SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

ANNUAL REPORT 2018

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.

Summit Platform
Rasa Ria Resort & Spa

FIVE-YEAR FINANCIAL SUMMARY

		2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
RESULTS						
Revenue		**550,848**	550,565	508,559	500,253	513,679
Exceptional item (Note a)		**(1,439)**	–	–	–	–
Profit before tax		**107,948**	109,660	106,277	153,641	119,497
Profit attributable to shareholders		**70,554**	72,198	79,243	129,686	79,340
Dividend-net (Note b)		**66,000**	66,000	61,600	61,600	52,800
KEY BALANCE SHEET DATA						
Issued capital		**544,501**	544,501	440,000	440,000	440,000
Total assets employed		**1,509,221**	1,485,498	1,464,361	1,420,160	1,278,976
Shareholders' equity		**1,065,086**	1,061,255	1,048,751	1,031,865	954,979
Net cash/(net borrowings)		**76,189**	26,293	(31,701)	(41,717)	(29,211)
PER SHARE DATA						
Net earnings per share	(sen)	**16.04**	16.41	18.01	29.47	18.03
Net assets per share	(RM)	**2.42**	2.41	2.38	2.35	2.17
Dividend-gross	(sen)	**15.0**	15.0	14.0	14.0	12.0
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**6.6**	6.8	7.6	12.6	8.3
Return on total assets	(%)	**4.7**	4.9	5.4	9.1	6.2
Net borrowings to shareholders' equity	(%)	**N/A**	N/A	3.0	4.0	3.1

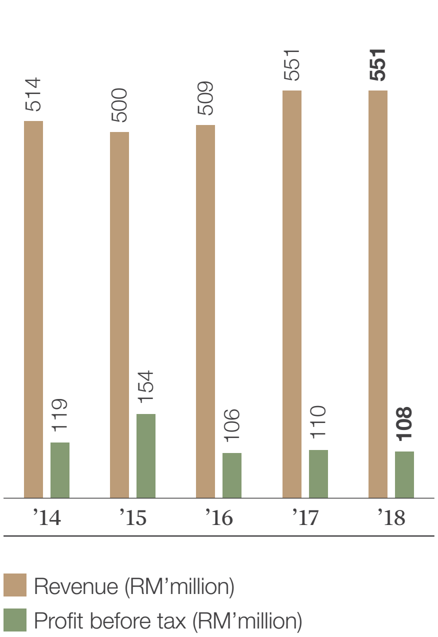
NOTES

a. Exceptional item of RM1.439 million for the financial year ended 31 December 2018 relates to an impairment charge in respect of the Group's investment in an associated company in Myanmar.

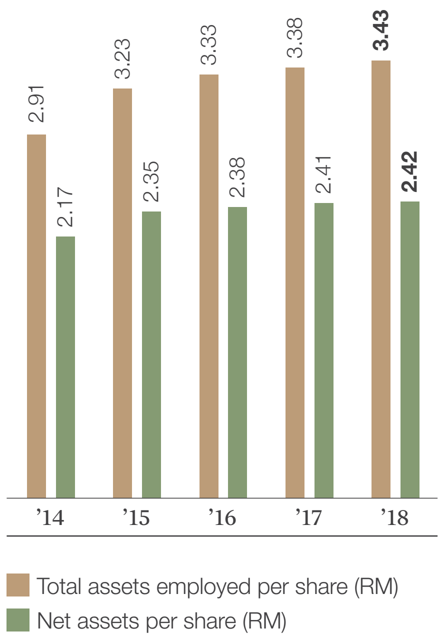
b. Dividends of RM66.000 million for the financial year ended 31 December 2018 consist of (a) the interim single-tier dividend of 3 sen per share paid on 23 November 2018 amounting to RM13.200 million and (b) the proposed final single-tier dividend of 12 sen per share amounting to RM52.800 million. The proposed final single-tier dividend of 12 sen per share for the financial year ended 31 December 2018 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 29 May 2019.

FIVE-YEAR FINANCIAL SUMMARY

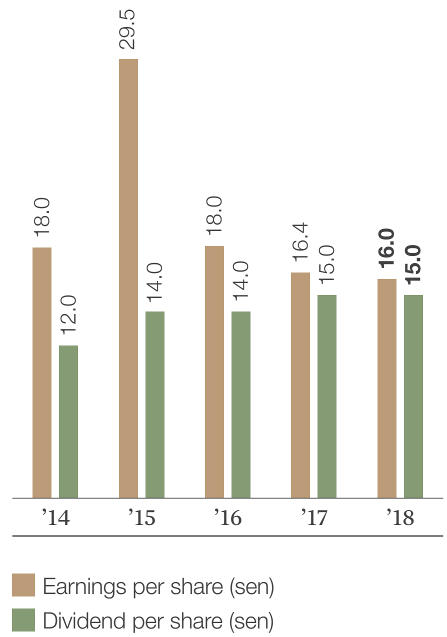
REVENUE & PROFIT BEFORE TAX



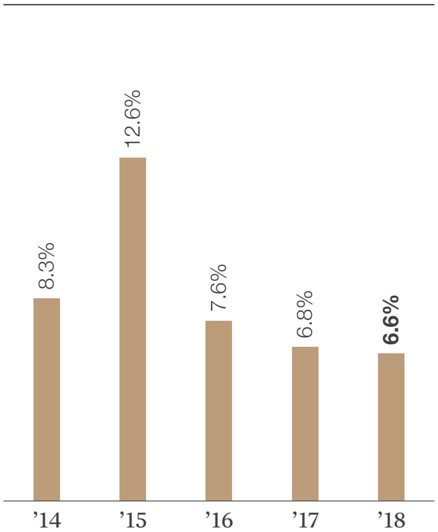
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



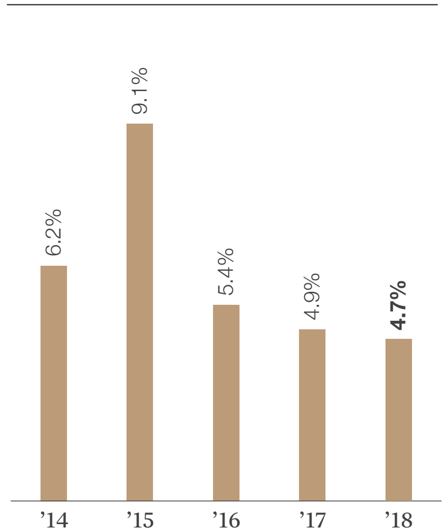
EARNINGS PER SHARE & DIVIDEND PER SHARE



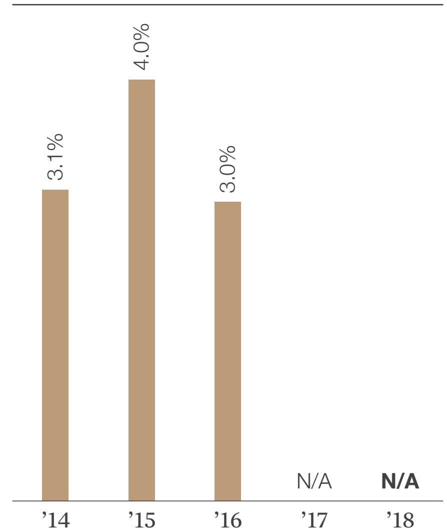
RETURN ON SHAREHOLDERS' EQUITY



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. He is also a member of 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 2018. Age 70.

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 a director 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 2018. Age 72.

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 2018. Age 59.

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. He is currently the Chairman of the Nomination and Remuneration Committee and 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 the 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 2018. Age 52.

BOARD OF DIRECTORS

GOH CHING YIN

Malaysian, Male, Independent Non-Executive Director

Mr Goh Ching Yin joined the Board on 28 February 2018 and is currently the 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 Khazanah Nasional Bhd, 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. He attended four Board meetings held in 2018. Age 61.

DATO' SRI KHAZALI BIN AHMAD

Malaysian, Male, Independent Non-Executive Director

Dato' Sri Khazali joined the Board on 28 February 2018 and is currently 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 also sits on the board of Muhibbah Engineering (M) Bhd, Favelle Favco Bhd and Cuscapi Bhd.

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. He attended four Board meetings held in 2018. Age 63.

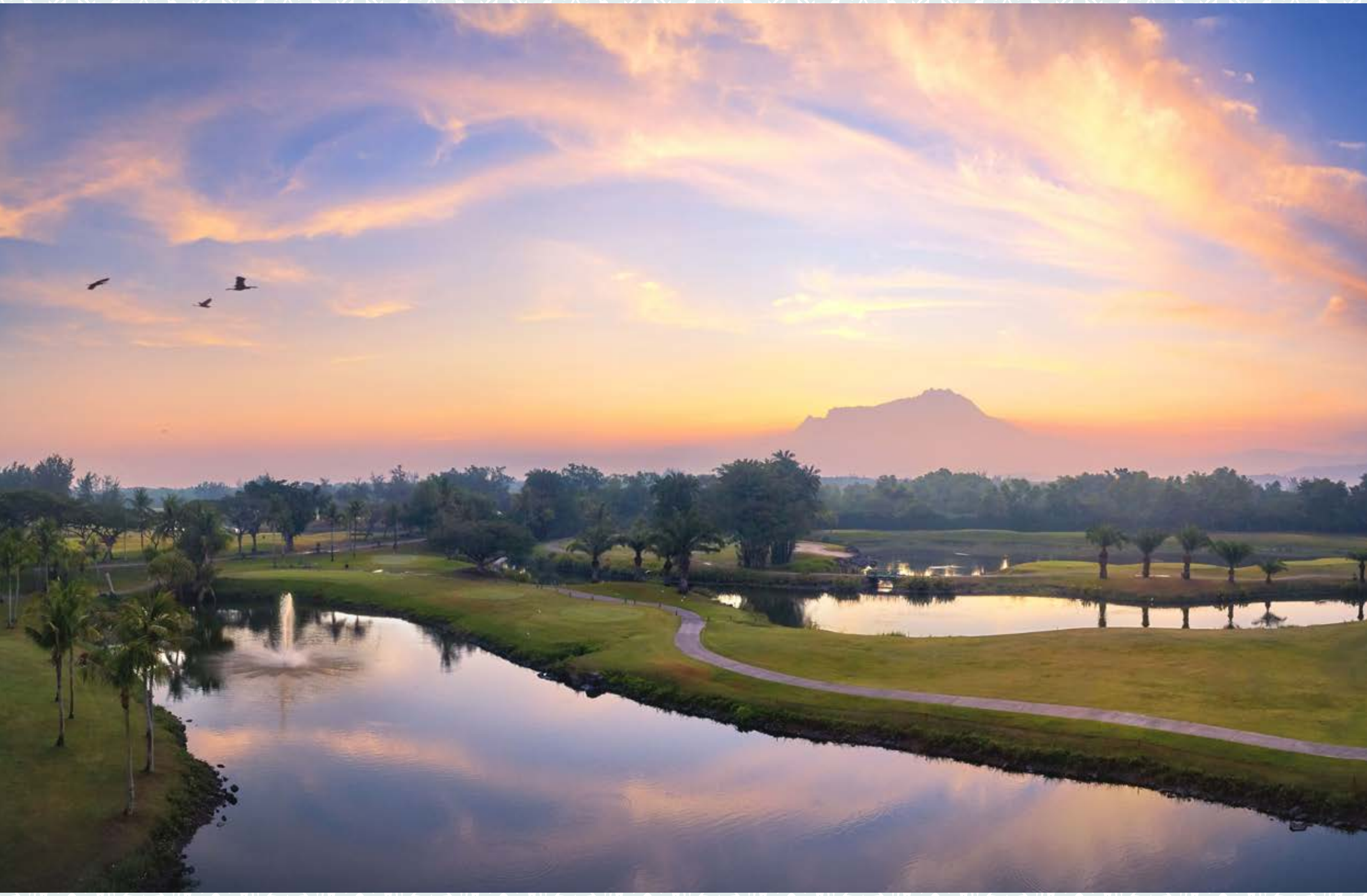
BOARD OF DIRECTORS

AHMED REZA BIN MOHD GHAZALI

Malaysian, Male, Independent Non-Executive Director

Encik Reza Ghazali was appointed to the Board on 28 February 2018 and is currently 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 was the Country Head & Managing Director of Korn Ferry Malaysia until November 2018. In February 2019, he was appointed Client Partner, Head of Board Services ASEAN at the executive search company Pedersen & Partners (M) Sdn Bhd. 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. He attended four Board meetings held in 2018. Age 54.



Dalit Bay Golf and Country Club

SENIOR MANAGEMENT AND KEY EXECUTIVES

SENIOR MANAGEMENT

KUOK OON KWONG

Managing Director

Singaporean, Female, Aged 72

(please refer to page 5 for profile)

DATIN ROZINA MOHD AMIN

Executive Director & Group Company Secretary

Malaysian, Female, Aged 59

(please refer to page 6 for profile)

KEY EXECUTIVES

TAY KENG HOCK

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

Malaysian, Male, Aged 66

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 38 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.

GONZALO DUARTE SILVA

General Manager, Shangri-La Hotel Kuala Lumpur

Portuguese, Male, Aged 54

Mr Duarte Silva joined the Group in 2018, succeeding Mr Manfred Weber as General Manager of Shangri-La Hotel Kuala Lumpur, having earlier that year been involved in various special projects at Island Shangri-La, Hong Kong. Before this, he had over ten years' international experience as General Manager of various Starwood Hotels & Resorts including Le Meridien, Barcelona and six hotels in Poland managed under the Sheraton, Westin and The Luxury Collection brands. He is a member of the Malaysian Association of Hotels.

SENIOR MANAGEMENT AND KEY EXECUTIVES

ELAINE YUE TOY HANG

General Manager, Rasa Sayang Resort & Spa and Golden Sands Resort, Penang

Malaysian, Female, Aged 54

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. She is a member of the Executive Committee of the Penang Chapter of both the Malaysia Association of Hotels and the Malaysia International Chamber of Commerce, where she represents the hotel industry.

ODAYAPPAN A/L ODAYAPPAN

General Manager, Hotel Jen Penang

Malaysian, Male, Aged 45

Mr Odayappan was appointed General Manager of Hotel Jen Penang in 2017. He has been a member of the Group since 1997, acting in various capacities, first at Rasa Sayang Resort till 2005, then at Traders Hotel Penang (now known as Hotel Jen Penang) from 2005 to 2012. From 2012 to 2017 he was Resident Manager of Shangri-La Hotel Wuhan, China. He is a member of the Malaysian Association of Hotels and the Malaysian International Chamber of Commerce and Industry.

FIONA HAGAN

General Manager, Rasa Ria Resort & Spa

Australian, Female, Aged 47

Ms Fiona Hagan joined the Group as General Manager, Rasa Ria Resort & Spa in 2017. Prior to this, she was Regional Director of Sales & Marketing at Starwood Hotels & Resorts, South East Asia from 2009 to 2013, then General Manager of Le Meridien, Kota Kinabalu from 2013 to 2016. From 2016 to 2017 she acted as General Manager of The St. Regis in Changsha, China. She is a member of the Malaysian Association of Hotels.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the annual report of Shangri-La Hotels (Malaysia) Berhad for the year ended 31 December 2018.

FINANCIAL PERFORMANCE

For the full year 2018, Group revenue of RM550.848 million was in line with the previous year's revenue of RM550.565 million.

Group net profit attributable to shareholders for 2018 dropped by 2% to RM70.554 million from RM72.198 million the year before, reflecting both the impact of a higher net charge for non-operating items and weaker contributions from our resorts in Penang and Sabah.

This was partly mitigated by a net unrealised currency gain of RM1.898 million from the translation of the Group's US dollar loans to its associates in Myanmar, versus a net translation loss of RM9.641 million in 2017, and by a reversal of tax provisions of RM7.453 million that are no longer required in respect of a subsidiary hotel.

For the year, non-operating items totalled a net charge of RM17.822 million, compared to a net charge of RM5.858 million in 2017. The 2018 charge consisted of:

i) Our Group's share of net fair value losses of RM10.445 million from the portfolio of investment properties held through associated companies in Myanmar. In addition, our Group recorded an impairment charge of RM1.439 million on its investment in Traders Square Company Ltd, which owns Sule Square in Yangon. The fair value and impairment losses reflect the tough market environment in Myanmar where conditions continue to deteriorate, weighed down by ongoing political and economic uncertainty.

ii) A net charge of RM5.938 million relating to a rise in the deferred tax provision of RM6.082 million for our Group's investment properties in Kuala Lumpur at the new higher Real Property Gains Tax rate of 10% effective from 1 January 2019, partly offset by revaluation gains in 2018.

