(%)	**4.9**	5.4	9.1	6.2	10.2
Net borrowings to shareholders' equity	(%)	**N/A**	3.0	4.0	3.1	1.9

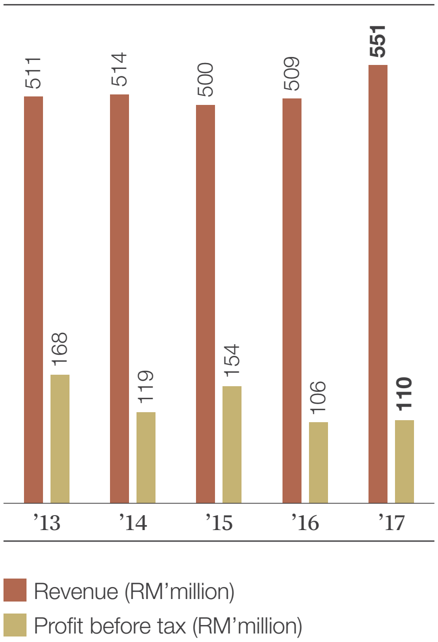
NOTES

a. Dividends of RM66.000 million for the financial year ended 31 December 2017 consist of (a) the interim single-tier dividend of 3 sen per share paid on 14 November 2017 amounting to RM13.200 million and (b) the proposed final single-tier dividend of 12 sen per share amounting to RM52.800 million. The proposed final single-tier dividend of 12 sen per share for the financial year ended 31 December 2017 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 17 May 2018.

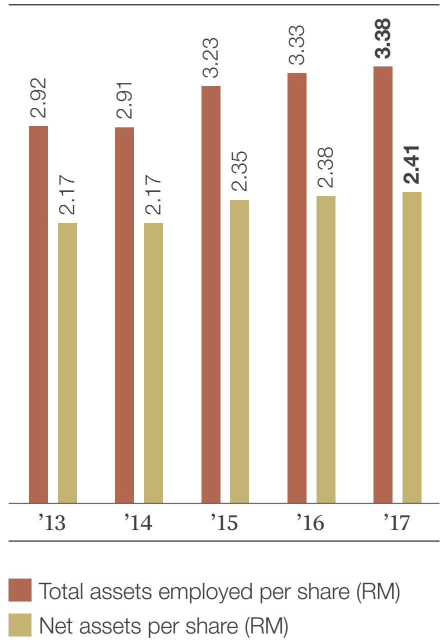
b. Effective from 31 January 2017, the new Companies Act 2016 (the Act) abolished the concept of authorised share capital and par value of share capital. Consequently, during 2017, the Company transferred the credit standing in the share premium account of RM104.501 million to the share capital account pursuant to the transitional provision set out in Section 618(2) of the Act.

FIVE-YEAR FINANCIAL SUMMARY

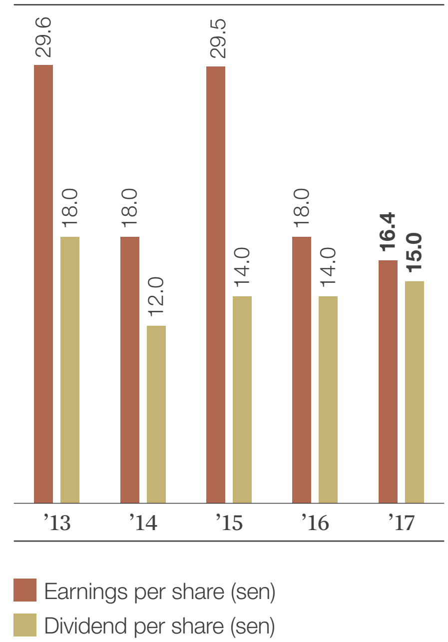
REVENUE & PROFIT BEFORE TAX



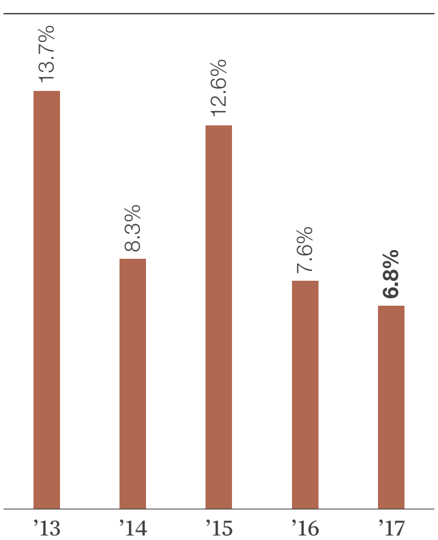
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



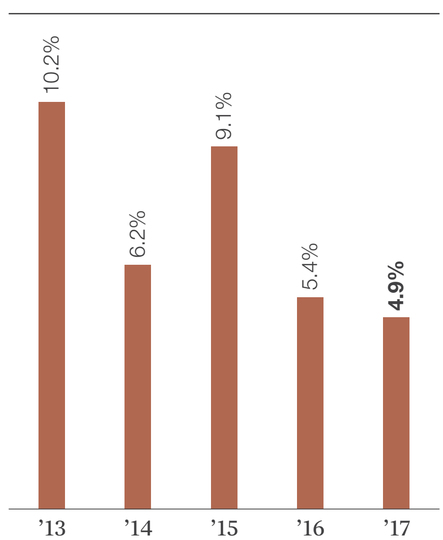
EARNINGS PER SHARE & DIVIDEND PER SHARE



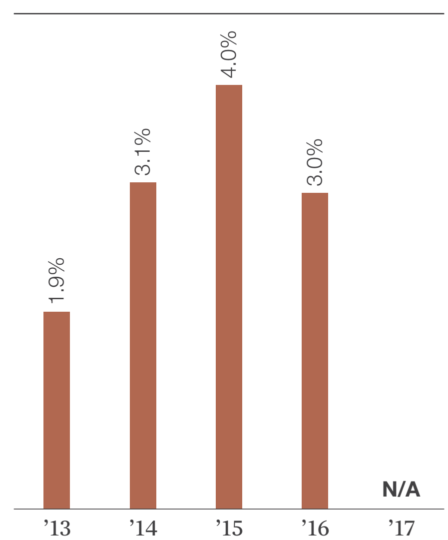
RETURN ON SHAREHOLDERS' EQUITY



RETURN ON TOTAL ASSETS



NET BORROWINGS TO SHAREHOLDERS' EQUITY



CORPORATE STRUCTURE

Incorporated in 1971, Shangri-La Hotels (Malaysia) Berhad is a leading hotel company in Malaysia and is listed on Bursa Malaysia Securities Berhad.

The Company and its subsidiaries own and operate deluxe hotels and beach resorts in strategic locations in Kuala Lumpur, Penang and Sabah. The Group's hotel properties are Shangri-La Hotel Kuala Lumpur, Shangri-La Rasa Ria Resort & Spa, Shangri-La Rasa Sayang Resort & Spa, Golden Sands Resort and Hotel Jen Penang, along with an 18-hole championship golf course and a Clubhouse in Pantai Dalit, Tuaran, Sabah. Its associated companies in Myanmar are involved in the ownership and operations of a hotel, serviced apartments and a commercial complex in Yangon.

In addition, the Group is engaged in property management and investment. Within the investment portfolio, it owns the prime UBN Tower office building and UBN Apartments in the Golden Triangle of Kuala Lumpur.

SHANGRI-LA HOTELS (MALAYSIA) BERHAD

Hotels & Resorts

100%	100%	100%	75%	75%	60%
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

Investment Properties

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

Investment Holding & Others

100%	100%	100%	100%	75%
Pantai Emas Sdn Bhd	Madarac Corporation[2]	Wisegain Sdn Bhd	Hasil-Usaha Sdn Bhd	Pantai Dalit Development Sdn Bhd[1]

23.5%	22.2%	23.6%
Traders Yangon Company Ltd[3]	Shangri-La Yangon Company Ltd[3]	Traders Square Company Ltd[3]

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

BOARD OF DIRECTORS

TAN SRI A. RAZAK BIN RAMLI

Board Chairman

Malaysian, Male, Non-Independent Non-Executive Director

Tan Sri A. Razak bin Ramli was appointed to the Board of Shangri-La Hotels (Malaysia) Bhd (SHMB) on 1 November 2004 and became Board Chairman on 19 May 2005. On 30 March 2018, he was appointed to the Nomination and Remuneration Committee.

He graduated with a Bachelor of Arts (Honours) degree in Public Administration from the University of Tasmania in 1971 and obtained a Diplome Gestion Publique from the Institut International d'Administration Publique, Paris in 1980. He started his career in the Policy Research Division of the Malaysian Prime Minister's Department, and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to 2004, he held various positions in the Ministry of International Trade & Industry (MITI), and his last position was as the Secretary General of MITI. He currently sits on the board of Favelle Favco Bhd.

Tan Sri A. Razak 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 five years. He attended all five Board meetings held in 2017. Age 69.

KUOK OON KWONG

Managing Director

Singaporean, Female, Non-Independent Executive Director

Madam Kuok Oon Kwong joined the Board on 14 November 1996 and was appointed Managing Director on 16 November 1998. She is the Chairman of the Policy Implementation Committee and in her capacity as Managing Director she oversees the Group's business 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, Chairman/President of Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc., Mactan Shangri-La Hotel & Resort, Inc. and a Director of Shangri-La Hotel Public Company Limited, Thailand. Madam Kuok is an Advocate and Solicitor (Barrister-at-Law) of Gray's Inn, London.

Madam Kuok has no conflict of interest with SHMB and no convictions for any offences within the past five years. She attended all five Board meetings held in 2017. Age 71.

BOARD OF DIRECTORS

DATIN ROZINA MOHD AMIN

Executive Director

Malaysian, Female, Non-Independent Executive Director

Datin Rozina Mohd Amin was appointed to the Board 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 thirty years and has held various senior corporate positions within the Group before her present appointment as Executive Director. Datin 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.

Datin Rozina Mohd Amin 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 five years. She attended all five Board meetings held in 2017. Age 58.

DATO' HARIS ONN BIN HUSSEIN

Malaysian, Male, Independent Non-Executive Director

Dato' Haris Onn bin Hussein was appointed to the Board on 17 October 2006. On 30 March 2018 he assumed the role of Chairman of the Nomination and Remuneration Committee and became a member of the Audit Committee. He graduated from Cambridge University, UK, with a Bachelor of Arts Degree in Economics. He started his working career with the accounting firm Touche Ross & Co, London in 1989. In 1992, he returned to Malaysia to work with DCB Sakura Merchant Bankers Bhd and he subsequently joined Rohas Sdn Bhd, acting as General Manager from 1993 to 1995. He was an Executive Director of Bell & Order Bhd (now known as Scomi Engineering Bhd) from 1996 to 2003. Currently, he is Managing Director of Impiana Land & Development Sdn Bhd, a residential property development company. He does not sit on the board of any other public listed company.

Dato' Haris Onn 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 five years. He attended four out of five Board meetings held in 2017. Age 51.

BOARD OF DIRECTORS

DATO' SERI ISMAIL FAROUK ABDULLAH

Malaysian, Male, Independent Non-Executive Director

Dato' Seri Ismail Farouk Abdullah was appointed to the Board on 23 June 1979. He holds a degree in Hotel Management from L'Ecole Hoteliere, Lausanne, Switzerland. His experience in the hospitality industry both in Europe and Asia spans over forty years. He is currently the Executive Chairman of the Impiana Group of Companies, which is involved in the development and management of hotels and resorts, travel and leisure, property development and education. He does not sit on the board of any other public listed company.

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 five years. He attended four out of five Board meetings held in 2017. Age 72.

DATUK SUPPERAMANIAM A/L MANICKAM

Malaysian, Male, 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 & Industry as Assistant Director. He served in the same Ministry for thirty-three years and acted as Deputy Secretary General of MITI from 1997 till his official retirement in March 2000. In May 2000, he was appointed by the Government as Ambassador/Permanent Representative of Malaysia to the World Trade Organisation (WTO), Geneva, Switzerland and held the position until September 2003. During his tenure he represented Malaysia at various bilateral, regional and international conferences, senior officials' meetings, summits and ministerial conferences of ASEAN, APEC, the WTO, and the United Nations Conference on Trade & Development.

Since his retirement from government service, he has served as a resource person and consultant at meetings, workshops and conferences organised by United Nations agencies, regional and international organisations and foreign governments. He has also served as a member of several Government committees looking into globalisation issues, especially those relating to trade policy and negotiations. Currently, he is an Adjunct Professor to the Management & Science University, Kuala Lumpur and is a Distinguished Fellow of the Institute of Strategic and International Studies, Malaysia. He is also an advisor to the China-ASEAN Research Institute of Guangxi University, China and the Asia-Pacific Research & Training Network on Trade, an open regional network composed of leading trade research institutions across the United Nations Economic & Social Commission of Asia and the Pacific region. In addition, he has been an advisor to the Federation of Malaysian Manufacturers on Trade Policy as well as on WTO and Free Trade Agreement negotiations. He also sits on the board of Panasonic Manufacturing Malaysia Bhd.

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 five years. He attended all five Board meetings held in 2017. Age 73.

BOARD OF DIRECTORS

DATO' DR TAN TAT WAI

Malaysian, Male, Independent Non-Executive Director

Dato' Dr Tan Tat Wai was appointed to the Board on 6 June 1995. He holds a Bachelor of Science degree in Electrical Engineering & Economics from the Massachusetts Institute of Technology, a Master of Economics degree from the University of Wisconsin (Madison) 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 CEO of Southern Steel Bhd, a post he held until 2013. From 1984, he acted both as a part time consultant to Bank Negara Malaysia for several years and as an occasional consultant to the World Bank and the United Nations University. He was a Director of Malayan Banking Bhd from 2009 until his retirement in 2017. Dato' Dr Tan is currently a Director of Southern Steel Bhd and also sits on the boards of NSL Ltd, Singapore and Maybank Philippines Inc., where he is the Chairman.

He has served as the Secretary and a member of the Council of Malaysian Invisible Trade which was set up to formulate policies to reduce Malaysia's deficit in service trade. Dato' Dr Tan has represented Malaysia as a member of the APEC Business Advisory Council and the Council of Wawasan Open University. He was also the President and is now a member of the Board of Lam Wah Ee Hospital, Penang.

Dato' Dr Tan 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 five years. He attended all five Board meetings held in 2017. Age 71.

TAN YEW JIN

Malaysian, Male, Non-Independent Non-Executive Director

Mr Tan Yew Jin was appointed to the Board on 17 October 2006. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, as well as being a Fellow member of both the Certified Practising Accountants, Australia and the Institute of Singapore Chartered Accountants. He joined the FFM Group in 1966 and was the Deputy Managing Director of FFM Bhd from 1998 to 2000. He previously held the positions of Executive Chairman of PPB Oil Palms Bhd (2000-2004), Deputy Chairman of Jerneh Asia Bhd (2001-2007) and Director of PPB Group Bhd (2001-2007). He does not sit on the board of any other public listed company.

Mr Tan 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 five years. He attended all five Board meetings held in 2017. Age 76.

BOARD OF DIRECTORS

AHMED REZA BIN MOHD GHAZALI

Malaysian, Male, Independent Non-Executive Director

Encik Reza Ghazali was appointed to the Board on 28 February 2018 and on 30 March 2018 became a member of the Nomination and Remuneration Committee. During his career, he has gained extensive experience with various companies in the areas of hospitality, public relations and human resources. He has also acted as Senior Consultant in the Change Management & Strategic Services Division of Andersen Consulting (now Accenture), and is currently Country Head & Managing Director of Korn Ferry Malaysia. Encik Reza Ghazali holds a Bachelor’s Degree in Economics from Northern Illinois University, USA and a Diploma in F&B Operation & Hotel Management from the Hotel Management School, Les Roches at Bluche-Sur-Sierre, Switzerland. He does not sit on the board of any other public listed company.

Encik Reza Ghazali 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 five years. Age 53.

GOH CHING YIN

Malaysian, Male, Independent Non-Executive Director

Mr Goh Ching Yin joined the Board on 28 February 2018 and on 30 March 2018 was appointed Chairman of the Audit Committee. In a career spanning 39 years, he has held various posts in the capital market and finance sector, chiefly with professional services firms, banks and the capital market regulator. Between 2000 to 2004 he acted as Managing Director, Corporate Finance of the BNP Paribas Group and as the Chief Representative of BNP Paribas Peregrine (Malaysia) Sdn Bhd before serving as CEO of Southern Investment Bank from 2005 to 2007. From 2007 to 2016, he was Executive Director of Strategy & Development at the Securities Commission of Malaysia. Mr Goh is a Director of Maybank Asset Management Group Bhd, Maybank Investment Bank Bhd, Allianz General Insurance Company (Malaysia) Bhd and Allianz Life Insurance Malaysia Bhd. He does not sit on the board of any other public listed company. Mr Goh holds an MBA from the Cranfield School of Management, Cranfield University, UK.

Mr Goh 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 five years. Age 60.

BOARD OF DIRECTORS

DATO' SRI KHAZALI BIN AHMAD

Malaysian, Male, Independent Non-Executive Director

Dato' Sri Khazali joined the Board on 28 February 2018 and on 30 March 2018 became a member of the Audit Committee. He has had a distinguished career in the Malaysian Civil Service, culminating in his role as Director General of Customs from 2012 until his retirement from the post in 2017. Previous to that, he served in various capacities including as Federal Secretary of the State of Sabah and as Special Functions Officer to the Chief Secretary to the Government in the Prime Minister's Department. Dato' Sri Khazali is a Director of Malaysia Venture Capital Management Bhd and Bank Islam Malaysia Bhd. He does not sit on the board of any other public listed company.

Dato' Sri Khazali holds a Master's Degree in Economics from the University of Central Oklahoma, USA and a Bachelor's Degree in Agricultural Economics from Universiti Kebangsaan Malaysia. He was granted Excellence Service Awards in 2003 and 2006 by the Ministry of Finance and was recognised as Asia Tax Commissioner of the Year in 2015 for his leadership of the Royal Malaysian Customs.

Dato' Sri Khazali 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 five years. Age 62.

Hotel Jen Penang

SENIOR MANAGEMENT AND KEY EXECUTIVES

SENIOR MANAGEMENT

KUOK OON KWONG

Managing Director

Singaporean, Female, Aged 71

(please refer to page 5 for profile)

DATIN ROZINA MOHD AMIN

Executive Director & Group Company Secretary

Malaysian, Female, Aged 58

(please refer to page 6 for profile)

KEY EXECUTIVES

TAY KENG HOCK

Regional Financial Controller, Shangri-La Hotels & Resorts (Malaysia)

Malaysian, Male, Aged 65

Mr Tay Keng Hock was appointed Regional Financial Controller in 1993 to oversee the financial and accounting operations of the Shangri-La Group of hotels in Malaysia. He has had a long career in finance and accounting, including more than 37 years of experience in the hotel industry. He joined the Group in 1979 and during his career he has served as Financial Controller of Shangri-La Hotel Kuala Lumpur, Shangri-La International Hotel Management Pte Ltd and Kuok Hotels Services Sdn Bhd. He is a member of the Malaysian Institute of Accountants and Certified Practising Accountants, Australia.

MANFRED WEBER

Area Manager & General Manager, Shangri-La Hotel Kuala Lumpur

Austrian, Male, Aged 48

Mr Manfred Weber was appointed General Manager of Shangri-La Hotel Kuala Lumpur in 2014. In 2015, his role was expanded to cover the other Group hotels in Kuala Lumpur and Penang. He was previously the General Manager of Shangri-La Hotel Singapore. He has over 26 years of experience in the hospitality industry and has worked with various hotel chains including the Ritz-Carlton, HSH and Hyatt.

SENIOR MANAGEMENT AND KEY EXECUTIVES

ELAINE YUE TOY HANG

General Manager, Shangri-La's Rasa Sayang Resort & Spa and Golden Sands Resort, Penang

Malaysian, Female, Aged 53

Ms Elaine Yue was appointed General Manager of Rasa Sayang Resort & Spa in 2011. In 2015, her role was broadened to cover Golden Sands Resort. She joined the Shangri-La Group in 1992 and over the years has held the positions of General Manager, Traders Hotel Penang (now known as Hotel Jen Penang) and General Manager, Shangri-La Hotel Chiang Mai, Thailand, as well as other senior positions in various hotels within the Shangri-La Group.

CHRISTOPHER SAKAYARAJ

Area Director of Human Resources – Industrial Relations (Malaysia)

Malaysian, Male, Aged 59

Mr Christopher Sakayaraj joined the Group as Director of Human Resources of Shangri-La Hotel Kuala Lumpur in 1997 and was promoted to his current role of Area Director of Human Resources – Industrial Relations in 2011. His experience of managing human resources spans more than 35 years and he currently serves as the President of the Association of Hotel Employers. He is a member of the National Labour Advisory Council appointed by the Minister of Human Resources.

LIM LIAN CHEE

Area Financial Controller

Malaysian, Male, Aged 52

Mr Lim Lian Chee was appointed Area Financial Controller to oversee the Shangri-La Group hotels in Kuala Lumpur in October 2017. He joined the Group in 2001, acting as Financial Controller of Golden Sands Resort, Penang till 2006, when he was promoted to the post of financial controller of Shangri-La properties in Myanmar, Dubai, Surabaya and Kota Kinabalu. He formerly held senior accounting managerial positions in various industry sectors and is a member of the Malaysian Institute of Certified Public Accountants.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the annual report of Shangri-La Hotels (Malaysia) Berhad for the year ended 31 December 2017.

FINANCIAL PERFORMANCE

For the financial year 2017, Group revenue rose by 8% to RM550.565 million from RM508.559 million the year before.

Group net profit attributable to shareholders for 2017 was RM72.198 million, a decrease of 9% from the previous year's profit of RM79.243 million. The reduction was primarily due to an unrealised net foreign exchange translation loss of RM9.641 million on the Group's US dollar loans to its associates in Myanmar, versus a net gain of RM4.308 million the prior year. Earnings per share for 2017 were 16.41 sen, as against 18.01 sen in 2016.

Included within net profit is a net non-operating charge of RM5.858 million compared to a net charge of RM7.713 million in 2016. The 2017 charge principally represents the Group's share of net fair value losses arising from the year-end revaluation of the investment properties held through our associates in Myanmar.

Excluding the effects of currency translation and non-operating items, Group net profit for 2017 was up by 6% to RM87.697 million from RM82.648 million in 2016, reflecting significantly stronger profit contributions from Rasa Ria Resort and Shangri-La Hotel Kuala Lumpur.

Our Group continues to maintain a healthy balance sheet and financial position. As at 31 December 2017, shareholders' equity stood at RM1.061 billion, compared to RM1.049 billion at the end of 2016, with net asset value per share increasing in tandem to RM2.41 from RM2.38 at the previous year end.

With strong cash flow generation from operating activities, our Group had a net cash balance of RM26.293 million at the end of 2017, versus a net debt position of RM31.701 million at 31 December 2016.

DIVIDENDS

Your Board is proposing the payment of a final single-tier dividend of 12 sen per share, which when combined with the interim single-tier dividend of 3 sen per share paid in November last year will give a total dividend of 15 sen per share for 2017, as against 14 sen per share in 2016. Subject to approval by shareholders at the Annual General Meeting of the Company to be held on 17 May 2018, the final dividend will be paid to shareholders on 2 July 2018.

CHAIRMAN'S STATEMENT

OPERATING HIGHLIGHTS

Throughout 2017, our Group hotel businesses as a whole enjoyed positive momentum in their operating performances as a result of more favourable market conditions.

Successful marketing strategies during the year allowed our hotels and resorts to take full advantage of higher levels of leisure and corporate demand, especially from their key regional and domestic markets. All our hotel operations delivered healthy increases in revenue and market share as compared to 2016, with Rasa Ria Resort and Shangri-La Hotel Kuala Lumpur reporting the strongest performances.

Supported by increased visitor arrivals, Rasa Ria Resort grew its occupancy to 74% in 2017, which led to a 12% gain in revenue from the year before.

At Shangri-La Hotel Kuala Lumpur, revenue rose by 8% from 2016, driven by a robust uplift in business from its recently fully renovated ballroom and all-day dining restaurant.

For 2017, Rasa Sayang Resort achieved a 7% rise in revenue against 2016, reflecting a healthy pick up in leisure business, while Golden Sands Resort saw revenue grow by 2% from the previous year, with improved revenue from food and beverage and a higher average room rate.

Revenue at Hotel Jen Penang was up by 18% on 2016, buoyed by a stronger second half performance, as occupancy levels recovered following completion of the phased renovation of all its guestrooms at the end of June 2017.

The combined rental revenue from our investment properties in Kuala Lumpur remained reasonably steady in 2017, despite persistent market challenges.

OUTLOOK AND STRATEGIC INITIATIVES

Encouragingly, we have seen a satisfactory start to our hotel operations in 2018. We expect our hotels and resorts to make further good progress during 2018 as they are well placed to benefit from the continuing positive trends in both the leisure and business travel markets.

Notably, we anticipate better operating results from Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang in 2018. The newly upgraded and superior facilities at Shangri-La Hotel Kuala Lumpur and the enhanced room product at Hotel Jen Penang should support a further growth in revenues.

For our investment properties, we expect UBN Tower to see occupancy levels stay fairly stable, and the performance of UBN Apartments to remain sluggish.

As we move forward, we will forge ahead with our strategy to drive the competitive performances and returns of our businesses so as to deliver higher value for our shareholders.

OUTLOOK AND STRATEGIC INITIATIVES (cont'd)

With improving demand, we are stepping up our efforts to grow revenues for our hotel businesses by expanding our marketing initiatives in major target markets and by leveraging fully on our extensive distribution, marketing and sales platforms. Concurrently, we are building on our digital capabilities to develop deeper customer relationships and engagement, as well as to boost brand loyalty.

In a highly challenging and a rapidly evolving market, our key priorities are to strengthen the financial resilience of our Group, manage our cost base carefully, and make our business more efficient.

Our ongoing cost saving programmes and efficiency measures resulted in an increased gross operating margin performance during the year, and we expect to achieve further savings and greater efficiency in 2018.

To sharpen our competitive advantage, we will continue to invest in our hotel portfolio and investment properties so as to ensure that we retain and reinforce our strong competitive positions in the markets in which we operate.