Earnings per share for the full year including non-operating items were 16.04 sen, as against 16.41 sen in 2017.

Our Group's financial position remains sound. Shareholders' equity rose to RM1.065 billion at 31 December 2018, and net asset value per share stood at RM2.42, versus RM2.41 at the previous year end.

CHAIRMAN'S STATEMENT

At the end of 2018, our Group held a higher net cash balance of RM76.189 million, compared to RM26.293 million at 31 December 2017. Our healthy balance sheet and financial capacity gives us the flexibility to grow our business and to invest for the future.

DIVIDENDS

Your Board is recommending the payment of a final single-tier dividend of 12 sen per share which, together with the interim single-tier dividend of 3 sen per share paid in November last year, will bring the total dividend for the financial year 2018 to 15 sen per share, unchanged from 2017.

The proposed final dividend is subject to shareholders' approval at the Company's Annual General Meeting to be held on 29 May 2019 and will be paid to shareholders on 15 July 2019.

OPERATING HIGHLIGHTS

In 2018, our Group hotel businesses as a whole experienced softer demand from their key leisure and corporate travel markets, along with intense competition due to the significant new supply of hotel rooms in the upscale segment, particularly in Kuala Lumpur. These factors created a more challenging business environment with downward pressures on both occupancy and room rates.

Against this backdrop, Rasa Sayang Resort registered a lower occupancy of 74%, compared to 77% in 2017, leading to a 5% decline in revenue from the prior year to RM86.481 million.

Revenue from Golden Sands Resort fell by 4% during 2018 to RM59.438 million, affected by weaker food and beverage sales and average rates. Occupancy for the resort held firm at 78%.

Owing to a slowdown in leisure arrivals, Rasa Ria Resort saw occupancy slip to 71% from 74% in 2017. However, the decrease in occupancy was partly cushioned by better average rates and improved food and beverage business, with overall revenue down by 1% in the year to RM142.326 million.

Revenue for Shangri-La Hotel Kuala Lumpur was flat at RM186.217 million, with a stronger contribution from food and beverage operations mostly offset by lower rooms revenue, in line with a reduced occupancy level of 67% against 69% in 2017.

In contrast, Hotel Jen Penang had a robust year, reflecting the continued benefits resulting from the renovation of its guestrooms that was fully completed in mid-2017. Buoyed by a good pick up in corporate business, occupancy at Hotel Jen Penang rose to 74% from 65% in 2017, with revenue up 26% on the previous year to RM42.047 million.

Our investment properties in Kuala Lumpur delivered a resilient performance in a challenging market. The total combined rental revenue from UBN Tower and UBN Apartments in 2018 was RM25.089 million, broadly similar to 2017.

CHAIRMAN'S STATEMENT

OUTLOOK AND STRATEGIC INITIATIVES

Looking ahead, we expect the overall business conditions for our hotel operations to remain soft due to slower growth in both leisure and corporate travel, amidst a climate of economic uncertainty coupled with keen competition in our various markets.

As for our investment properties in Kuala Lumpur, the operating environment for UBN Tower should hold reasonably steady through 2019, which should help UBN Tower to maintain stable occupancy levels, although UBN Apartments will likely see continued sluggish demand in a weak market.

At a time of increasing uncertainty, our focus is on ensuring that our hotels reinforce their strong competitive positions in their respective markets, and on boosting operational and financial performance to drive a sustainable growth in profitability.

Responding to the current market challenges, we are intensifying our marketing activities not only across all our key markets but also in potential emerging high growth markets by leveraging both on our robust global sales and marketing infrastructure and on the considerable strengths of our individual businesses.

In a rapidly evolving digital age, we are also accelerating the development of our digital capabilities and innovation, employing the latest technology to spur online business, nurture stronger customer engagement and relationships as well as to grow brand loyalty and a wider customer base.

Our customers are at the heart of everything we do. We are working relentlessly to meet their needs and expectations so as to enable us to deliver exceptional experiences and high levels of customer satisfaction.

As we strive to be at the forefront of the industry, we are committed to enhancing the high standards and quality of our hotel properties and facilities by building on a programme of unceasing capital investment in the innovative development and improvement of our product and services.

In 2019, a number of enhancements will be undertaken at several of our hotels to refresh food and beverage outlets and meeting facilities, including upgrades to existing mechanical, electrical and IT systems for greater efficiency.

In response to rising cost pressures, we are maintaining our focus on cost management, while running our operations as efficiently as possible and keeping capital expenditure under tight control.

Underpinning our continuing success are the commitment, talent and abilities of our people across the organisation. We constantly invest in the development and training of our people at every level in order to advance their knowledge, skills and capabilities through a comprehensive and well-established range of learning, training and leadership development programmes. At the same time, we seek to create an enriching, rewarding and motivating environment in which they can achieve their full potential.

CHAIRMAN'S STATEMENT

As a company, we recognise the importance of sound stewardship and place great emphasis on fostering an effective governance framework that supports the core values which are fundamental to our success.

We remain equally committed to conducting our business to the highest standards of integrity, and to creating value for our shareholders through sustainable earnings growth in an ethical and responsible way.

BOARD DEVELOPMENTS

At the close of our forthcoming Annual General Meeting on 29 May 2019, Dato' Haris Onn bin Hussein, who has served as an independent non-executive director since 2006, will retire from the Board.

His extensive experience and wise counsel over the years have been of immeasurable value to the Board's deliberations. On behalf of the Board of Directors, I would like to record my deepest gratitude for his unfailing commitment, and my appreciation for his outstanding contribution to the Group throughout his time on the Board. We wish him very well in all that he does in the future.

ACKNOWLEDGEMENT

In concluding, I offer my sincere thanks to everyone in the Group for their dedication, determination and hard work throughout a truly demanding year. I am equally grateful, as always, to my fellow Board colleagues for their valuable guidance and support.

Our thanks also go to all our shareholders for your continued support of the Company.

Tan Sri A. Razak bin Ramli
Chairman
16 April 2019

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

The following discussion and analysis compares the Group's financial condition and operational results for the year ended 31 December 2018 with those of the previous year.

PERFORMANCE OVERVIEW

Group revenue for 2018, at RM550.848 million, was level with the RM550.565 million achieved in 2017.

Group net profit attributable to shareholders declined by 2% to RM70.554 million from RM72.198 million the year before. This was mainly due to a higher net charge for non-operating items of RM17.822 million, as against RM5.858 million in 2017, combined with lower contributions from the Group's resorts in Penang and Sabah. However, the decline was partly mitigated by a net unrealised foreign exchange translation gain of RM1.898 million on the Group's US dollar loans to its associates in Myanmar, versus a loss of RM9.641 million in 2017. There was also a write-back of a RM7.453 million of tax provision made in earlier years in respect of a subsidiary hotel.

The non-operating items in 2018 were made up of:

- The Group's share of net fair value losses of RM10.445 million on the revaluation of investment properties held through associates in Myanmar (2017: RM5.953 million);
- An impairment loss of RM1.439 million in an associated company in Myanmar, which is disclosed on the face of the income statement as an exceptional item; and
- A net charge of RM5.938 million relating to an increase in a deferred tax liability of RM6.082 million for the Group's investment properties in Kuala Lumpur, owing to a change in the Real Property Gains Tax rate from 5% to 10% effective from 1 January 2019, partially offset by a net revaluation gain of RM0.144 million on the Group's investment properties in Kuala Lumpur (2017: RM0.095 million).

In tandem with a drop in net profit, Group earnings per share decreased to 16.04 sen from 16.41 sen in 2017.

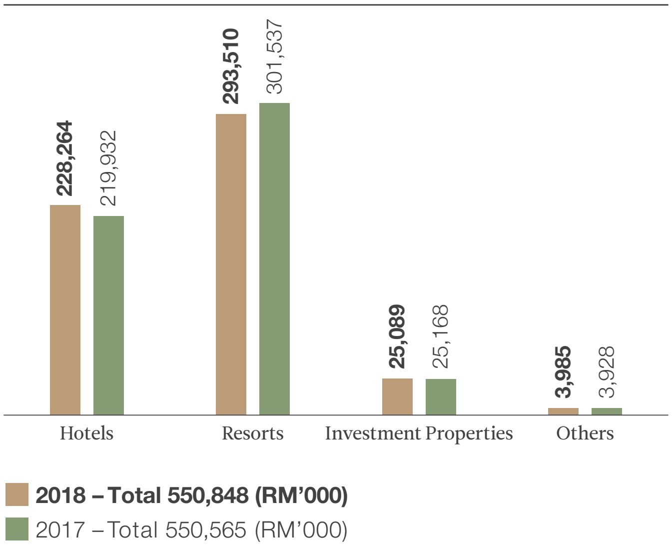
		2018 **RM'000**	2017 RM'000	Change %
Group revenue		**550,848**	550,565	0.1
Group operating profit before exceptional item		**118,615**	114,381	4
Exceptional item		**(1,439)**	–	(100)
Group operating profit after exceptional item		**117,176**	114,381	2
Profit before tax		**107,948**	109,660	(2)
Net profit attributable to shareholders		**70,554**	72,198	(2)
Operating cash flow		**150,802**	178,845	(16)
Earnings per share (EPS)	(sen)	**16.04**	16.41	(2)
Return on equity (ROE)	(%)	**6.6**	6.8	(0.2)

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

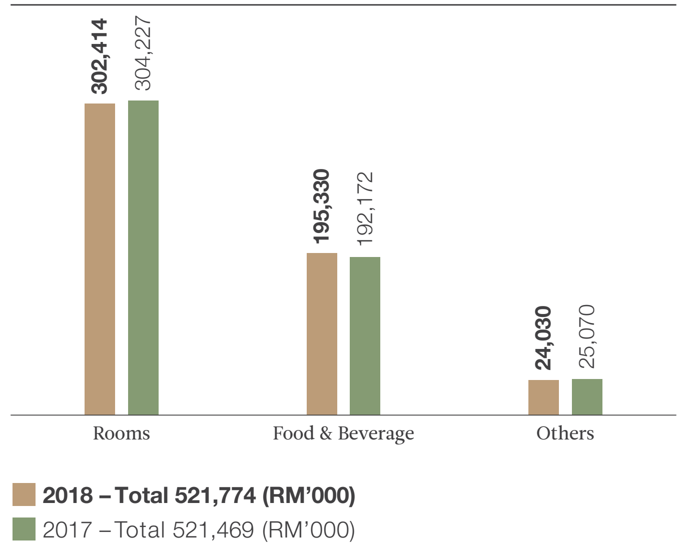
REVENUE

Group revenue for 2018 was steady at RM550.848 million as against RM550.565 million the year before.

Group Revenue by Business Segment



Hotels & Resorts Revenue by Departments



Hotels Segment

In 2018, the combined revenue of the Group's two hotels, Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang, rose 4% to RM228.264 million from RM219.932 million the previous year. At Hotel Jen Penang, revenue jumped 26% to RM42.047 million, driven by a strong growth in occupancy from 65% to 74%, as well as in average daily rates. Meanwhile, revenue at Shangri-La Hotel Kuala Lumpur was flat at RM186.217 million compared to RM186.657 million in 2017, with higher food and beverage revenue being counterbalanced by lower rooms revenue. Occupancy in 2018 dipped to 67% from 69% the year before.

Resorts Segment

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

During the year, total revenue from the resorts eased by 3% to RM293.510 million from RM301.537 million. Weaker leisure demand at Rasa Sayang Resort pushed revenue down by 5% to RM86.481 million, with occupancy declining to 74% from 77%. Golden Sands Resort saw revenue decrease by 4% to RM59.438 million on the back of softer average daily rates and subdued food and beverage business, while occupancy remained the same as the prior year at 78%. At Rasa Ria Resort, revenue was marginally lower at RM142.326 million compared with RM143.767 million in 2017, as a reduction in leisure business led to a fall in occupancy to 71% from 74%.

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REVENUE (cont'd)

Investment Properties

The combined rental revenue of RM25.089 million registered by UBN Tower and UBN Apartments in 2018 was largely similar to the previous year's figure of RM25.168 million.

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 rose slightly during the year to RM3.985 million from RM3.928 million.

The operating performances of each of the Group's resorts, hotels and investment properties are discussed in detail on pages 24 to 34, while their key performance indicators for 2018 are presented in the tables below.

	Available	**Occupancy (%)**		**RevPar (RM)**	
Hotel/Resort	**Rooms**	**2018**	2017	**2018**	2017
Shangri-La Hotel Kuala Lumpur	662	**67**	69	**353**	362
Hotel Jen Penang	443	**74**	65	**196**	155
Rasa Sayang Resort	304	**74**	77	**490**	522
Golden Sands Resort	387	**78**	78	**293**	300
Rasa Ria Resort	499	**71**	74	**497**	499

	Net Lettable	**Occupancy (%)**	
Investment Property	**Area (sq ft)**	**2018**	2017
UBN Tower	352,181	**76**	79

	Lettable	**Occupancy (%)**	
Investment Property	**Units**	**2018**	2017
UBN Apartments	58	**58**	55

Exceptional Item

The exceptional item of RM1.439 million in the Group Income Statement for the year ended 31 December 2018 relates to an impairment charge in respect of the Group's investment in Traders Square Company Ltd, a 23.6%-held associated company in Myanmar, caused by deteriorating market conditions and ongoing uncertainty in the local economy.

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SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2018 RM'000	2017 RM'000
Share of (loss)/profit after tax of associates from operations	**(1,228)**	720
Non-operating Items		
Share of net fair value losses on investment properties	**(10,445)**	(5,953)
	(11,673)	(5,233)

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; and
- 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.

The Group's share of the net loss incurred by its associates rose to RM11.673 million from RM5.233 million in 2017, due mainly to:

- Higher losses from Sule Shangri-La Yangon following a fall in both occupancy and average daily rate in a weak market, together with a lower profit contribution from Shangri-La Serviced Apartments, reflecting a drop in occupancy and average rental rates; and
- An increase in the share of net fair value losses from the year-end revaluation of Shangri-La Serviced Apartments and Sule Square to RM10.445 million in 2018 from RM5.953 million the year before.

INTEREST INCOME

The Group's interest income advanced by 72% to RM7.352 million from RM4.279 million in 2017, on the back of higher cash balances combined with more favourable interest rates earned from placements in cash management funds.

INTEREST EXPENSE

In 2018, a further drawdown on the Group's US dollar bank loans, coupled with an increase in the average cost of borrowings, led to higher interest expenses of RM4.907 million as against RM3.767 million the prior year.

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TAXATION

There was a rise in the Group's tax expense to RM28.479 million in 2018 compared with RM27.640 million the previous year. The main contributing factors were:

- A tax charge reported by Hotel Jen Penang, compared with a tax income in 2017 that benefited from the availability of Investment Tax Allowances for its guestroom renovation project; and
- An increase in deferred tax liability for the Group's investment properties in Kuala Lumpur consequent on a doubling of the Real Property Gains Tax rate from 5% to 10% effective from 1 January 2019.

However, this was partly offset by a write-back of tax provision made in previous years in respect of a subsidiary hotel.

The Group's effective tax rate grew to 26% from 25% in 2017, largely because of an increase in the provision for a deferred tax liability in respect of the Group's investment properties in Kuala Lumpur following the change in the Real Property Gains Tax rate.

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 foreign exchange differences, fair value gains or losses on investment properties and provisions against asset impairment and writebacks.

Group EBITDA, including its share of its associates EBITDA, decreased to RM192.315 million in 2018 from RM204.475 million the year before, owing principally to a fall in EBITDA from the Group's resorts and from Shangri-La Hotel Kuala Lumpur, combined with a reduced share of earnings from the Group's associates (which represented 6% of total EBITDA in 2018 versus 7% in 2017). The decrease was partially mitigated by higher earnings from Hotel Jen Penang.

DIVIDENDS

As for 2018, the Board of Directors has proposed the payment of a final single-tier dividend of 12 sen per share for the year under review. Added to the interim single-tier dividend of 3 sen per share paid in November 2018, this will give a total dividend of 15 sen per share for the financial year ended 31 December 2018, this being the same amount as in 2017. The proposed final dividend is subject to the approval of shareholders at the Annual General Meeting of the Company to be held on 29 May 2019.

The total dividend of 15 sen per share for 2018 will consist of a payout of RM66.000 million (2017: RM66.000 million) and represents 94% of the 2018 Group net profit (2017: 91% of Group net profit).

GROUP NON-CURRENT ASSETS

Property, Plant and Equipment (PP&E)

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

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Investment Properties

The Group's investment properties, mainly comprising 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 investment properties are accounted for in the income statement.

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 2018 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 by RM0.160 million to RM288.340 million as at 31 December 2018 from the carrying amount of RM288.180 million recorded a year earlier. The fair value gain, net of the associated deferred tax, has been recognised in the Group income statement for the year ended 31 December 2018.

FINANCIAL POSITION AT END 2018

At the end of 2018, the Group's balance sheet and financial position both remained robust.

Shareholders' Equity

With the Group's shareholders' equity up by RM3.831 million to RM1.065 billion at 31 December 2018 from RM1.061 billion twelve months previously, the Group's net asset value per share rose to RM2.42 from RM2.41 at the 2017 year-end.

The growth in shareholders' equity was underpinned by the 2018 net profit of RM70.554 million, largely offset by the payment of RM66.000 million in dividends, made up of a final dividend of 12 sen per share for 2017 and an interim dividend of 3 sen per share for 2018.

Total Assets

Total Group assets climbed by RM23.723 million to RM1.509 billion as at 31 December 2018 from RM1.485 billion at the prior year-end. The increase derived chiefly from a rise in cash reserves, offset in part by a decline in PP&E and interests in associates.

During the year, a substantial portion of the Group's cash and bank balances were transferred to placements in cash management funds which earn higher interest and are exempt from income tax.

Meanwhile, PP&E dropped to RM704.991 million as the additions to fixed assets relating to capital expenditure (CAPEX) for renovation and upgrading works on existing hotel properties along with operational CAPEX were outweighed by the annual depreciation.

The Group's interests in associates fell by 4% to RM210.039 million, mostly reflecting its share of the net fair value losses, partly mitigated by a favourable foreign currency translation gain on the Group's US dollar loans to its associates.

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FINANCIAL POSITION AT END 2018 (cont'd)

Total Liabilities

The Group's total liabilities were up by RM11.477 million to RM312.030 million at the year-end. This was principally on account of a rise in short-term borrowings mainly resulting from both a further loan drawdown during 2018 to fund its debt servicing costs and the effect of a strengthening of the US dollar against the ringgit.

Following the adoption of the new Malaysian Financial Reporting Standard 15 – Revenue from Contracts with Customers effective from 1 January 2018, contact liabilities are now required to be separately presented on the face of the statement of financial position. These liabilities relate mostly to receipts in advance from customers for room bookings and banqueting events, and were previously included under trade and other payables at the 2017 year-end.

CASH FLOW

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

	2018 **RM'000**	2017 RM'000
Net cash from operating activities	**150,802**	178,845
Net cash generated from/(used) in investing activities	**18,160**	(70,090)
Net cash used in financing activities	**(65,965)**	(74,368)
Net increase in cash and cash equivalents	**102,997**	34,387
Cash and cash equivalents at beginning of the year	**130,715**	96,328
Cash and cash equivalents at the end of financial year	**233,712**	130,715
Short-term deposits with original maturities over 3 months	**–**	44,840
Short-term fund placements and cash and bank balances in the statement of financial position	**233,712**	175,555

Net cash from operating activities decreased by 16% to RM150.802 million, primarily due to a lower operating cash flow from the Group's hotel operations.

Net cash inflow from investing activities in 2018 stood at RM18.160 million and was mainly made up of a withdrawal of RM44.840 million from short-term deposits upon maturity, together with RM7.352 million in interest income largely from short-term fund placements. The inflow was partly offset by capital expenditure of RM34.140 million on PP&E, mainly at Rasa Ria Resort, Shangri-La Hotel Kuala Lumpur and Rasa Sayang Resort. Net cash outflow from financing activities in 2018 came to RM65.965 million, comprised chiefly of the RM66.000 million paid in dividends to shareholders during the year.

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LIQUIDITY AND FINANCIAL RESOURCES

The financial structure of the Group remains strong and well able to provide the resources needed to maintain the business long-term, to fund prospective capital expenditure, and to enable investment in growth.

The Group's capital structure is managed and reviewed so as to achieve an effective balance between debt and equity while simultaneously optimising shareholder returns and taking due account of future capital requirements as well as projected capital expenditure, operating cash flows and profitability. The Group's operations are financed by cash and bank balances, short-term fund placements, bank credit facilities, and operating cash flows generated by the business.

The Group's financial discipline involves maintaining a tight control of its cash flow position in order to make sure that adequate funds are available to meet its operational needs and financial obligations. The Group constantly manages and monitors its exposure to financial risk, including foreign exchange and interest rate risks, so as to minimise the effects of fluctuations in currency and interest rates. Likewise, the way the Group invests its cash resources aims to minimise risk while enhancing yield.

As at 31 December 2018, the Group's available committed bank borrowing facilities totalled RM230.255 million in the form of revolving credit facilities, of which RM157.523 million was drawn down. As at the 2018 year-end the Group had robust cash reserves of RM233.712 million and undrawn committed bank borrowing facilities of RM72.732 million to meet its financial obligations as they fall due.

As at the same date, Group net cash had increased by 190% to RM76.189 million from RM26.293 million at the 2017 year-end. The 2018 figure represented short-term borrowings of RM157.523 million, less cash and bank balances, plus short-term fund placements of RM233.712 million. In addition, the interest cover ratio for 2018 remained healthy at 23 times.

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SHANGRI-LA HOTEL KUALA LUMPUR

In 2018, the total revenues generated by Shangri-La Hotel Kuala Lumpur remained steady at RM186.217 million as against the RM186.657 million recorded in 2017, with an increase in food and beverage revenue being offset by a drop in rooms revenue. Meanwhile, pre-tax profit fell by 3% to RM40.422 million compared with RM41.716 million the year before.

Naan Restaurant
Rasa Ria Resort & Spa

The hotel's food and beverage revenue gained 3% to RM97.045 million from RM94.598 million, driven by higher contributions from its renovated banqueting facilities and all-day dining restaurant, *Lemon Garden Café*, which both saw healthy rises in covers and average check. As a result, food and beverage profit advanced by 4% to RM40.030 million from RM38.539 million the previous year.

Room revenue, however, declined by 3% to RM84.522 million from RM87.349 million due to lower occupancy levels, while profit decreased by 6% to RM63.919 million versus RM67.669 million in 2017. The hotel's occupancy eased from 69% to 67%, with reduced room night bookings from the corporate group segment of Singapore and Japan and the leisure group segment of Malaysia and the Middle East being partly counterbalanced by higher room night bookings from the meeting and incentive segments and convention segment from Malaysia and Japan.

In 2018, the hotel's product and services garnered further accolades. The hotel was ranked one of the *Best Hotels and Resorts* in the Malaysia Top 10 category by DestinAsian in its Readers' Choice Awards 2018, and was voted one of the *Top 25 Hotels in Malaysia* by TripAdvisor in its 2018 Travellers' Choice Awards.

Looking Ahead

The hotel will be proactive in responding to the challenges posed by the entry of new hotels into the market, especially in Kuala Lumpur city centre. To this end, the hotel will step up its efforts to strengthen its market leadership position and boost its market share.

Sales and marketing initiatives will be intensified so as to drive corporate business from Malaysia, Singapore, Japan and the UK and to expand its customer base in China. It will also seek to enhance its rooms business in the electrical and electronics, education and healthcare sectors, specifically targeting China, the USA and the UK.

The hotel plans to secure more business in its meeting and incentive segments and convention segment from Malaysia, Japan and China as well as to grow its leisure business from the UK, Australia and the Middle East. Simultaneously, a more refined rate strategy will be implemented and upselling efforts will be increased to maximise room yield.

In order to maintain its leadership position in the local food and beverage market and stimulate further patronage for the outlets, the hotel will introduce attractive food promotions and new food concepts. It will also continue with its food and beverage loyalty programme and its partnerships with credit card merchants in order to win repeat business and widen its customer base. Meanwhile, the hotel will leverage on its renovated ballroom and meeting facilities to secure additional high yield conventions, corporate meetings, government events, weddings and social function. At the same time, it will reinvigorate its sales and marketing initiatives to promote its outside catering services.

HOTEL JEN PENANG

Hotel Jen Penang delivered a strong performance in 2018, driven by a healthy growth in both occupancy and room rates. Revenue was up 26% to RM42.047 million from RM33.275 million in 2017. Meanwhile, the hotel achieved a pre-tax profit of RM3.361 million as against a pre-tax loss of RM4.048 million the previous year, the 2017 figure having included asset write-offs associated with the major guestroom renovation programme that was completed at the end of June that year.

Hotel Jen Penang

Room occupancy rose from 65% to 74% due to higher room night bookings from its corporate group and corporate individual segments from Singapore, Japan and Germany. In addition, there was increased demand from the leisure group segment from China, Singapore and Malaysia. At the same time, improved average daily rates were secured in almost all segments, especially in the corporate group and individual segments. Room revenue rose by 27% in 2018 to RM31.763 million from RM25.020 million in 2017, and profit climbed 32% to RM23.454 million from RM17.755 million the prior year.

The hotel's food and beverage likewise advanced in 2018, underpinned by a growth in covers and average check for both banqueting and outlets. In 2018, a surge in corporate meetings, government functions and social events also helped to boost banqueting business. All food and beverage outlets recorded higher covers, especially the hotel's coffee shop, *Café Jen*. Total revenues from food and beverage gained 27% to RM9.275 million from RM7.323 million. The higher revenue coupled with effective cost saving measures resulted in a 144% increase in food and beverage profit to RM1.919 million from RM0.786 million the year before.

To stay ahead of competition, the hotel is currently undertaking soft refurbishment works to its ballroom, function rooms and pre-function areas. This will further reinforce its competitive position by offering customers a higher quality product.

Looking Ahead

Given the more subdued economic climate and the increase in competition, the hotel expects overall demand from its corporate travel market to soften. To counteract this, it will aggressively seek to win new accounts from its key corporate markets of Malaysia, Singapore and Japan, as well as to expand its meeting and incentive business from Malaysia and Singapore. The hotel will also pursue new leisure business from Singapore, China and Indonesia. At the same time, it aims to push up room yield through a more effective rate management strategy.

The hotel plans to improve the performance and operational competitiveness of its food and beverage outlets by launching new dining promotions. To boost banqueting business, it will also escalate its efforts to secure more corporate meetings, group conventions and social functions.

In 2019, enhancing both customer service and operating efficiency will remain a key focus. During the year, the hotel will streamline its operating cost structures so as to maximise profitability while simultaneously maintaining its commitment to high standards of service delivery.

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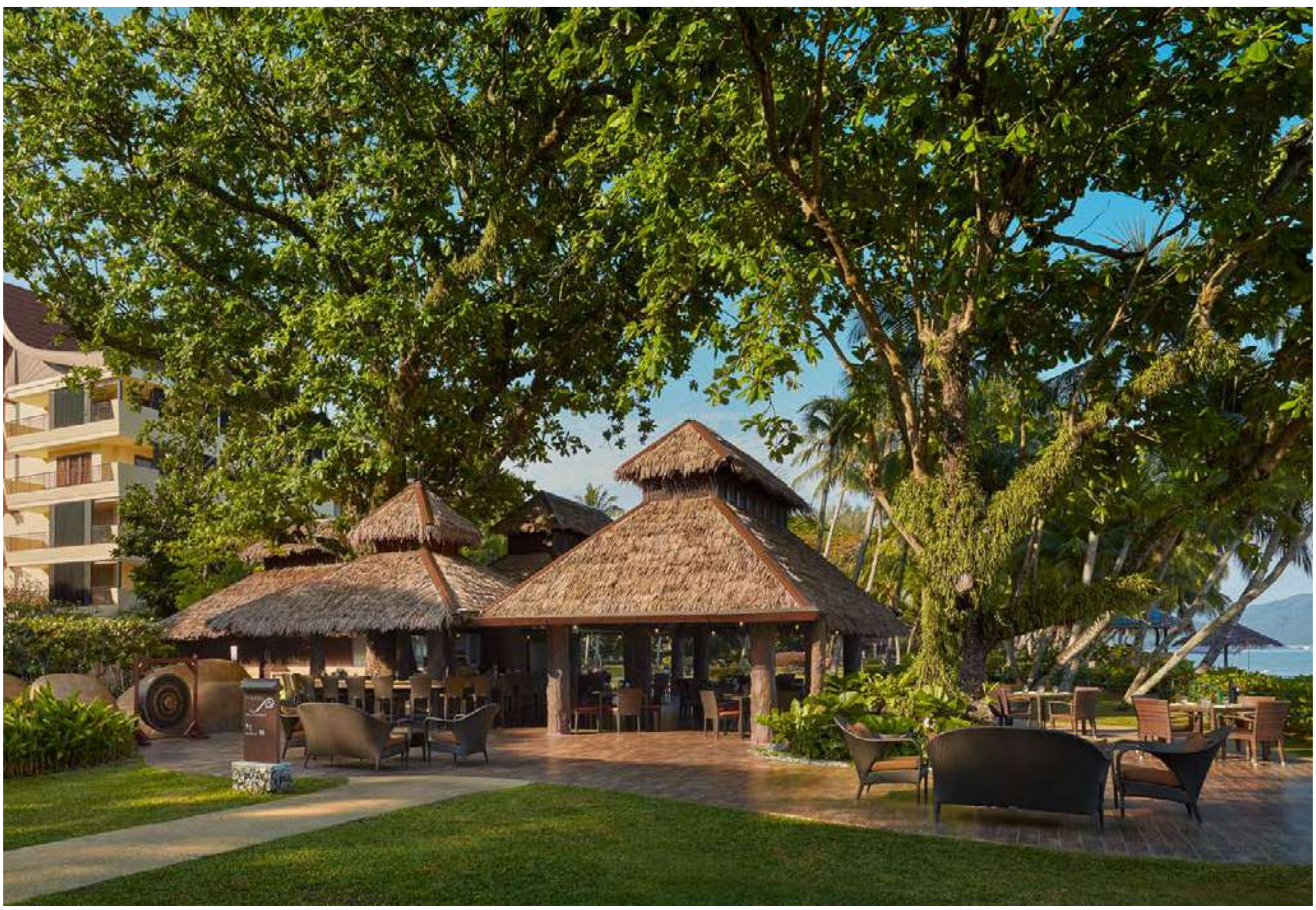
RASA SAYANG RESORT

In 2018, Rasa Sayang Resort saw a fall in both revenue and profit compared with the year before. Total revenues declined by 5% to RM86.481 million from RM90.632 million, and pre-tax profit decreased by 30% to RM17.000 million against RM24.153 million in 2017.



Pinang Bar
Rasa Sayang Resort & Spa

With lower demand from its key leisure markets, the resort's occupancy eased to 74% from 77% in 2017. The resort saw a drop in room night bookings from the leisure group segment of the UK and the Middle East, as well as in the packages segment of the Middle East and Malaysia. At the same time, there was a dip in the average room rate in most segments, especially the leisure individual and packages segments. As a result, room revenue reduced by 6% to RM54.310 million compared to RM57.889 million in 2017, and profit was down 8% to RM43.381 million from RM46.947 million.

The resort's food and beverage revenue slipped by 2% to RM27.790 million as against RM28.384 million, with profit declining by 4% to RM10.976 million from RM11.453 million in 2017. While banqueting business performed better as the resort secured a number of high yield corporate meetings and weddings which drove up average checks, most of the resort's outlets recorded a drop in covers in tandem with lower occupancy. During the year, upgrading works were carried out to the resort's all-day dining restaurant, *Spice Market Café*, to give it a fresh new look, and since re-opening the outlet has been well received by both in-house guests and the local community.

In 2018, various high-profile accolades bore witness to the quality of the resort's products and services. The resort was voted one of the *Top Resorts in Asia* in the Conde Nast Traveler 2018 Readers' Choice Awards, and was recognised as the *Luxury Beachfront Hotel of the Year – Malaysia* in the Asia and Australasia Luxury Travel Awards 2018. The resort was also voted one of the *Top 25 Family Hotels in Asia* by Smart Travel Asia magazine in its 2018 Travel Poll.

Looking Ahead

The resort expects to see lacklustre demand from its key leisure markets in 2019. To counter this, it will redouble its efforts to expand business volume from its leisure markets of Malaysia, Australia, the UK and the Middle East. It will also further broaden its customer base in the emerging markets of Korea and India. Simultaneously, the resort will work on growing its market share in the meeting and incentive segments from Malaysia, Singapore and Hong Kong. Similarly, it will drive higher room yield through a more aggressive rate strategy, and will strengthen its upselling efforts so as to gain more high rated customers especially for its Rasa Wing guestrooms.

To increase food and beverage business at the outlets, the resort will launch new and innovative food concepts that will enrich guests' dining experiences. Likewise, to spur demand from the local community it will forge ahead with dining promotions in partnership with major credit card merchants and social networking groups. Meanwhile, to boost banqueting business, the resort will focus on securing more high rated corporate meetings, weddings, and social events.