In tandem, our commitment to providing our guests and customers with high-quality products and services is at the heart of our business, underpinned by a constant focus on innovation and creativity.

Completed during 2017, the renovation of the banqueting facilities and all-day dining restaurant at Shangri-La Hotel Kuala Lumpur along with the comprehensive upgrade of the guestrooms and public areas at Hotel Jen Penang have bolstered their market positions and laid solid foundations for future growth.

We are very pleased to see that the improved product offerings have garnered a highly positive response from the market. Overall, we believe that these major investments will bring increased brand recognition and significant long-term benefits to our Group.

Ultimately, fundamental to our business success is a fully engaged, robust and motivated workforce. To this end, we are working hard on harnessing the energies of our people and will continue to invest in the development of their capabilities and competencies with the aim of building operational and customer service excellence.

As we grow, we remain steadfast in our commitment to conducting our business responsibly and to the highest ethical standards. In doing so, we seek to embed strong sustainable practices into our business operations and daily activities, and to make further improvements in our environmental, social and governance programmes and processes for the benefit of all our stakeholders.

BOARD DEVELOPMENTS

We were delighted to welcome Mr Goh Ching Yin, Dato' Sri Khazali Ahmad and Encik Ahmed Reza Mohd Ghazali who joined the Board on 28 February 2018 as Independent Non-Executive Directors of the Company.

CHAIRMAN'S STATEMENT

Their extensive experience and knowledge, drawn from a range of different backgrounds, will add deep insights and fresh perspectives to the Board's deliberations and the Company as a whole.

In late March 2018, Mr Goh Ching Yin and Dato' Sri Khazali Ahmad were both appointed to the Audit Committee, while Encik Ahmed Reza Mohd Ghazali became a member of the Nomination and Remuneration Committee. Mr Goh Ching Yin assumed Chairmanship of the Audit Committee, taking over from Dato' Seri Ismail Farouk Abdullah.

After many years of exemplary service, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam Manickam, Dato' Dr Tan Tat Wai and Mr Tan Yew Jin will be retiring from the Board at the conclusion of the upcoming Annual General Meeting on 17 May 2018.

On behalf of the Board, I wish to place on record my profound appreciation and gratitude to each of them for the substantial contributions they have made both on the Board and on its committees. Their considerable expertise and wise counsel over the years have been of immeasurable value to our Group. We wish them all the very best and every success in the future.

ACKNOWLEDGEMENT

On this note, I would also very much like to offer my sincere thanks to all our employees across the Group for their outstanding efforts, hard work and commitment throughout the past year.

To all our shareholders, we thank you for giving us your continued support during 2017.

Tan Sri A. Razak bin Ramli
Chairman
9 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

The following discussion and analysis compares the Group's financial condition and results of operations for the year ended 31 December 2017 with those of the previous year.

PERFORMANCE OVERVIEW

In 2017, Group revenue advanced 8% to RM550.565 million from RM508.559 million the year before, driven by a rise in revenue achieved across the Group's hotels and resorts.

However, Group net profit attributable to shareholders declined by 9% to RM72.198 million from RM79.243 million the prior year. This was chiefly as a result of a net unrealised foreign exchange translation loss of RM9.641 million on the Group's US dollar loans to its associates in Myanmar as against a net gain of RM4.308 million in 2016.

The Group's net profit for 2017 included a net non-operating charge of RM5.858 million mainly in respect of the Group's share of net fair value losses on the revaluation of the investment properties held through associates in Myanmar, compared to a net charge of RM7.713 million in 2016.

In tandem with the decrease in net profit, earnings per share for 2017 dropped to 16.41 sen from 18.01 sen in 2016.

Excluding currency translation effects and non-operating items, Group net profit climbed 6% to RM87.697 million from RM82.648 million in 2016, largely owing to higher profit contributions from Rasa Ria Resort and Shangri-La Hotel Kuala Lumpur.

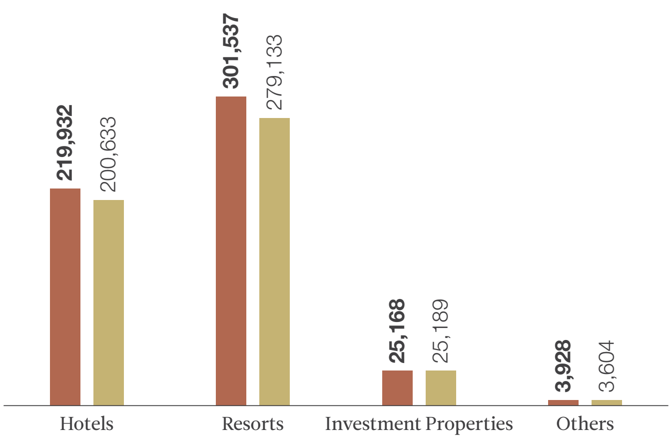
		2017 **RM'000**	2016 RM'000	Change %
Group Revenue		**550,565**	508,559	8
Group Operating Profit		**114,381**	105,713	8
Profit before tax		**109,660**	106,277	3
Operating cash flow		**178,845**	144,397	24
Earnings per share (EPS)	(sen)	**16.41**	18.01	(9)
Return on equity (ROE)	(%)	**6.8**	7.6	(1)

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

REVENUE

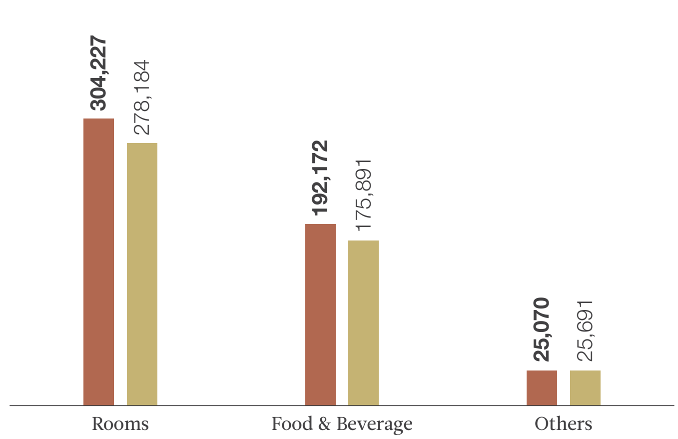
Group revenue rose to RM550.565 million, 8% up on the RM508.559 million reported in 2016.

Group Revenue by Business Segment



2017 – Total 550,565 (RM'000)
2016 – Total 508,559 (RM'000)

Hotels & Resorts Revenue by Departments



2017 – Total 521,469 (RM'000)
2016 – Total 479,766 (RM'000)

Resorts Segment
The Group's resorts comprise Rasa Ria Resort (including the golf course), Rasa Sayang Resort and Golden Sands Resort.

The resorts' revenue improved by 8% to RM301.537 million from RM279.133 million in 2016.

At Rasa Ria Resort, stronger visitor arrivals pushed occupancy up to 74% from 70% in 2016, and revenue up 12% to RM143.767 million. Meanwhile, on the back of higher leisure business, Rasa Sayang Resort saw occupancy grow to 77% from 75% the prior year, and revenue increase by 7% to RM90.632 million.

Occupancy at Golden Sands Resort remained high at 78% and revenue gained 2% to RM61.854 million in 2017 due to a rise in average daily rates and better food and beverage business.

Hotels Segment
For 2017, Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang achieved a 10% increase in revenue to RM219.932 million from RM200.633 million the year before.

Revenue at Shangri-La Hotel Kuala Lumpur climbed by 8% to RM186.657 million, driven by a significant growth in food and beverage business following the major renovations of its ballroom and all-day dining restaurant, *Lemon Garden Café*, which were completed at the end of February 2017. The hotel's occupancy rate stood at 69%.

At Hotel Jen Penang, the completion of the phased renovation of all its guestrooms at the end of June 2017 boosted occupancy to 65% from 57% in 2016, which in turn resulted in an 18% rise in revenue to RM33.275 million.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

REVENUE (cont'd)

Investment Properties

The combined rental revenue posted by UBN Tower and UBN Apartments of RM25.168 million in 2017 was broadly in line with the previous year.

Others

Revenue in this segment refers to the operations of Penang Laundry Services which provides laundry services to the Group's hotels and resorts in Penang as well as to various outside customers. Revenue grew by 9% during the year, primarily reflecting a higher level of business from Hotel Jen Penang and outside customers.

The operating performances of each of the Group's resorts, hotels and investment properties are discussed in detail on pages 26 to 36, while their key performance indicators for 2017 are presented in the tables below.

Hotel/Resort	Available Rooms	Occupancy (%) 2017	Occupancy (%) 2016	RevPar (RM) 2017	RevPar (RM) 2016
Shangri-La Hotel Kuala Lumpur	662	**69**	70	**362**	352
Hotel Jen Penang	443	**65**	57	**155**	118
Rasa Sayang Resort	304	**77**	75	**522**	483
Golden Sands Resort	387	**78**	80	**300**	296
Rasa Ria Resort	499	**74**	70	**499**	433

Investment Property	Net Lettable Area (sq ft)	Occupancy (%) 2017	Occupancy (%) 2016
UBN Tower	352,181	**79**	82

Investment Property	Lettable Units	Occupancy (%) 2017	Occupancy (%) 2016
UBN Apartments	58	**55**	52

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2017 RM'000	2016 RM'000
Share of profit after tax of associates	**720**	6,834
Non-operating Items		
Share of net fair value losses on investment properties	**(5,953)**	(7,730)
	(5,233)	(896)

Through its wholly-owned British Virgin Islands subsidiary Madarac Corporation, the Group has an interest in three associated companies in Myanmar:

- A 23.5% interest in Traders Yangon Company Ltd, which owns and operates Sule Shangri-La Yangon.
- A 22.2% interest in Shangri-La Yangon Company Ltd, which owns and operates Shangri-La Serviced Apartments in Yangon.
- A 23.6% interest in Traders Square Company Ltd, which owns and operates Sule Square, a commercial complex in Yangon with office and retail space.

In 2017, the Group's share of the net loss incurred by its associates increased to RM5.233 million from RM0.896 million the previous year, mainly owing to:

- A negative contribution from Sule Shangri-La Yangon following reductions in both occupancy and average room rate in a very challenging market.
- Higher losses from Sule Square in its first full year of operations since the commencement of its business operations on 1 December 2016.

This was partly mitigated by a lower share of net fair value losses in relation to the year-end revaluation of Shangri-La Serviced Apartments and Sule Square of RM5.953 million versus RM7.730 million in 2016.

INTEREST EXPENSE

The Group's interest expense for 2017 grew to RM3.767 million from RM2.697 million in 2016, chiefly on the account of the higher average cost of borrowings on the Group's US dollar bank loans during 2017.

TAXATION

In 2017, the Group's tax expense increased to RM27.640 million from RM21.293 million in 2016, mainly attributable to higher taxable profits at Rasa Ria Resort, Shangri-La Hotel Kuala Lumpur and Rasa Sayang Resort. This was partially offset by recognition of an Investment Tax Allowance incentive at Hotel Jen Penang relating to its guestroom renovation project.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

TAXATION (cont'd)

The Group's effective tax rate grew to 25% from 20% in 2016. The higher effective tax rate in 2017 was principally because net losses incurred by Hotel Jen Penang cannot be offset against the taxable profits of other subsidiaries, and the unrealised currency translation losses on the Group's US dollar loans to associates are non-deductible for tax purposes.

EBITDA

The Group defines EBITDA as earnings before interest, tax, depreciation and amortisation, and gains and losses arising from the disposal of fixed assets. It also excludes fair value gains or losses on investment properties and provisions against asset impairment and writebacks.

In 2017, the Group's EBITDA, including share of its associates' EBITDA, climbed to RM195.049 million from RM192.180 million the previous year. This was mainly the result of improved earnings by Rasa Ria Resort, Shangri-La Hotel Kuala Lumpur and Rasa Sayang Resort, partly offset by:

- The net unrealised foreign currency translation losses recorded on the Group's US dollar loans to its associates due to the weakening of the US dollar against the Ringgit.
- A reduced share of contributions from the Group's associates, which represented 8% of total EBITDA in 2017, compared to 10% in 2016.

DIVIDENDS

The Board of Directors has proposed the payment of a final single-tier dividend of 12 sen per share. When combined with the interim single-tier dividend of 3 sen per share paid in November 2017, this will bring the total dividend for the financial year ended 31 December 2017 to 15 sen per share as against 14 sen per share in 2016. The proposed final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company to be held on 17 May 2018.

The total dividend of 15 sen per share for 2017 will amount to a payout of RM66.000 million (2016: RM61.600 million) and represents 91% of Group net profit for 2017 (2016: 78%).

GROUP NON-CURRENT ASSETS

Property, Plant and Equipment (PPE)

The Group's hotel properties and golf course are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment Properties

The Group's investment properties, consisting of office and apartment buildings, are initially recognised at cost and subsequently measured at fair value. Fair value is determined annually based on valuations by independent professional valuers, and any changes in the fair value of the investment properties are accounted for in the income statement.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

VALUATION OF THE GROUP'S INVESTMENT PROPERTIES

The Group's investment properties in Kuala Lumpur, namely UBN Tower and UBN Apartments, were revalued at 31 December 2017 by WM Malik & Kamaruzaman, an independent firm of qualified valuers on an open market basis.

Based on the valuation, the fair value of the Group's investment properties had increased to RM288.180 million from the 2016 year-end carrying amount of RM288.080 million.

The fair value gain, together with the associated deferred tax, has been recognised in the Group's income statement for the year ended 31 December 2017.

FINANCIAL POSITION AT END 2017

At the end of 2017, the Group continued to maintain a strong balance sheet and robust financial position.

Shareholders' Equity

As at 31 December 2017, the Group's shareholders' equity stood at RM1.061 billion, RM12.504 million up on the RM1.049 billion recorded a year earlier. As a result, the Group's net asset value per share advanced to RM2.41 as at the year end, as against RM2.38 at 31 December 2016.

The increase in shareholders' equity was derived mainly from the net profit for 2017 of RM72.198 million, partly offset by a dividend payment amounting to RM61.600 million, comprising a final single-tier dividend of 11 sen for 2016 and an interim single-tier dividend of 3 sen per share for 2017.

With effect from 31 January 2017, the new Companies Act 2016 (the Act) abolished the concept of authorised share capital and par value of share capital.

Consequently, during the year, the Company transferred the RM104.501 million credit balance in the share premium account to the share capital account, pursuant to the transitional provision set out in Section 618(2) of the Act.

Notwithstanding this provision, the Company may, within 24 months from the commencement of the Act, use this amount for the purposes set out in Section 618(3) of the Act.

Total Assets

Total Group assets advanced to RM1.485 billion at 31 December 2017 from RM1.464 billion at 31 December the year before, owing to an increase in PPE as well as cash and bank balances, partially offset by a reduction in interests in associates.

PPE increased by 3% to RM734.645 million mainly as a result of additions to fixed assets following the renovations at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

FINANCIAL POSITION AT END 2017 (cont'd)

Total Assets (cont'd)
Cash and bank balances increased by 23% to RM175.555 million largely on the back of stronger operating cash flows generated by the Group's hotel businesses.

Meanwhile, interests in associates fell by 16% to RM218.657 million primarily due to the negative foreign currency translation impact on the Group's US dollar loans to its associates, coupled with a partial repayment of shareholders' loan by Traders Square Company Ltd.

Total Liabilities
The Group's total liabilities decreased to RM300.553 million at 31 December 2017 from RM301.742 million at 31 December 2016 principally on account of a decline in short-term borrowings, partly offset by higher trade and other payables.

Short-term borrowings dropped by 14% to RM149.262 million, mainly because the repayment of the shareholders' loan from the Group's associate, Traders Square Company Ltd, during the year was used to pare down bank borrowings, and also because of favourable exchange rate movements on the translation of the Group's US dollar bank borrowings.

CASH FLOW

The Group's consolidated cash flows are summarised in the table below.

	2017 **RM'000**	2016 RM'000
Net cash from operating activities	**178,845**	144,397
Net cash used in investing activities	**(70,090)**	(107,437)
Net cash used in financing activities	**(74,368)**	(37,832)
Net increase/(decrease) in cash and cash equivalents	**34,387**	(872)
Cash and cash equivalents at beginning of the year	**96,328**	97,200
Cash and cash equivalents at the end of financial year	**130,715**	96,328
Short-term deposits with original maturities over 3 months	**44,840**	46,440
Cash and bank balances in the statement of financial position	**175,555**	142,768

Net cash from operating activities increased by 24% to RM178.845 million, principally due to a stronger operating cash flow from the Group's hotel operations.

Net cash outflow from investing activities in 2017 was RM70.090 million, mainly for capital expenditure for PPE, which amounted to RM88.959 million, partially offset by the repayment of shareholders' loan by Traders Square Company Ltd of RM12.683 million and interest income from short-term deposits of RM4.279 million.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

Most of the PPE expenditure for the year was for the renovations at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang and operational capital expenditure. The net cash outflow from financing activities in 2017 was RM74.368 million, largely representing the RM61.600 million paid in dividends to shareholders during the year and repayment of bank borrowings of RM9.001 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a robust financial structure with adequate resources to sustain its business operations, fund capital expenditure and invest for future growth.

In reviewing and managing its financial structure, the Group is careful to strike a balance between equity and debt. Likewise, it seeks to maximise shareholder returns while taking into consideration future capital requirements and operating cash flow requirements.

The Group's operations are financed by a combination of the operating cash flows generated by the business, cash and bank balances on hand, and bank credit facilities.

The Group remains vigilant in monitoring and managing its exposure to financial risks, including interest rate and foreign exchange risks, so as to minimise the effects of fluctuations in currency and interest rates. Similarly, the Group manages the investment of its cash resources in order to minimise risk while continuing to enhance yield.

At the 2017 year end, the Group's total available revolving credit facilities stood at RM225.491 million of which RM149.262 million was drawn down. As at the same date, the Group had cash reserves of RM175.555 million and undrawn committed bank borrowing facilities of RM76.229 million, which will enable it to meet its financial obligations as and when they fall due.

At the end of 2017, with its cash balance of RM175.555 million exceeding its gross debt of RM149.262 million, the Group was in a net cash position of RM26.293 million as against a net debt of RM31.701 million at 31 December 2016. Meanwhile, the Group's interest cover ratio for 2017 was at a healthy 30 times.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

SHANGRI-LA HOTEL KUALA LUMPUR

The performance of Shangri-La Hotel Kuala Lumpur in 2017 was boosted by the robust results reported by its food and beverage operations following major renovations of its ballroom, function rooms and all-day dining restaurant, *Lemon Garden Café*. Total revenue climbed 8% to RM186.657 million from RM172.535 million the previous year, while pre-tax profit jumped 24% from RM33.749 million to RM41.716 million.

Café Jen
Hotel Jen Penang

Completed in February 2017, the upgrading of the ballroom, meeting facilities and *Lemon Garden Café* met with an enthusiastic response from guests and local community alike, and significantly enhanced the hotel's leadership position and competitiveness in the food and beverage market. This enabled the hotel to secure more corporate meetings, government functions and social events, which led to a healthy rise in both covers and average checks. Food and beverage revenue grew by 15% to RM94.598 million from RM82.564 million in 2016 and profit likewise advanced by 15% to RM38.539 million from RM33.602 million the year before.

Total room revenue was up 3% to RM87.349 million from RM84.958 million on the back of higher average daily rates achieved across all segments, particularly the corporate group and individual segments and the leisure group segment. Occupancy for the year stood at 69% compared to 70% in 2016. Room profit increased by 3% to RM67.669 million from RM65.787 million the prior year.

In 2017 the hotel's excellent product and outstanding service were once again acknowledged by a series of major accolades. It was voted one of the *Top Hotels in Asia* by Conde Nast Traveler Readers' Choice Awards 2017 as well as the *Best City Hotel in Kuala Lumpur* at the 28th Annual TTG Travel Awards 2017 by TTG Asia for the third consecutive year. It also garnered the Platinum Award in the 5-Star Hotel category at the Kuala Lumpur Mayor's Tourism Awards 2017, and the Gold Award for a 5-Star Hotel in Kuala Lumpur at the Malaysia Tourism Council Awards 2017.

Looking Ahead

The competitive environment in which the hotel operates is becoming more challenging, with new hotels entering the market.

The hotel will continue to drive corporate business from its key markets of Malaysia, Singapore, Japan and the UK, and to secure new customers from the expanding market of China. It also aims to grow its convention segment particularly in the healthcare, education and defence sectors, and build its meeting and incentive segments from Malaysia, Singapore, Hong Kong and China. Besides this, greater sales and marketing efforts will be made to attract higher rated business from its key markets as well as from the emerging markets of India and Korea. In addition, the hotel will seek to push up room rates through more effective yield management and upselling initiatives, particularly for the Horizon guestrooms and suites. At the same time, it plans to further bolster leisure demand from the UK, Australia, Singapore and Japan.

The newly renovated ballroom and meeting facilities place the hotel in a very competitive position to gain more high profile conventions, high rated corporate meetings, government functions, weddings and social events. The hotel will also step-up its marketing efforts to increase demand for its outdoor catering operation. In order to boost business for the food and beverage outlets, it will introduce a new range of creative food promotions, revamp its food concepts, introduce new innovative menus and further enhance service quality. It will likewise continue to promote both its food and beverage loyalty programme and its joint promotions with credit card merchants in order to win new and repeat business for the outlets.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

HOTEL JEN PENANG

In 2017, Hotel Jen Penang generated a total revenue of RM33.275 million, 18% up on the RM28.098 million posted in 2016. Revenue for the year was driven by higher occupancy levels following the completion of its phased major guestroom renovation programme at the end of June 2017. However, the hotel incurred a pre-tax loss of RM4.048 million as compared to RM4.054 million the previous year, largely due to asset write-offs associated with the renovation.

Malaysian Suite
Hotel Jen Penang

The extensive guestroom renovation programme, together with the upgrading of the hotel's main lobby, reception and public areas during 2017, significantly enhanced the overall quality of the hotel's rooms and facilities. A comprehensive marketing programme and an effective rate strategy were initiated to relaunch the hotel, and the improved room product and facilities were well received by the market.

Occupancy grew from 57% to 65%, supported by healthy room night bookings from the hotel's key corporate and leisure segments from Malaysia, Singapore, Japan and Indonesia. The newly renovated guestrooms are also commanding higher average daily rates from all market segments, particularly the corporate group and individual segments and the leisure group segment. As a result, total room revenue climbed by 30% to RM25.020 million as against RM19.215 million in 2016, and room profit rose by 33% to RM17.755 million from RM13.370 million the prior year.

The hotel's food and beverage operations, however, delivered a weaker performance, mainly due to a reduced contribution from banqueting business. Stiff price competition in the banqueting market led to a significant reduction in the number of corporate meetings, government functions and social events and a drop in average check. The hotel's food and beverage results were also affected by the closure for renovation of its all-day dining restaurant, *Café Jen* and the *Lobby Lounge* from June to October 2017. Since reopening, both outlets have received an encouraging response from guests and the local community. The hotel's food and beverage revenue declined by 7% to RM7.323 million from RM7.842 million in 2016. This, coupled with higher operating costs, placed intense pressure on operating margins, causing profit to fall to RM0.786 million from RM1.328 million the year before.

Looking Ahead

In 2018, the hotel will take full advantage of its newly renovated guestrooms and facilities to spur business expansion.

The enhanced products have enabled the hotel to compete more effectively and now provide a solid foundation for long-term growth. To create greater awareness of the upgraded products in the marketplace, the hotel will continue with its proactive marketing initiatives and social media engagements. Aggressive strategies have been developed to grow its key corporate markets of Malaysia, Japan and Singapore as well as the meeting and incentive segments from Singapore and Malaysia. The hotel will also focus on driving business from its leisure segment from Indonesia, China and Taiwan. At the same time, it will maximise room yield for the newly renovated rooms through a more refined rate management strategy.

Meanwhile, to draw greater patronage from hotel guests and locals the hotel will emphasise innovative cuisines and roll out new dining promotions at its food and beverage outlets. Concurrently, it will step-up its sales and marketing efforts and will collaborate closely with event organizers to secure more corporate meetings, social events and weddings so as to boost its banqueting business. The hotel will also continue to upgrade its service standards and operating efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

RASA SAYANG RESORT

Rasa Sayang Resort delivered better results in 2017 driven by healthy growth in both rooms and food and beverage business. Revenue climbed 7% to RM90.632 million from RM85.017 million in 2016, while pre-tax profit advanced 31% to RM24.153 million, well ahead of the RM18.485 million reported the previous year.

Rasa Sayang Resort & Spa

The resort's occupancy increased to 77% in 2017 from 75% the year before, while the average daily rate grew 6%. Improved room night bookings were recorded mainly from the packages and leisure group segments from Australia, the Middle East, Malaysia and China. At the same time, higher average daily rates were secured from most segments, especially the leisure group and individual segments. As a result, total room revenue was up 8% from RM53.790 million to RM57.889 million, and profit also rose 8% to RM46.947 million from RM43.402 million in 2016.

The resort's food and beverage outlets performed well, in line with the rise in occupancy. In particular, the all-day dining restaurant *Spice Market Café* recorded a gain in covers and average check. Banqueting business also saw higher covers on the back of an increase in the number of corporate meetings and social events. As a result, the resort's food and beverage revenue grew by 6% to RM28.384 million compared with RM26.850 million in 2016, while profit strengthened by 5% to reach RM11.453 million from RM10.881 million the prior year.

In 2017, the resort received a number of prestigious international awards. It was ranked among the *Top Resorts in Asia* in the Conde Nast Traveler 2017 Readers' Choice Awards, and was voted one of the *Top 25 Spa Hotels in Asia* by Smart Travel Asia magazine in its 2017 Travel Poll. It was also rated among the *Top 25 Hotels in Malaysia* by TripAdvisor in its 2017 Travellers' Choice Awards, as well as clinching the ASEAN MICE (Meetings, Incentives, Conferences and Exhibitions) Venue Standard Award at the ASEAN Tourism Standards Awards 2018.