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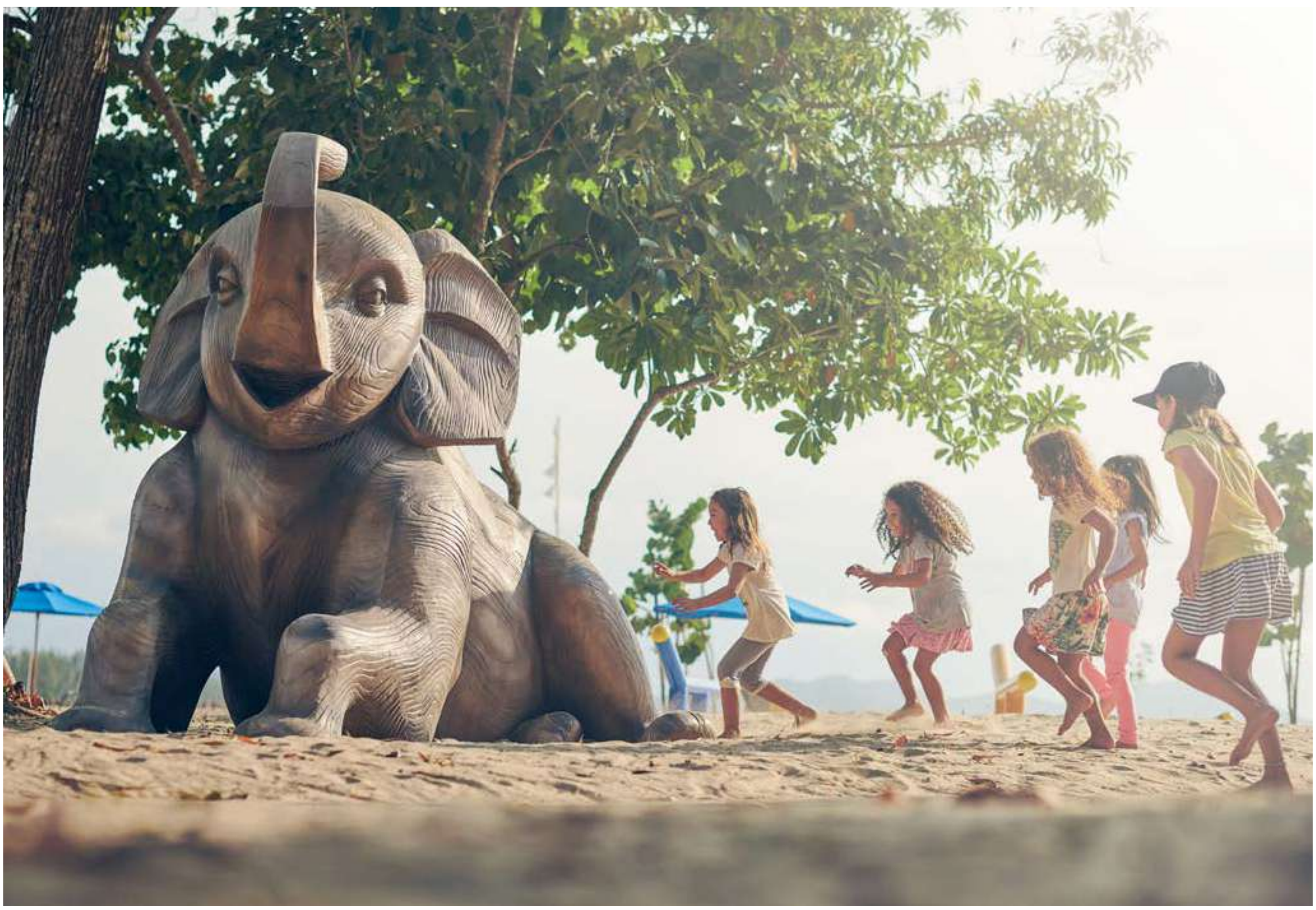
GOLDEN SANDS RESORT

The financial performance of Golden Sands Resort in 2018 reflected the impact of a softer average room rate coupled with reduced food and beverage business. Together, these led to a decline in both revenue and profit as against the previous year. Total revenue dropped 4% to RM59.438 million from RM61.854 million, and pre-tax profit fell 12% to RM14.226 million compared with RM16.103 million in 2017.



Adventure Point
Rasa Ria Resort & Spa

The resort's average room rate eased by 2% mainly due to a contraction in the rates secured in the leisure individual and group segments. However, the resort was able to maintain the same 78% level of occupancy as the prior year, with higher room night bookings from the leisure individual segment of Malaysia, Singapore and the UK being offset by a slowdown in room night bookings from the packages segment of the Middle East and Australia. As a result, overall room revenue slipped by 2% to RM41.437 million from RM42.455 million in 2017, while profit fell by 3% to RM32.978 million compared with RM34.007 million in 2017.

The resort's food and beverage operations delivered weaker results following reduced contributions from both the outlets and banqueting business. Most of the outlets recorded a drop in covers, while banqueting business saw a reduction in corporate meetings and social events. Total food and beverage revenue moderated by 7% to RM15.797 million from RM17.024 million, and profit was down by 12% to RM4.238 million against RM4.821 million in 2017.

During 2018, the resort was ranked number one in the *Top Ten Best Family Resorts in Malaysia* by the leading Australian family travel magazine Holidays with Kids in its 2018 Readers' Choice Survey. The resort was also named as one of the *Top 10 Hotels for Families* by TripAdvisor in its 2018 Traveller's Choice Awards.

Looking Ahead

The trading environment for the resort in 2019 will remain challenging, with increasing competitive pressure and lacklustre leisure demand. In response, the resort will step-up its sales and marketing efforts so as to boost its market share in its key leisure markets of Malaysia, Australia, the Middle East and the UK. At the same time, it will focus on clinching more meetings and incentive business from Malaysia and Singapore, and on continuing to grow its customer base in the emerging markets of China, Japan and India.

To further strengthen its food and beverage business at the outlets, the resort will introduce creative food and beverage concepts. It will also hold appealing food promotions and leverage on social networking promotional efforts to drive patronage from the local community. In addition, to invigorate its banqueting business, the resort will revamp its packages to attract more corporate meetings, weddings and social events.

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RASA RIA RESORT

In 2018, total revenues at Rasa Ria Resort declined slightly to RM142.326 million from RM143.767 million the year before, while pre-tax profit was down 7% to RM41.868 million from RM44.932 million.

Rasa Ria Resort & Spa

The resort's occupancy reduced to 71% from 74% in 2017, following a fall in visitor arrivals due to lower room night bookings mainly in the leisure group segment of Korea and the UK. An encouraging 4% uplift in average room rate was not sufficient to offset the drop in occupancy. As a result, room revenue moderated to RM90.382 million from RM91.514 million in 2017, and profit decreased to RM78.199 million from RM80.138 million.

The resort's banqueting business performed better on the back of a rise in corporate meetings and social functions. On the other hand, the food and beverage outlets saw a contraction in covers in tandem with lower occupancy, particularly at *Tepi Laut* and *Oceano*. Overall, food and beverage revenue improved to RM44.320 million from RM43.841 million, while profit grew to RM18.544 million from RM18.340 million the previous year. In 2018, the resort carried out extensive renovations to its beachfront restaurant, *Tepi Laut*, and the renovated outlet received an encouraging response from guests.

During the year, the resort also significantly reinforced its commitment to conservation. This followed on from its 20-year collaboration with the Sabah Wildlife Department and the Sepilok Orangutan Rehabilitation Centre which concluded in April 2016. In 2018, the resort undertook a major redevelopment of its protected 64-acre nature reserve, designed to enhance guests' enjoyment of nature and adventure.

In addition to a new Discovery Centre, the Rasa Ria Reserve now offers five miles of tropical jungle trails that focus on the native flora and fauna, an improved canopy walkway, a watering hole with a viewing deck, and a new summit platform. Meanwhile, an Adventure Point features a large playground for children, with a rope course and climbing structures. By providing more enriching experiences, these facilities aim to boost environmental education and awareness. The new Rasa Ria Reserve was officially opened in October 2018 and has been very well received both by guests and by the local community.

In 2018, the high reputation of the resort was further reinforced. It was acclaimed as the *Best Newcomer in Asia* by Conde Nast Johansens in its Awards for Excellence 2018, and was voted one of the *Top 10 Best Family Resorts in Malaysia* by Holidays with Kids magazine in its 2018 Readers' Choice Survey. The resort was also ranked one of the *Top 25 Luxury Hotels in Malaysia* by TripAdvisor in its 2018 Travellers' Choice Awards.

Looking Ahead

In 2019, demand from the resort's key leisure markets is expected to be soft. To meet the challenge, the resort will focus on optimising its revenue and maintaining tight control of operating expenses. It will also be redoubling its sales and marketing initiatives. Importantly, the resort aims to raise its profile through increased digital marketing campaigns using wider social media platforms in order to ramp up business from its key regional markets of China, Korea, Australia and Singapore, from its domestic market, and from the UK.

At the same time, the resort will concentrate both on expanding its meeting and incentive business from China, Singapore and Malaysia, and on boosting wedding business particularly from the UK, Singapore and India. It will also continue to generate higher room yield through a more effective yield management strategy so as to win further high-rated-customers, particularly for the *Ocean Wing* guestrooms.

To push up demand at its food and beverage outlets, the resort will introduce creative food concepts as well as enhancing its menus to drive greater patronage from in-house guests. More value added packages will also be offered to build the number of corporate meetings, weddings and social functions and grow the resort's banqueting business.

INVESTMENT PROPERTIES

The performance of the Group's investment properties in Kuala Lumpur in 2018 was broadly comparable to that of the previous year. The total combined rental revenue stood at RM25.089 million, as against RM25.168 million in 2017, while the combined pre-tax profit was RM16.730 million versus RM16.782 million the year before. The pre-tax profit for both years included a fair value gain on the revaluation of the investment properties of RM0.160 million in 2018 and RM0.100 million in 2017.

During 2018, though UBN Tower saw its occupancy level ease from 79% to 76%, its average rental rate improved as higher rates were secured both for new tenancies and for the renewal of existing tenancies, which largely offset the decrease in occupancy. As a result, total rental revenue for 2018 dipped slightly to RM22.980 million from RM23.093 million. The reduction in occupancy was principally due to the non-renewal by a tenant in the oil and gas sector with large office space, which rationalised and downsized its operations and relocated elsewhere, as well as early termination of two tenancies because of financial difficulties.

Despite the prevailing stiff competition in the high-end apartments rental market, UBN Apartments grew its total rental revenue by 2% to RM2.109 million from RM2.075 million on the back of increased demand mainly from expatriates from China in the IT and construction sectors, which led to a rise in occupancy from 55% to 58%.

Looking Ahead

The prime office rental market in Kuala Lumpur is expected to remain steady in 2019, which should help UBN Tower to deliver a fairly stable performance. Trading conditions for UBN Apartments, however, are likely to remain stagnant.

In 2019, greater marketing efforts will be made to attract new tenants, to strengthen relationships with existing tenants, and to secure longer term tenancies at renewals. Both properties will also continue to focus on boosting rental yields and on improving operating efficiency and the quality of maintenance and security.

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 2018 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 2018 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 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 at www.shangri-la.com.

Dato' Dr Tan Tat Wai was the Company's Senior Independent Non-Executive Director until his retirement from the Board of Directors at the conclusion of the Company's 47th Annual General Meeting (AGM) on 17 May 2018. In this role, he provided a sounding board for the Chairman and served as an intermediary for the other directors if necessary. He was also available to meet shareholders to resolve concerns in cases where alternative channels were deemed inappropriate. Following his retirement, the Company has not identified a Senior Independent Director.

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 2018, 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

On 28 February 2018, the Company appointed three new independent non-executive directors namely, Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Encik Ahmed Reza bin Mohd Ghazali.

Between 28 February 2018 and the Company's AGM on 17 May 2018, the Board was made up of eleven directors, comprising two executive directors and nine non-executive directors. Of the nine non-executive directors, seven were 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 well as the three directors who joined the Board on 28 February 2018.

At the conclusion of the Company's AGM on 17 May 2018, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam, Dato' Dr Tan Tat Wai and Mr Tan Yew Jin retired from the Board.

For the remainder of the financial year 2018, the Board consisted of seven directors, 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 on the Board are independent.

As such, throughout the financial year 2018, independent non-executive directors comprised more than one-third of the Board as required by the Listing Requirements of Bursa Malaysia. From 28 February 2018 until the end of the financial year 2018, the board composition also met the requirements of Practice 4.1 of the 2017 Code, which requires a majority of the Board to be independent.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Following a rigorous review in 2018, the Nomination and Remuneration Committee (NRC) and the Board determined that each of the four non-executive directors, namely Dato' Haris Onn bin Hussein, Mr Goh Ching Yin, Dato' Sri Khazali bin Ahmad and Encik Ahmed Reza bin Mohd Ghazali all remain independent in character and judgement, and that there are no relationships or circumstances which are likely to affect their ability to exercise independent judgement.

In particular, notwithstanding Dato' Haris Onn bin Hussein's length of service as independent non-executive director, which exceeded 12 years in October 2018, the Board was satisfied that he continues to demonstrate impartiality and independence of thought in carrying out his role as an independent non-executive director.

As Dato' Haris Onn bin Hussein has informed the Company of his intention to retire from the Board of Directors at the conclusion of the upcoming AGM of the Company on 29 May 2019, there is no requirement to seek shareholders' approval via the two-tier voting process pursuant to Practice 4.2 of the 2017 Code at the upcoming AGM.

From 17 May 2018 till the remainder of the financial year 2018, the percentage of women on the Board stood at 29%, which is substantially 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 8 of this Annual Report.

Board Recruitment Process

In view of Dato' Haris Onn's decision to retire from the Board, the NRC and the Board has started the process of identifying a suitable candidate to replace Dato' Haris Onn.

Following its review of the skills, knowledge and experience needed on the Board, the NRC determined that expertise in accounting and finance would add diversity to the Board and enhance its oversight functions, particularly in the areas of compliance and risk management.

The NRC has shortlisted a potential candidate and the Board is in the midst of finalising the appointment.

In identifying the prospective board candidate, neither an independent search consulting firm nor open advertising was used to assist in the search process. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018, an in house training programme was organised for the directors covering a broad range of topics which included a briefing on Corporate Liability under the Malaysia Anti-Corruption Commission (Amendment) Act 2018 and Malaysia in Transition: Policy Challenges and Opportunities, together with a presentation on Digital Transformation and Navigating through its Disruptive Nature. Several of the directors also attended various external training programmes, including:

- Workshop on Sustainability Statement and Reporting
- Conference on Global Institute for Leadership Development (GILD) Asia 2018
- Programme on Malaysian Financial Reporting Standard 17 – Insurance Contracts
- Cyber Security Training
- Highlights on the Sales and Services Tax

The three new directors who were appointed in February 2018 undertook and completed a tailored and thorough induction programme, which included operational site visits to the Group's hotels in Kuala Lumpur, Penang and Sabah. This enabled the new directors to understand the Group's business operations and gave them the opportunity to meet with senior personnel. Each new director received a comprehensive data pack with detailed information on the Group.

The induction programme also involved meetings with the Board Chairman, fellow Board members, key senior management staff, committee members and external advisors, which included the external Auditors and the Vice President of Corporate Internal Audit, to ensure that the new directors 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.

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)

   Prior to 30 March 2018, 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.

   From 30 March 2018 onwards, the membership of the AC was refreshed 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 assumed the role of AC Chairman on 30 March 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 2018. 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)
   Prior to 30 March 2018, 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.

   From 30 March 2018 onwards, the membership of the NRC was refreshed to comprise 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 from 30 March 2018.

   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.

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 re-election at the 48th AGM of the Company to be held on 29 May 2019 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 2018 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018

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
Goh Ching Yin[2]	4 / 4
Dato' Sri Khazali bin Ahmad[2]	4 / 4
Ahmed Reza bin Mohd Ghazali[2]	4 / 4
Dato' Seri Ismail Farouk Abdullah[3]	1 / 1
Dato' Dr Tan Tat Wai[3]	1 / 1
Datuk Supperamaniam a/l Manickam[3]	1 / 1
Tan Yew Jin[3]	1 / 1

[1] Dato' Haris Onn bin Hussein was absent from one meeting due to a prior commitment which could not be re-scheduled.

[2] Appointed as Directors of the Company on 28 February 2018.

[3] Retired from the Board at the conclusion of the Company's 47th AGM on 17 May 2018.

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 2018 of:
(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 (MEETING ALLOWANCE)	TOTAL
Executive Directors						
Kuok Oon Kwong	540	675	–	–	–	1,215
Datin Rozina Mohd Amin	828	414	35	–	–	1,277
Non-Executive Directors						
Tan Sri A. Razak bin Ramli	–	–	–	50	3	53
Dato' Haris Onn bin Hussein	–	–	–	42	3	45
Goh Ching Yin (note a)	–	–	–	35	4	39
Dato' Sri Khazali bin Ahmad (note a)	–	–	–	33	3	36
Ahmed Reza bin Mohd Ghazali (note a)	–	–	–	29	2	31
Dato' Seri Ismail Farouk Abdullah (note b)	–	–	–	15	1	16
Datuk Supperamaniam a/l Manickam (note b)	–	–	–	14	1	15
Dato' Dr Tan Tat Wai (note b)	–	–	–	15	0	15
Tan Yew Jin (note b)	–	–	–	14	1	15
Total Directors' Remuneration	**1,368**	**1,089**	**35**	**247**	**18**	**2,757**

Note a: Appointed as Directors of the Company on 28 February 2018.
Note b: Retired from the Board at the conclusion of the Company's 47th AGM on 17 May 2018.

TOP 5 KEY EXECUTIVES IN BANDS OF RM50,000 ON AN AGGREGATE BASIS	NUMBER OF KEY EXECUTIVES
From RM1,500,000 to RM1,550,000	1
From RM1,150,000 to RM1,200,000 (note c)	1
From RM950,000 to RM1,000,000	1
From RM850,000 to RM900,000	1
From RM450,000 to RM500,000	1
From RM150,000 to RM200,000 (note d)	1

Note c: For the period from January 2018 to resignation in April 2018.
Note d: For the period from appointment in October to December 2018.
(Position of key executive vacant from May to September 2018.)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC 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 AC 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 AC 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 47th AGM on 17 May 2018, 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 47th 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 2018 and its priorities for 2019 is given below.

2018	2019
STRATEGY	STRATEGY
— Conducted an in-depth review of the strategic priorities and capital investment plans to support the sustainable growth of the Group's hotel businesses over the long term. — Reviewed and approved the 2019 financial and operating budgets including capital expenditure. — Received presentations on the changing competitive landscape and dynamics facing the business.	— Regularly review progress and performance against the Group's strategic and operational objectives. — Regularly monitor the implementation of key operational initiatives and new capital projects. — Continuously monitor market industry trends and developments in the environment in which the business operates.
FINANCIAL PERFORMANCE	FINANCIAL PERFORMANCE
— Reviewed and approved quarterly and full year 2018 financial results and other announcements. — Received presentations from management on the financial performance of the Group and its major business units including updates on marketing strategy.	— Review and approve the quarterly and full year 2019 financial results and announcements. — Regularly review the operating performances and competitive positioning of the Group's major business units.
GOVERNANCE AND RISK	GOVERNANCE AND RISK
— Recommended the 2017 final dividend and approved the 2018 interim dividend. — Received regular reports from the AC on the effectiveness of the Group's risk management and internal control systems. — Received reports from the NRC and reviewed the composition and diversity requirements of the Board and Board committees including succession planning. — Undertook a performance evaluation of the Board and its committees, and individual Directors. — Reviewed ongoing developments and best practice in corporate governance and received key regulatory updates.	— Recommend the 2018 final dividend and approve the 2019 interim dividend. — Maintain oversight and regularly review the robustness of the Group's risk management processes, with a strong focus on cyber and information security controls. — Ensure appropriate plans are in place for orderly succession to the Board and Board committees, and regularly review such plans. — Continuously review the structure and operation of the Board including Board work processes. Develop the performance criteria to be adopted in the formal process of assessing the Board. Consider and approve updates to the Board Charter and the Terms of Reference for each Board committee. — Keep under review opportunities to further enhance governance processes throughout the business. Continue to monitor regulatory compliance and ensure proper policies and procedures are maintained.

This Corporate Governance Overview Statement was approved by the Board of Directors on 16 April 2019.

SUSTAINABILITY STATEMENT

We are pleased to present our sustainability statement for 2018 which sets out our performance and progress towards our sustainability goals, and the challenges and opportunities that lie ahead.

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

About this Statement

We have prepared this statement 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 2018. The report covers our portfolio of five hotel properties in Kuala Lumpur, Penang and Sabah: Shangri-La Hotel Kuala Lumpur, Rasa Sayang Resort, Golden Sands Resort, Hotel Jen Penang and Rasa Ria Resort. The revenues from the hotels represented 95% of the Group's total revenue for 2018. Our other business operations are not included in this report.

Our Sustainability Approach and Governance

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, employees, guests, corporate customers, suppliers and local communities.

The Company has a robust governance structure in place to ensure the successful management of Environmental, Social and Governance (ESG) issues. The mechanisms involved include policies, procedures, reporting processes, management systems, goalsetting, audits, codes of conduct, and standards such as ISO14001, OHSAS18000 and ISO22000.

Till recently, we have kept track of our ESG performance through a Corporate Social Responsibility (CSR) Scorecard for each hotel. However, in 2019 we are replacing the CSR Scorecard with a Balanced Scorecard management system. This will not only further strengthen our governance structure, it will also boost accountability by integrating sustainability measures into the annual performance evaluations of each of our business units.

The Board reviews and monitors the environmental, social and governance risks, and ensures that systems and internal control procedures are in place to safeguard compliance, integrity, business ethics, human rights, fair operating practices and transparency. The Group's system of risk management and internal control is fully described on pages 57 to 60 of this Annual Report.

The Board is committed to promoting an ethical culture in line with our core values, and to implementing and overseeing policies and procedures to prevent bribery and corruption throughout the Group.

SUSTAINABILITY STATEMENT

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. Since the Company's Annual General Meeting on 17 May 2018, two out of seven directors have been women, representing 29% of the Board.

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 Policy Implementation Committee (PIC) and the Audit Committee.

Sustainability management and performance come under the purview of the PIC. The PIC oversees and drives sustainability strategy and initiatives across the business while ensuring alignment with the structures, policies and guidelines of our parent company, Shangri-La Asia Limited.

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

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

What Matters Most

Materiality is a critical input into our corporate sustainability strategy as it ensures that we concentrate on the sustainability issues that are most important to our business and our stakeholders.

Our sustainability focus areas are guided by a Group-wide materiality assessment exercise that was conducted in 2016 by our parent company. We have continued to use this assessment as the framework for our 2018 sustainability report.

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.

Over the years, the Group's hotels have garnered a range of awards recognising their adoption of energy conservation measures. These include:

- ASEAN 2016-2018 Green Hotel Awards, won by Shangri-La Hotel Kuala Lumpur, Rasa Sayang Resort and Rasa Ria Resort;
- Prime Minister's CSR Awards 2009 (Environmental Category), won by Shangri-La Hotel Kuala Lumpur;
- Best Sustainable Hotel for Malaysia, Asia Pacific Hotel Awards 2013-2014, International Hotel Awards, UK, won by Rasa Sayang Resort;
- Prime Minister's Hibiscus Award 2000/2001 for Exceptional Achievement in Environmental Performance, won by Rasa Sayang Resort;
- Prime Minister's Hibiscus Award 2000/2001 for Notable Achievement in Environmental Performance, won by Rasa Ria Resort.

Most recently, in February 2019 Rasa Sayang Resort was recognised as one of the most eco-friendly resorts in Malaysia by the Ministry of Tourism, Arts and Culture Malaysia.

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 2018, 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 and pose both financial and physical risks to our business, and 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.

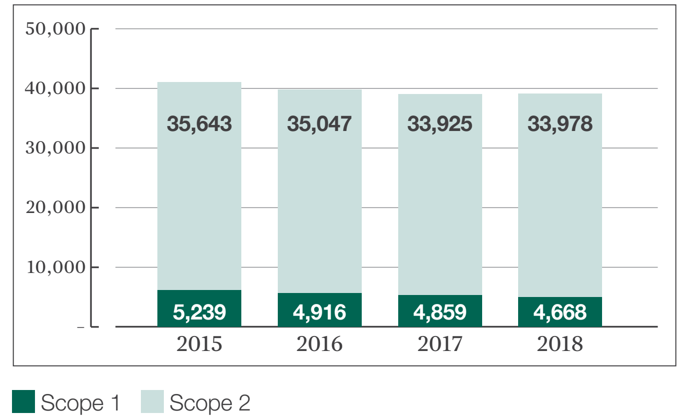
For 2018, total energy consumption across our five hotels declined from 69.13 GWh in 2017 to 68.42 GWh. The total scope 1 and scope 2 GHG emissions produced by our hotels in 2018 was 38,646 tonnes of carbon dioxide equivalent (CO_2e), down 1% from 38,784 tonnes in 2017.

Total Energy Consumption (GWh)

Scope: five group hotels, 2018

Total GHG Emissions (tonnes CO_2e)[1]

Scope: five group hotels, 2018

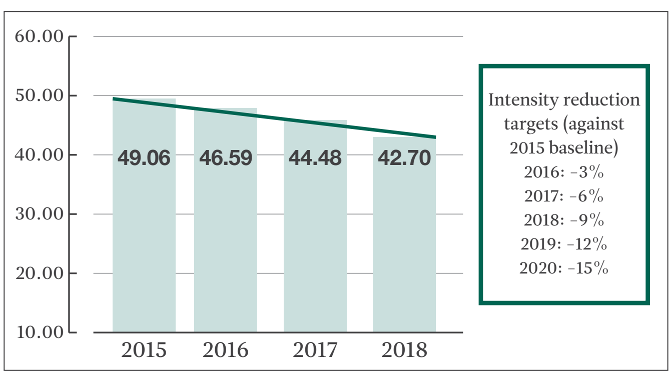


[1] The GHG emissions data for 2015 to 2017 have been restated based on the updated grid emission factor in Malaysia.

Around 88% (2017: 87%) of the overall GHG emissions relate to purchased electricity, with the remaining 12% relating to natural gas and combustion of fuel across our five hotels.

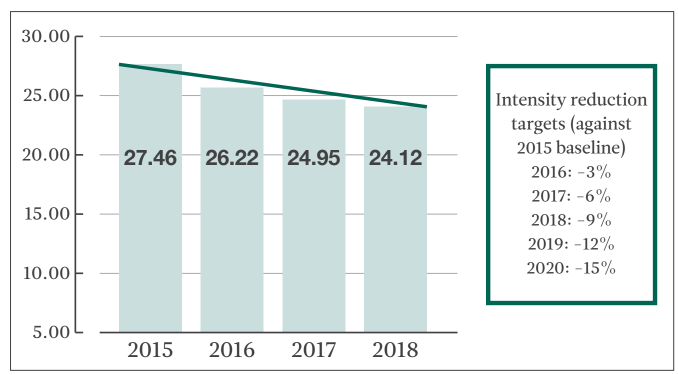
Average Energy Intensity (kWh/BU)

Scope: five group hotels, 2018



Average GHG Emissions Intensity (kg CO_2e/BU)

Scope: five group hotels, 2018



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). We use 2015 as the base year for our environmental footprint target-setting and performance evaluation for energy, GHG emissions and water.

In 2018, the average energy intensity of our five hotels stood at 42.70 kWh/BU, a 13% improvement on the 2015 baseline figure of 49.06 kWh/BU. Similarly, the average GHG emissions intensity for our hotels improved by 12% to 24.12 kg CO_2e/BU as against the 2015 baseline figure of 27.46 kg CO_2e/BU. In both cases, actual performance during the year exceeded the 9% reduction target set for 2018.

OUR ENVIRONMENT (cont'd)

Energy and Greenhouse Gas Emissions (cont'd)

Our five hotels are committed to cutting their carbon footprint, and have made significant investments in initiatives to improve their energy efficiency. They continue to benefit from energy-saving investment, particularly over the last five years, in areas such as capital equipment upgrades (including lifts and escalators, a low-temperature laundry and chillers), lighting replacement using LED bulbs, the installation of guestroom electronic control systems, and the replacement of diesel-burning boilers with heat pumps.

In 2018, Shangri-La Hotel Kuala Lumpur installed a new chiller optimisation system which allows the hotel to better manage energy usage and decrease its scope 2 emissions. The new system will enable the hotel to operate its chiller system at the most efficient levels at all times and is expected to save around 2.2 million kWh per year.

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, and we aim to achieve best practice levels of efficiency across our operations.

Our hotels have introduced several measures to reduce water usage. These include the installation of water-saving flush systems and other water-saving devices in both the guestroom bathrooms and the public area washrooms. Sub-meters have also been installed throughout the hotels to measure water consumption and to enable us to set targets for improvement. At the same time, our hotels continue to encourage guests to reuse towels and linen to lessen water usage.

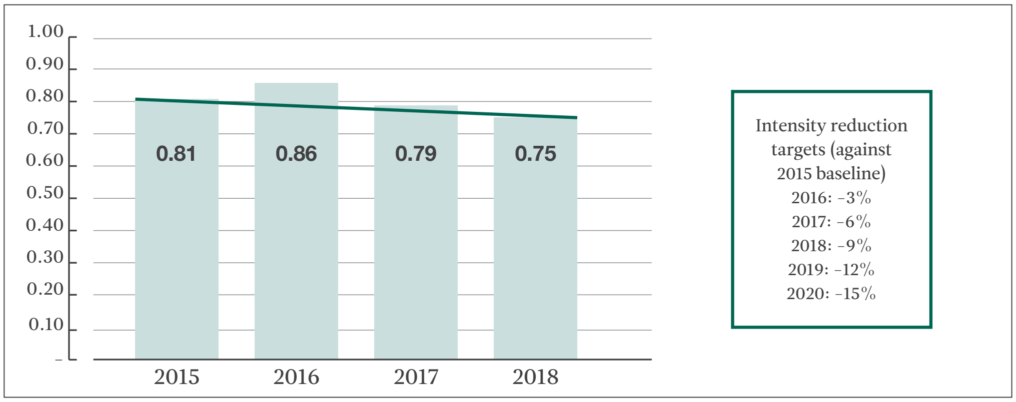
The Group's 18-hole Dalit Bay golf course along with the grounds and landscaped gardens at Rasa Ria Resort are fully irrigated by recycled treated waste water from the sewage treatment plant at the property. In addition, the resort monitors the Biological Oxygen Demand (BOD) content of effluent discharged from its treatment plant. Meanwhile, the effluents produced by Shangri-La Hotel Kuala Lumpur, Rasa Sayang Resort and Golden Sands Resort are treated by third-party service providers before being discharged into the local sewage systems.

During 2018, Shangri-La Hotel Kuala Lumpur installed a more efficient cooling tower with the capacity to operate with a lower water requirement. This will deliver an estimated water-saving of around 2,500 cubic metres (m^3) per year.

In 2018, our five hotels consumed in total 1.2 million m^3 of fresh water from municipal supplies. The 0.75 m^3/BU average water intensity across our hotels in 2018 showed a 7% improvement on the 2015 baseline figure of 0.81 m^3/BU, but did not meet our 2018 reduction target of 9%.

Average Water Intensity (m^3/BU)

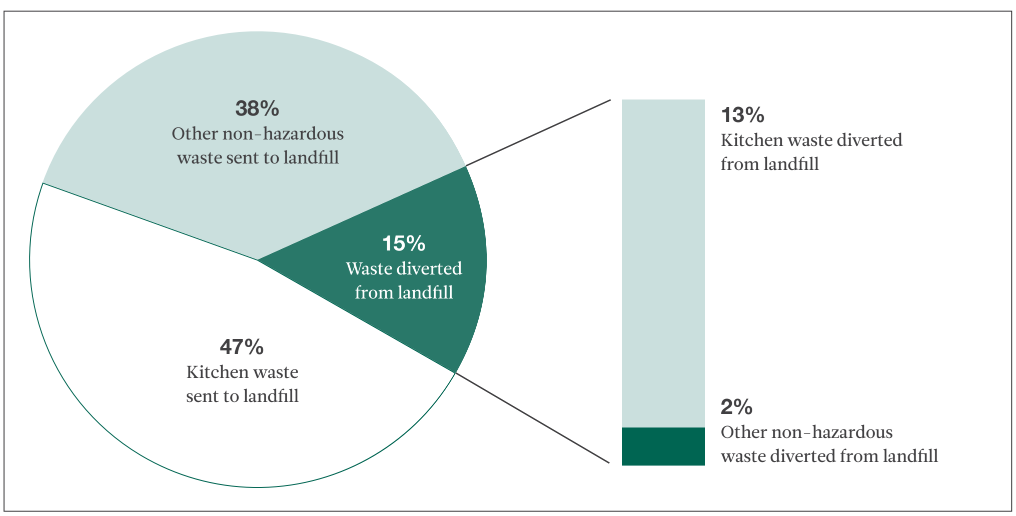
Scope: five group hotels, 2018



Waste

Waste management is a major concern for communities and local authorities in many of the places where we operate. Our aim is to significantly decrease waste, especially food waste; to divert waste from landfill; and to boost recycling. We encourage employees and guests to avoid creating waste, and we grant contracts to responsible disposal companies.