Looking Ahead

The overall outlook for the resort remains positive in tandem with the encouraging trend in leisure arrivals. The aim in 2018 is to boost business volumes from its key leisure markets of Malaysia, Australia, the UK and the Middle East. The resort will also continue to drive business from China and Japan and to expand its customer base in the emerging markets of Korea and India. Simultaneously, it will step up its efforts to generate demand from the meeting and incentive segments from Malaysia, Singapore and Hong Kong.

To increase business for the food and beverage outlets, the resort will maintain its partnership with major credit card merchants by offering special dining packages designed to attract more covers from the merchants' membership base. It will also introduce new and appealing food promotions across its outlets. Meanwhile, to grow its banqueting business, more aggressive marketing and promotional activities will be implemented so as to secure a higher number of corporate meetings, weddings and social functions.

GOLDEN SANDS RESORT

At Golden Sands Resort, a higher average room rate combined with improved food and beverage business delivered a 2% increase in total revenue, which rose to RM61.854 million in 2017 from RM60.783 million the year before. In line with the growth in revenue, the resort's pre-tax profit advanced to RM16.103 million compared with RM15.938 million in 2016.

Executive Suite
Hotel Jen Penang

Total room revenue climbed to RM42.455 million from RM41.955 million on the back of higher average daily rates secured mainly from the leisure group and individual segments and the packages segment. Occupancy stood at 78%, supported by strong leisure demand primarily from Malaysia, the Middle East and Australia as well as higher room night bookings from the meeting and incentive segments from China and Singapore. The increase in revenue resulted in a rise in room profit to RM34.007 million from RM33.581 million the previous year.

The resort's food and beverage operations also performed better, driven by an enhanced contribution from banqueting business, which recorded an uplift in covers and average check following a growth in corporate meetings and social events. Total food and beverage revenue reached RM17.024 million, 4% up on the prior year's RM16.367 million. The rise in revenue coupled with the tight control of operating costs pushed food and beverage profit up by 10% to RM4.821 million as against RM4.376 million in 2016.

In 2017, the resort was voted one of *Top Ten Family Resorts in Malaysia* by the leading Australian family travel magazine Holidays with Kids in its 2017 Readers' Choice Survey. It was also ranked as one of the *Top 10 Hotels for Families in Malaysia* by TripAdvisor in its 2017 Traveller's Choice Awards.

Looking Ahead

The resort's outlook for 2018 remains encouraging given the current healthy business conditions.

During the year, the resort will focus its sales and marketing initiatives on boosting leisure demand from its key markets of Malaysia, Australia, the Middle East and the UK. It will also continue to develop new business from the emerging markets of China, Japan and India. At the same time, it will put greater emphasis on expanding its meeting and incentive segments from Malaysia, Singapore and Hong Kong.

To drive business at the food and beverage outlets, the resort will roll out attractive new menus and dining promotions. Meanwhile, to further grow its banqueting business, it will step up its marketing efforts by launching a range of value-added packages designed to win more corporate meetings, weddings and social events.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

RASA RIA RESORT

In 2017, Rasa Ria Resort delivered another strong performance, buoyed by robust market conditions in Sabah. Total revenue climbed 12% to RM143.767 million in 2017 from RM128.242 million the previous year, and pre-tax profit jumped 33% to RM44.932 million from RM33.764 million in 2016.

Naan
Rasa Ria Resort & Spa

Occupancy improved from 70% to 74%, mainly due to higher room night bookings in the leisure group segment from China, Korea and the UK and from the meeting and incentive segments from China and Hong Kong. Meanwhile, the average daily rate increased by 9%, with better rates achieved across almost all market segments, especially the leisure group and individual segments. The resort achieved a 17% rise in total room revenue to RM91.514 million from RM78.266 million in 2016, while profit also grew by 17% to RM80.138 million from RM68.407 million the year before.

In line with the increase in occupancy, the resort's food and beverage results strengthened. Most outlets achieved higher covers and average check, especially the all-day dining restaurant *Coffee Terrace* and *Tepi Laut*. During the year, a soft refurbishment was carried out at the resort's Indian restaurant, *Naan* and the Japanese restaurant, *Kozan*, with guests responding positively to the fresh new look. Total food and beverage revenue advanced 6% to RM43.841 million from RM41.241 million in 2016, and profit rose by 7% to RM18.340 million compared to RM17.192 million the prior year.

At the Sabah Tourism Awards 2017, the resort was recognised for its *Excellence in Hotel Services* in the 5-Star category, while *Naan* was named the *Best Restaurant* in the Hotel/Resort category. The resort was also ranked No.1 in the *Top 10 Family Resorts in Malaysia* by Australia's Holidays with Kids magazine in its 2017 Readers' Choice Survey, as well as being voted one of the *Top 25 Luxury Hotels in Malaysia* by TripAdvisor in its 2017 Travellers' Choice Awards.

Looking Ahead

Rasa Ria Resort is expected to continue to do well in 2018 given the positive outlook of the Sabah hotel market.

Within its 64-acre nature reserve the resort is currently enhancing the nature trails and creating new adventure activities. Work on the project started in January 2018 and is scheduled for completion by the end of the second quarter of 2018.

To boost business volume, the resort will focus on spurring growth from China and Korea and expanding its customer base from its key leisure markets of Australia, the UK and Malaysia. At the same time, it will introduce attractive and unique packages to drive up demand from the meeting and incentive segments of Singapore, Hong Kong and Japan. It will also target the emerging market of Russia. In addition, to increase room yield, the resort aims to gain more high-rated customers for its *Ocean Wing* guestrooms, particularly from the UK and Australia.

At its food and beverage outlets, the resort will introduce enticing new food concepts and promotions so as to generate higher demand. Meanwhile, to grow its banqueting business, it plans to capture a bigger share of the corporate meetings, weddings and social functions markets.

Greater efforts will also be made to streamline operating costs and further enhance the service offering to customers.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

INVESTMENT PROPERTIES

In 2017, UBN Tower and UBN Apartments reported a total combined rental revenue of RM25.168 million, broadly in line with the previous year. Meanwhile, the combined pre-tax profit rose by 4% to RM16.782 million from RM16.135 million in 2016, mainly due to a rebate received on property assessments paid in earlier years. The pre-tax profit included a small fair value gain following the revaluation of the investment properties at the end of 2017.

During the year, both properties focused on tenant retention through a competitive rate strategy and by building stronger relationships with existing tenants. They also stepped up their marketing efforts to attract new tenants. UBN Tower achieved an occupancy rate of 79% for 2017 and successfully grew its average rental rate by 3% on the back of higher rates secured for the renewal of existing tenancies. However, leasing activities in the high-end apartment market in the Golden Triangle remained competitive with new apartments coming onto the market, further adding to the current oversupply. Despite these conditions, occupancy of the 58 owned units at UBN Apartments showed a modest increase to 55%, with demand coming largely from expatriates employed in the construction and healthcare sectors.

Looking Ahead

Trading conditions in the prime office rental market in Kuala Lumpur are expected to remain broadly stable in 2018 and the performance of UBN Tower should remain steady. However, UBN Apartments will continue to face stiff competition as more high-end apartments are expected to come onto the market, exerting further pressure on both occupancy and rental rates.

In 2018, sales and marketing initiatives will be further intensified to secure new tenants, particularly in the construction sector, and greater efforts will be made to retain existing tenants. At the same time, securing longer-term tenancies when current tenancies come up for renewal will remain a key priority, alongside driving higher rental yield through a more focused rate strategy. Besides this, both properties will put greater emphasis on improving security and further enhancing maintenance standards and operating efficiency.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), this Corporate Governance Overview Statement (CG Overview Statement) provides an overview of the Company's application of the Principles set out in the Malaysian Code on Corporate Governance 2017 (the 2017 Code) which was issued in April 2017 and is to be read together with the Corporate Governance Report 2017 of the Company (CG Report) which is available on the Company's website at www.shangri-la.com.

The Board is committed to high standards of corporate governance. It recognises that effective governance is fundamental to the Company's ability to deliver a sustainable growth in returns for its shareholders over the long term.

The Board considers that the Company has substantially complied with the 2017 Code throughout the financial year to 31 December 2017 save for the exceptions which are fully described in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board takes collective responsibility for the proper stewardship of the Company's business, and has established procedures which provide accountability, probity and a focus on the successful long-term performance of the Company for the benefit of its shareholders.

The Board strives to maintain the highest levels of accountability, integrity and business conduct, guided by the Group's core values and Code of Conduct and Ethics, which are fully embedded in every part of the organisation.

To enable it to oversee and control the business and affairs of the Company, the Board maintains a formal schedule of matters reserved to it for decision. This schedule of matters includes approval of: business strategy and objectives; corporate governance arrangements; financial reporting and audit; annual budgets and operating plans; major capital expenditure, acquisitions and disposals; appointments to the Board; dividend recommendations; treasury policies; and the overall system of internal control and risk management. The Board has put in place a formal structure of delegated authority, whereby specific aspects of the control and management of the Group have been delegated to the Managing Director and several Board committees.

The Board has delegated day-to-day operational decisions to the executive directors who are also responsible for monitoring financial performance, developing Group strategy and policy including capital expenditure budgets, and reporting on these areas to the Board for approval.

Each of the non-executive directors has considerable experience, and plays an important role in ensuring both that corporate strategic plans and business proposals are fully debated, and that no individual or group dominates the Board's decision-making processes. There is an ongoing, effective and constructive working relationship between the non-executive directors and the executive directors, which is key to the overall strategic aims of the Company.

The positions of Chairman and Managing Director are held by different individuals. The roles of Chairman and Managing Director are separate and clearly defined with the division of responsibilities set out in writing and agreed by the Board to ensure a balance of power and authority. The Chairman is responsible for the overall operation and leadership of the Board, whereas the Managing Director is responsible for leading and managing the Group's businesses, and implementing Board strategy and policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The roles and responsibility of the Board, the Chairman, the Managing Director and the Board committees are set out in the Board Charter, which is available on the Company's website.

Dato' Dr Tan Tat Wai is the Company's Senior Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee (NRC). In his role as the Senior Independent Director, he provides a sounding board for the Chairman and serves as an intermediary for the other directors if necessary. He is also available to meet shareholders and assist in resolving concerns in cases where alternative channels are deemed inappropriate.

All directors have access to the advice and services of the Group Company Secretary, other members of the Company's senior management team, and external advisors. The Group Company Secretary is responsible for ensuring that Board procedures are followed and that compliance with applicable rules and regulations is implemented throughout the Group. Directors may take independent professional advice in furtherance of their duties, if deemed necessary, at the Company's expense.

The Board annually undertakes an assessment of its own performance and that of its committees and individual directors, with a view to enhancing the effectiveness and performance of the Board and its members. In 2017, the review process indicated that the Board and its committees were fulfilling their roles effectively, with good engagement, performance, contribution and time commitment from all members.

Board Composition

In 2017, the Board was made up of eight directors, comprising two executive directors and six non-executive directors, each of whom served throughout the financial year. Of the six non-executive directors, four are considered to be independent, namely Dato' Dr Tan Tat Wai, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam and Dato' Haris Onn bin Hussein.

As such, independent non-executive directors comprise more than one-third of the Board as required by the Listing Requirements of Bursa Malaysia. The board composition did not meet the requirement of Practice 4.1 of the 2017 Code which requires a majority of the Board to be independent, as it was made up of four independent non-executive directors and four non-independent directors (including the Chairman).

Following a rigorous review during 2017, the NRC and the Board determined that each of the four non-executive directors remains independent in character and judgement, and that there are no relationships or circumstances which are likely to affect their ability to exercise independent judgement. Notwithstanding their length of service, and having given careful consideration to the matter, the Board is satisfied that all four non-executive directors continue to demonstrate impartiality and independence of thought in carrying out their roles as non-executive directors.

Changes in Board Composition

On 28 February 2018, the Board composition was refreshed with the appointment of three new independent non-executive directors, namely Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Encik Ahmed Reza bin Mohd Ghazali.

Mr Goh Ching Yin was formerly the executive director of Strategy & Development at the Securities Commission of Malaysia for nine years until 2016. Prior to that, he held several leadership positions with major financial and banking institutions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Dato' Sri Khazali bin Ahmad was the Director General of Customs till his retirement in 2017 and has over 35 years of experience in various senior positions in government ministries and agencies, with knowledge of governance, policy development, external relations, consultative processes, tax management and commercial matters.

Encik Ahmed Reza bin Mohd Ghazali currently serves as the Country Head & Managing Director at Korn Ferry Malaysia and has significant experience and knowledge of senior management succession and consulting, leadership development and organisational transformation.

At the conclusion of the upcoming Annual General Meeting of the Company on 17 May 2018, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam, Dato' Dr Tan Tat Wai and Mr Tan Yew Jin will be retiring from the Board.

Thereafter, the Board's composition will consist of seven members, of whom two are executive directors and five are non-executive directors. Of the five non-executive directors, four are considered to be independent and thus the majority of the directors will be independent.

In addition, the percentage of women on the Board will increase to 29%, in accordance with the spirit of Practice 4.5 of the 2017 Code. The Company is committed to gender diversity not only within its Board of Directors but at all levels throughout the Group.

The biographies of the directors as at the date of this statement appear on pages 5 to 10 of this Annual Report.

Board Recruitment Process

In respect of the three new board appointments, the NRC started the recruitment process during 2017 by developing specific criteria, having regard to the relevant areas of expertise that needed to be added to the Board. The NRC identified that expertise in finance and accounting, organisational development and strategy and public sector and governmental affairs would all bring added value to both the Board and its committees.

However, neither an independent search consulting firm nor open advertising was used to assist in the search for potential candidates. The Board took the view that, to achieve the right outcome, the best approach would be to consider suitable candidates of the highest calibre in the specified fields, and to base the selection process on skills, experience and fit with the existing Board members.

Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Encik Ahmed Reza bin Mohd Ghazali were considered to be the candidates who best fulfilled the briefs developed by the NRC. After a series of rigorous interviews and formal meetings with the Chairman and other members of the Board, the Board approved the three new appointments.

The three new members of the Board have further reinforced the independence of the Board and its overall effectiveness. Their combined strong and diverse experience will add valuable insights and perspectives to the Board's deliberations.

Board Induction, Training and Development

The Company provides the necessary resources for developing and updating the directors' knowledge and skills in particular areas of relevance, for example: strategic planning, corporate governance, risk management, accounting and finance, and directors' duties and responsibilities. In addition, workshops, seminars and presentations are made available to the directors.

In 2017, a full day in-house training programme was organised for the directors covering a broad range of topics which included a briefing on the new Malaysian Code on Corporate Governance presented by Boardroom Corporate Services and a Guide on Business Continuity Planning and Management. Several of our directors also attended various external training programmes, including:

- Updates on the Malaysian Code on Corporate Governance
- ICLIF Mandatory Accreditation Programme
- Highlights of the Companies Act 2016 – Changes & Implications
- Companies Act 2016 – A Paradigm Shift
- Cyber Security and Information Systems Security Awareness and Training

All new directors receive an induction on joining the Board, which is facilitated by the Company Secretary. The three new directors to the Board are now undertaking a tailored and thorough induction programme and each has received a comprehensive data pack with detailed information on the Group.

The induction involves meetings with the Board Chairman, fellow board members, key senior management staff, committee members and external advisors, which included the external Auditors and the Director of Corporate Internal Audit, to ensure that they each develop an understanding of the strategic direction of the Group, its business operations and challenges, as well as the Group's risk profile, governance policies and procedures and its approach to corporate responsibility.

An essential part of the induction process is visits to operational sites to provide the new directors with greater awareness of the Group's operations and to give them the opportunity to meet with senior personnel.

Board Committees

The following committees have been established by the Board to assist in the discharge of its duties. All of the committees have written terms of references clearly setting out their authority and duties. The minutes of committee meetings are made available to all directors on a timely basis.

1. AUDIT COMMITTEE (AC)

   In 2017, the AC comprised three non-executive directors, two of whom were independent including the AC Chairman, Dato' Seri Ismail Farouk Abdullah. The other members of the AC were Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin. The AC meets as required, but not less than four times a year.

   The AC is responsible for monitoring and reviewing: the Group's internal control and risk management; the integrity of the financial statements; the effectiveness of the internal audit function; and the Company's relationship with the external auditor, including its independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Following the changes in the Board composition, the membership of the AC was refreshed on 30 March 2018 to consist of Mr Goh Ching Yin, Dato' Haris Onn bin Hussein and Dato' Sri Khazali bin Ahmad, all of whom are independent non-executive directors, which is in accordance with the Step-Up under Practice 8.4 of the 2017 Code. Mr Goh Ching Yin took over the role of AC Chairman.

2. POLICY IMPLEMENTATION COMMITTEE (PIC)
   The PIC consists of the two executive directors under the chairmanship of the Managing Director and met on 15 occasions in 2017. The Committee oversees the overall strategic development and operational management and activities of the Group's hotel businesses. The respective general managers together with senior management attend the meetings to report on business performance, operational issues and project developments.

3. NOMINATION AND REMUNERATION COMMITTEE (NRC)
   In 2017, the NRC was made up exclusively of independent non-executive directors, and chaired by the Company's Senior Independent Director, Dato' Dr Tan Tat Wai. The other members of the NRC were Dato' Seri Ismail Farouk Abdullah and Datuk Supperamaniam a/l Manickam.

   The NRC is responsible for reviewing the balance, size and composition of the Board and its committees, having regard to the required blend of skills, experience, independence and diversity to ensure that they operate effectively. It makes recommendations to the Board concerning all appointments to the Board and Board committees, and is also responsible for considering and recommending the overall remuneration framework for the executive directors.

   Arising from the changes in the Board composition, the membership of the NRC was also refreshed on 30 March 2018 to consist of Dato' Haris Onn bin Hussein and Encik Ahmed Reza bin Mohd Ghazali, both of whom are independent non-executive directors, and Tan Sri A. Razak bin Ramli, who is a non-independent non-executive director. Dato' Haris Onn bin Hussein took over the role of NRC Chairman.

The Terms of Reference of both the AC and NRC are available on the Company's website at www.shangri-la.com.

Re-election of Directors

Under the Company's Articles of Association, all directors seek election at the first AGM following their appointment. The Articles also require one-third of the directors to retire by rotation each year and each director to seek re-election by the shareholders at the AGM at least once every three years.

The names of the directors of the Company who are seeking election and re-election at the 47th AGM of the Company to be held on 17 May 2018 are set out in the Notice of AGM.

Board Meetings, Support and Information

The Board meets on a quarterly basis, and supplementary meetings are held as and when necessary. Five Board meetings were held in 2017 and the attendance of the directors at each meeting is shown in the table below. There are a number of committee meetings between Board meetings and these are normally fully attended.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company seeks to ensure that the Board is supplied with complete, accurate and timely information to enable it to discharge its responsibilities fully and efficiently. Directors are kept informed of progress on matters between Board meetings and of the latest issues affecting the Group. There is a comprehensive system for reporting financial results to the Board.

Board papers and other relevant information are distributed sufficiently in advance of meetings to allow directors to be properly briefed on all matters on the agenda for discussion. This also enables any director who is unable to attend a Board meeting to provide comments and discuss issues arising with the Chairman and other Board members.

The general managers of the Group's hotels and key senior executives are invited, when necessary and as appropriate, to attend Board meetings to make presentations on their operating business units and areas of responsibility.

Attendance at Board meetings during the year ended 31 December 2017

NAME	BOARD ATTENDANCE
Tan Sri A. Razak bin Ramli	5 / 5
Kuok Oon Kwong	5 / 5
Datin Rozina Mohd Amin	5 / 5
Dato' Haris Onn bin Hussein[1]	4 / 5
Dato' Seri Ismail Farouk Abdullah[2]	4 / 5
Datuk Supperamaniam a/l Manickam	5 / 5
Dato' Dr Tan Tat Wai	5 / 5
Tan Yew Jin	5 / 5

1 Dato' Haris Onn bin Hussein was unable to attend one meeting due to medical reasons.

2 Dato' Seri Ismail Farouk Abdullah was absent from one meeting due to a prior commitment which could not be re-scheduled.

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.

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 comparisons 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 AGM. No director is involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The tables below show the remuneration for the financial year ended 31 December 2017 received by (i) the individual directors on a named basis and (ii) the top five key executives in bands of RM50,000 on an aggregate basis.

ALL FIGURES IN (RM'000)	SALARY	BONUS	BENEFITS -IN-KIND	FEES	OTHER EMOLUMENTS	TOTAL
Executive Directors						
Kuok Oon Kwong	540	720	–	–	–	1,260
Datin Rozina Mohd Amin	759	399	35	–	–	1,193
Non-Executive Directors						
Tan Sri A. Razak bin Ramli	–	–	–	50	2	52
Dato' Haris Onn bin Hussein	–	–	–	35	2	37
Dato' Seri Ismail Farouk Abdullah	–	–	–	43	4	47
Datuk Supperamaniam a/l Manickam	–	–	–	40	5	45
Dato' Dr Tan Tat Wai	–	–	–	39	2	41
Tan Yew Jin	–	–	–	40	5	45
Total Directors' Remuneration	**1,299**	**1,119**	**35**	**247**	**20**	**2,720**

TOP 5 KEY EXECUTIVES IN BANDS OF RM50,000 ON AN AGGREGATE BASIS	NUMBER OF KEY EXECUTIVES
From RM1,850,000 to RM1,900,000	1
From RM1,500,000 to RM1,550,000	1
From RM450,000 to RM500,000	1
From RM350,000 to RM400,000	1
From RM300,000 to RM350,000 (note a)	1
From RM100,000 to RM150,000 (note b)	1

Note a: Period from January to resignation in September 2017.

Note b: Period from appointment in October to December 2017.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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 auditor 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 and extent of the activity of the internal audit function.

In presenting the annual financial statements and quarterly announcements of results, the Board seeks to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit committee assists the Board in ensuring the reliability and integrity of the accounting and financial reporting process of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval.

Risk Management and Internal Control Framework

The Board has overall responsibility for overseeing the Group's system of risk management and internal control and for keeping its effectiveness under review, as well as for determining the nature and extent of the risks it is willing to take to achieve its strategic objectives.

It has established an ongoing process for identifying, evaluating and managing the significant business risks of the Group. The Group's system of risk management and internal control is described in more detail in the statement on risk management and internal control on pages 57 to 60 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board places great emphasis on providing clear, accurate and timely information to all shareholders. The Company keeps shareholders abreast of the overall financial performance and the future developments of the Group by way of the annual report and accounts, quarterly announcements of results made through Bursa Malaysia, press releases and circulars to shareholders.

It also maintains regular dialogue with institutional investors and financial analysts to discuss matters relating to the Group's performance, business activities and growth plans and to respond to any queries they may have.

Conduct at General Meetings

The Board is fully committed to engaging with shareholders. The AGM provides the Board with an opportunity to communicate with and answer questions from shareholders. The Board and senior management are also available to talk to shareholders before and after the meeting.

At the Company's 46th AGM on 18 May 2017, the Chairman conducted the meeting and encouraged questions from the floor regarding the financial statements and any matters regarding the business of the Group. The Managing Director of the Company dealt with the questions posed from the Minority Shareholder Watchdog Group as well as a wide range of questions from shareholders. Voting at the 46th AGM was conducted using an electronic voting system.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Key Focus and Future Priorities

A brief overview of the Board's key focus areas during 2017 and its priorities for 2018 is given below.

2017	2018
STRATEGY	
Detailed reviews undertaken of the overall strategy plans and the five-year (2018-2022) capital investment priorities for the Group's hotel businesses to further build on their long term market positions.	Regularly review and monitor progress against the strategic priorities of the Group's hotel businesses so as to enhance growth in returns.
Group budget reviewed and approved for the financial year 2018.	Regularly monitor the implementation of key operational initiatives for 2018 and the execution of special capital projects.
FINANCIAL PERFORMANCE	
Reviewed and approved quarterly and full year 2017 financial results and market outlook as well as other announcements.	Review and approve the quarterly and full year 2018 financial results and market outlook.
Received presentations from management on the financial performance of the Group's major business units.	Regularly review the operating and financial performances of the Group's major business units, and monitor progress against the 2018 budget.
GOVERNANCE AND RISK	
Recommended the 2016 final dividend and approved the 2017 interim dividend.	Recommend the 2017 final dividend and approve the 2018 interim dividend.
Received reports from the NRC and approved the implementation of the Board renewal and succession plans.	Focus on succession planning at Board level taking account of future composition needs, diversity and talent development.
Evaluated the performances of the Board, its committees and individual directors.	Consider and develop a formal Board performance evaluation process in line with the recommendations set out in the 2017 Code.
Considered and discussed the Group's overall governance framework and processes against the new requirements of the 2017 Code.	Continue to strengthen governance arrangements so as to achieve best practice in key areas.
Reviewed the principal risks facing the Group's businesses, as well as the effectiveness of its risk management system and internal control procedures.	Maintain close scrutiny of the Group's approach to risk management and the adequacy of the current mitigating controls and policies.

This CG Overview Statement was approved by the Board of Directors on 9 April 2018.

SUSTAINABILITY STATEMENT

We are pleased to present our 2017 sustainability statement which highlights the progress we made during the year and the challenges and opportunities that lie ahead.

Our approach to sustainability management is guided by our vision, mission and core values. As a leader in our industry, we are firmly committed to integrating into our business the sustainability policies and practices that underpin our future success, and to do so in ways that benefit the economies and communities in which we operate.

About this statement

The preparation of this statement is based on the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad and the principles of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines relating to content development and quality of information.

Reporting scope and period

This statement refers to the period from 1 January to 31 December 2017. The report covers the five hotel properties across our portfolio in Kuala Lumpur, Penang and Sabah: Shangri-La Hotel Kuala Lumpur, Rasa Sayang Resort, Golden Sands Resort, Hotel Jen Penang and Rasa Ria Resort. Our other business operations are not included in this report.

Our approach

Our strategic goal is to operate our business in an economically, socially and environmentally responsible manner while advancing the interests of our stakeholders. Our primary stakeholder groups are investors, guests, employees, corporate customers, suppliers and local communities.

The mechanisms that we use to deliver our sustainability strategy include policies, processes, management systems, targets, audits, codes of conduct and standards such as ISO14000, OHSAS18000 and ISO22000. We monitor the progress of our environmental, social and governance (ESG) performance through a Corporate Social Responsibility (CSR) Scorecard for each hotel.