Breakdown of Non-Hazardous Waste



OUR ENVIRONMENT (cont'd)

Waste (cont'd)

In total, our five hotels produced 2,930 tonnes of non-hazardous waste in 2018, 15.1% of which was diverted from landfill. The percentage of total waste recycled deteriorated from 16.6% in 2017 due to growth in other waste sent to landfill by one of our hotels. Our records for 2018 show that our five hotels collectively:

- Donated 286 tonnes of food to third party charitable organisations,
- Upcycled 37 tonnes as compost and animal fodder,
- Collected 49 tonnes of food waste and used cooking oil for resale to reputable service providers.

Since 2011, three of our hotels, Rasa Sayang Resort and Golden Sands Resort in Penang and Rasa Ria Resort in Sabah, have run water purification systems which enable them to bottle their own drinking water in recyclable glass bottles. This reduces plastic waste by an average of 500,000 bottles per resort.

As part of its "Say No to Single-Use Plastic" campaign, Rasa Ria Resort sells refillable silicone bottles and has installed seven water-refill stations around the resort. Through this initiative, the resort cut the disposal of single-use water bottles from 121,000 in 2017 to less than 43,000 in 2018. Alongside this, we have paperless check-in at four of our hotels, and use recycled paper for guestroom collaterals. We also send used soap and linen for re-use by local communities. All our hotels have ceased using single-use plastic straws and provide paper straws on request.

Our hotels continuously seek to improve their waste diversion programmes, working with various partners on the segregation and recycling of waste such as paper, plastic, metal, glass, and used cooking oil. Aside from using biodegradable bags and packaging, our hotels have increased their efforts to ensure that most of the cleaning materials they use are biodegradable. Likewise, staff are encouraged to improve recycling in all aspects of their work.

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 starting work on projects, which are then developed, tracked and monitored. Besides this, we engage our employees, guests and local communities in interactive learning experiences and other activities that emphasise the importance of biodiversity conservation.

In Sabah, Rasa Ria Resort has dedicated 64 acres of its forested hills to a nature reserve. The reserve is home to the 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 an abundance of indigenous flora and fauna. During 2018, following on from its successful 20-year collaboration with the Sabah Wildlife Department and the Sepilok Orangutan Rehabilitation Centre which concluded in April 2016, the resort significantly reinforced its commitment to conservation by undertaking a major redevelopment of the protected 64-acre nature reserve.

The new Rasa Ria Reserve provides visitors, local communities and students from all around Sabah not only with an enriching educational experience but also with greater environmental awareness gained by experiencing the natural world first-hand and by taking part in adventure activities. The reserve now includes:

- An upgraded discovery centre built using sustainable materials, that serves as an education hub with informative displays and interactive learning experiences,
- Five miles of upgraded jungle trails, focusing on different attractions such as entomology, wildlife, herbs and adventure,
- A new night walk,
- Birdwatching activities,
- A treetop canopy walkway,
- A watering hole with a viewing deck from which to spot nocturnal animals and observe wildlife,
- A new summit platform,
- An adventure playground consisting of a ropes course and apparatus handcrafted from wood.

In 2018, the reserve recorded over 15,000 visitors and three school visits.

The joint Turtle Care Project run by Rasa Sayang Resort and Golden Sands Resort demonstrates their commitment both to creating awareness of the need for turtle conservation and to increasing the survival rate of hatching turtles. At their onsite Eco Centre, various displays inform visitors about environmental protection and the conservation of turtle species.

In 2018, four trips were organised for guests and other visitors to the Turtle Hatchery Centre at Pantai Kerachut. In addition to learning activities, the trips involved helping to clean up the nesting areas at beaches that lie within the sanctuary of the Penang National Park.

OUR BUSINESS

Robust governance, effective internal controls, guest engagement, 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.

Guest Engagement

Our five hotels monitor guest feedback on a daily basis using the Defect Reporting, Recording and Resolution (DR3) reporting system. This enables them to respond to and act swiftly to address major areas of concern as well as to implement effective action plans to resolve recurring issues. In 2018, most of the feedback received concerned ineffective air-conditioning and rooms not ready during check-in. All guest feedback is handled appropriately by our hotel staff, who have been trained on problem resolution.

Guest satisfaction levels are also monitored by TrustYou, a third-party vendor which analyses ratings from external travel and hotel review sources such as TripAdvisor and Booking.com. According to the TrustYou Performance Score for 2018, out of 45,144 reviews of our five hotels, 88% were positive, 12% negative.

OUR BUSINESS (cont'd)

Guest Safety and Security

Safety and security are a top priority for the Group, and we encourage all our hotels to promote a strong safety culture. Our security teams 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. At the same time, audits of the security systems at each hotel are performed on a regular basis to ensure their reliability and effectiveness. 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.

However, in 2018, comprehensive audits were carried out at three hotels only, and audits of the two remaining hotels were rescheduled for the first half of 2019. Of the three hotels that were audited in 2018, Golden Sands Resort achieved an overall pass rate of 82.9% as against the benchmark requirement of 80% while Hotel Jen Penang and Rasa Ria Resort came in at 76.8% and 77.0% respectively. The deficiencies at both hotels are being addressed.

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 supervising the implementation of the SFSMS system, and food safety performance is tracked as part of each hotel's CSR Scorecard. In 2018, all our five hotels maintained their ISO 22000: Food Safety Management System or HACCP (Hazard Analysis and Critical Control Points) certification.

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 guests and staff at our hotels. In 2018, 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. In accordance with our standards, all our hotels provide adequate ventilation and air filtration. We measure the IAQ of each hotel every three years or as frequently as required by local authorities.

Data Privacy

We are committed to respecting privacy; safeguarding our guests' personal information; to upholding the highest standards of ethical and legal conduct relating to individuals; and to ensuring compliance with all applicable laws and regulations. Regarding guest privacy, we are not aware of any significant data security breaches affecting our hotel operations in 2018. 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.

Responsible Sourcing

Responsible sourcing practices are vital to our business integrity, enabling us to 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 in terms of 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 matters.

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.

Standards the Group applies in order to tackle supply chain impacts cover, among other things:

- 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, while 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, free of chemicals and pesticides, or be seafood that is responsibly sourced.

Our five hotels are working across their supply chains to ensure that they source food products in a sustainable manner with the least possible impact on the environment.

OUR PEOPLE

The long-term sustainability of both our business and our reputation depends on instilling a committed, knowledgeable and skilled workforce with the right culture and values.

In 2018, our five hotels employed 2,488 people in permanent full-time positions (2017: 2,442). The staff turnover rate varied from 9.9% to 21.4%, with a median rate of 13.9% (2017: 9.2% to 16.6%; median rate 14.1%).

How we Manage Human Capital

Our Code of Conduct and Ethics aims to ensure that our Group maintains high ethical standards across our business operations. It 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 (cont'd)

We are committed to providing equal employment opportunities and strive to create a working environment where all employees can make the best use of their skills and reach their full potential. It is our policy not to discriminate on the basis of age, gender, race, religion, disability, marital status, family status, sexual orientation, or any other personal characteristic.

Fundamental to our business success is a fully engaged workforce. We place considerable value on involving our employees and keeping them informed on matters affecting them and the Group's business performance. This is achieved through formal and informal meetings, internal communication, a State of the Hotel Address and executive committee dialogues.

Diversity and Inclusion

Our culture is based on respect for others and a commitment to promoting diversity and inclusion at all levels of the organisation.

In 2018, 40% of our workforce was female (2017: 40%), and in March 2018, to celebrate International Women's Day, Shangri-La Hotel Kuala Lumpur held an afternoon tea party attended by 150 female colleagues.

We provide employment opportunities for people with disabilities (PWD) and we help them 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 2018, 35 PWDs had permanent employment with our hotels, forming 1.5% of our total permanent headcount. As of 2018, Shangri-La Hotel Kuala Lumpur employed 15 PWDs who were given on-the-job training and, like anyone else, enjoyed all the privileges and benefits of employment such as medical cover, career development, skills training and sports activities.

At Rasa Ria Resort, Encik Samri Butak from the Engineering Department received the Employee Award for PWD 2018 from the Sabah Labour Department. In conjunction with the International Day of People with Disability, Shangri-La Hotel Kuala Lumpur held a special luncheon in December 2018 for all its PWDs from various departments together with senior management.

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 5 to 21 days a year. In 2018, 100% of new hires in our five hotels went through Colleague's Orientation.

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

During 2018, 115 employees from our hotels attended the Shangri-La Global Academy Certificate, Diploma and Management Development programmes (2017: 119). Meanwhile, the Shangri-La Global Academy initiated an online digital learning platform offering 200 videos and other learning materials which can be accessed by our employees via their mobile devices.

Employee Wellbeing

We run health and wellness improvement programmes for our employees and their families, and during 2018, 39 health and wellbeing programmes and events were organised across our hotels.

Training sessions and talks on physical wellbeing and health have focused on 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.

Occupational Health and Safety

We regard the health and safety of our guests and employees as paramount. 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.

OUR COMMUNITIES

We are conscious of our duty as a responsible corporate citizen, and aim to give back and contribute positively to the communities in which we operate.

Set up in 2009, Embrace, our Care for People project, aims to foster a sense of ownership and responsibility through long-term partnerships between each of our hotels and its local community. Embrace is especially dedicated to advancing children's health and education, and each project must have measurable and achievable outcomes. Success is assessed annually as part of the hotel's CSR scorecard, showing the impact of the projects in terms of surgical operations, health scans, life skills development, hotel apprenticeships, infrastructure and facilities improvements 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 2018, through its annual fundraising initiatives and its own donations, the hotel sponsored heart surgery for seven children. Since 1985, the project has helped 330 children suffering from severe heart ailments to proceed to immediate life-saving heart surgery.

During 2018, under its Embrace, Gift of Life project, Rasa Sayang Resort sponsored heart surgery for congenital heart defects for five patients aged between three weeks and two years old. Golden Sands Resort sponsored artificial limbs for 24 recipients under its Embrace, Gift of Limb project. And Hotel Jen Penang, through its Embrace, Gift of Hope project, sponsored treatment for atrial septal defects (hole in the heart) for five children from three months to twelve years old from underprivileged families.

In Sabah, Rasa Ria Resort continued to sponsor daily meals for 80 underprivileged students at SK Lapasan, and 48 students also benefited from book sponsorships. Since the partnership began in 2015, the school has shown a marked improvement in examination results, particularly in Science and English.

OUR COMMUNITIES (cont'd)

In March 2018, Rasa Ria Resort adopted SM St James, a secondary school located in Tenghilan, about 11km from the resort. The school serves about 250 students of between 13 and 17 years old, many from low-income families.

During the year, the resort funded works to address the deficiencies in the school's infrastructure so as to create a better and safer learning environment. These works entailed the repair and maintenance of the multipurpose hall and hostels, upgrades to the toilets, and the building of a new school bus stop. As well as this, the school was provided with new beds and furniture for the hostels and a proper filtration system. 96 students received book sponsorships, 30 students benefited from bursary awards, and the resort also gives students educational, health and life skills support.

In 2018, Rasa Ria Resort provided practical training for 69 students from local institutes of Higher Learning in various aspects of hotel operations. Meanwhile, under the Higher Secondary Apprenticeship programme initiated by the Ministry of Education in 2018, seven students from the Federal School for the Deaf were given apprenticeship training by our Penang hotels – two by Rasa Sayang Resort, two by Golden Sands Resort and three by Hotel Jen Penang. The apprentices were assigned to the housekeeping, engineering and food and beverage departments.

In conjunction with Autism Awareness Day in April 2018, Rasa Ria Resort organised a 38km charity biking event to raise awareness of autism, with the proceeds being donated to the Tuaran Community Rehabilitation Centre, a local non-profit organisation that provides education for people with autism and other disabilities. 31 colleagues from the hotel volunteered to help organise the event, which was attended by 172 people.

Our hotels are also involved in a wide range of initiatives for the benefit of local communities, and our employees volunteer to participate in annual blood donation campaigns, beach-cleaning exercises, and visits to orphanages and homes for the aged and the blind. In October 2018, in conjunction with World Day for Safety and Health at Work, Shangri-La Hotel Kuala Lumpur organised a blood donation drive on behalf of the National Blood Centre of Kuala Lumpur in which more than 60 employees took part.

We offer one day of paid volunteering leave every year to each member of staff to encourage them to participate in community events. In 2018, our workforce across our five hotels dedicated 5,284 volunteer hours (2017: 6,769) to our Embrace (Care for People) and Sanctuary (Care for Nature) projects and other charitable initiatives and volunteering opportunities.

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 ongoing 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**
  For the period from 1 January 2018 to 29 March 2018, the Audit Committee of the Board consisted of three non-executive directors, two of whom were independent including the Chairman. The Chairman of the Audit Committee was Dato' Seri Ismail Farouk Abdullah and the other members were Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin.

  The Audit Committee of the Board was refreshed on 30 March 2018, and currently 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.

  The Audit Committee of the Board has full access to both the internal and external auditors.

- **Documented internal policies and procedures**
  Key policies and control procedures regulating financial and operating activities are clearly documented in manuals for the hotel operating units. Compliance with the controls set out in the manuals is monitored by 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. During 2018, the Delegation of Authority Manual was refreshed to ensure a more efficient running of operations as well as to further enhance the approval structure and institute more robust controls. All 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, covering business strategies, financial and operating targets, performance indicators and capital expenditure proposals. These budgets are reviewed by the Policy Implementation Committee (PIC) of the Board. The Board then approves the consolidated Group budget, which sets 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, an analysis of significant variances with key performance indicators, and regular re-forecasting.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

- **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 developments, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **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.

- **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 2018, 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 2018, 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 16 April 2019.

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

For the period from 1 January 2018 to 29 March 2018, the AC consisted of three non-executive directors, two of whom were independent, including the Chairman. The Chairman of the AC was Dato' Seri Ismail Farouk Abdullah and the other members were Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin. The AC 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 presently 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 and is not the Chairman of the Board.

The AC held four meetings in 2018. The executive directors, the Group Regional Financial Controller, the Group Finance Manager, the Vice President 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 2018 is shown in the table below.

NAME OF MEMBER	TOTAL ATTENDANCE
Goh Ching Yin, Chairman (Appointed as a member on 30.3.2018) (Independent Non-Executive Director)	3 / 3
Dato' Sri Khazali bin Ahmad (Appointed as a member on 30.3.2018) (Independent Non-Executive Director)	3 / 3
Dato' Haris Onn bin Hussein (Appointed as a member on 30.3.2018) (Independent Non-Executive Director)	3 / 3
Dato' Seri Ismail Farouk Abdullah (Ceased as a member on 30.3.2018) (Independent Non-Executive Director)	1 / 1
Datuk Supperamaniam a/l Manickam (Ceased as a member on 30.3.2018) (Independent Non-Executive Director)	1 / 1
Tan Yew Jin (Ceased as a member on 30.3.2018) (Non-Independent Non-Executive Director)	1 / 1

MAIN ACTIVITIES IN 2018

A summary is set out below of the main activities carried out by the AC in 2018 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 discussed with the external auditors the adoption of the new Malaysian Financial Reporting Standard (MFRS) 9 – Financial Instruments and MFRS 15 – Revenue from Contracts with Customers, which came into effect on 1 January 2018. Detailed discussions were held in particular on MFRS 9, with an emphasis on the new forward-looking expected credit loss impairment model for financial assets;
- Reviewed and discussed with the external auditor the requirements of the new MFRS 16 – Leases, which is effective for annual periods beginning on or after 1 January 2019, and how they will affect the accounting for the Group's operating leases;
- Reviewed and examined the carrying values impairment test 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;

AUDIT COMMITTEE REPORT

- 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;
- Considered the proposed increase in fees for the external auditor in respect of the financial years 2018 and 2019;
- 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 Vice President 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
- Reviewed and approved the audit plans and monitored the 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.

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 has established criteria to limit 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 2018, 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 reappointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2019 the reappointment 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 2018.

INTERNAL AUDIT FUNCTION (cont'd)

The IAD is adequately resourced. It has 30 staff headed by Mr Rajiv Bhardwaj, Vice President of Corporate Internal Audit. Mr Rajiv was appointed Vice President of Corporate Internal Audit in January 2015 and has been with the Shangri-La Group of hotels for 17 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 2018, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM67,100.

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/she is not a member of the 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.

AUDIT COMMITTEE REPORT

2.3 The meetings of the AC shall normally be attended by the executive directors and the Vice President of Corporate Internal Audit. The AC may also request other directors, members of senior management, counsels, and/or 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 Vice President of Corporate Internal Audit and senior executives in the internal audit function.

TERMS OF REFERENCE OF THE COMMITTEE (cont'd)

4. Functions & Duties (cont'd)

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 ongoing capital improvement programmes and product innovation to ensure competitiveness. Continuous focus on enhancing service capabilities and guest satisfaction 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, including the ISO 22000 : Food Safety Management System and HACCP (Hazard Analysis and Critical Control Points) certification 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.

PRINCIPAL RISKS

PRINCIPAL RISKS	MITIGATION
Technology Failure, Information Security and Cybersecurity The Group relies heavily on technology and information systems for its operations. Failure of IT infrastructure and critical systems, breach of data security and cyberattacks could damage the Group's business operations and reputation and lead to financial losses and non-compliance with laws and regulations.	• 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. • Comprehensive privacy policy and 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. • Investment in IT security and introduction of additional automated controls to prevent, detect and respond to cyberattacks. • Monitoring and updating of IT security policies and procedures, which are subject to regular independent audits. • Continuous improvements in monitoring capabilities, and performing of regular vulnerability assessments and penetration tests. • Regular training for all employees to create awareness of emerging information security and cyber threats. • Comprehensive cyber insurance policy to protect against loss.
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.

PRINCIPAL RISKS

PRINCIPAL RISKS	MITIGATION
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 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 2018

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 2018 on pages 83 to 159, 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 2018

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 2018.

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	70,554	35,337
Non-controlling interests	8,915	–
	79,469	35,337

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 2017 as reported in the Directors' Report of that year:
   - a final single-tier dividend of 12 sen per ordinary share, totalling RM52,800,000 on 2 July 2018; and

ii) In respect of the financial year ended 31 December 2018:
   - an interim single-tier dividend of 3 sen per ordinary share, totalling RM13,200,000 on 23 November 2018.

DIRECTORS' REPORT
for the year ended 31 December 2018

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 2018. 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 29 May 2019. 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 2019.

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	
Goh Ching Yin	Appointed on 28 February 2018
Dato' Sri Khazali bin Ahmad	Appointed on 28 February 2018
Ahmed Reza bin Mohd Ghazali	Appointed on 28 February 2018
Dato' Seri Ismail Farouk Abdullah	Retired on 17 May 2018
Datuk Supperamaniam a/l Manickam	Retired on 17 May 2018
Dato' Dr Tan Tat Wai	Retired on 17 May 2018
Tan Yew Jin	Retired on 17 May 2018

In accordance with Article 95 of the Company's Articles of Association, Madam Kuok Oon Kwong and Mr Goh Ching Yin 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' Haris Onn bin Hussein will retire from the Board with effect from the conclusion of the Company's forthcoming Annual General Meeting.

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 2018

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:

	As at	Number of Ordinary Shares		As at
THE COMPANY	1.1.2018	Acquired	(Disposed)	31.12.2018
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong	–	–	–	–
Datin Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Goh Ching Yin	–	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–	–
Ahmed Reza bin Mohd Ghazali	–	–	–	–
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	–	–	10,000

RELATED CORPORATION **SHANGRI-LA ASIA LIMITED ("SAL") – ULTIMATE HOLDING COMPANY**	Number of Ordinary Shares of HKD1.00 each			
DIRECT INTERESTS IN SAL				
Tan Sri 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	–	–	–	–
Goh Ching Yin	–	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–	–
Ahmed Reza bin Mohd Ghazali	–	–	–	–
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	189,455	128,000	–	317,455

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 2018, 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 2018

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 30 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 2018

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 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 17.4 to the financial statements.

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 17 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: 16 April 2019

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 83 to 159 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 2018 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: 16 April 2019

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 83 to 159 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 16 April 2019.

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 2018 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 83 to 159.

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 2018, 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

IMPAIRMENT OF INTERESTS IN ASSOCIATES

Refer to Note 2(j) – Significant accounting policy: Impairment; Note 6 – Interests in associates.

The key audit matter	How the matter was addressed in our audit
The Group has interests in associates amounting to RM210 million as at 31 December 2018. The Directors assessed the recoverable amounts of the investment and loans to associates using cash flows projections of the associated companies which were estimated by management or an independent valuer. We have identified the recoverable amounts of the investment and loans to associated companies as a key audit matter because of the significance of the amounts and the assessment of the recoverable amounts involved significant judgment.	We performed the following audit procedures, among others: • We tested the principles and integrity of the associated companies' cash flows model used by management or the independent valuer. • 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; and 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 amounting to RM288 million as at 31 December 2018. 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 as at 31 December 2018 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.

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

IMPAIRMENT OF INTERESTS IN SUBSIDIARIES
Refer to Note 2(j) – Significant accounting policy: Impairment; and Note 5 – Interests in subsidiaries.

The key audit matter	How the matter was addressed in our audit
The Company has interests in subsidiaries amounting to RM551 million as at 31 December 2018. We have identified the carrying amount of interests in subsidiaries as a key audit matter because of the assessment of recoverable amounts of interests in subsidiaries involved significant judgment.	We performed the following audit procedures, among others: • We reviewed management's assessment for indications of impairment by considering whether it had factored or considered relevant internal and external information. • We reviewed the recoverable amount determined by management by evaluating whether assumptions used were reasonable and supportable.

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.

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

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.

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.

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: 03169/02/2021 J
Chartered Accountant

Petaling Jaya
Date: 16 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	GROUP 31.12.2018 RM'000	GROUP 31.12.2017 RM'000	COMPANY 31.12.2018 RM'000	COMPANY 31.12.2017 RM'000 Restated	COMPANY 1.1.2017 RM'000 Restated
ASSETS						
Non-current assets						
Property, plant and equipment	3	**704,991**	734,645	**97,873**	102,581	109,076
Investment properties	4	**288,340**	288,180	**–**	–	–
Interests in subsidiaries	5	**–**	–	**550,512**	580,214	591,734
Interests in associates	6	**210,039**	218,657	**–**	–	–
Property development expenditure	7	**12,286**	12,286	**–**	–	–
Deferred tax assets	8	**9,440**	9,035	**–**	–	–
		1,225,096	1,262,803	**648,385**	682,795	700,810
Current assets						
Inventories	9	**4,261**	5,343	**499**	601	1,013
Trade and other receivables, prepayments and deposits	10	**38,040**	35,201	**129,615**	143,394	120,862
Tax recoverable	10	**8,112**	6,596	**2,266**	902	468
Short-term fund placements	11	**205,245**	–	**9,119**	–	–
Cash and bank balances	11	**28,467**	175,555	**9,343**	160,834	130,853
		284,125	222,695	**150,842**	305,731	253,196
Total assets		**1,509,221**	1,485,498	**799,227**	988,526	954,006
EQUITY						
Share capital	12	**544,501**	544,501	**544,501**	544,501	440,000
Reserves		**520,585**	516,754	**184,673**	215,336	331,929
Total equity attributable to shareholders of the Company		**1,065,086**	1,061,255	**729,174**	759,837	771,929
Non-controlling interests		**132,105**	123,690	**–**	–	–
Total equity		**1,197,191**	1,184,945	**729,174**	759,837	771,929
LIABILITIES						
Non-current liabilities						
Retirement benefits	13	**24,572**	23,152	**989**	871	719
Deferred tax liabilities	8	**22,007**	19,884	**7,822**	5,998	3,124
		46,579	43,036	**8,811**	6,869	3,843
Current liabilities						
Short-term borrowings	14	**157,523**	149,262	**–**	–	–
Trade and other payables	15	**88,721**	106,060	**56,805**	221,820	178,234
Contract liabilities	16	**17,756**	–	**4,437**	–	–
Current tax liabilities		**1,451**	2,195	**–**	–	–
		265,451	257,517	**61,242**	221,820	178,234
Total liabilities		**312,030**	300,553	**70,053**	228,689	182,077
Total equity and liabilities		**1,509,221**	1,485,498	**799,227**	988,526	954,006

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

INCOME STATEMENTS

for the year ended 31 December 2018

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	17.1	**550,848**	550,565	**143,431**	140,182
Operating profit before exceptional item		**118,615**	114,381	**70,353**	55,327
Exceptional item	17.4	**(1,439)**	–	**(32,194)**	–
Operating profit	17.1	**117,176**	114,381	**38,159**	55,327
Interest income	18	**7,352**	4,279	**3,172**	5,283
Interest expense	19	**(4,907)**	(3,767)	**(2,615)**	(5,589)
Share of results of associated companies	20	**(11,673)**	(5,233)	**–**	–
Profit before tax		**107,948**	109,660	**38,716**	55,021
Tax expense	22	**(28,479)**	(27,640)	**(3,379)**	(5,513)
Profit for the year		**79,469**	82,020	**35,337**	49,508
Profit attributable to:					
Shareholders of the Company		**70,554**	72,198	**35,337**	49,508
Non-controlling interests		**8,915**	9,822	**–**	–
Profit for the year		**79,469**	82,020	**35,337**	49,508
Basic earnings per ordinary share (sen)	23	**16.04**	16.41		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Profit for the year	**79,469**	82,020	**35,337**	49,508
Other comprehensive income/(expense)				
Item that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of financial statements of overseas associates (Note 17.3)	**(723)**	1,906	**–**	–
Other comprehensive income/(expense) for the year	**(723)**	1,906	**–**	–
Total comprehensive income for the year	**78,746**	83,926	**35,337**	49,508
Total comprehensive income attributable to:				
Shareholders of the Company	**69,831**	74,104	**35,337**	49,508
Non-controlling interests	**8,915**	9,822	**–**	–
Total comprehensive income for the year	**78,746**	83,926	**35,337**	49,508

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

		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 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	17.3	–	–	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	24	–	–	–	(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 2017/1 January 2018		**544,501**	**–**	**47**	**516,707**	**1,061,255**	**123,690**	**1,184,945**
Exchange differences arising on translation of financial statements of overseas associates	17.3	**–**	**–**	**(723)**	**–**	**(723)**	**–**	**(723)**
Total other comprehensive expense for the year		**–**	**–**	**(723)**	**–**	**(723)**	**–**	**(723)**
Profit for the year		**–**	**–**	**–**	**70,554**	**70,554**	**8,915**	**79,469**
Total comprehensive income/(expense) for the year		**–**	**–**	**(723)**	**70,554**	**69,831**	**8,915**	**78,746**
Dividends to shareholders	24	**–**	**–**	**–**	**(66,000)**	**(66,000)**	**–**	**(66,000)**
Dividend to non-controlling interests of a subsidiary		**–**	**–**	**–**	**–**	**–**	**(500)**	**(500)**
At 31 December 2018		**544,501**	**–**	**(676)**	**521,261**	**1,065,086**	**132,105**	**1,197,191**
		Note 12						

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

		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 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	24	–	–	(61,600)	(61,600)
Transfer in accordance with Section 618(2) of the Companies Act 2016	12	104,501	(104,501)	–	–
At 31 December 2017/1 January 2018		**544,501**	**–**	**215,336**	**759,837**
Profit for the year/Total comprehensive income for the year		**–**	**–**	**35,337**	**35,337**
Dividends to shareholders	24	**–**	**–**	**(66,000)**	**(66,000)**
At 31 December 2018		**544,501**	**–**	**184,673**	**729,174**
		Note 12			

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

CASH FLOW STATEMENTS
for the year ended 31 December 2018

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Cash flows from operating activities					
Profit before tax		**107,948**	109,660	**38,716**	55,021
Adjustments for:					
Allowance for/(Write back of) impairment loss on trade receivables		**138**	(193)	**(9)**	9
Depreciation of property, plant and equipment	3	**63,546**	62,893	**9,450**	9,108
Dividend income	17.1	**–**	–	**(56,950)**	(49,550)
Fair value gain of investment properties	4	**(160)**	(100)	**–**	–
Impairment on interests in associates	17.4	**1,439**	–	**–**	–
Impairment on interests in subsidiaries	17.4	**–**	–	**32,194**	–
Interest expense	19	**4,907**	3,767	**2,615**	5,589
Interest income	18	**(7,352)**	(4,279)	**(3,172)**	(5,283)
(Gain)/Loss on disposal of property, plant and equipment	17.1	**(13)**	54	**(12)**	(151)
Property, plant and equipment written off	17.1	**153**	3,087	**16**	24
Retirement benefits	13	**2,511**	2,419	**118**	152
Share of results of associated companies		**11,673**	5,233	**–**	–
Unrealised (gain)/loss on foreign exchange		**(1,898)**	9,641	**(2,161)**	12,081
Operating profit before changes in working capital		**182,892**	192,182	**20,805**	27,000
Change in inventories		**1,082**	1,216	**102**	412
Change in trade and other receivables, prepayments and deposits		**(2,977)**	(1,042)	**(1,653)**	1,325
Change in trade and other payables		**(17,839)**	16,530	**(3,737)**	3,110
Change in contract liabilities		**17,756**	–	**4,437**	–
Cash generated from operations		**180,914**	208,886	**19,954**	31,847
Dividends received		**–**	–	**49,550**	44,550
Retirement benefits paid	13	**(1,091)**	(802)	**–**	–
Tax paid		**(29,021)**	(29,239)	**(2,919)**	(3,073)
Net cash from operating activities		**150,802**	178,845	**66,585**	73,324

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

CASH FLOW STATEMENTS

for the year ended 31 December 2018

		GROUP		COMPANY	
	Note	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(34,140)**	(88,959)	**(4,772)**	(2,646)
Changes in interests in subsidiaries		**–**	–	**(331)**	(561)
Interest received		**7,352**	4,279	**3,172**	5,283
Net loans repayment from/(advanced to) associates		**–**	12,683	**–**	–
Short-term deposits with original maturities over 3 months		**44,840**	1,600	**44,840**	1,600
Proceeds from disposal of property, plant and equipment		**108**	307	**26**	160
Net cash generated/(used in) from investing activities		**18,160**	(70,090)	**42,935**	3,836
Cash flows from financing activities					
Dividends paid to shareholders of the Company	24	**(66,000)**	(61,600)	**(66,000)**	(61,600)
Interest paid		**(4,907)**	(3,767)	**(2,615)**	(5,589)
Net (repayment)/advances from subsidiaries		**–**	–	**(138,437)**	21,610
Net drawdown/(repayment) of revolving credits		**4,942**	(9,001)	**–**	–
Net cash used in financing activities		**(65,965)**	(74,368)	**(207,052)**	(45,579)
Net increase/(decrease) in cash and cash equivalents		**102,997**	34,387	**(97,532)**	31,581
Cash and cash equivalents at 1 January		**130,715**	96,328	**115,994**	84,413
Cash and cash equivalents at 31 December	11	**233,712**	130,715	**18,462**	115,994

Cash and cash equivalents

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

Short-term fund placements	11	**205,245**	–	**9,119**	–
Short-term deposits with original maturities within 3 months	11	**8,660**	109,097	**3,900**	108,667
Cash at bank and in hand	11	**19,807**	21,618	**5,443**	7,327
		233,712	130,715	**18,462**	115,994

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

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 2018 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 16 April 2019.

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 2018, the Group and the Company adopted a number of MFRSs, interpretations and amendments to MFRSs that are relevant to its operations and 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 Contracts with Customers – Clarifications to MFRS 15, Revenue from Contracts with Customers*
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The adoption of the above new standards, amendments to MFRSs and interpretation did not have any significant impact to the financial statements of the Group and the Company, other than the reclassification of advances receipt from customers from trade and other payables to contract liabilities in accordance with MFRS 15.

The Group and the Company have not applied the following MFRSs, amendments and interpretations 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 2018.

MFRSs, amendments and 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*

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Amendments and interpretations effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 2, *Share-based Payment*
Amendments to MFRS 3, *Business Combinations – Definition of a Business*
Amendments to MFRS 101, *Presentation of Financial Statements*
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
Amendments to MFRS 134, *Interim Financial Reporting*
Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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, interpretations and amendments when they become effective.

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

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 finalising its detailed assessment of the impact of MFRS 16 on its consolidated financial statements as at 1 January 2019.

(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).

(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, interests in subsidiaries, interests in associates, deferred tax and retirement benefits as disclosed in Note 4, Note 5, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) SUBSIDIARIES (cont'd)

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.