Sustainability Governance Arrangements

The Board evaluates environmental, social and governance risks, and ensures that our anti-corruption measures are functioning effectively and that appropriate systems and internal control procedures are in place to safeguard compliance, integrity, business ethics, human rights, fair operating practices and transparency. The Group's sustainability management and performance comes under the purview of the Policy Implementation Committee (PIC) of the Board.

What matters most

Our approach to the issues that matter most to the Group and our stakeholders is guided by a Group-wide materiality assessment exercise conducted in 2016 by our parent company, Shangri-La Asia Limited, the CSR Scorecard process that underpins our key management priorities, and our commercial environment and culture. Each material issue covered in our reporting is subject to a structured management procedure, and we are currently reviewing the wider use of targets in the management of our most important issues.

Our Material Issues

OUR ENVIRONMENT	OUR BUSINESS	OUR PEOPLE	OUR COMMUNITIES
Climate Change and Greenhouse Gas Emissions Water Waste Biodiversity and Conservation	Guest Engagement **Guest Safety and Security** – Fire life safety – Food safety – Indoor air quality – Guest security – Data privacy **Corporate Procurement** – Responsible sourcing – Sustainable choices	**Employment Practices** – Diversity and equal opportunities Employee Wellbeing Training and Development Occupational Health and Safety	Community Development Volunteering Disaster Relief and Rehabilitation

OUR ENVIRONMENT

Environmental protection is core to Shangri-La's guiding principles and Code of Conduct and Ethics, and all our employees play their part as stewards of the environment. Reducing the environmental impact of our business activities is a key part of our environmental strategy. In line with our commitment to biodiversity conservation, our hotels run initiatives that preserve and enhance biodiversity through Shangri-La's Sanctuary, Care for Nature projects.

How we manage environmental impacts

Impacts relating to material environmental issues are managed systematically. Our hotels use Environmental Management Systems (EMS) to plan, manage and control energy use, water conservation, waste disposal and pollution.

In 2017, all of our five hotels maintained ISO14001-certification, and our records show no instances of non-compliance with relevant laws and regulations concerning air emissions, water discharges or hazardous and non-hazardous waste.

Energy and Greenhouse Gas Emissions

Energy use and greenhouse gas (GHG) emissions contribute to climate change, the effects of which present financial and physical risks to our business. A number of our hotels are located in areas that are vulnerable to extreme weather events such as flooding and typhoons.

We aim to reduce energy use and GHG emissions as part of our commitment to operating efficiently and maintaining our reputation as a responsible corporate citizen.

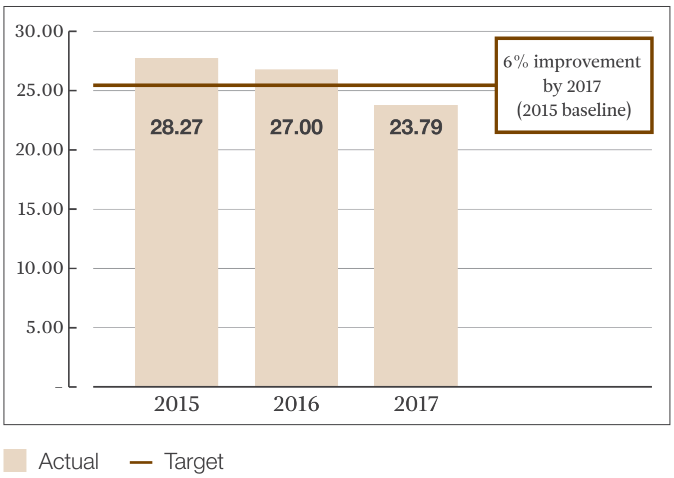
OUR ENVIRONMENT (cont'd)

Energy and Greenhouse Gas Emissions (cont'd)

In 2017, total energy consumption across our five hotels amounted to 69,133,987 kWh (248,882 GJ). Our total scope 1 and scope 2 GHG emissions amounted to 36,985 tonnes of carbon dioxide equivalent (CO_2e), down from 42,089 tonnes in 2015. The aggregated emissions of our five hotels were 23.8 kg CO_2e per BU[1]. Collectively, our five hotels met or exceeded their 6% reduction targets for energy and GHG intensities.

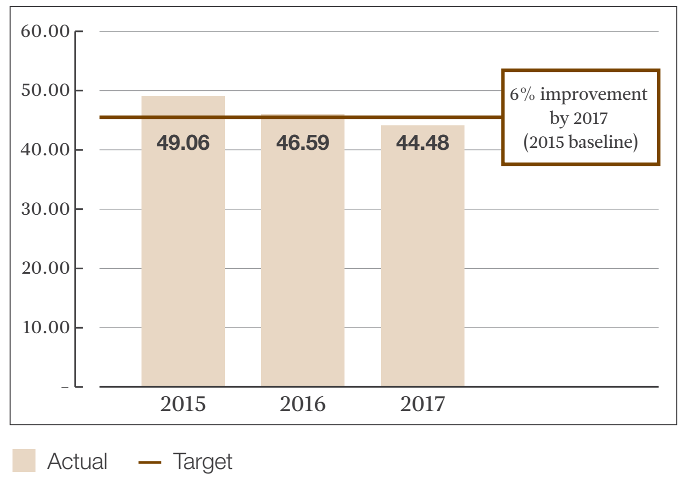
GHG emissions intensity (kg CO_2e/BU)

Scope: five group hotels, 2017



Energy intensity (kWh/BU)

Scope: five group hotels, 2017



[1] Our intensity metric denominator is the number of overnight guests and other guests in each hotel during the year expressed as a business unit (BU). The base year for environmental footprint target-setting and performance evaluation is 2015.

Energy saving initiatives in 2017 encompassed the installation of five energy-efficient pumps and 4,270 LED lighting units at Shangri-La Hotel Kuala Lumpur, resulting in a 2% saving, while at Hotel Jen Penang, we installed UV control material to prevent overheating. We continue to benefit from energy-saving investments from 2016 in areas such as capital equipment upgrades (including escalators, a low-temperature laundry and chillers), and lighting replacement using LEDs.

Water

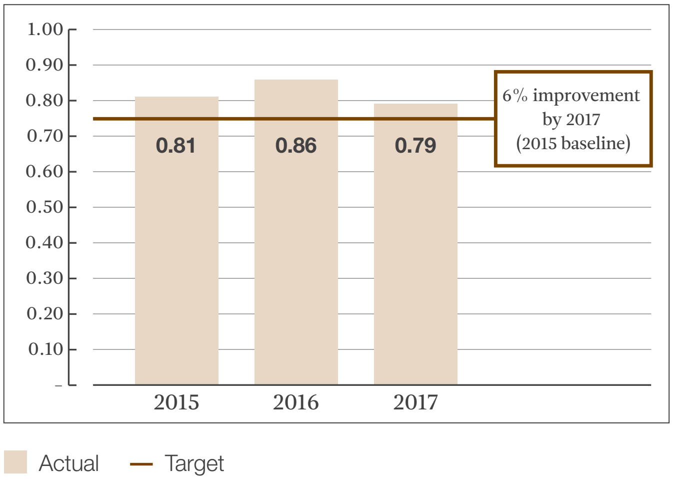
Water is an increasingly important issue for our business and its conservation is imperative. We use water for drinking, cooking, cleaning, leisure facilities and irrigation. We aim to achieve best practice levels of efficiency across our operations.

Throughout 2017, we continued our water conservation efforts, which focused on providing information for guests on reusing towels and linen, installing water-saving devices in guestrooms and public area washrooms, and installing sub-meters for improved monitoring.

In 2017, total water consumption across our five hotels amounted to 1.2m cubic metres of potable water from municipal supplies. While three of our five hotels achieved their 6% reduction target for water intensity (baseline: 2015), collectively they missed the target by 4%.

Water intensity (m^3/BU)

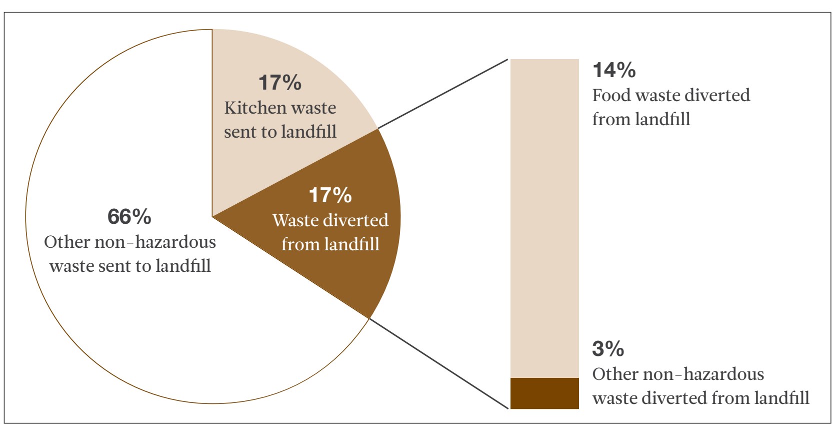
Scope: five group hotels, 2017



Waste

Waste management is a major concern for communities and local authorities in many of the locations in which we operate. Our aim is ultimately to significantly reduce waste and boost recycling. We encourage employees and guests to avoid creating waste, and we grant contracts to responsible disposal companies.

From 2017 onwards, our hotels are expected to report data on waste and disposal methods[2]. Diverting waste from landfill is the goal, with a particular focus on food waste reduction.



[2] We started to record waste by weight (instead of by %) in 2016, and collected a full year's data in 2017.

OUR ENVIRONMENT (cont'd)

Waste (cont'd)

In 2017, our CSR scorecard showed that collectively our hotels produced 2,496 tonnes of non-hazardous waste, 16.6% of which was diverted from landfill. We are achieving this not just by recycling but by "upcycling", or re-purposing waste resources. We also have paperless check-in at three of our hotels, and we encourage staff to improve recycling in all aspects of their work. During the year, our five hotels hosted events at which staff upcycled pre-owned possessions or used hotel items. We also sent six tonnes of used soap and linen for re-use by local communities.

We are proud of our long-term programmes that continue to drive efficiencies. For example, since 2011, three of our hotels have run water purification systems for bottling drinking water. This reduces plastic waste by an average of 500,000 bottles per hotel, and helps to tackle this significant global issue.

Food Waste Reduction

In 2017, our hotels recorded 752 tonnes of food waste (36% of all non-hazardous waste sent to landfill). Though this represents an increase of 43% on 2016, insufficient data from one of our hotels affects this figure.

Based on a comparative analysis of the four hotels that reported both in 2016 and 2017, a reduction of 146 tonnes year-on-year was achieved through initiatives such as recycling and increasing food donations to organisations in need. Our records show that our five hotels collectively:

- Donated 285 tonnes of food to third party charitable organisations.
- Upcycled 40 tonnes as compost and animal fodder.
- Collected 40 tonnes of used cooking oil for resale to reputable service providers.

Biodiversity and Conservation

At the heart of our commitment to the environment is the Group's Sanctuary project, which was launched in 2010 with the aim of enhancing biodiversity conservation and habitat protection. Our hotels undertake a comprehensive biodiversity assessment before commencing work on projects, which are then developed, tracked and monitored. We also engage our employees, guests and local communities in interactive learning experiences and other activities that illustrate the importance of biodiversity conservation. Likewise, we conduct guest surveys on the educational and entertainment value of our activities. In 2017, 65% of our guests who stayed in a resort with an Eco Centre said they would recommend it to a friend.

In Sabah, Rasa Ria Resort's 64-acre nature reserve is home to long-tailed macaques, western tarsiers, bear cats and the famous huge-eyed slow loris as well as to over 60 species of birds, 100 species of butterflies and a wide spectrum of native plants. In 2017, the reserve recorded over 4,000 guest visitors and 60 school visits. In June 2018, the resort will introduce new nature and adventure activities within the nature reserve, along with an upgraded Discovery Centre which will educate guests about the indigenous wildlife and plants through interactive exhibits. Constructed with environmentally sustainable materials and designed to capture the essence of the rainforest, the Discovery Centre will be the gateway to the reserve's unique trail systems, forest gardens, watering holes and summit viewing-deck. Alongside this, a new Adventure Playground will offer younger visitors hours of fun through apparatus handcrafted from wood.

Meanwhile, Rasa Sayang Resort and Golden Sands Resort have a joint Turtle Care Project for a native species of turtle which uses the resorts' beaches to nest and reproduce. In 2017, both resorts hosted a turtle-themed educational, fun and crafts day for children, and organised a sporting event which raised RM22,500 to support the project.

OUR BUSINESS

Robust governance, effective internal controls, guest security and responsible procurement are all vital to maintaining our reputation and operating responsibly. Each of our hotels identifies, prepares for, responds to and minimises fire, health, safety and security hazards. The travel and hospitality sector endures tragic attacks too frequently, so part of being a responsible business is not only a strong management approach but also a culture of awareness and intelligent information gathering.

How we manage business integrity impacts

While the Group's values guide how we work, we rely on instruments of governance and stakeholder engagement to manage wider governance and integrity issues across the business. These are underpinned by management systems for food safety, guest safety and responsible procurement practices.

ESG Governance

The Board of Directors comprises individuals with a broad range of core competencies in areas such as corporate finance, accounting, banking, investment, business management, law, strategic planning, organisational development and strategy, and public sector and governmental affairs in addition to hotel and property industry knowledge and experience.

The Board is supplied with complete, accurate and timely information on sustainability risks and opportunities. Measures to ensure responsible business conduct and the identification and assessment of risks related to social, ethical and environmental matters are managed and reviewed at regular meetings of the Board, the PIC and the Audit Committee.

Each of our hotels has a CSR Committee made up of members of senior management. The role of these committees is to oversee the implementation of Group policies and practices relating to environmental performance, employment, health and safety, community support and supply chain management.

All employees receive comprehensive and regular training in fire control, security, food safety, hygiene and sanitation.

Food Safety

Our aim is compliance with the Shangri-La Food Safety Management System (SFSMS) as well as with other local and international certifications as required. Each hotel has a dedicated food hygienist responsible for monitoring the implementation of the SFSMS system, and food safety performance is tracked as part of each hotel's CSR Scorecard. In 2017, all our five hotels maintained their ISO 22000: Food Safety Management System or HACCP (Hazard Analysis and Critical Control Points) certification.

OUR BUSINESS (cont'd)

Guest Safety

Guest security has always been treated seriously at our hotels and is managed by our security teams who work around the clock to help ensure the highest standards of safety and security for our guests, our employees and other visitors. Our Security and Safety Reporting System allows us to track and manage any incidents so as to enable continuous improvement. In 2017, we completed comprehensive annual security audits at each hotel. These check the effectiveness of, for example, CCTV recordings and security staff training relating to emergencies of all types.

Fire Life Safety

Our Fire Life Safety System includes a zero-tolerance policy for non-compliance and is allied to our employee OHSAS 18001 Occupational Health and Safety Management System. Dedicated Fire Life Safety officers are appointed at each hotel property and the system is audited annually. In 2017, all five hotels were audited with an overall pass rate of 80.6% (as against the benchmark requirement of 80%).

Data Privacy

We are committed to respecting privacy, safeguarding our guests' personal information, and upholding the highest standards of ethical and legal conduct relating to individuals. Regarding guest privacy, we were not aware of any significant data security breaches affecting our hotel operations in 2017. Privacy and data protection risks are covered in our corporate risk management process and policy, which is available on our website at www.shangri-la.com.

Indoor Air Quality

As awareness of the health effects of indoor air pollutants increases, we recognise that indoor air quality (IAQ) is a topic of increasing concern to both guests and staff at our hotels. In 2017, we found no evidence of a heightened exposure to this risk at any of our five hotels. Continual monitoring of IAQ is part of our EMS. Each of our hotels provides adequate ventilation and air filtration in accordance with our standards. We measure the IAQ of each hotel every three years or as frequently as required by local authorities.

Responsible Sourcing

Vital to business integrity, responsible sourcing practices assess sustainability impacts and help improve performance upstream from the business. As a buyer, we can influence suppliers, build engagement with them and together effect change. The Group's Supplier Code of Conduct (SCoC) sets out what we expect of suppliers on product safety. Meanwhile, our corporate procurement and responsible sourcing policies cover food safety impacts through site audits.

Our Corporate Purchasing Policy requires compliance with our SCoC, which references international best practice in labour rights, human rights, health and safety, environmental impact, ethics and management commitment. We systematically monitor supply contracts to ensure compliance, including via both scheduled and unannounced site visits to suppliers' premises. Besides audits, our procurement teams regularly engage with local supply chain partners on sustainability topics.

Our preference is to do business with partners whose operations exceed the basic stipulations of the SCoC. However, as a minimum, all suppliers are required to ensure that the principles of the Code apply to their employees and, ideally, throughout their own supply chains. Furthermore, they are required to report any violations or suspected violations to Shangri-La via a dedicated link on our website.

The Group's Green Procurement Guide helps to manage corporate risk and to enhance environmental standards upstream. For instance, it helps specify recommended 'green' products such as building materials, cleaning supplies, paper and electrical items.

Standards the Group applies to tackle supply chain impacts include:

- Shark fin: which has been prohibited in all Shangri-La food and beverage outlets since 2010.
- Seafood: the Group adheres to Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) standards. Bluefin tuna and Chilean sea bass are categorically prohibited.
- Paper and card products: must have an appropriate chain-of-custody certification label indicating sustainable sourcing, or else 100% responsibly recycled.
- IT equipment: the Group complies with the US Electronic Product Environmental Assessment Tool (EPAT) bronze level or above, or EU standards on the Restriction of Hazardous Substances (RoHS).

Sustainable Choices – Rooted in Nature

Launched in 2014, Rooted in Nature aims to promote the finest local and ethically-sourced ingredients. To qualify, a menu item must meet at least one of the programme's criteria by being, for example, produced within 20km of the hotel, chemical-free, or certified sustainably. In 2017, our five hotels offered over 163 more Rooted in Nature menu items than in 2016. As well as supporting local agricultural and fishing communities, the Rooted in Nature programme features:

- Chemical-and pesticide-free items.
- Free range and ethically reared livestock and poultry.
- Sustainably caught seafood.
- Organic and fair trade items.

In 2017, our hotels sourced 7.5% of the total 22.3 tonnes of frozen, chilled, and live seafood purchased from accredited MSC or ASC certified chain-of-custody suppliers.

OUR PEOPLE

In 2017, the Group employed 2,442 people (2016: 2,400) in permanent full-time positions. The commitment, knowledge and skills of our people are central to the continued success of our business and our reputation for service excellence.

How we manage human capital

We aim to provide equal opportunities in all aspects of employment, and repudiate all forms of discrimination based on gender, race, religion, disability, marital status, family status, sexual orientation, or any other personal characteristic.

Our Code of Conduct and Ethics sets out the standards we require of our employees in upholding our core values of integrity, fairness, respect, ethical business conduct, and excellence in service. Our employees have a duty to report any violations of the Code and our whistleblowing policy is publicly available.

OUR PEOPLE (cont'd)

How we manage human capital impacts (cont'd)

We endeavour to attract, recruit and retain talented people by creating a work environment where each and every one of them can reach their full potential. We continually strive to ensure a culture where all our employees feel valued and respected and which enables them to pursue their professional and personal goals.

Fundamental to our business success is a fully engaged workforce. We seek to engage our employees through a variety of channels in order to encourage open communication and make sure that we understand their concerns. We maintain a staff notice board in each hotel and conduct weekly update meetings. The senior hotel managers address all colleagues on important matters using a State of the Hotel Address and an Executive Committee Dialogue.

Training and Development

Building employee capability is a key focus for our business. Our training curriculum is guided by our policies on employee development, and we regularly review existing training to check that it aligns with our business requirements. We also evaluate the effectiveness of training using internal feedback surveys and metrics.

We operate a wide range of service and functional skills training activities for all levels of employee, including training programmes to develop and improve the management and leadership skills of top talent and high potential employees. All new employees are required to undertake induction training and complete a four-day service culture learning programme to become fully acquainted with our corporate values and standards of conduct. All full-time employees are required to complete the core programmes appropriate to their role and level of employment, with such training ranging from five to twenty-one days a year. In 2017, 100% of new hires in our five hotels went through the Colleague's Orientation.

Leadership development programmes are also offered at various levels, assisting staff to reach their full potential and to continue to grow within the organisation.

In addition, selected employees attend the Shangri-La Global Academy Certificate, Diploma and Management Development programmes. In 2017, 119 (2016: 39) employees from our five hotels attended courses at the Academy.

Occupational Health and Safety

We regard the health and safety of our guests and employees as paramount. The total number of incidents and accidents reported at our hotels was 389 in 2017 (303 in 2016) covering guests, employees and contractors.

All our hotels have achieved OHSAS 18001 certification – the international standard for managing health and safety risks. Annual internal and external audits are conducted to ensure that health and safety management systems are properly implemented and maintained. With support from the Human Resource and Security teams, the Group's Engineering department regularly communicates Occupational Health and Safety procedures to employees, using manuals and work instructions. A Health and Safety committee is in place in all our hotels.

Wellbeing
The staff turnover rate at our five hotels varied from 9.2% to 16.6% in 2017, with a median rate of 14.1% (2016: 6.4% to 17.2%; median rate 10.5%).

We run health and wellness improvement programmes both for our employees and their families. Training sessions and talks focusing on physical wellbeing and health have looked at areas as diverse as tuberculosis, managing back and joint pain, awareness of breast cancer, the Zika virus, and other chronic illnesses. Meanwhile, sporting events have allowed employees to take part in sports and activities including yoga, football, badminton and bowling.

Volunteering
We offer one day of paid volunteering leave every year to each member of staff to encourage them to participate in community events. In 2017, 82% of the workforce across our five hotels dedicated 6,769 volunteer hours to our Embrace (Care for People) and Sanctuary (Care for Nature) projects as well as other volunteering activities such as tree planting and beach clean-ups.

Diversity
Currently, 40% of our workforce is female (2016: 39%). Employment opportunities for people with disabilities (PWD) are being expanded. We have helped PWDs to cultivate specialised skills during their employment. The Group's target is for 2% of each hotel's staff to be PWDs working in various divisions. In 2017, 39 PWDs gained permanent employment with our hotels forming 1.7% of our total permanent headcount. As of 2017, Shangri-La Hotel, Kuala Lumpur employed 15 PWDs who are provided with on-the-job training and, like anyone else, enjoy all the privileges and benefits of employment such as medical cover, career development, skills training and sports activities.

OUR COMMUNITIES

Our duty as a responsible corporate citizen goes beyond philanthropic donations. We forge strong partnerships by engaging with local stakeholders so as to help build and strengthen local communities.

We recognise that, as a responsible corporate citizen, we should assist our local communities to grow as our business grows. Through Embrace, our Care for People project, our hotels are committed to forming partnerships focused on advancing children's health and education.

The programme, set up in 2009, aims to foster a sense of ownership and responsibility through long-term partnership between each hotel and its local community. Each Embrace project must have measurable and achievable outcomes, and success is assessed annually as part of the hotel's CSR scorecard showing the impact of the projects in terms of infrastructure and facilities development, life skills training or hotel apprenticeships, health scans, operations and more.

All our five hotels have active Embrace projects in place, for example:

Shangri-La Hotel Kuala Lumpur's Embrace, Gift of Life project has benefited many less fortunate children from all over Malaysia who are in urgent need of critical, life-saving medical treatments. In 2017, through its annual fundraising initiatives and its own donations, the hotel sponsored heart surgery for 11 children. Since 1985, the project has helped 323 children suffering from severe heart ailments to proceed to immediate life-saving heart surgery.

OUR COMMUNITIES (cont'd)

In Sabah, Rasa Ria Resort continues to work closely with its EMBRACE school, Sekolah Kebangsaan Lapasan, to sponsor daily meals for 120 underprivileged students. 60 students also benefited from book sponsorship and 148 were rewarded with book vouchers for excelling in their school examinations in 2017. Since starting the partnership in 2015, the school has steadily improved its examination results in Bahasa, English and Mathematics.

In 2017, Rasa Sayang Resort sponsored heart surgery for 4 young patients with congenital heart defects under its Embrace, Gift of Life project, while Golden Sands Resort sponsored artificial limbs for 25 recipients under its Embrace, Gift of Limb project. In addition, through its Embrace, Gift of Hope project, Hotel Jen Penang sponsored treatment for congenital heart disease for eight to ten year old children from underprivileged families.

Disaster Relief

Our three hotels in Penang were quick to collect pillows, blankets and bathrobes for distribution to the flood victims in relief centres affected by the widespread flooding in Penang in November 2017. The hotels also provided help and support to employees whose houses were badly affected by the floodwaters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges the importance of maintaining an effective risk management and internal control system.

The Board has ultimate responsibility for the Group's risk management and internal control system and for reviewing its effectiveness, adequacy and integrity, including its financial and operational controls and compliance with relevant laws and regulations. The Board has delegated the responsibility for the review of the risk management and internal control system to the Audit Committee.

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

The Board has established an on-going process and procedures for identifying, evaluating, monitoring and managing risks faced by the Group, which accord with the guidance on risk management and internal controls provided in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. These procedures ensure that the Board is aware of the key risks facing the Group and that the risk management and internal control system is regularly reviewed for effectiveness and adequacy.

The Board has received assurance from the Managing Director and Regional Financial Controller that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement is adequate and effective to protect the Group's employees and customers and to safeguard the interests of the Company and its shareholders.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The Group's risk assessment and evaluation are an integral part of its system of internal control. The Group has an established framework of procedures and internal controls with which the management of each operating business unit is required to comply. The risk management framework adopted by the Group is based on ISO 31000: 2009 Risk Management – Principles and Guidelines. All the Group's operating business units are required to maintain systems of internal control appropriate to the nature and scale of their business activities, and to address all significant operational, financial and compliance risks.

Each of the Group's operating business units is accountable for identifying and documenting its major risks, and assessing their potential impact and likelihood of occurrence, together with the mitigating controls that would need to be implemented to manage those risks. Action plans are developed and monitored continuously to ensure compliance, and these plans are regularly reviewed by the Audit Committee and the Board. 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.

This review is supported by the Internal Audit Department (IAD) of the Company's ultimate holding company, which monitors the continuing effectiveness of the Group's risk management and internal control system and reports to the Audit Committee of the Board on any control failings and the appropriate corrective action.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The 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, the Board committees and the executive management of the Group's major operating units.

- **Independence of Audit Committee**
  During 2017, the Audit Committee of the Board consisted of three non-executive directors, two of whom are independent and has full access to both the internal and external auditors.

  The Audit Committee of the Board was refreshed on 30 March 2018, and now comprises three independent non-executive directors, namely Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Dato' Haris Onn bin Hussein. Mr Goh Ching Yin has taken over the chairmanship of the committee, succeeding Dato' Seri Ismail Farouk Abdullah.

- **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 a rolling programme of internal audit reviews. Every operating business unit has a detailed Delegation of Authority Manual covering all areas of operation specifying transactions/activities and their required level of approval/authorisation. These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve any operational deficiencies.

- **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 (PIC) of the Board. The Board approves the consolidated Group budget with objectives for each operating unit.

- **Comprehensive system of financial reporting**
  A comprehensive system is in place for reporting financial information to the executive management of major operating units, the executive directors and the Board. 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 PIC on a continuous basis.

  The PIC and senior management periodically update the Board on the Group's operations 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 RISK MANAGEMENT AND INTERNAL CONTROL

- **Established capital expenditure approval process**
  The Group has formal procedures for the appraisal of major capital expenditure, which must be approved by the Board, as well as detailed procedures and authority levels relating to all other capital expenditure. There are also clear procedures for obtaining approval for asset disposals and major business transactions.

- **Employee competency**
  To enhance employee competencies and proficiencies, the Group undertakes continuous training and development. The Group also places great 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 and Ethics, to which all employees are signatories, governing standards of ethical behaviour in dealing with customers, suppliers and fellow employees. The Shangri-La's Strategic Plan sets out for all employees the guiding principles for achieving market leadership, and the goals and financial objectives of the Group's hotels.

- **Internal Audit**
  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 of the effectiveness and integrity of the Group's internal control system.

  The Audit Committee of the Board is assisted by the IAD of the Company's ultimate holding company. The role of the IAD is to perform independent reviews and to monitor and ensure compliance with the Group's policies, procedures and systems of internal control. In addition, the IAD carries out detailed independent accounting inspections of financial records at least once a year to evaluate the effectiveness of the accounting and financial controls of the Group hotels and resorts. It also performs audits of new hotel development, hotel extension projects and renovation projects, focussing on tenders, procurement, project mobilisation and design approval processes.

  The IAD reports to the Audit Committee of the Board regarding the effectiveness of the risk and control management, and also recommends improvements in controls. The audits performed by the IAD 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 the IAD and reports its findings and conclusions to the full Board on a quarterly basis.

- **Whistleblowing and whistleblower protection policy**
  The Group has in place a Whistleblowing and Whistleblower Protection Policy to demonstrate its commitment to conducting its business according to the highest standards of openness, probity and accountability. This policy aims to enable employees and business associates to report suspected wrongdoing as soon as possible, knowing that their confidentiality will be respected and that their report will be taken seriously and investigated as appropriate. It will also provide a way for employees and business associates to raise any other concerns, and for such concerns to be addressed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Information Security and Cyber Threats**
  The Group regards information governance and cyber security as of paramount importance. In order to mitigate its exposure to cyber security attacks, fraud and information loss, the Group has established processes, IT security policies and procedures which are subject to regular independent audit. The Group processes credit card payments in accordance with the Payment Card Industry–Data Security Standard (PCI-DSS). The Group continues to focus on raising the awareness of all employees about information security threats across the businesses.

In 2017, no material losses requiring mention in the Annual Report were incurred arising from weaknesses in internal control identified during the year.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide (AAPG) 3, ***Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report*** issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment by and opinion of the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement was approved by the Board of Directors on 9 April 2018.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The Board has delegated to the Audit Committee (AC) responsibility for overseeing financial reporting, for the internal risk management and control functions, and for making recommendations to the Board in relation to the appointment of the Company's internal and external auditors. The detailed terms of reference of the AC can be found at www.shangri-la.com.

In line with its terms of reference, the duties and responsibilities of the AC include:

- Monitoring the integrity of the Group's financial statements and any announcements relating to the Group's financial results, and reviewing material financial reporting judgments and significant accounting policies before they are submitted to the Board for approval;
- Reviewing the adequacy and effectiveness of the Group's internal financial controls and risk management system;
- Monitoring and reviewing the role and effectiveness of the Group's internal audit function; and
- Overseeing the appointment, remuneration, objectivity, independence and performance of the external auditor and the integrity of the audit process as a whole, including the appointment of the external auditor to supply non-audit services to the Group.

The AC is regularly updated on accounting and legislative changes through comprehensive reports by the Group Regional Financial Controller and other senior finance managers.

COMPOSITION OF THE COMMITTEE

During 2017, the AC consisted of three non-executive directors, two of whom were independent, including the Chairman. The members of the AC were Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin. It was chaired by Dato' Seri Ismail Farouk Abdullah, who was not the Chairman of the Board.

The AC was refreshed on 30 March 2018, and now comprises three independent non-executive directors, namely Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Dato' Haris Onn bin Hussein. Mr Goh Ching Yin took over the chairmanship of the committee, succeeding Dato' Seri Ismail Farouk Abdullah.

The AC held four meetings in 2017. The executive directors, the Group Regional Financial Controller, the Group Finance Manager, the Director of Corporate Internal Audit and representatives of the external auditor are normally invited to attend meetings. The Chairman of the AC reports the outcome and recommendations of the AC meetings to the full Board on a quarterly basis, the minutes of meetings having been provided to all Board members.

AUDIT COMMITTEE REPORT

The attendance of each member at the AC meetings held in the year ended 31 December 2017 is shown in the table below.

NAME OF MEMBER	TOTAL ATTENDANCE
Dato' Seri Ismail Farouk Abdullah, Chairman (Independent Non-Executive Director)	4 / 4
Datuk Supperamaniam a/l Manickam (Independent Non-Executive Director)	4 / 4
Tan Yew Jin (Non-Independent Non-Executive Director)	4 / 4

MAIN ACTIVITIES IN 2017

A summary is set out below of the main activities carried out by the AC in 2017 in the discharge of its duties and responsibilities. The AC:

- Reviewed the quarterly results and annual financial statements and the application of critical accounting policies, and discussed areas of significant judgement in the preparation of the financial statements. The reviews focussed on the integrity and clarity of disclosures, and compliance with relevant financial reporting standards and relevant financial, legal and governance reporting requirements;
- Reviewed the external auditor's audit strategy plan and its report on its audit of the Group's annual financial statements;
- Reviewed and considered the key audit matters raised by the external auditor, the other areas of key focus, and the audit methodology;
- Reviewed the valuation of the Group's investment properties to ensure that material judgements, and the assumptions and valuation techniques used by the independent external valuer in the valuations, were within reasonable parameters and that conclusions had been appropriately drawn;
- Reviewed and examined the impairment test on the carrying values for each of the Group's associated companies in Myanmar, including significant judgements and assumptions, and the discount factors used in the cash flow projections;
- Discussed with the external auditors the potential financial impact of adopting the new Malaysian Financial Reporting Standards (MFRSs) issued by the Malaysian Accounting Standards Board (MASB), namely MFRS 9 – Financial Instruments and MFRS 15 – Revenue from Contracts with Customers, which are effective for annual periods beginning on or after 1 January 2018; and MFRS 16 – Leases, which is effective for annual periods beginning on or after 1 January 2019;
- Reviewed the terms of engagement and the performance of the external auditor, and the effectiveness of the audit process, including the objectivity and independence of the external auditor;
- Assessed the scope and effectiveness of the systems established to identify, evaluate, manage and monitor key financial and non-financial risks;
- Received and reviewed regular reports from the Director of Corporate Internal Audit on the status of the Group's risk management activities, including actions to mitigate risks, and the findings of the internal audit reviews, as well as the actions agreed with management; and
- Monitored and reviewed the plans, work and effectiveness of the internal audit function, including the status of follow-up actions taken to address any weaknesses or failures in internal controls.

AUDIT COMMITTEE REPORT

EXTERNAL AUDITOR

In reviewing the independence of the external auditor, the AC considered a number of factors including the experience and tenure of the external auditor; the nature and level of the services provided by the external auditor; and the external auditor's written confirmation that it has remained independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. To further safeguard the independence of the external auditor, the AC is looking into revising the limit for the external auditor's fee for non-audit services, so that it will not exceed a specific percentage of the total annual audit fee.

Based on the review conducted in 2017, the AC was satisfied with the performance of the external auditor and the effectiveness of the audit process. It has therefore recommended to the Board that the external auditor be re-appointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2018 the re-appointment of the external auditor for a period of one year.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is performed by the Internal Audit Department (IAD) of the Company's ultimate holding company. The IAD is responsible for reviewing and providing assurance of the effectiveness, adequacy and integrity of the Group's system of internal control and risk management, and compliance with Group policies and procedures. The internal audit framework applied by the Group's IAD accords with the International Standards for the Professional Practice of Internal Auditing (Standards) by The Institute of Internal Auditors.

The members of the IAD are free from any relationships or conflicts of interest which could impair their objectivity and independence. The Company has obtained a written assurance from the IAD confirming the independence of its members throughout the audit in the year 2017.

The IAD is adequately resourced. It has 29 staff headed by Mr Rajiv Bhardwaj, Director of Corporate Internal Audit. Mr Rajiv was appointed Director of Corporate Internal Audit in January 2015 and has been with the Shangri-La Group of hotels for 16 years overseeing the financial and accounting operations of its hotels in various countries. Prior to joining the Shangri-La Group of hotels, he held key positions in Finance and New Hotel Project Development with Taj Hotels Palaces Resorts Safaris. He has extensive experience in finance and accounting, including more than 35 years of experience in the hotel industry. He holds a Bachelor of Science degree from the University of Delhi, India. Most of the internal auditors of the IAD have relevant professional qualifications and are members of the Association of Chartered Certified Accountants or Certified Practising Accountants Australia.

For the financial year ended 31 December 2017, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM65,500.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE OF THE COMMITTEE

1. Membership

1.1 The members of the AC 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 the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). 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 AC.

1.3 At least one member of the AC:

- Must be a member of the Malaysian Institute of Accountants (MIA); or
- If he is not a member of MIA, must have at least three years of working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967, or be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- Must fulfil such other requirements as prescribed or approved by Bursa Malaysia.

1.4 The Chairman of the AC shall be an independent non-executive director appointed by the Board.

1.5 The term of office and performance of the AC and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.

2. Meetings

2.1 Meetings of the AC shall be held at least four times a year.

2.2 The quorum for a meeting of the AC shall be two members. At meetings of the AC a majority of the members 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 AC shall normally be attended by the executive directors and the Director of Corporate Internal Audit. The AC may also request other directors, members of senior management, counsels, and the internal and external auditors to participate in the AC meetings, as necessary.

2.4 The AC shall meet the external auditor at least once a year without members of senior management and executive directors present.

2.5 Minutes of the AC meetings shall be tabled at the meeting of the Board of Directors. The AC, through its Chairman, shall report on each meeting to the Board of Directors.

3. Authority

In the performance of its duties and responsibilities, the AC shall:

a. Have authority to investigate any activity within its Terms of Reference;
b. Have access to the 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 with the external auditors and members of the IAD who carry out the internal audit function of the Group; and
e. Be able to engage independent professional advisers or to secure the attendance of outsiders with relevant experience and expertise at the Company's expense, if the AC considers this necessary.

4. Functions & Duties

The AC shall carry out the following functions and duties:

a. Review the external audit plan and scope of work before the 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 will focus primarily on:
   - Any changes in or implementation of major accounting policies and practices;
   - Material judgements;
   - Significant adjustments arising from the audit;
   - Going concern assumptions; and
   - 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; and assess the internal process for determining and managing the principal risks throughout the Group.
e. Review the scope of the internal and external auditors' evaluation of the Group's systems of internal control.
f. Review audit reports prepared by the internal and external auditors, the major findings, and the management's responses thereto, and ensure that appropriate action is taken in respect of these reports.
g. Review appraisals or assessments of the performance of the staff members of the internal audit function.
h. Approve the appointment and/or termination of the Director of Corporate 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 members with an opportunity to submit their reasons for resigning.
j. Direct any special investigations to be carried out by the IAD.
k. Discuss any problems arising from the external audit including the assistance given by employees of the Group to the external auditor and any matters the external auditor may wish to discuss.
l. Nominate the external auditor and recommend the external audit fee for approval by the Board of Directors; 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 transactions and conflicts of interest that may arise within the Company or the Group including any transactions, procedures or conduct that raise questions of management integrity.
o. Promptly report to Bursa Malaysia any matter that the AC has previously reported to the Board of Directors but which has, in the view of the AC, not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia.
p. Perform other duties as directed by the Board of Directors.

PRINCIPAL RISKS

The principal risks and uncertainties facing the Group, which have been considered by the Board, are summarised below.

PRINCIPAL RISKS	MITIGATION
Competition The Group's hotel businesses operate in highly competitive markets. Increased competition and oversupply of hotel rooms could place downward pressure on room rates and occupancies, and erode market share. Inability to compete effectively could negatively affect delivery of the Group's growth strategy.	• Strong commitment to enhancing and maintaining the high standards and quality of products and facilities through on-going capital improvement programmes and product innovation to ensure competitiveness. Continuous focus on enhancing service capabilities to ensure consistent delivery of high standards of customer service. • Continued enhancements to revenue management and reservation management systems to optimise revenue opportunities and maximise yield. • Focus on strengthening long term business relationships and driving higher levels of brand awareness and guest loyalty in order to increase brand loyalty, generate new and higher business volumes, and retain repeat customers.
Health and Safety The Group is exposed to a wide range of health and safety risks including food safety. Failure to implement and maintain robust risk management systems and internal controls to safeguard the health and safety of guests, employees and visitors could result in damage to the Group's reputation as well as legal liability risks.	• Strong emphasis on managing food safety risks under the Shangri-La Food Safety Management System (SFSMS) which is regularly reviewed to ensure that it remains effective and complies with all regulatory requirements. • Continuous commitment to managing health and safety risks through OHSAS 18001 certification, which is an international occupational health and safety management system. • Regular training for all employees on health and safety awareness, covering fire, security, food safety, hygiene and sanitation. • Annual audits to ensure that health and safety management systems are properly implemented and maintained.
Technology Failure and Information Security The Group relies heavily on technology and information systems for its operations. Failure of IT infrastructure and critical systems and breach of data security could damage the Group's business operations and reputation.	• Well-established procedures for the protection of technology assets, including business continuity plans, IT disaster recovery plans and back-up delivery systems to reduce business disruption in the event of a major technology failure. • Well-established data privacy and security programmes to ensure that personal data is protected. • Continuous investments in new and robust IT systems and infrastructure technologies to enhance reliability, efficiency and operational execution, as well as to sustain competitive advantage. • Regular training for all employees to create awareness of emerging information security and cyber threats.

PRINCIPAL RISKS

PRINCIPAL RISKS	MITIGATION
Talent The implementation and execution of the Group's strategies and business goals depend on its ability to recruit, retain and motivate high-quality people. The market for skilled individuals and talented management is highly competitive. Failure to recruit, motivate or retain such people could adversely affect the Group's business performance.	• Major emphasis on improving employee performance and skills and developing management and leadership capabilities through well-established and effective leadership and training programmes. • Focus on building a strong performance culture and on developing a highly engaged, well trained and motivated work force. • Remuneration structures and performance reward programmes tailored to retain and motivate the best talent available. • Active identification of talent and management of succession planning for all key positions. • Annual employee engagement surveys to seek employee feedback which is then used to identify actions to be implemented to further enhance employee engagement and motivation.
Ethical Misconduct and Non-Compliance Ethical misconduct or breaches of applicable laws by the Group's businesses or its employees could adversely affect the Group's reputation and financial condition, and could lead to regulatory action, litigation and penalties.	• The Group's *Code of Conduct and Ethics*, which is signed by all employees and which sets the standards for corporate and individual conduct; addresses conflicts of interest, employment practices, data protection, and bribery; and encourages the reporting of violations. • Well-established procedures for reporting and investigating instances of unethical conduct. • Mandatory training for new recruits on the *Code of Conduct and Ethics* through the *Shangri-La Care Programme*. • Close monitoring of changes in regulatory requirements and regular training to provide awareness of key changes in relevant legislation. • Regular internal audits to monitor and to ensure compliance with all laws and regulations.
Economic, Political and Natural Disasters and Terrorism Demand for the Group's products and services could be adversely affected by changes in financial and economic conditions and political developments. The Group is also vulnerable to natural disasters, pandemics and acts of terrorism which could have a negative impact on travel patterns.	• Constant monitoring of trends and developments in the economic and political environment so that emerging risks can be identified early, appropriate steps taken, and action plans put in place to mitigate such risks. • Business continuity and crisis response plans to enable the Group to respond in an appropriate and timely manner. • A dedicated Emergency Response Team at each of the Group's hotel properties, with the required skills and experience to handle crises. • Continuous upgrades in security measures including security equipment and systems to safeguard customers and employees. Regular reviews of security procedures to ensure effectiveness. Regular security awareness and training.

FINANCIAL STATEMENTS

CONTENTS

STATEMENT ON DIRECTORS' RESPONSIBILITY

in relation to the audited financial statements for the year ended 31 December 2017

The Directors are required by the Companies Act 2016 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 2017 on pages 81 to 143, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board 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 2016. 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.

DIRECTORS' REPORT
for the year ended 31 December 2017

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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, namely Rasa Sayang 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
Profit attributable to:		
Shareholders of the Company	72,198	49,508
Non-controlling interests	9,822	–
	82,020	49,508

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.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year:
   - a final single-tier dividend of 11 sen per ordinary share, totalling RM48,400,000 on 30 June 2017; and

ii) In respect of the financial year ended 31 December 2017:
   - an interim single-tier dividend of 3 sen per ordinary share, totalling RM13,200,000 on 14 November 2017.

DIRECTORS' REPORT
for the year ended 31 December 2017

The Board has proposed a final single-tier dividend of 12 sen per ordinary share, totalling RM52,800,000 for the financial year ended 31 December 2017. The proposed final dividend will not be accounted for until it has been approved at the forthcoming Annual General Meeting of the Company, which is scheduled to be held on 17 May 2018. The proposed final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS OF THE COMPANY

The Directors of the Company in office during the financial year until the date of this report are:

Tan Sri A. Razak bin Ramli — Chairman
Kuok Oon Kwong — Managing Director
Datin Rozina Mohd Amin — Executive Director
Dato' Haris Onn bin Hussein
Dato' Seri Ismail Farouk Abdullah
Datuk Supperamaniam a/l Manickam
Dato' Dr Tan Tat Wai
Tan Yew Jin
Ahmed Reza bin Mohd Ghazali — Appointed on 28 February 2018
Goh Ching Yin — Appointed on 28 February 2018
Dato' Sri Khazali bin Ahmad — Appointed on 28 February 2018

Encik Ahmed Reza bin Mohd Ghazali, Mr Goh Ching Yin and Dato' Sri Khazali bin Ahmad who were appointed since the last Annual General Meeting of the Company, will retire in accordance with Article 76 of the Company's Articles of Association, and being eligible, offer themselves for election as Directors.

In accordance with Article 95 of the Company's Articles of Association, Tan Sri A. Razak bin Ramli, Datin Rozina Mohd Amin and Dato' Haris Onn bin Hussein retire by rotation from the Board at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election as Directors.

Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam, Dato' Dr Tan Tat Wai and Mr Tan Yew Jin will retire from the Board with effect from the conclusion of the Company's forthcoming Annual General Meeting. Dato' Dr Tan Tat Wai who was due to retire by rotation at the forthcoming Annual General Meeting of the Company will therefore not be seeking re-election.

The names of the directors of the Company's subsidiary companies who served during the financial year until the date of this report are shown in the Appendix to the financial statements.

DIRECTORS' REPORT
for the year ended 31 December 2017

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the particulars of interests and deemed interests of Directors who held office at the end of the financial year (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) in shares in the Company and a related corporation are as follows:

THE COMPANY	As at 1.1.2017	Number of Ordinary Shares Acquired	(Disposed)	As at 31.12.2017
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong	–	–	–	–
Datin Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	10,000	–	–	10,000
Datuk Supperamaniam a/l Manickam	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
Tan Yew Jin	5,000	–	–	5,000
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	–	–	10,000
Tan Yew Jin	20,000	–	–	20,000

RELATED CORPORATION **SHANGRI-LA ASIA LIMITED ("SAL") – ULTIMATE HOLDING COMPANY**	Number of Ordinary Shares of HKD1.00 each			
DIRECT INTERESTS IN SAL				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong – own	442,921	–	–	442,921
– others	252,635 [1]	–	–	252,635 [1]
Datin Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–	–
Datuk Supperamaniam a/l Manickam	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
Tan Yew Jin	138,121	–	–	138,121
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	189,455	–	–	189,455

NOTE [1]: Shares held directly by spouse/child. In accordance with Section 59(11)(c) of the Companies Act 2016, the interests and deemed interests of the spouse/child in the shares of the Company and its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of the Director.

Other than as disclosed above, none of the Directors held any shares as at 31 December 2017, nor acquired or disposed any shares during the course of the year, in any other related corporations of the Company.

DIRECTORS' REPORT
for the year ended 31 December 2017

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 remuneration 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 the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 29 to the financial statements.

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.

INDEMNITY AND INSURANCE COSTS

During the financial year, no indemnity was given nor was any insurance taken for any Director/officer/auditor of the Company.

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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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.

DIRECTORS' REPORT
for the year ended 31 December 2017

OTHER STATUTORY INFORMATION (cont'd)

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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2017 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 operations 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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 16 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
Date: 9 April 2018

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

We, TAN SRI A. RAZAK BIN RAMLI 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 81 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
Date: 9 April 2018

STATUTORY DECLARATION
pursuant to Section 251(1)(b) of the Companies Act 2016

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 81 to 143 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named TAY KENG HOCK at Kuala Lumpur in Wilayah Persekutuan on 9 April 2018.

TAY KENG HOCK
NRIC No: 530107-04-5005
MIA CA21557

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Shangri-La Hotels (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the ***By-Laws (on Professional Ethics, Conduct and Practice)*** of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' ***Code of Ethics for Professional Accountants*** ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
to the members of Shangri-La Hotels (Malaysia) Berhad

RECOVERABILITY OF AMOUNTS DUE FROM ASSOCIATES
Refer to Note 2(i) – Significant accounting policy: Impairment; Note 6 – Interests in associates; and Note 25.4 – Credit risk.

The key audit matter	How the matter was addressed in our audit
The Group has three associated companies which operate a hotel, serviced apartments and a commercial complex in Myanmar respectively. The Directors assessed the recoverable amounts due from these associates using cash flows projections of the associated companies. We have identified the recoverability of amounts due from associated companies of RM239 million as at 31 December 2017 as a key audit matter because of the significance of the amounts and the assessment of recoverable amounts due from associated companies involved significant judgment.	We performed the following audit procedures, among others: • We tested the principles and integrity of the associated companies' cash flows model. • We compared previous forecast to actual results to assess the performance of the business and the reliability of management's forecasting. • We assessed the reasonableness of the cash flows model's key assumptions by comparing them to our own assessments which took into consideration historical trends and other corroborative evidences available.

VALUATION OF INVESTMENT PROPERTIES
Refer to Note 2(f) – Significant accounting policy: Investment properties; Note 4 – Investment properties.

The key audit matter	How the matter was addressed in our audit
The Group's investment properties are carried at fair value. The Directors engaged an independent external valuer to determine the fair value of the investment properties at the reporting date. We have identified the valuation of investment properties of RM288 million as at 31 December 2017 as a key audit matter because of the significance of the amount and the valuation models used by the valuer included significant assumptions which are judgmental.	We performed the following audit procedures, among others: • We assessed the valuation methodology applied by the Group against those applied by external valuers for similar type of property. • We considered the qualifications and competence of the external valuer and assessed the scope of work of the external valuer to determine whether the valuation was appropriate to be applied for financial reporting purposes. • We compared the key assumptions used by the external valuer in the valuation models to internal and external available data. • We also assessed the adequacy of the Group's disclosures about those key assumptions in the financial statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

INDEPENDENT AUDITORS' REPORT

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
to the members of Shangri-La Hotels (Malaysia) Berhad

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chua See Guan
Approval Number: 03169/02/2019 J
Chartered Accountant

Petaling Jaya
Date: 9 April 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	Note	**RM'000**	RM'000	**RM'000**	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**734,645**	713,232	**102,581**	109,076
Investment properties	4	**288,180**	288,080	**–**	–
Investments in subsidiaries	5	**–**	–	**459,188**	459,188
Interests in associates	6	**218,657**	260,514	**–**	–
Property development expenditure	7	**12,286**	12,286	**–**	–
Deferred tax assets	8	**9,035**	1,910	**–**	–
		1,262,803	1,276,022	**561,769**	568,264
Current assets					
Inventories	9	**5,343**	6,559	**601**	1,013
Trade and other receivables, prepayments and deposits	10	**35,201**	33,966	**264,420**	253,408
Tax recoverable	10	**6,596**	5,046	**902**	468
Cash and bank balances	11	**175,555**	142,768	**160,834**	130,853
		222,695	188,339	**426,757**	385,742
Total assets		**1,485,498**	1,464,361	**988,526**	954,006
EQUITY					
Share capital	12	**544,501**	440,000	**544,501**	440,000
Reserves		**516,754**	608,751	**215,336**	331,929
Total equity attributable to shareholders of the Company		**1,061,255**	1,048,751	**759,837**	771,929
Non-controlling interests		**123,690**	113,868	**–**	–
Total equity		**1,184,945**	1,162,619	**759,837**	771,929
LIABILITIES					
Non-current liabilities					
Retirement benefits	13	**23,152**	21,535	**871**	719
Deferred tax liabilities	8	**19,884**	14,440	**5,998**	3,124
		43,036	35,975	**6,869**	3,843
Current liabilities					
Short-term borrowings	14	**149,262**	174,469	**–**	–
Trade and other payables	15	**106,060**	90,735	**221,820**	178,234
Current tax liabilities		**2,195**	563	**–**	–
		257,517	265,767	**221,820**	178,234
Total liabilities		**300,553**	301,742	**228,689**	182,077
Total equity and liabilities		**1,485,498**	1,464,361	**988,526**	954,006

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

INCOME STATEMENTS
for the year ended 31 December 2017

		GROUP		COMPANY	
	Note	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000
Revenue	16.1	**550,565**	508,559	**140,182**	129,567
Operating profit	16.1	**114,381**	105,713	**55,327**	63,413
Interest income	17	**4,279**	4,157	**5,283**	4,103
Interest expense	18	**(3,767)**	(2,697)	**(5,589)**	(3,993)
Share of results of associated companies	19	**(5,233)**	(896)	**–**	–
Profit before tax		**109,660**	106,277	**55,021**	63,523
Tax expense	21	**(27,640)**	(21,293)	**(5,513)**	(294)
Profit for the year		**82,020**	84,984	**49,508**	63,229
Profit attributable to:					
Shareholders of the Company		**72,198**	79,243	**49,508**	63,229
Non-controlling interests		**9,822**	5,741	**–**	–
Profit for the year		**82,020**	84,984	**49,508**	63,229
Basic earnings per ordinary share (sen)	22	**16.41**	18.01		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Profit for the year	**82,020**	84,984	**49,508**	63,229
Other comprehensive income/(expense)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit retirement obligations, net of tax (Note 16.2)	**–**	1,185	**–**	190
Item that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of financial statements of overseas associates (Note 16.2)	**1,906**	(1,859)	**–**	–
Other comprehensive income/(expense) for the year	**1,906**	(674)	**–**	190
Total comprehensive income for the year	**83,926**	84,310	**49,508**	63,419
Total comprehensive income attributable to:				
Shareholders of the Company	**74,104**	78,486	**49,508**	63,419
Non-controlling interests	**9,822**	5,824	**–**	–
Total comprehensive income for the year	**83,926**	84,310	**49,508**	63,419

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to shareholders of the Company						
		Non-distributable			Distributable			
GROUP	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Exchange translation reserve RM'000**	**Retained earnings RM'000**	**Total equity attributable to shareholders of the Company RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2016		440,000	104,501	–	487,364	1,031,865	108,044	1,139,909
Remeasurements of defined benefit retirement obligations, net of tax	16.2	–	–	–	1,102	1,102	83	1,185
Exchange differences arising on translation of financial statements of overseas associates	16.2	–	–	(1,859)	–	(1,859)	–	(1,859)
Total other comprehensive (expense)/income for the year		–	–	(1,859)	1,102	(757)	83	(674)
Profit for the year		–	–	–	79,243	79,243	5,741	84,984
Total comprehensive (expense)/income for the year		–	–	(1,859)	80,345	78,486	5,824	84,310
Dividends to shareholders	23	–	–	–	(61,600)	(61,600)	–	(61,600)
At 31 December 2016/1 January 2017		**440,000**	**104,501**	**(1,859)**	**506,109**	**1,048,751**	**113,868**	**1,162,619**
Exchange differences arising on translation of financial statements of overseas associates	16.2	**–**	**–**	**1,906**	**–**	**1,906**	**–**	**1,906**
Total other comprehensive income for the year		**–**	**–**	**1,906**	**–**	**1,906**	**–**	**1,906**
Profit for the year		**–**	**–**	**–**	**72,198**	**72,198**	**9,822**	**82,020**
Total comprehensive income for the year		**–**	**–**	**1,906**	**72,198**	**74,104**	**9,822**	**83,926**
Dividends to shareholders	23	**–**	**–**	**–**	**(61,600)**	**(61,600)**	**–**	**(61,600)**
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	**104,501**	**(104,501)**	**–**	**–**	**–**	**–**	**–**
At 31 December 2017		**544,501**	**–**	**47**	**516,707**	**1,061,255**	**123,690**	**1,184,945**
		Note 12						

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to shareholders of the Company			
		Non-distributable		Distributable	
COMPANY	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2016		440,000	104,501	225,609	770,110
Remeasurements of defined benefit retirement obligations, net of tax	16.2	–	–	190	190
Total other comprehensive income for the year		–	–	190	190
Profit for the year		–	–	63,229	63,229
Total comprehensive income for the year		–	–	63,419	63,419
Dividends to shareholders	23	–	–	(61,600)	(61,600)
At 31 December 2016/1 January 2017		**440,000**	**104,501**	**227,428**	**771,929**
Profit for the year/Total comprehensive income for the year		**–**	**–**	**49,508**	**49,508**
Dividends to shareholders	23	**–**	**–**	**(61,600)**	**(61,600)**
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	**104,501**	**(104,501)**	**–**	**–**
At 31 December 2017		**544,501**	**–**	**215,336**	**759,837**
		Note 12			

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

CASH FLOW STATEMENTS

for the year ended 31 December 2017

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Cash flows from operating activities					
Profit before tax		**109,660**	106,277	**55,021**	63,523
Adjustments for:					
(Write back of)/Allowance for impairment loss on trade receivables		**(193)**	144	**9**	(2)
Depreciation of property, plant and equipment	3	**62,893**	61,007	**9,108**	10,127
Dividend income	16.1	**–**	–	**(49,550)**	(44,550)
Fair value gain of investment properties	4	**(100)**	(18)	**–**	–
Interest expense	18	**3,767**	2,697	**5,589**	3,993
Interest income	17	**(4,279)**	(4,157)	**(5,283)**	(4,103)
Loss/(Gain) on disposal of property, plant and equipment	16.1	**54**	812	**(151)**	54
Property, plant and equipment written off	16.1	**3,087**	5,819	**24**	–
Retirement benefits	13	**2,419**	2,317	**152**	131
Share of results of associated companies		**5,233**	896	**–**	–
Unrealised loss/(gain) on foreign exchange		**9,641**	(4,308)	**12,081**	(5,094)
Operating profit before changes in working capital		**192,182**	171,486	**27,000**	24,079
Change in inventories		**1,216**	1,683	**412**	183
Change in trade and other receivables, prepayments and deposits		**(1,042)**	(1,783)	**1,325**	(1,666)
Change in trade and other payables		**16,530**	(2,904)	**3,110**	(567)
Cash generated from operations		**208,886**	168,482	**31,847**	22,029
Dividends received		**–**	–	**44,550**	36,550
Retirement benefits paid	13	**(802)**	(497)	**–**	–
Tax paid		**(29,239)**	(23,588)	**(3,073)**	(1,508)
Net cash from operating activities		**178,845**	144,397	**73,324**	57,071

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

CASH FLOW STATEMENTS

for the year ended 31 December 2017

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(88,959)**	(40,696)	**(2,646)**	(2,562)
Acquisition of investment properties		**–**	(82)	**–**	–
Interest received		**4,279**	4,157	**5,283**	4,103
Net loans repayment from/(advanced to) associates		**12,683**	(24,484)	**–**	–
Short-term deposits with original maturities over 3 months		**1,600**	(46,440)	**1,600**	(46,440)
Proceeds from disposal of property, plant and equipment		**307**	108	**160**	17
Net cash (used in)/generated from investing activities		**(70,090)**	(107,437)	**4,397**	(44,882)
Cash flows from financing activities					
Dividends paid to shareholders of the Company	23	**(61,600)**	(61,600)	**(61,600)**	(61,600)
Dividend paid to non-controlling interests of a subsidiary		**–**	(700)	**–**	–
Interest paid		**(3,767)**	(2,697)	**(5,589)**	(3,993)
Net advances from subsidiaries		**–**	–	**21,049**	54,421
Net (repayment)/drawndown of revolving credits		**(9,001)**	27,165	**–**	–
Net cash used in financing activities		**(74,368)**	(37,832)	**(46,140)**	(11,172)
Net increase/(decrease) in cash and cash equivalents		**34,387**	(872)	**31,581**	1,017
Cash and cash equivalents at 1 January		**96,328**	97,200	**84,413**	83,396
Cash and cash equivalents at 31 December	11	**130,715**	96,328	**115,994**	84,413

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following statements of financial position amounts:

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Short-term deposits with original maturities within 3 months	11	**109,097**	80,590	**108,667**	79,090
Cash at bank and in hand	11	**21,618**	15,738	**7,327**	5,323
		130,715	96,328	**115,994**	84,413

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

Shangri-La Hotels (Malaysia) Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
13th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur

Principal place of business
Shangri-La's Rasa Sayang Resort & Spa
10th Mile, Batu Feringgi Beach
11100 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates.

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, namely Rasa Sayang Resort.

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.

The financial statements were authorised for issue by the Board of Directors on 9 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

With effect from 1 January 2017, the Group and the Company adopted a number of amendments to MFRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017.

Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014–2016 Cycle)*
Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the above amendments to MFRSs did not result in any substantial change to the Group's accounting policies nor any significant impact to the financial statements of the Group.

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by Malaysian Accounting Standards Board ("MASB"), which are relevant to the Group's and the Company's operations, but are not effective for the financial year ended 31 December 2017.

MFRSs, amendments and IC Interpretation effective for annual periods beginning on or after 1 January 2018
MFRS 9, *Financial Instruments (2014)*
MFRS 15, *Revenue from Contracts with Customers*
Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 15, *Revenue from Contract Customers – Clarifications to MFRS 15 Revenue from Contracts with Customers*
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014–2016 Cycle)*
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

MFRS, amendments and IC Interpretation effective for annual periods beginning on or after 1 January 2019
MFRS 16, *Leases*
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Amendments effective for a date yet to be confirmed by MASB
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company will apply the abovementioned standards and amendments when they become effective.

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, ***Financial Instruments: Recognition and Measurement*** on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group is finalising its detailed assessment of the impact of MFRS 9 on its consolidated financial statements as at 1 January 2018.

(ii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, ***Leases***, IC Interpretation 4, ***Determining whether an Arrangement contains a Lease***, IC Interpretation 115, ***Operating Leases – Incentives*** and IC Interpretation 127, ***Evaluating the Substance of Transactions Involving the Legal Form of a Lease***.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties as explained in Note 2(f). As at 31 December 2017, the Group's current liabilities exceeded its current assets by RM35 million. The net current liabilities of RM35 million arose mainly due to the short-term borrowings of unsecured revolving credits, which do not have a fixed term of repayment. The Directors are of the opinion that the Group will be able to generate sufficient cash flows to meet its liabilities as and when they fall due.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than the valuation of investment properties, amounts due from associates, deferred tax and retirement benefits as disclosed in Note 4, Note 6, Note 8 and Note 13 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) SUBSIDIARIES

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

(iii) ACQUISITIONS OF NON-CONTROLLING INTERESTS

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) LOSS OF CONTROL

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) ASSOCIATES

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of investment includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) NON-CONTROLLING INTERESTS

Non-controlling interests at the end of the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated income statements and statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency

(i) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange translation reserve in equity.

(ii) OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA

The assets and liabilities of operations in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the exchange translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) INITIAL RECOGNITION AND MEASUREMENT

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iv) DERECOGNITION

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expense" respectively in profit or loss.

(ii) SUBSEQUENT COSTS

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) DEPRECIATION

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	30 to 99 years
• Hotel buildings and other buildings	Lower of underlying land lease period or 50 years
• Integral plant and machinery	15 years
• Golf course and its related buildings	60 years
• Furniture, fixtures and equipment	4 to 20 years
• Motor vehicles	5 years

Depreciation method, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) FINANCE LEASE

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets (cont'd)

(ii) OPERATING LEASE

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Investment properties

(i) INVESTMENT PROPERTIES CARRIED AT FAIR VALUE

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in which the item is derecognised.

(ii) RECLASSIFICATION TO/FROM INVESTMENT PROPERTY

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) FINANCIAL ASSETS

All financial assets (except for investments in subsidiaries and investments in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment (cont'd)

(ii) OTHER ASSETS

The carrying amounts of other assets (except for inventories, deferred tax assets and investment properties that are measured at fair value) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(k) Employee benefits

(i) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations in respect of salaries, annual bonuses and paid annual leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) STATE PLANS

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) DEFINED RETIREMENT BENEFIT PLANS

The Company and certain companies in the Group provide retirement benefits for its unionised employees in accordance with Collective Union Agreement, which is operated on an unfunded defined benefit.

The Group's net obligation in respect of defined retirement benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined retirement benefit liability is performed by a qualified actuary using the projected unit credit method once every three years. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined retirement benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined retirement benefit liability or asset for the period by applying the discount rate used to measure the defined retirement benefit liability at the beginning of the annual period to the then net defined retirement benefit liability or asset, taking into account any changes in the net defined retirement liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined retirement benefit liability are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue recognition and other income

(i) HOTEL AND GOLF OPERATIONS

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

(ii) LAUNDRY SERVICES

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

(iii) RENTAL INCOME

Rental income from investment properties is recognised in the profit or loss on a straight-line basis over the term of the lease.

(iv) DIVIDEND INCOME

Dividend income from subsidiaries is recognised in the profit or loss when the right to receive payment is established.

(v) INTEREST INCOME

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other case, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Income tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Leasehold land unexpired period more than 50 years RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery 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									
At 1 January 2016	44,880	4,123	19,681	692,432	174,943	48,664	458,894	5,237	1,448,854
Additions	–	–	–	4	404	–	13,613	26,675	40,696
Disposals	–	–	–	(1,354)	(587)	(39)	(8,541)	–	(10,521)
Write off	–	–	–	(8,423)	(3,757)	(87)	(8,083)	(5)	(20,355)
Transfers	–	–	–	8,315	3,253	–	5,284	(16,852)	–
Reclassification	–	–	–	–	(14,552)	–	14,552	–	–
Adjustments	–	–	–	(5,651)	–	–	(361)	–	(6,012)
At 31 December 2016/ 1 January 2017	**44,880**	**4,123**	**19,681**	**685,323**	**159,704**	**48,538**	**475,358**	**15,055**	**1,452,662**
Additions	**–**	**–**	**–**	**426**	**1,305**	**–**	**12,104**	**75,124**	**88,959**
Disposals	**–**	**–**	**–**	**(569)**	**(115)**	**–**	**(4,078)**	**–**	**(4,762)**
Write off	**–**	**–**	**–**	**(3,904)**	**(1,679)**	**–**	**(4,788)**	**–**	**(10,371)**
Transfers	**–**	**–**	**–**	**26,542**	**8,737**	**–**	**47,269**	**(82,548)**	**–**
Adjustments	**–**	**–**	**–**	**(1,205)**	**–**	**–**	**–**	**–**	**(1,205)**
At 31 December 2017	**44,880**	**4,123**	**19,681**	**706,613**	**167,952**	**48,538**	**525,865**	**7,631**	**1,525,283**

GROUP	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Leasehold land unexpired period more than 50 years RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery 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
DEPRECIATION AND IMPAIRMENT LOSS									
At 1 January 2016									
Accumulated depreciation	–	1,474	4,878	261,992	108,839	14,198	305,297	–	696,678
Accumulated impairment loss	–	–	–	–	–	5,882	–	–	5,882
	–	1,474	4,878	261,992	108,839	20,080	305,297	–	702,560
Depreciation for the year	–	125	207	14,098	6,412	713	39,452	–	61,007
Disposals	–	–	–	(622)	(575)	(11)	(8,393)	–	(9,601)
Write off	–	–	–	(3,325)	(3,702)	(30)	(7,479)	–	(14,536)
Reclassification	–	–	–	–	(12,302)	–	12,302	–	–
At 31 December 2016/ 1 January 2017									
Accumulated depreciation	**–**	**1,599**	**5,085**	**272,143**	**98,672**	**14,870**	**341,179**	**–**	**733,548**
Accumulated impairment loss	**–**	**–**	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**1,599**	**5,085**	**272,143**	**98,672**	**20,752**	**341,179**	**–**	**739,430**
Depreciation for the year	**–**	**125**	**206**	**14,348**	**6,908**	**714**	**40,592**	**–**	**62,893**
Disposals	**–**	**–**	**–**	**(246)**	**(107)**	**–**	**(4,048)**	**–**	**(4,401)**
Write off	**–**	**–**	**–**	**(1,568)**	**(1,634)**	**–**	**(4,082)**	**–**	**(7,284)**
At 31 December 2017									
Accumulated depreciation	**–**	**1,724**	**5,291**	**284,677**	**103,839**	**15,584**	**373,641**	**–**	**784,756**
Accumulated impairment loss	**–**	**–**	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**1,724**	**5,291**	**284,677**	**103,839**	**21,466**	**373,641**	**–**	**790,638**
CARRYING AMOUNTS									
At 1 January 2016	44,880	2,649	14,803	430,440	66,104	28,584	153,597	5,237	746,294
At 31 December 2016/ 1 January 2017	**44,880**	**2,524**	**14,596**	**413,180**	**61,032**	**27,786**	**134,179**	**15,055**	**713,232**
At 31 December 2017	**44,880**	**2,399**	**14,390**	**421,936**	**64,113**	**27,072**	**152,224**	**7,631**	**734,645**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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

COMPANY	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Hotel buildings RM'000	Integral plant and machinery RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COST							
At 1 January 2016	1,012	3,938	105,935	36,960	63,542	–	211,387
Additions	–	–	4	94	2,436	28	2,562
Disposals	–	–	–	(22)	(471)	–	(493)
Write off	–	–	–	–	(46)	–	(46)
Adjustments	–	–	(296)	–	(361)	–	(657)
Reclassification	–	–	–	(18,909)	18,909	–	–
At 31 December 2016/ 1 January 2017	**1,012**	**3,938**	**105,643**	**18,123**	**84,009**	**28**	**212,753**
Additions	**–**	**–**	**12**	**–**	**2,634**	**–**	**2,646**
Disposals	**–**	**–**	**–**	**–**	**(1,060)**	**–**	**(1,060)**
Write off	**–**	**–**	**–**	**–**	**(155)**	**–**	**(155)**
Transfers	**–**	**–**	**–**	**–**	**28**	**(28)**	**–**
At 31 December 2017	**1,012**	**3,938**	**105,655**	**18,123**	**85,456**	**–**	**214,184**
DEPRECIATION							
At 1 January 2016	–	1,393	32,887	20,201	39,537	–	94,018
Depreciation for the year	–	122	2,106	1,048	6,851	–	10,127
Disposals	–	–	–	(14)	(408)	–	(422)
Write off	–	–	–	–	(46)	–	(46)
Reclassification	–	–	–	(13,811)	13,811	–	–
At 31 December 2016/ 1 January 2017	**–**	**1,515**	**34,993**	**7,424**	**59,745**	**–**	**103,677**
Depreciation for the year	**–**	**122**	**2,113**	**1,053**	**5,820**	**–**	**9,108**
Disposals	**–**	**–**	**–**	**–**	**(1,051)**	**–**	**(1,051)**
Write off	**–**	**–**	**–**	**–**	**(131)**	**–**	**(131)**
At 31 December 2017	**–**	**1,637**	**37,106**	**8,477**	**64,383**	**–**	**111,603**
CARRYING AMOUNTS							
At 1 January 2016	1,012	2,545	73,048	16,759	24,005	–	117,369
At 31 December 2016/ 1 January 2017	**1,012**	**2,423**	**70,650**	**10,699**	**24,264**	**28**	**109,076**
At 31 December 2017	**1,012**	**2,301**	**68,549**	**9,646**	**21,073**	**–**	**102,581**

GROUP

Hotel properties at 31 December 2017 are all located in Malaysia and comprised the following:

Property	Location	Usage	Title
Rasa Sayang Resort & Spa	Batu Feringgi Beach, Penang	304 room resort	Freehold
Shangri-La Hotel Kuala Lumpur	Jalan Sultan Ismail, Kuala Lumpur	662 room hotel	Freehold
Hotel Jen Penang	Magazine Road, Penang	443 room hotel	Leasehold
Golden Sands Resort	Batu Feringgi Beach, Penang	387 room resort	Freehold
Rasa Ria Resort & Spa	Tuaran, Sabah	499 room resort	Leasehold

4. INVESTMENT PROPERTIES

GROUP	**2017 RM'000**	2016 RM'000
At 1 January	**288,080**	287,980
Additions	**–**	82
Fair value gain recognised in the income statements	**100**	18
At 31 December	**288,180**	288,080

Included in the above are:

At fair value		
Freehold land	**39,785**	39,785
Buildings	**248,395**	248,295
	288,180	288,080

The following are recognised in the income statements in respect of investment properties:

Rental income	**25,168**	25,189
Direct operating expenses:		
– income generating investment properties	**(10,459)**	(10,939)

4. INVESTMENT PROPERTIES (cont'd)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2017	2016
GROUP	**RM'000**	RM'000
Freehold land	**39,785**	39,785
Buildings	**248,395**	248,295
	288,180	288,080

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The following table shows a reconciliation of Level 3 fair values:

	2017	2016
GROUP	**RM'000**	RM'000
At 1 January	**288,080**	287,980
Additions	**–**	82
Gains and losses recognised in income statements		
Change in fair value - Other income - Unrealised	**100**	18
At 31 December	**288,180**	288,080

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method/Income approach – involves a 2-stage capitalisation of income:		The estimated fair value would increase (decrease) if:
• 1st stage (Term Value) – the net current rent (i.e. rent passing) is capitalised for the unexpired period of each tenancy. Net current rent is derived after deducting outgoings/expenses. This gives the value of the property for the unexpired duration for the existing tenancies.	• Gross current rent of RM5.40 to RM7.20 per square foot (average net current rent of RM2.90 per square foot) for office space and RM4.90 to RM14.50 (average net current rent of RM5.39 per square foot) for retail space. • Capitalisation rate (yield) of 6.0% per annum for office space and 7.0% per annum for retail.	• Net current rent were higher (lower); • Capitalisation rate were lower (higher).
• 2nd stage (Reversion Value) – the estimated net current market rent is capitalised to perpetuity to arrive at the reversion value. Net current market rent is derived from current rent achieved for the property after deducting outgoings/ expenses.	• Gross reversion rent of RM5.50 to RM6.30 per square foot (average net current rent of RM3.18 per square foot) for office space, and RM5.00 to RM14.00 (average net current rent of RM4.63 per square foot) for retail space. • Capitalisation rate (yield) of 6.5% per annum for office space and 7.5% per annum for retail.	• Net current market rent were higher (lower); • Capitalisation rate were lower (higher).
Total market value is the aggregate of Term Value and Reversion Value.		
Comparison method – Entails analysis of sales of comparable properties, making adjustments for similarities and dissimilarities in arriving at the market value of the property valued.	• Market value of land at RM1,000 per square foot. • Market value of land and building at RM440 per square foot.	• Market value of land and building were higher (lower).

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuer provides the fair value of the Group's investment property portfolio every year. Changes in Level 3 fair values are analysed by the management every year after obtaining valuation report from the valuer.

5. INVESTMENTS IN SUBSIDIARIES

COMPANY	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**459,188**	459,188

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective ownership interest 2017 %	 2016 %
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	Operation of a beach resort – ceased its operation of a beach resort on 29 February 1996	**100**	100
Wisegain Sdn Bhd	Dormant	**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 clubhouse and related facilities	**75**	75
Pantai Dalit Development Sdn Bhd	Dormant	**75**	75

All the subsidiaries are incorporated in Malaysia except for Madarac Corporation, which is incorporated in the British Virgin Islands and having 31 December year end.

5.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Komtar Hotel Sdn Bhd RM'000	Pantai Dalit Beach Resort Sdn Bhd and its subsidiaries * RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	**40%**	**25%**	
Carrying amount of NCI	**18,169**	**105,521**	**123,690**
Profit allocated to NCI	**1,772**	**8,050**	**9,822**
Summarised financial information before intragroup elimination			
As at 31 December 2017			
Non-current assets	**93,544**	**236,366**	
Current assets	**6,571**	**161,927**	
Non-current liabilities	**(4,201)**	**(3,135)**	
Current liabilities	**(50,492)**	**(25,003)**	
Net assets	**45,422**	**370,155**	
Year ended 31 December 2017			
Revenue	**33,275**	**149,052**	
Profit for the year	**4,430**	**32,200**	
Total other comprehensive income/(expense)	**–**	**–**	
Total comprehensive income	**4,430**	**32,200**	
Net cash flows from operating activities	**5,117**	**6,304**	
Net cash flows used in investing activities	**(39,505)**	**(2,764)**	
Net cash flows from financing activities	**31,973**	**–**	
Net (decrease)/increase in cash and cash equivalents	**(2,415)**	**3,540**	
Dividends paid to NCI	**–**	**–**	

* The subsidiaries of Pantai Dalit Beach Resort Sdn Bhd are Dalit Bay Golf & Country Club Berhad and Pantai Dalit Development Sdn Bhd.

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5. INVESTMENTS IN SUBSIDIARIES (cont'd)

5.1 Non-controlling interests in subsidiaries (cont'd)

	Komtar Hotel Sdn Bhd RM'000	Pantai Dalit Beach Resort Sdn Bhd and its subsidiaries * RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	40%	25%	
Carrying amount of NCI	16,397	97,471	113,868
(Loss)/Profit allocated to NCI	(454)	6,195	5,741
Summarised financial information before intragroup elimination			
As at 31 December 2016			
Non-current assets	52,975	252,722	
Current assets	7,727	113,670	
Non-current liabilities	(3,909)	(2,171)	
Current liabilities	(15,800)	(26,266)	
Net assets	40,993	337,955	
Year ended 31 December 2016			
Revenue	28,098	133,334	
(Loss)/Profit for the year	(1,134)	24,780	
Total other comprehensive income/(expense)	471	(418)	
Total comprehensive (expense)/income	(663)	24,362	
Net cash flows from/(used in) operating activities	3,970	(613)	
Net cash flows used in investing activities	(7,462)	(3,049)	
Net cash flows from financing activities	6,381	–	
Net increase/(decrease) in cash and cash equivalents	2,889	(3,662)	
Dividends paid to NCI	(700)	–	

* The subsidiaries of Pantai Dalit Beach Resort Sdn Bhd are Dalit Bay Golf & Country Club Berhad and Pantai Dalit Development Sdn Bhd.

6. INTERESTS IN ASSOCIATES

GROUP	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**3,557**	3,557
Loans to associates	**238,583**	277,113
	242,140	280,670
Share of post-acquisition results of associates	**(30,449)**	(31,169)
Share of fair value gain of investment properties, net of deferred tax	**6,919**	12,872
Foreign currency translation differences	**47**	(1,859)
	218,657	260,514

Details of the associates are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Traders Yangon Company Ltd ("TYCL")	Union of Myanmar	The principal activities of the Company are carrying on business of owner and operator of a hotel	**23.53**	23.53
Shangri-La Yangon Company Ltd ("SYCL")	Union of Myanmar	The principal activities of the Company are carrying on business of owner and operator of a serviced apartments and to develop, own and operate a hotel	**22.22**	22.22
Traders Square Company Ltd ("TSCL")	Union of Myanmar	The principal activities of the Company are carrying on business of owner and operator of a commercial complex	**23.56**	23.56

6. INTERESTS IN ASSOCIATES (cont'd)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interests in the associates.

GROUP	TYCL RM'000	SYCL RM'000	TSCL RM'000	Total RM'000
Summarised financial information				
As at 31 December 2017				
Non-current assets	198,760	592,113	500,947	1,291,820
Current assets	72,174	65,710	37,340	175,224
Non-current liabilities	(390,621)	(474,478)	(512,430)	(1,377,529)
Current liabilities	(84,786)	(47,415)	(34,421)	(166,622)
Net (liabilities)/assets	(204,473)	135,930	(8,564)	(77,107)
Year ended 31 December 2017				
(Loss)/Profit from operations	(13,984)	22,541	(29,509)	(20,952)
Reconciliation of net (liabilities)/assets to carrying amount				
As at 31 December 2017				
Group's share of net (liabilities)/assets	(48,112)	30,204	(2,018)	(19,926)
Loans to associates	59,121	83,728	95,734	238,583
Carrying amount in the statement of financial position	11,009	113,932	93,716	218,657
Group's share of results				
Year ended 31 December 2017				
Group's share of (loss)/profit from continuing operations	(3,290)	6,709	(2,699)	720
Group's share of fair value loss of investment properties, net of deferred tax	–	(1,700)	(4,253)	(5,953)
Group's share of total comprehensive (expense)/income	(3,290)	5,009	(6,952)	(5,233)

GROUP	TYCL RM'000	SYCL RM'000	TSCL RM'000	Total RM'000
Summarised financial information				
As at 31 December 2016				
Non-current assets	250,685	662,309	568,993	1,481,987
Current assets	99,846	65,643	5,817	171,306
Non-current liabilities	(467,006)	(554,420)	(505,413)	(1,526,839)
Current liabilities	(95,490)	(46,513)	(47,955)	(189,958)
Net (liabilities)/assets	(211,965)	127,019	21,442	(63,504)
Year ended 31 December 2016				
Profit/(Loss) from operations	3,034	33,106	(38,057)	(1,917)
Reconciliation of net (liabilities)/assets to carrying amount				
As at 31 December 2016				
Group's share of net (liabilities)/assets	(49,875)	28,224	5,052	(16,599)
Loans to associates	65,526	92,799	118,788	277,113
Carrying amount in the statement of financial position	15,651	121,023	123,840	260,514
Group's share of results				
Year ended 31 December 2016				
Group's share of profit/(loss) from continuing operations	714	7,431	(1,311)	6,834
Group's share of fair value loss of investment properties, net of deferred tax	–	(75)	(7,655)	(7,730)
Group's share of total comprehensive income/(expense)	714	7,356	(8,966)	(896)

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

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.

7. PROPERTY DEVELOPMENT EXPENDITURE

The property development expenditure of the Group represents development expenditure incurred by certain subsidiaries. Included in property development expenditure is interest capitalised amounting to RM4,142,000 (2016: RM4,142,000).

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8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000
GROUP						
Property, plant and equipment	**–**	–	**(28,917)**	(25,771)	**(28,917)**	(25,771)
Investment properties	**–**	–	**(5,937)**	(5,689)	**(5,937)**	(5,689)
Provisions	**5,294**	4,304	**–**	–	**5,294**	4,304
Retirement benefits	**5,435**	5,146	**–**	–	**5,435**	5,146
Unutilised capital allowances	**3,385**	–	**–**	–	**3,385**	–
Unutilised investment tax allowances	**9,891**	9,480	**–**	–	**9,891**	9,480
Deferred tax assets/(liabilities)	**24,005**	18,930	**(34,854)**	(31,460)	**(10,849)**	(12,530)
Set off	**(14,970)**	(17,020)	**14,970**	17,020	**–**	–
Net deferred tax assets/(liabilities)	**9,035**	1,910	**(19,884)**	(14,440)	**(10,849)**	(12,530)
COMPANY						
Property, plant and equipment	**–**	–	**(8,874)**	(8,998)	**(8,874)**	(8,998)
Provisions	**964**	812	**–**	–	**964**	812
Retirement benefits	**209**	173	**–**	–	**209**	173
Unutilised investment tax allowances	**1,703**	4,889	**–**	–	**1,703**	4,889
Deferred tax assets/(liabilities)	**2,876**	5,874	**(8,874)**	(8,998)	**(5,998)**	(3,124)
Set off	**(2,876)**	(5,874)	**2,876**	5,874	**–**	–
Net deferred tax liabilities	**–**	–	**(5,998)**	(3,124)	**(5,998)**	(3,124)

Movements in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 16.2) RM'000	**At 31.12.2016/ 1.1.2017 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 16.2) RM'000**	**At 31.12.2017 RM'000**
GROUP							
Property, plant and equipment	(29,930)	4,159	–	**(25,771)**	**(3,146)**	**–**	**(28,917)**
Investment properties	(5,445)	(244)	–	**(5,689)**	**(248)**	**–**	**(5,937)**
Provisions	4,035	269	–	**4,304**	**990**	**–**	**5,294**
Retirement benefits	5,053	515	(422)	**5,146**	**289**	**–**	**5,435**
Unutilised capital allowances	–	–	–	**–**	**3,385**	**–**	**3,385**
Unutilised investment tax allowances	13,142	(3,662)	–	**9,480**	**411**	**–**	**9,891**
Net deferred tax liabilities	(13,145)	1,037	(422)	**(12,530)**	**1,681**	**–**	**(10,849)**
COMPANY							
Property, plant and equipment	(9,579)	581	–	**(8,998)**	**124**	**–**	**(8,874)**
Provisions	703	109	–	**812**	**152**	**–**	**964**
Retirement benefits	201	32	(60)	**173**	**36**	**–**	**209**
Unutilised investment tax allowances	3,632	1,257	–	**4,889**	**(3,186)**	**–**	**1,703**
Net deferred tax liabilities	(5,043)	1,979	(60)	**(3,124)**	**(2,874)**	**–**	**(5,998)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

GROUP	**2017 RM'000**	2016 RM'000
Taxable temporary differences	**(443)**	(2,040)
Unutilised capital allowances	**9,179**	10,012
Unutilised tax losses	**12,428**	12,428
	21,164	20,400
Deferred tax assets at 24% (2016: 24%)	**5,079**	4,896

Deferred tax assets have not been recognised in respect of these items because it may not be probable that future taxable profit will be available against which the Group can utilise the benefits there from.

9. INVENTORIES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Food, beverage and tobacco	**2,653**	2,932	**462**	459
Room supplies	**119**	443	**–**	238
Other supplies	**2,571**	3,184	**139**	316
	5,343	6,559	**601**	1,013
Recognised in profit or loss:				
Inventories recognised as cost of services	**76,573**	71,457	**9,451**	9,991

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS AND TAX RECOVERABLE

		GROUP		COMPANY	
	Note	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000
Trade					
Trade receivables		**25,390**	22,026	**4,086**	4,766
Less: Allowance for impairment loss		**(44)**	(309)	**(9)**	–
		25,346	21,717	**4,077**	4,766
Non-trade					
Amount due from subsidiaries	a	**–**	–	**208,851**	201,505
Other receivables		**3,935**	4,947	**947**	1,390
Deposits		**2,730**	4,067	**319**	312
Dividends receivable		**–**	–	**49,550**	44,550
		32,011	30,731	**263,744**	252,523
Prepayments		**3,190**	3,235	**676**	885
		35,201	33,966	**264,420**	253,408
Tax recoverable	b	**6,596**	5,046	**902**	468

NOTES

a. Amount due from subsidiaries represents payments made on behalf and loans to subsidiaries which are unsecured, interest-free and repayable on demand except for an amount of RM47,730,000 (2016: RM24,530,000) which bear interests of at a fixed rate of 3.30% (2016: 3.30%) per annum.

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

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11. CASH AND BANK BALANCES

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Short-term deposits with original maturities:					
– Within 3 months		**109,097**	80,590	**108,667**	79,090
– Over 3 months		**44,840**	46,440	**44,840**	46,440
Cash at bank and in hand	a	**21,618**	15,738	**7,327**	5,323
		175,555	142,768	**160,834**	130,853

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Short-term deposits with original maturities within 3 months		**109,097**	80,590	**108,667**	79,090
Cash at bank and in hand	a	**21,618**	15,738	**7,327**	5,323
		130,715	96,328	**115,994**	84,413

NOTE

a. Cash and bank balances of the Group and of the Company includes an amount of RM7,095,000 (2016: RM8,561,000) and RM1,024,000 (2016: RM1,445,000) respectively which earns interest.

12. SHARE CAPITAL

GROUP AND COMPANY	Number of shares 2017 '000	Amount 2017 RM'000	Number of shares 2016 '000	Amount 2016 RM'000
Ordinary shares, issued and fully paid:				
At 1 January	**440,000**	**440,000**	440,000	440,000
Transfer from share premium account in accordance with Section 618(2) of the Companies Act 2016	**–**	**104,501**	–	–
At 31 December	**440,000**	**544,501**	440,000	440,000

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12. SHARE CAPITAL (cont'd)

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, during 2017, the Company transferred the credit standing in the share premium account of RM104,501,000 to the share capital account pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any members of the Company as a result of this transition.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Present value of unfunded liability	**23,152**	21,535	**871**	719
Recognised defined retirement benefit liability	**23,152**	21,535	**871**	719

The Company and certain companies in the Group provide retirement benefits for its unionised employees in accordance with the Collective Union Agreement which is operated on an unfunded defined benefit. Under the scheme, eligible employees are entitled to retirement benefits based on the length of services and last drawn salary of the employees concerned.

Movements in the present value of defined retirement benefit liability

	Defined retirement benefit liability	
	2017 **RM'000**	2016 RM'000
GROUP		
Balance at 1 January	**21,535**	21,322
Included in profit or loss		
Current service cost	**1,222**	1,159
Interest cost	**1,197**	1,158
	2,419	2,317
Included in other comprehensive expense		
Remeasurement loss	**–**	(1,607)
Other		
Benefits paid	**(802)**	(497)
Balance at 31 December	**23,152**	21,535
COMPANY		
Balance at 1 January	**719**	838
Included in profit or loss		
Current service cost	**89**	85
Interest cost	**63**	46
	152	131
Included in other comprehensive expense		
Remeasurement loss	**–**	(250)
Balance at 31 December	**871**	719

The latest actuarial valuation on the Group's and the Company's obligations for its defined retirement benefit plan was carried out as at 31 December 2016.

13. RETIREMENT BENEFITS (cont'd)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	%	%	**%**	%
Discount rate at 31 December	**5.50**	5.50	**5.50**	5.50
Future salary growth	**4.00 – 7.00**	4.00 – 7.00	**7.00**	7.00

At 31 December 2017, the weighted-average duration of the defined retirement benefit liability of the Group was 11 years (2016: 12 years) and the Company was 16 years (2016: 17 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined retirement benefit liability by the amounts shown below.

	GROUP		COMPANY	
	Defined retirement benefit liability			
	Increase RM'000	**Decrease RM'000**	**Increase RM'000**	**Decrease RM'000**
2017				
Discount rate (1% movement)	**(2,176)**	**2,543**	**(123)**	**152**
Future salary growth (1% movement)	**2,632**	**(2,290)**	**152**	**(126)**
2016				
Discount rate (1% movement)	(2,113)	2,478	(109)	135
Future salary growth (1% movement)	2,333	(2,035)	128	(106)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

14. SHORT-TERM BORROWINGS

GROUP	**2017 RM'000**	2016 RM'000
Current		
Unsecured revolving credits	**149,262**	174,469

The borrowings bear interest ranging between 1.7% to 3.0% (2016: 0.9% to 2.2%) per annum.

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Reconciliation of movement of liabilities to cash flows arising from financing activities

GROUP	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2017 RM'000
Unsecured revolving credit	**174,469**	**(9,001)**	**(16,206)**	**149,262**
Total liabilities from financing activities	**174,469**	**(9,001)**	**(16,206)**	**149,262**

15. TRADE AND OTHER PAYABLES

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Trade					
Trade payables		**21,569**	20,515	**3,279**	2,932
Amount due to subsidiaries	a	**–**	–	**122**	120
		21,569	20,515	**3,401**	3,052
Non-trade					
Amount due to subsidiaries	b	**–**	–	**204,533**	164,057
Other payables	c	**53,037**	42,599	**10,915**	7,402
Accrued expenses		**31,454**	27,621	**2,971**	3,723
		106,060	90,735	**221,820**	178,234

NOTES

a. The amount due to subsidiaries is subject to normal trade terms.

b. The amount due to subsidiaries represent advances received from subsidiaries which are unsecured, interest-free and repayable on demand, except for an amount of RM197,396,000 (2016: RM157,086,000) which bears interests at fixed rate of 3.30% (2016: 3.30%) per annum.

c. Included in the other payables of the Group and of the Company is an amount of RM475,000 (2016: RM279,000) and RM123,000 (2016: RM111,000) respectively relating to retention sum payable to renovation contractors.

Reconciliation of movement of liabilities to cash flows arising from financing activities

COMPANY	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2017 RM'000
Non-trade				
Amount due to subsidiaries	**164,057**	**40,476**	**–**	**204,533**
Amount due from subsidiaries (Note 10)	**(201,505)**	**(19,427)**	**12,081**	**(208,851)**
Net amount due from subsidiaries	**(37,448)**	**21,049**	**12,081**	**(4,318)**

NOTES TO THE FINANCIAL STATEMENTS
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16. OPERATING PROFIT AND OTHER COMPREHENSIVE INCOME/(EXPENSE)

16.1 Operating profit

	Note	GROUP 2017 RM'000	GROUP 2016 RM'000	COMPANY 2017 RM'000	COMPANY 2016 RM'000
Revenue					
Hotels, resorts and golf operations		**521,469**	479,766	**90,632**	85,017
Rental		**25,168**	25,189	**–**	–
Dividend income		**–**	–	**49,550**	44,550
Laundry services		**3,928**	3,604	**–**	–
		550,565	508,559	**140,182**	129,567
Cost of services		**(200,739)**	(186,143)	**(30,268)**	(28,364)
		349,826	322,416	**109,914**	101,203
Administrative expenses		**(84,700)**	(79,819)	**(15,541)**	(14,671)
Other operating expenses		**(168,151)**	(149,748)	**(39,317)**	(28,213)
Other operating income		**17,406**	12,864	**271**	5,094
Operating profit		**114,381**	105,713	**55,327**	63,413
Operating profit is arrived at after charging:					
Auditors' remuneration: – Audit fees		**313**	313	**88**	88
– Non-audit fees		**52**	184	**23**	57
Allowance for impairment loss on trade receivables		**9**	152	**9**	–
Depreciation of property, plant and equipment	3	**62,893**	61,007	**9,108**	10,127
Hire of motor vehicles		**368**	372	**–**	–
Hire of equipment		**118**	310	**–**	189
Loss on disposal of property, plant and equipment		**54**	812	**–**	54
Personnel expenses (including key management personnel):					
– contributions to Employees' Provident Fund		**10,945**	10,536	**2,253**	2,127
– retirement benefits	13	**2,419**	2,317	**152**	131
– wages, salaries and others		**121,947**	113,374	**21,460**	19,885
Property, plant and equipment written off		**3,087**	5,819	**24**	–
Realised loss on foreign exchange		**41**	–	**41**	–
Unrealised loss on foreign exchange		**25,847**	8,387	**12,081**	–
and after crediting:					
Impairment loss written back on trade receivables		**202**	8	**–**	2
Fair value gain of investment properties	4	**100**	18	**–**	–
Gain on disposal of property, plant and equipment		**–**	–	**151**	–
Gross dividends from unquoted subsidiaries		**–**	–	**49,550**	44,550
Rental income from: – subsidiary		**–**	–	**120**	120
– others		**823**	856	**–**	–
Realised gain on foreign exchange		**225**	275	**–**	–
Unrealised gain on foreign exchange		**16,206**	12,695	**–**	5,094

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16.2 Other comprehensive income/(expense)

	2017			2016		
	Before tax RM'000	**Tax expense RM'000**	**Net of tax RM'000**	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
GROUP						
Item that will not be reclassified subsequently to profit or loss						
Remeasurements of defined benefit retirement obligations, net of tax	**–**	**–**	**–**	1,607	(422)	1,185
Item that may be reclassified subsequently to profit or loss						
Exchange differences arising on translation of financial statements of overseas associates	**1,906**	**–**	**1,906**	(1,859)	–	(1,859)
	1,906	**–**	**1,906**	(252)	(422)	(674)
COMPANY						
Item that will not be reclassified subsequently to profit or loss						
Remeasurements of defined benefit retirement obligations, net of tax	**–**	**–**	**–**	250	(60)	190

17. INTEREST INCOME

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Interest income on:				
Deposits placed with licensed banks	**4,279**	4,157	**4,156**	4,030
Subsidiaries	**–**	–	**1,127**	73
	4,279	4,157	**5,283**	4,103

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18. INTEREST EXPENSE

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Interest expense on:				
Revolving credits	**3,767**	2,697	**55**	55
Subsidiaries	**–**	–	**5,534**	3,938
	3,767	2,697	**5,589**	3,993

19. SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2017	2016
GROUP	**RM'000**	RM'000
Share of profit after tax of associates from operations	**720**	6,834
Share of fair value loss of investment properties, net of deferred tax	**(5,953)**	(7,730)
	(5,233)	(896)

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2017	2016
GROUP AND COMPANY	**RM'000**	RM'000
Directors		
– Fees	**247**	247
– Remuneration and other emoluments	**2,438**	2,112
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**35**	35
Total short-term employee benefits	**2,720**	2,394

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel of the Group comprises the executive directors and non-executive directors of the Company.

21. TAX EXPENSE

Recognised in profit or loss:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Current tax expense				
Malaysian – current year	**31,185**	23,662	**2,639**	2,026
– prior years	**(1,864)**	(1,332)	**–**	247
	29,321	22,330	**2,639**	2,273
Deferred tax expense				
Reversal and origination of temporary differences	**(2,646)**	2,561	**3,087**	2,289
Under/(Over) provision in prior years	**965**	(3,598)	**(213)**	(4,268)
	(1,681)	(1,037)	**2,874**	(1,979)
Total tax expense	**27,640**	21,293	**5,513**	294
Reconciliation of tax expense				
Profit before tax	**109,660**	106,277	**55,021**	63,523
Tax at Malaysian tax rate of 24% (2016: 24%)	**26,318**	25,506	**13,205**	15,246
Non-deductible expenses	**8,859**	4,937	**4,437**	1,145
Non-taxable income	**(231)**	(1,390)	**(11,899)**	(11,990)
Tax incentives	**(653)**	(673)	**(48)**	(87)
Deferred tax assets/(liabilities) not recognised	**183**	(70)	**–**	–
Deferred tax on fair value gain of investment properties	**5**	1	**–**	–
Investment tax allowances	**(5,956)**	(2,117)	**–**	–
Other items	**14**	29	**31**	1
	28,539	26,223	**5,726**	4,315
(Over)/Under provision in prior years – current tax expense	**(1,864)**	(1,332)	**–**	247
– deferred tax expense	**965**	(3,598)	**(213)**	(4,268)
	27,640	21,293	**5,513**	294

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

GROUP	2017	2016
Profit attributable to shareholders of the Company (RM'000)	**72,198**	79,243
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per ordinary share (sen)	**16.41**	18.01

Diluted earnings per ordinary share

No diluted earnings per ordinary share was presented as there is no dilutive potential ordinary shares.

23. DIVIDENDS

Dividends recognised in the current year by the Company are:

	RM'000	Date of payment
2017		
Ordinary		
Interim 2017 – 3 sen single-tier	**13,200**	**14 November 2017**
Final 2016 – 11 sen single-tier	**48,400**	**30 June 2017**
Total amount	**61,600**	
2016		
Ordinary		
Interim 2016 – 3 sen single-tier	13,200	17 November 2016
Final 2015 – 11 sen single-tier	48,400	30 June 2016
Total amount	61,600	

The Board has proposed a final single-tier dividend of 12 sen per ordinary share, totalling RM52,800,000 for the financial year ended 31 December 2017. The proposed final dividend will not be accounted for until it has been approved at the forthcoming Annual General Meeting of the Company, which is scheduled to be held on 17 May 2018. The proposed final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2018.

24. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments which offer different services. The Group's Chief Operating Decision Maker ("CODM") reviews internal management reports on a regular basis. The Group's business activities are predominantly located in Malaysia.

Business segments

The Group comprises the following reportable segments:

Hotels, resorts and golf course	Hotel, beach resort and golf course business.
Investment properties	Rental from offices, shoplots and apartments and rental of car parks.

The Group's other operations include commercial laundry services and investment holding. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's CODM. Segment total asset is used to measure the return of assets of each segment.

Geographical segments

The Group is domiciled in Malaysia. All revenue from external customers and revenue with other operating segments of the Group, profit before tax and current and non-current assets (other than interests in associates) are mainly attributed to and located in Malaysia.

Major customers

There were no customers with revenue equal or more than 10% of the Group's total revenue for the year ended 31 December 2017 (2016: Nil).

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24. OPERATING SEGMENTS (cont'd)

	Hotels, resorts and golf course		Investment properties		Others		Total		Eliminations of inter-segment transactions		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RM'000	RM'000	**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	**521,469**	479,766	**25,168**	25,189	**3,928**	3,604	**550,565**	508,559	**–**	–	**550,565**	508,559
Inter-segment revenue	**49,550**	44,550	**2,231**	2,127	**2,838**	2,817	**54,619**	49,494	**(54,619)**	(49,494)	**–**	–
Total segment revenue	**571,019**	524,316	**27,399**	27,316	**6,766**	6,421	**605,184**	558,053	**(54,619)**	(49,494)	**550,565**	508,559
Operating profit	**147,945**	137,593	**16,401**	15,763	**2,627**	(51)	**166,973**	153,305	**(52,592)**	(47,592)	**114,381**	105,713
Interest income	**10,467**	7,735	**381**	372	**91**	61	**10,939**	8,168	**(6,660)**	(4,011)	**4,279**	4,157
Interest expense	**(6,179)**	(3,999)	**–**	–	**(3,764)**	(2,693)	**(9,943)**	(6,692)	**6,176**	3,995	**(3,767)**	(2,697)
Share of results of associated companies	**(3,290)**	714	**(1,943)**	(1,610)	**–**	–	**(5,233)**	(896)	**–**	–	**(5,233)**	(896)
Profit before tax	**148,943**	142,043	**14,839**	14,525	**(1,046)**	(2,683)	**162,736**	153,885	**(53,076)**	(47,608)	**109,660**	106,277
Allowance for impairment loss on loans and receivables	**9**	152	**–**	–	**–**	–	**9**	152	**–**	–	**9**	152
Allowance for impairment loss written back on loans and receivables	**(152)**	(8)	**–**	–	**(50)**	–	**(202)**	(8)	**–**	–	**(202)**	(8)
Capital expenditure	**89,050**	40,051	**45**	62	**348**	599	**89,443**	40,712	**(484)**	(16)	**88,959**	40,696
Depreciation	**61,868**	59,946	**301**	318	**724**	743	**62,893**	61,007	**–**	–	**62,893**	61,007
Tax expense	**23,338**	17,322	**4,022**	3,848	**280**	123	**27,640**	21,293	**–**	–	**27,640**	21,293
Segment assets before interests in associates	**1,322,921**	1,194,263	**312,960**	312,789	**14,495**	14,123	**1,650,376**	1,521,175	**(383,535)**	(317,328)	**1,266,841**	1,203,847
Interests in associates	**11,009**	15,651	**207,648**	244,863	**–**	–	**218,657**	260,514	**–**	–	**218,657**	260,514
Total segment assets	**1,333,930**	1,209,914	**520,608**	557,652	**14,495**	14,123	**1,869,033**	1,781,689	**(383,535)**	(317,328)	**1,485,498**	1,464,361

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R"); and

(b) Financial liabilities measured at amortised cost ("FL").

		GROUP		COMPANY	
	Note	Carrying amount RM'000	L&R/ (FL) RM'000	Carrying amount RM'000	L&R/ (FL) RM'000
2017					
FINANCIAL ASSETS					
Loans to associates	6	**238,583**	**238,583**	**–**	**–**
Trade and other receivables	10	**32,011**	**32,011**	**263,744**	**263,744**
Cash and bank balances	11	**175,555**	**175,555**	**160,834**	**160,834**
		446,149	**446,149**	**424,578**	**424,578**
FINANCIAL LIABILITIES					
Short-term borrowings	14	**(149,262)**	**(149,262)**	**–**	**–**
Trade and other payables	15	**(106,060)**	**(106,060)**	**(221,820)**	**(221,820)**
		(255,322)	**(255,322)**	**(221,820)**	**(221,820)**
2016					
FINANCIAL ASSETS					
Loans to associates	6	277,113	277,113	–	–
Trade and other receivables	10	30,731	30,731	252,523	252,523
Cash and bank balances	11	142,768	142,768	130,853	130,853
		450,612	450,612	383,376	383,376
FINANCIAL LIABILITIES					
Short-term borrowings	14	(174,469)	(174,469)	–	–
Trade and other payables	15	(90,735)	(90,735)	(178,234)	(178,234)
		(265,204)	(265,204)	(178,234)	(178,234)

25. FINANCIAL INSTRUMENTS (cont'd)

25.2 Net gains and losses arising from financial instruments

Net (losses)/gains arising from financial instruments comprises interest income/(expense), foreign exchange gains/(losses) and allowance for impairment (losses)/write back.

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Net (losses)/gains on:				
Loans and receivables	**(21,375)**	16,708	**(6,848)**	9,199
Financial liabilities measured at amortised cost	**12,439**	(11,084)	**(5,589)**	(3,993)
	(8,936)	5,624	**(12,437)**	5,206

25.3 Financial risk management

Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Group's and the Company's businesses.

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and loans to associates. The Company's exposure to credit risk arises principally from its receivables from customers, loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.

Receivables

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 the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than three (3) months, which are deemed to have higher credit risk, are monitored individually.

The ageing of trade receivables as at the reporting date was:

	Note	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
GROUP					
2017					
Not past due		**20,153**	**–**	**–**	**20,153**
1 – 3 months past due		**4,712**	**(9)**	**–**	**4,703**
4 – 6 months past due		**525**	**(35)**	**–**	**490**
Over 6 months past due		**–**	**–**	**–**	**–**
	10	**25,390**	**(44)**	**–**	**25,346**
2016					
Not past due		17,129	–	–	17,129
1 – 3 months past due		4,244	–	–	4,244
4 – 6 months past due		562	(228)	–	334
Over 6 months past due		91	(81)	–	10
	10	22,026	(309)	–	21,717
COMPANY					
2017					
Not past due		**3,632**	**–**	**–**	**3,632**
1 – 3 months past due		**444**	**(9)**	**–**	**435**
4 – 6 months past due		**10**	**–**	**–**	**10**
Over 6 months past due		**–**	**–**	**–**	**–**
	10	**4,086**	**(9)**	**–**	**4,077**
2016					
Not past due		4,090	–	–	4,090
1 – 3 months past due		411	–	–	411
4 – 6 months past due		255	–	–	255
Over 6 months past due		10	–	–	10
	10	4,766	–	–	4,766

The individual impairment of trade receivables is in respect of receivables which are overdue for more than 6 months and are doubtful of recovery.

25. FINANCIAL INSTRUMENTS (cont'd)

25.4 Credit risk (cont'd)

The movements in the allowance for impairment loss of trade receivables during the year were:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**309**	165	**–**	2
Allowance for impairment loss recognised	**9**	152	**9**	–
Allowance for impairment loss written back	**(202)**	(8)	**–**	(2)
Allowance for impairment loss written off against trade receivables	**(72)**	–	**–**	–
At 31 December	**44**	309	**9**	–

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

The maximum exposure to credit risk amounts to RM149,262,000 (2016: RM174,469,000) representing the outstanding banking facilities of the subsidiary as at the reporting date. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition were not material.

Inter-company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the reporting date, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

As at the reporting date, there was no indication that the loans and advances to the subsidiaries are not recoverable.

Loans to associates

The Group provides unsecured loans to associates. The Group monitors the results of the associates regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, management has assessed the recoverable amount of loans to associates using cash flows projections of the associates which incorporated several key assumptions. These assumptions include estimation of future revenue, average room rates, rental rates, occupancy rate, profit margins and discount rates.

25.5 Interest rate risk

The Group's variable rate bank borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The borrowings of the Group as at the reporting date comprise short-term borrowings, which are rolled over at short intervals of one (1) to three (3) months.

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

The Company's advances from subsidiaries of RM197,396,000 (2016: RM157,086,000) bears interests at fixed rate of 3.30% (2016: 3.30%) per annum.

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

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on the carrying amounts as at the reporting date was:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Fixed rate instruments				
Amount due to subsidiaries	**–**	–	**(197,396)**	(157,086)
Cash and bank balances	**161,032**	135,591	**154,531**	126,975
Amount due from subsidiaries	**–**	–	**47,730**	24,530
Floating rate instruments				
Short-term borrowings	**(149,262)**	(174,469)	**–**	–

Interest rate risk sensitivity analysis for fixed rate instruments

The Company does not account for its advances from subsidiaries at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

25. FINANCIAL INSTRUMENTS (cont'd)

25.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis for floating rate instruments

A change of one (1) percent in interest rates at the reporting date would have increased/(decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

GROUP	Equity 1% Increase RM'000	Equity 1% Decrease RM'000	Profit after tax 1% Increase RM'000	Profit after tax 1% Decrease RM'000
2017				
Floating rate instruments				
Short-term borrowings	**–**	**–**	**(1,493)**	**1,493**
Cash flow sensitivity (net)	**–**	**–**	**(1,493)**	**1,493**
2016				
Floating rate instruments				
Short-term borrowings	–	–	(1,745)	1,745
Cash flow sensitivity (net)	–	–	(1,745)	1,745

25.6 Foreign currency risk

The Group and the Company incur minimal foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. Hence, the Board considers this risk to be insignificant. As at the reporting date, the Group and the Company have minimal foreign currency transactions other than short-term borrowings, loans to associates and amount due from a subsidiary, which are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily *U.S. Dollar (USD)* and *Hong Kong Dollar (HKD)*.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date was:

	2017		2016	
	Denominated in		Denominated in	
	USD	**HKD**	USD	HKD
	RM'000	**RM'000**	RM'000	RM'000
GROUP				
Short-term borrowings	**(127,091)**	**(22,171)**	(149,709)	(24,760)
Loans to associates	**238,583**	**–**	277,113	–
	111,492	**(22,171)**	127,404	(24,760)
COMPANY				
Amount due from a subsidiary	**98,384**	**8,763**	109,042	9,787

Currency risk sensitivity analysis

A five (5) percent strengthening of RM against USD and HKD at the reporting date would have increased/(decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		**Profit after tax**	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
GROUP				
USD	**–**	–	**(5,575)**	(6,370)
HKD	**–**	–	**1,109**	1,238
	–	–	**(4,466)**	(5,132)
COMPANY				
USD	**–**	–	**(4,919)**	(5,452)
HKD	**–**	–	**(438)**	(489)
	–	–	**(5,357)**	(5,941)

A five (5) percent weakening of RM against USD and HKD at the reporting date would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

25. FINANCIAL INSTRUMENTS (cont'd)

25.7 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and bank borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The following table indicates the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on undiscounted contractual payments:

	Note	Carrying amount RM'000	Contractual interest rate per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
GROUP								
2017								
Short-term borrowings	14	**(149,262)**	**1.7 – 3.0**	**(153,181)**	**(153,181)**	**–**	**–**	**–**
Trade and other payables	15	**(106,060)**	**–**	**(106,060)**	**(106,060)**	**–**	**–**	**–**
		(255,322)		**(259,241)**	**(259,241)**	**–**	**–**	**–**
2016								
Short-term borrowings	14	(174,469)	1.1 – 2.2	(177,789)	(177,789)	–	–	–
Trade and other payables	15	(90,735)	–	(90,735)	(90,735)	–	–	–
		(265,204)		(268,524)	(268,524)	–	–	–
COMPANY								
2017								
Trade and other payables	15	**(17,165)**	**–**	**(17,165)**	**(17,165)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(197,396)**	**3.3**	**(203,910)**	**(203,910)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(7,259)**	**–**	**(7,259)**	**(7,259)**	**–**	**–**	**–**
Financial guarantees	25.4	**–**	**–**	**(149,262)**	**(149,262)**	**–**	**–**	**–**
		(221,820)		**(377,596)**	**(377,596)**	**–**	**–**	**–**
2016								
Trade and other payables	15	(14,057)	–	(14,057)	(14,057)	–	–	–
Amount due to subsidiaries	15	(157,086)	3.3	(162,270)	(162,270)	–	–	–
Amount due to subsidiaries	15	(7,091)	–	(7,091)	(7,091)	–	–	–
Financial guarantees	25.4	–	–	(174,469)	(174,469)	–	–	–
		(178,234)		(357,887)	(357,887)	–	–	–

25.8 Fair value information

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments that are not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**
2017					
Financial assets					
Loans to associates	**–**	**–**	**238,583**	**238,583**	**238,583**
2016					
Financial assets					
Loans to associates	–	–	277,113	277,113	277,113

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	**Description of valuation technique and inputs used**
Loan to associates	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the year.

The Company also complies with Bursa Malaysia's Listing Requirements on capital requirement.

27. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
CAPITAL EXPENDITURE COMMITMENTS				
Property, plant and equipment				
Contracted but not provided for	**7,444**	88,977	**348**	51
Authorised but not contracted for	**59,339**	42,025	**5,087**	4,670
Investment properties				
Authorised but not contracted for	**7**	45	**–**	–
	66,790	131,047	**5,435**	4,721

28. CONTINGENT LIABILITIES

COMPANY

Corporate Guarantees (unsecured)

The Company had issued the following Corporate Guarantees in favour of banks in respect of Short Term Revolving Credit ("STRC") facilities granted to Madarac Corporation, the Company's wholly-owned subsidiary incorporated in the British Virgin Islands.

a) USD18,000,000 Corporate Guarantee to Malayan Banking Berhad ("Maybank");

b) HKD50,600,000 Corporate Guarantee to The Bank of Tokyo-Mitsubishi UFJ Ltd., Labuan Branch ("UFJ Bank"); and

c) USD30,000,000 Corporate Guarantee to The Bank of East Asia Limited, Labuan Branch ("BEA").

As at 31 December 2017, the outstanding STRC facilities of Madarac Corporation is amounting to RM149,262,000 (2016: RM174,469,000).

29. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly, entity that provides key management personnel services to the Group and comprises the Executive Directors and Non-Executive Directors of the Company.

The Group has a related party relationship with its associates, its holding companies, subsidiaries of its holding companies and corporations in which certain Directors have direct or indirect financial interests.

Significant related party transactions

The terms and conditions of the related party transactions are based on negotiated terms. The significant related party transactions of the Group and the Company are shown below.

	Transactions amount for the year ended	
	2017	2016
	RM'000	RM'000
GROUP		
Associated companies		
Net loan repayment from/(advanced to) an associate		
– Traders Square Company Ltd	**12,683**	(24,484)
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**16,770**	13,963
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**2,712**	2,411
Corporations in which Kuok Oon Kwong, Director of the Company, has direct or indirect financial interests		
Office rental income received or receivable		
– Kuok Brothers Sdn Bhd	**–**	831
– PPB Group Berhad	**–**	833
– PPB Oil Palms Berhad	**–**	318
– PGEO Marketing Sdn Bhd	**–**	294
– Chemquest Sdn Bhd	**–**	139
– Southern Marina Development Sdn Bhd	**–**	277
COMPANY		
Subsidiaries		
Dividends receivable	**49,550**	44,550
Interest income received or receivable	**1,127**	73
Rental income received or receivable	**120**	120
Interest expense paid or payable	**5,534**	3,938
Rental expense paid or payable	**189**	189
Laundry service fees paid or payable	**1,097**	1,098
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**2,735**	2,362
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**417**	391

Significant balances with related parties of the Group and the Company at the reporting date are disclosed in Note 6, Note 10 and Note 15 to the financial statements.

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The list of directors who served on the boards of the subsidiary companies of the Company during the financial year until the date of the Directors' Report is set out below.

Name of Subsidiary Company	Name of Director	
Shangri-La Hotel (KL) Sdn Bhd	Kuok Oon Kwong	
	Datin Rozina Mohd Amin	
Golden Sands Beach Resort Sdn Bhd	Kuok Oon Kwong	
	Datin Rozina Mohd Amin	
Pantai Dalit Beach Resort Sdn Bhd	Kuok Oon Kwong	
	Dato' Seri Ismail Farouk Abdullah	
	Datin Rozina Mohd Amin	
Dalit Bay Golf & Country Club Berhad	Kuok Oon Kwong	
	Goon Swee Kheong	
	Datin Rozina Mohd Amin	
Komtar Hotel Sdn Bhd	Kuok Oon Kwong	
	Datin Rozina Mohd Amin	
	Mohd Haniz bin Mohd Nazlan	resigned on 15.9.2017
	Mazuki bin Abdullah @ Muhammad	appointed on 15.9.2017
UBN Tower Sdn Bhd	Datin Rozina Mohd Amin	
	Tay Keng Hock	
UBN Holdings Sdn Bhd	Datin Rozina Mohd Amin	
	Tay Keng Hock	
Pantai Emas Sdn Bhd	Datin Rozina Mohd Amin	
	Tay Keng Hock	
Madarac Corporation	Kuok Oon Kwong	
	Datin Rozina Mohd Amin	
	Dato' Seri Ismail Farouk Abdullah	
Palm Beach Hotel Sdn Bhd	Kuok Oon Kwong	
(dormant)	Datin Rozina Mohd Amin	
Pantai Dalit Development Sdn Bhd	Datin Rozina Mohd Amin	
(dormant)	Tay Keng Hock	
Hasil-Usaha Sdn Bhd	Tay Keng Hock	
(dormant)	Sylvia Yap	resigned on 23.1.2018
	Chan Chee Yuen	appointed on 23.1.2018
Wisegain Sdn Bhd	Tay Keng Hock	
(dormant)	Sylvia Yap	resigned on 23.1.2018
	Chan Chee Yuen	appointed on 23.1.2018

ADDITIONAL COMPLIANCE INFORMATION

under the Listing Requirements of Bursa Malaysia Securities Berhad

AUDIT AND NON-AUDIT FEES

The fees paid and payable to the external auditors, Messrs KPMG PLT (KPMG), and its affiliated companies in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 31 December 2017 are set out below.

	GROUP RM	COMPANY RM
Audit fees		
– KPMG	**313,100**	**87,500**
Non-audit fees		
– KPMG Tax Services Sdn Bhd	**39,085**	**10,000**
– KPMG	**12,500**	**12,500**
	51,585	**22,500**
Total	**364,685**	**110,000**

Non-audit fees paid to KPMG Tax Services Sdn Bhd mainly related to services rendered for application/submission to the Malaysian Investment Development Authority (MIDA) in respect of the Group's hotels for the Investment Tax Allowance incentive for their renovation projects. The non-audit fees paid to KPMG were in respect of the review of the Statement on Risk Management and Internal Control.

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 2017, there were no material contracts entered into by the Company or its subsidiaries involving the interests of Directors and substantial shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Datin Rozina Mohd Amin
Executive Director

Dato' Haris Onn bin Hussein*

Dato' Seri Ismail Farouk Abdullah*

Datuk Supperamaniam a/l Manickam*

Dato' Dr Tan Tat Wai*

Tan Yew Jin

Ahmed Reza bin Mohd Ghazali*

Goh Ching Yin*

Dato' Sri Khazali bin Ahmad*

*Independent Non-Executive Directors

AUDIT COMMITTEE

Goh Ching Yin
Chairman

Dato' Haris Onn bin Hussein

Dato' Sri Khazali bin Ahmad

POLICY IMPLEMENTATION COMMITTEE – *Hotels & Resorts*

Kuok Oon Kwong
Chairman

Datin Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

Dato' Haris Onn bin Hussein
Chairman

Tan Sri A. Razak bin Ramli

Ahmed Reza bin Mohd Ghazali

COMPANY SECRETARY

Datin 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
Website : www.shangri-la.com

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

SHARE REGISTRAR

PPB Corporate Services Sdn Bhd
12th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur
Tel : (+60-3) 2726 0088
Fax : (+60-3) 2726 0099

SOLICITORS

Zaid Ibrahim & Co
Chambers of Mai
Kadir, Andri & Partners

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

FINANCIAL CALENDAR

Year 2018

27 FEBRUARY
Announcement of Unaudited Consolidated Results for the 4th Quarter and Financial Year ended 31.12.2017

23 APRIL
Issue of 2017 Annual Report

17 MAY
2018 Annual General Meeting to be held

17 MAY
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2018

7 JUNE
Entitlement Date for the proposed 2017 Final Dividend

2 JULY
Payment Date for the proposed 2017 Final Dividend

Year 2017

18 MAY
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2017

17 AUGUST
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2017

24 OCTOBER
2017 Interim Dividend Entitlement Date

10 NOVEMBER
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2017

14 NOVEMBER
2017 Interim Dividend Payment Date

31 DECEMBER
Financial Year End

GROUP PROPERTIES
as at 31 December 2017

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2017 (RM'000)
Shangri-La Hotel (KL) Sdn Bhd	**Shangri-La Hotel Kuala Lumpur** 29-storey, 662 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	**Freehold**	**33**	**16,229**	**123,999**
Komtar Hotel Sdn Bhd	**Hotel Jen Penang** 17-storey, 443 room hotel located at Magazine Road 10300 Penang	**Leasehold** (Expires 2082)	**31**	**4,800**	**68,232**
Shangri-La Hotels (Malaysia) Berhad	**Shangri-La's Rasa Sayang Resort & Spa** 304 room resort comprising 11 inter-connected blocks not exceeding 8-storey located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**44**	**58,798**	**80,984**
	Land Lot 402, Section 2 Town of Batu Feringgi North East District, Penang	**Leasehold** (Expires 2037)	**–**	**2,989**	
	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**	**524**
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**	**9,658**

GROUP PROPERTIES

as at 31 December 2017

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2017 (RM'000)
Golden Sands Beach Resort Sdn Bhd	**Golden Sands Resort** 8-storey, 387 room resort located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**39**	**19,359**	**36,791**
	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)	**27**	**3,737**	**645**
UBN Tower Sdn Bhd	**UBN Tower** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**33**	**3,696**	**200,345**
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**	**33**	**3,120**	**48,050** #
	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**	**214,475**

GROUP PROPERTIES

as at 31 December 2017

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2017 (RM'000)
Pantai Dalit Beach Resort Sdn Bhd	**Shangri-La's Rasa Ria Resort & Spa** 499 room resort comprising two 4-storey blocks, four 5-storey blocks and six 6-storey blocks of guestrooms located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**21**	**105,318**	**134,152**
	Land Land on which Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club are situated on at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**–**	**761,467**	**3,383**
	Undeveloped land for future development located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**–**	**843,662**	
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)	**20**	**668,985**	**27,072**

SHAREHOLDING STATISTICS
as at 26 March 2018

The total number of issued shares of the Company stands at 440,000,000 ordinary shares, with voting right of one vote per ordinary share.

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	% of Issued Shares
Less than 100	253	5.90	3,520	0.00
100 – 1,000	1,844	43.03	1,628,061	0.37
1,001 – 10,000	1,793	41.83	7,120,295	1.62
10,001 – 100,000	304	7.09	9,545,783	2.17
100,001 to less than 5% of issued shares	90	2.10	91,450,000	20.78
5% and above of issued shares	2	0.05	330,252,341	75.06
	4,286	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 Shares
Hoopersville Limited	232,237,841	–	52.78
Shangri-La Asia Limited	–	232,237,841	52.78
Caninco Investments Limited	–	232,237,841	52.78
Kerry Holdings Limited	–	232,237,841	52.78
Kerry Group Limited	–	232,237,841	52.78
Kuok Brothers Sdn Berhad	98,014,500	237,500	22.33
Standard Life Aberdeen plc	–	40,810,800	9.28
Aberdeen Asset Management Asia Limited	–	30,715,500	6.98

SHAREHOLDING STATISTICS

as at 26 March 2018

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 26 March 2018 are as follows:

	Direct Interest	Deemed Interest	
The Company			
Shangri-La Hotels (Malaysia) Berhad	**No. of Shares**	**No. of Shares**	**% of Issued Shares**
Tan Sri A. Razak bin Ramli	–	–	–
Kuok Oon Kwong	–	10,000	negligible
Datin Rozina Mohd Amin	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Dato' Seri Ismail Farouk Abdullah	10,000	–	negligible
Datuk Supperamaniam a/l Manickam	–	–	–
Dato' Dr Tan Tat Wai	–	–	–
Tan Yew Jin	5,000	20,000	0.01
Ahmed Reza bin Mohd Ghazali	–	–	–
Goh Ching Yin	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–

(Ordinary Shares of HKD1.00 each)

Related Corporation			
Shangri-La Asia Limited (Ultimate Holding Company)	**No. of Shares**	**No. of Shares**	**% of Issued Shares**
Tan Sri A. Razak bin Ramli	–	–	–
Kuok Oon Kwong – own	442,921	189,455	0.02
– others	252,635 [1]	–	0.01
Datin Rozina Mohd Amin	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–
Datuk Supperamaniam a/l Manickam	–	–	–
Dato' Dr Tan Tat Wai	–	–	–
Tan Yew Jin	138,121	–	negligible
Ahmed Reza bin Mohd Ghazali	–	–	–
Goh Ching Yin	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–

[1] Shares held directly by spouse/child. In accordance with Section 59(11)(c) of the Companies Act 2016, the interests and deemed interests of the spouse/child in the shares of the Company and its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of the Director.

SHAREHOLDING STATISTICS

as at 26 March 2018

THE THIRTY LARGEST SHAREHOLDERS (AS PER RECORD OF DEPOSITORS)

Name of Shareholders	No. of Shares Held	% of Issued Shares
1. Hoopersville Limited	232,237,841	52.78
2. Kuok Brothers Sdn Berhad	98,014,500	22.28
3. HSBC Nominees (Asing) Sdn Bhd BPSS Lux for Aberdeen Global - Asian Smaller Companies Fund	20,427,800	4.64
4. Amsec Nominees (Tempatan) Sdn Bhd for Ambank (M) Berhad (Hedging)	11,474,200	2.61
5. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs SVS Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	9,520,900	2.16
6. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen)	5,090,500	1.16
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client a/c-Res)	3,863,000	0.88
8. Ophir Holdings Berhad	3,298,400	0.75
9. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,975,800	0.68
10. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	2,461,300	0.56
11. Malaysia Nominees (Tempatan) Sendirian Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	2,434,300	0.55
12. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,846,500	0.42
13. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irama Gigih Sdn Bhd	1,786,000	0.41
14. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,383,200	0.31
15. Key Development Sdn Berhad	1,156,400	0.26
16. Amanahraya Trustees Berhad for PB Smallcap Growth Fund	1,028,100	0.23
17. HSBC Nominees (Asing) Sdn Bhd BPSS Sin for Aberdeen Malaysian Equity Fund	803,000	0.18
18. Ying Holding Sdn Bhd	776,000	0.17
19. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Huat	699,000	0.16
20. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	671,100	0.15
21. Lim Kian Huat	646,200	0.15
22. Gan Teng Siew Realty Sdn Berhad	645,000	0.15
23. G.T.Y. Holdings Sdn Bhd	606,000	0.14
24. Gemas Bahru Estates Sdn Bhd	600,000	0.13
25. Migan Sdn Bhd	595,300	0.13
26. Rengo Malay Estate Sendirian Berhad	571,000	0.13
27. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	559,900	0.13
28. Bidor Tahan Estates Sdn Bhd	516,000	0.12
29. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	511,500	0.12
30. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Sing Ning	480,000	0.11
	407,678,741	92.65

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh 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, 17 May 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Report of the Directors and Audited Financial Statements for the year ended 31 December 2017 and the Auditors' Report thereon. **Ordinary Resolution 1**

2. To approve the payment of a final single-tier dividend of 12 sen per share for the year ended 31 December 2017 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2017. **Ordinary 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) Ahmed Reza bin Mohd Ghazali **Ordinary Resolution 4**

   (ii) Goh Ching Yin **Ordinary Resolution 5**

   (iii) Dato' Sri Khazali bin Ahmad **Ordinary 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) Tan Sri A. Razak bin Ramli **Ordinary Resolution 7**

   (ii) Datin Rozina Mohd Amin **Ordinary Resolution 8**

   (iii) Dato' Haris Onn bin Hussein **Ordinary Resolution 9**

6. To re-appoint Messrs KPMG PLT 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. **Ordinary Resolution 10**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

7. **Continuing in office as Independent Non-Executive Director of the Company**

"THAT subject to the passing of Ordinary Resolution 9, approval be and is hereby given to Dato' Haris Onn bin Hussein, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company." **Ordinary Resolution 11**

Voting on all Resolutions will be by way of poll

By Order of the Board

DATIN ROZINA MOHD AMIN
Company Secretary

Kuala Lumpur
23 April 2018

NOTES

1. With respect to deposited securities, only members whose names appear in the Record of Depositors on Tuesday, 8 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. 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.
3. The Proxy Form 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.
4. The proposed final single-tier dividend, if approved, will be paid on Monday, 2 July 2018 to shareholders whose names appear in the Record of Depositors on Thursday, 7 June 2018.

EXPLANATORY NOTE ON SPECIAL BUSINESS

Ordinary Resolution 11 – Continuing in office as Independent Non-Executive Director of the Company

Resolution 11 is proposed pursuant to Practice 4.2 of the 2017 Malaysian Code on Corporate Governance and, if passed, allows Dato' Haris Onn bin Hussein, who has served on the Board for more than nine years but less than twelve years, to continue serving as an Independent Non-Executive Director of the Company.

The Nomination & Remuneration Committee and the Board have assessed the independence of Dato' Haris Onn bin Hussein and have determined that he remains independent in character and judgement, and continues to carry out his duties in the best interest of the Company and its shareholders, notwithstanding his length of service.

NOTES

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

PROXY FORM

No. of shares held:

I/We ______________________ NRIC/Company No. ______________

of ____

being a member of **SHANGRI-LA HOTELS (MALAYSIA) BERHAD**, hereby

appoint ______________________ NRIC No. ______________

of ____

or failing him ______________________ NRIC No. ______________

of ____

as my/our proxy, to vote for me/us on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Thursday, 17 May 2018 at 10.00 a.m. and at any adjournment thereof in the following manner:

NO.	ORDINARY RESOLUTIONS	For	Against
1	To receive the Reports and Financial Statements		
2	To approve payment of Final Single-Tier Dividend		
3	To approve payment of Directors' Fees		
4	To elect Ahmed Reza bin Mohd Ghazali as Director		
5	To elect Goh Ching Yin as Director		
6	To elect Dato' Sri Khazali bin Ahmad as Director		
7	To re-elect Tan Sri A. Razak bin Ramli as Director		
8	To re-elect Datin Rozina Mohd Amin as Director		
9	To re-elect Dato' Haris Onn bin Hussein as Director		
10	To re-appoint Messrs KPMG PLT as Auditors		
11	To retain Dato' Haris Onn bin Hussein as an Independent Non-Executive Director		

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 ______________________ 2018 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 Proxy Form must be signed by the appointor 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 Proxy Form 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

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SABAH

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