Loans and advances to subsidiary that substantially all of the instrument's returns are driven by the subsidiary's financial performance such that the instrument provides an exposure similar to an investment in ordinary shares of the subsidiary. The accounting of such loans and advances are consistent with the accounting for cost of investment in the subsidiaries.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and Company have elected not to restate the comparatives.

(i) RECOGNITION AND INITIAL 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at 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.

Previous financial year

Financial instrument was 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 were directly attributable to the acquisition or issue of the financial instrument.

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

(ii) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

Amortised cost
Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(j)(i)).

Previous financial year
In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables
Loans and receivables category comprised debt instruments that were not quoted in an active market.

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

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

Financial liabilities

Current financial year
The categories of financial liabilities at initial recognition are as follows:

Amortised cost
Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year
In the previous financial year, financial liabilities of the Group and the Company were 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(v) OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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) Contract liability

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Cash and cash equivalents

Cash and cash equivalents consist of short-term fund placements, 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. Short-term fund placements represent investment in highly liquid money market instruments which is readily convertible to cash and has insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) FINANCIAL ASSETS

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, ***Financial Instruments***, the Group and Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for short-term fund placements and cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment (cont'd)

(i) FINANCIAL ASSETS (cont'd)

Current financial year (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for investments in subsidiaries and associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) OTHER ASSETS

The carrying amounts of other assets (except for inventories, deferred tax asset and investment property measured at fair value) are reviewed at the end of each reporting period 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 amounts 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Equity instruments

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

(l) 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.

(m) 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.

(n) Revenue recognition and other income

REVENUE

Revenue from hotel and golf operations and laundry services are measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(i) ROOM REVENUE

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests.

(ii) FOOD, BEVERAGE AND OTHER ANCILLARY SERVICES REVENUE

Revenue from food and beverage and other ancillary services are generally recognaised at the point in time when the services are rendered.

(iii) GOLF OPERATIONS REVENUE

Golf related income is generally recognised at the point in time when the services are rendered and golf membership income is recognised over time.

(iv) LAUNDRY REVENUE

Revenue from laundry services is recognised at the point in time when the services are rendered.

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Revenue recognition and other income (cont'd)

(vi) DIVIDEND INCOME

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

(vii) INTEREST INCOME

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

(o) 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.

(p) 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.

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.

(q) 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.

(r) 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.

(s) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) 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.

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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 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/ 1 January 2018	**44,880**	**4,123**	**19,681**	**706,613**	**167,952**	**48,538**	**525,865**	**7,631**	**1,525,283**
Additions	**–**	**–**	**–**	**817**	**809**	**–**	**24,855**	**7,659**	**34,140**
Disposals	**–**	**–**	**–**	**(14)**	**(148)**	**–**	**(6,199)**	**–**	**(6,361)**
Write off	**–**	**–**	**–**	**(77)**	**(158)**	**(18)**	**(10,768)**	**–**	**(11,021)**
Transfers	**–**	**–**	**–**	**1,618**	**3,010**	**–**	**4,055**	**(8,683)**	**–**
Reclassifications	**–**	**–**	**–**	**(11,853)**	**–**	**–**	**11,853**	**–**	**–**
At 31 December 2018	**44,880**	**4,123**	**19,681**	**697,104**	**171,465**	**48,520**	**549,661**	**6,607**	**1,542,041**

NOTES TO THE FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 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/ 1 January 2018									
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**
Depreciation for the year	**–**	**125**	**206**	**14,411**	**6,889**	**714**	**41,201**	**–**	**63,546**
Disposals	**–**	**–**	**–**	**(9)**	**(142)**	**–**	**(6,115)**	**–**	**(6,266)**
Write off	**–**	**–**	**–**	**(19)**	**(153)**	**(7)**	**(10,689)**	**–**	**(10,868)**
Reclassifications	**–**	**–**	**–**	**(652)**	**–**	**–**	**652**	**–**	**–**
At 31 December 2018									
Accumulated depreciation	**–**	**1,849**	**5,497**	**298,408**	**110,433**	**16,291**	**398,690**	**–**	**831,168**
Accumulated impairment loss	**–**	**–**	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**1,849**	**5,497**	**298,408**	**110,433**	**22,173**	**398,690**	**–**	**837,050**
CARRYING AMOUNTS									
At 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/ 1 January 2018	**44,880**	**2,399**	**14,390**	**421,936**	**64,113**	**27,072**	**152,224**	**7,631**	**734,645**
At 31 December 2018	**44,880**	**2,274**	**14,184**	**398,696**	**61,032**	**26,347**	**150,971**	**6,607**	**704,991**

NOTES TO THE FINANCIAL STATEMENTS

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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 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 January 2018	**1,012**	**3,938**	**105,655**	**18,123**	**85,456**	**–**	**214,184**
Additions	**–**	**–**	**234**	**400**	**3,905**	**233**	**4,772**
Disposals	**–**	**–**	**–**	**(123)**	**(564)**	**–**	**(687)**
Write off	**–**	**–**	**–**	**–**	**(4,563)**	**–**	**(4,563)**
At 31 December 2018	**1,012**	**3,938**	**105,889**	**18,400**	**84,234**	**233**	**213,706**
DEPRECIATION							
At 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 January 2018	**–**	**1,637**	**37,106**	**8,477**	**64,383**	**–**	**111,603**
Depreciation for the year	**–**	**122**	**2,116**	**1,072**	**6,140**	**–**	**9,450**
Disposals	**–**	**–**	**–**	**(121)**	**(552)**	**–**	**(673)**
Write off	**–**	**–**	**–**	**–**	**(4,547)**	**–**	**(4,547)**
At 31 December 2018	**–**	**1,759**	**39,222**	**9,428**	**65,424**	**–**	**115,833**
CARRYING AMOUNTS							
At 1 January 2017	1,012	2,423	70,650	10,699	24,264	28	109,076
At 31 December 2017/ 1 January 2018	**1,012**	**2,301**	**68,549**	**9,646**	**21,073**	**–**	**102,581**
At 31 December 2018	**1,012**	**2,179**	**66,667**	**8,972**	**18,810**	**233**	**97,873**

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

GROUP

Hotel properties at 31 December 2018 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	**2018 RM'000**	2017 RM'000
At 1 January	**288,180**	288,080
Fair value gain recognised in the income statements	**160**	100
At 31 December	**288,340**	288,180

Included in the above are:

At fair value		
Freehold land	**39,785**	39,785
Buildings	**248,555**	248,395
	288,340	288,180

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

Rental income	**25,089**	25,168
Direct operating expenses:		
– income generating investment properties	**(10,645)**	(10,459)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	
	2018	2017
GROUP	**RM'000**	RM'000
Freehold land	**39,785**	39,785
Buildings	**248,555**	248,395
	288,340	288,180

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:

	2018	2017
GROUP	**RM'000**	RM'000
At 1 January	**288,180**	288,080
Gains and losses recognised in income statements		
Change in fair value - Other income - Unrealised	**160**	100
At 31 December	**288,340**	288,180

4. INVESTMENT PROPERTIES (cont'd)

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 RM5.00 to RM7.20 per square foot (average net current rent of RM2.94 per square foot) for office space and RM5.20 to RM14.80 (average net current rent of RM5.52 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 RM5.00 to RM7.00 per square foot (average net current rent of RM3.18 per square foot) for office space, and RM5.20 to RM15.00 (average net current rent of RM4.64 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 RM446 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.

NOTES TO THE FINANCIAL STATEMENTS
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5. INTERESTS IN SUBSIDIARIES

COMPANY	Note	2018 RM'000	2017 RM'000 Restated
Unquoted shares, at cost		**459,188**	459,188
Amount due from subsidiaries	5.1	**123,518**	121,026
		582,706	580,214
Allowance for impairment loss on amount due from subsidiary	17.4	**(32,194)**	–
		550,512	580,214

NOTE 5.1 During the year, the Company has made an assessment and concluded that amount due from certain subsidiaries were in substance form part of net investment in subsidiaries. The Company also made an allowance for impairment loss on the net investment to its recoverable amount.

Details of the subsidiaries are as follows:

		Effective ownership interest	
Name of subsidiary	**Principal activities**	**2018 %**	2017 %
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. INTERESTS IN SUBSIDIARIES (cont'd)

5.2 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	18,750	113,355	132,105
Profit allocated to NCI	1,081	7,834	8,915
Summarised financial information before intragroup elimination			
As at 31 December 2018			
Non-current assets	91,459	231,442	
Current assets	7,571	197,674	
Non-current liabilities	(4,626)	(2,808)	
Current liabilities	(47,528)	(24,817)	
Net assets	46,876	401,491	
Year ended 31 December 2018			
Revenue	42,047	147,591	
Profit for the year	2,703	31,336	
Total other comprehensive income/(expense)	–	–	
Total comprehensive income	2,703	31,336	
Net cash flows from operating activities	10,884	151,777	
Net cash flows used in investing activities	(3,788)	(9,025)	
Net cash flows used in financing activities	(6,678)	–	
Net increase in cash and cash equivalents	418	142,752	
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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31 December 2018

	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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31 December 2018

6. INTERESTS IN ASSOCIATES

GROUP	2018 RM'000	2017 RM'000
Unquoted shares, at cost	**3,557**	3,557
Loans to associates	**243,800**	238,583
	247,357	242,140
Share of post-acquisition results of associates	**(31,677)**	(30,449)
Share of fair value (loss)/gain of investment properties, net of deferred tax	**(3,526)**	6,919
Allowance for impairment losses on unquoted shares and loans to associates (Note 17.4)	**(1,439)**	–
Foreign currency translation differences	**(676)**	47
	210,039	218,657

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 2018 %	2017 %
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

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 2018				
Non-current assets	**180,875**	**583,438**	**484,973**	**1,249,286**
Current assets	**46,565**	**73,758**	**54,395**	**174,718**
Non-current liabilities	**(368,751)**	**(463,316)**	**(530,207)**	**(1,362,274)**
Current liabilities	**(90,335)**	**(53,963)**	**(46,967)**	**(191,265)**
Net (liabilities)/assets	**(231,646)**	**139,917**	**(37,806)**	**(129,535)**
Year ended 31 December 2018				
(Loss)/Profit from operations	**(22,160)**	**996**	**(28,352)**	**(49,516)**
Reconciliation of net (liabilities)/assets to carrying amount				
As at 31 December 2018				
Group's share of net (liabilities)/assets	**(54,506)**	**31,091**	**(8,907)**	**(32,322)**
Loans to associates	**60,414**	**85,559**	**97,827**	**243,800**
Impairment losses	**–**	**–**	**(1,439)**	**(1,439)**
Carrying amount in the statement of financial position	**5,908**	**116,650**	**87,481**	**210,039**
Group's share of results				
Year ended 31 December 2018				
Group's share of (loss)/profit from continuing operations	**(5,214)**	**4,572**	**(586)**	**(1,228)**
Group's share of fair value loss of investment properties, net of deferred tax	**–**	**(4,351)**	**(6,094)**	**(10,445)**
Group's share of total comprehensive (expense)/income	**(5,214)**	**221**	**(6,680)**	**(11,673)**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. INTERESTS IN ASSOCIATES (cont'd)

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)

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 (2017: 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	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000
GROUP						
Property, plant and equipment	**–**	–	**(25,382)**	(28,917)	**(25,382)**	(28,917)
Investment properties	**–**	–	**(12,249)**	(5,937)	**(12,249)**	(5,937)
Provisions	**5,161**	5,294	**–**	–	**5,161**	5,294
Contract liabilities	**2,631**	–	**–**	–	**2,631**	–
Retirement benefits	**5,763**	5,435	**–**	–	**5,763**	5,435
Unutilised capital allowances	**2,717**	3,385	**–**	–	**2,717**	3,385
Unutilised investment tax allowances	**8,792**	9,891	**–**	–	**8,792**	9,891
Deferred tax assets/(liabilities)	**25,064**	24,005	**(37,631)**	(34,854)	**(12,567)**	(10,849)
Set off	**(15,624)**	(14,970)	**15,624**	14,970	**–**	–
Net deferred tax assets/(liabilities)	**9,440**	9,035	**(22,007)**	(19,884)	**(12,567)**	(10,849)
COMPANY						
Property, plant and equipment	**–**	–	**(8,826)**	(8,874)	**(8,826)**	(8,874)
Provisions	**697**	964	**–**	–	**697**	964
Contract liabilities	**70**	–	**–**	–	**70**	–
Retirement benefits	**237**	209	**–**	–	**237**	209
Unutilised investment tax allowances	**–**	1,703	**–**	–	**–**	1,703
Deferred tax assets/(liabilities)	**1,004**	2,876	**(8,826)**	(8,874)	**(7,822)**	(5,998)
Set off	**(1,004)**	(2,876)	**1,004**	2,876	**–**	–
Net deferred tax liabilities	**–**	–	**(7,822)**	(5,998)	**(7,822)**	(5,998)

8. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Movements in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 22) RM'000	**At 31.12.2017/ 1.1.2018 RM'000**	**Recognised in profit or loss (Note 22) RM'000**	**At 31.12.2018 RM'000**
GROUP					
Property, plant and equipment	(25,771)	(3,146)	**(28,917)**	**3,535**	**(25,382)**
Investment properties	(5,689)	(248)	**(5,937)**	**(6,312)**	**(12,249)**
Provisions	4,304	990	**5,294**	**(133)**	**5,161**
Contract liabilities	–	–	**–**	**2,631**	**2,631**
Retirement benefits	5,146	289	**5,435**	**328**	**5,763**
Unutilised capital allowances	–	3,385	**3,385**	**(668)**	**2,717**
Unutilised investment tax allowances	9,480	411	**9,891**	**(1,099)**	**8,792**
Net deferred tax liabilities	(12,530)	1,681	**(10,849)**	**(1,718)**	**(12,567)**
COMPANY					
Property, plant and equipment	(8,998)	124	**(8,874)**	**48**	**(8,826)**
Provisions	812	152	**964**	**(267)**	**697**
Contract liabilities	–	–	**–**	**70**	**70**
Retirement benefits	173	36	**209**	**28**	**237**
Unutilised investment tax allowances	4,889	(3,186)	**1,703**	**(1,703)**	**–**
Net deferred tax liabilities	(3,124)	(2,874)	**(5,998)**	**(1,824)**	**(7,822)**

Unrecognised deferred tax assets

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

GROUP	**2018 RM'000**	2017 RM'000
Taxable temporary differences	**(297)**	(443)
Unutilised capital allowances	**9,406**	9,179
Unutilised tax losses	**12,428**	12,428
	21,537	21,164
Deferred tax assets at 24% (2017: 24%)	**5,169**	5,079

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.

The unutilised tax losses of RM12,428,000 expire in 2025 under the new tax legislation in Malaysia.

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9. INVENTORIES

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Food, beverage and tobacco	**2,303**	2,653	**415**	462
Room supplies	**18**	119	**–**	–
Other supplies	**1,940**	2,571	**84**	139
	4,261	5,343	**499**	601
Recognised in profit or loss:				
Inventories recognised as cost of services	**59,459**	76,573	**9,200**	9,451

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

	Note	GROUP		COMPANY	
		2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000 Restated
Trade					
Trade receivables		**19,805**	25,390	**3,210**	4,086
Less: Allowance for impairment loss		**(182)**	(44)	**–**	(9)
		19,623	25,346	**3,210**	4,077
Non-trade					
Amount due from subsidiaries	a	**–**	–	**64,984**	87,825
Other receivables		**7,295**	3,935	**482**	947
Deposits		**6,858**	2,730	**3,126**	319
Dividends receivable		**–**	–	**56,950**	49,550
		33,776	32,011	**128,752**	142,718
Prepayments		**4,264**	3,190	**863**	676
		38,040	35,201	**129,615**	143,394
Tax recoverable	b	**8,112**	6,596	**2,266**	902

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 RM36,000,000 (2017: RM47,730,000) which bear interests of at a fixed rate of 3.30% and 4.80% (2017: 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. SHORT-TERM FUND PLACEMENTS AND CASH AND BANK BALANCES

	Note	GROUP 2018 RM'000	GROUP 2017 RM'000	COMPANY 2018 RM'000	COMPANY 2017 RM'000
Short-term fund placements		**205,245**	–	**9,119**	–
Short-term deposits with original maturities:					
– Within 3 months		**8,660**	109,097	**3,900**	108,667
– Over 3 months		**–**	44,840	**–**	44,840
Cash at bank and in hand	a	**19,807**	21,618	**5,443**	7,327
		28,467	175,555	**9,343**	160,834

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

	Note	GROUP 2018 RM'000	GROUP 2017 RM'000	COMPANY 2018 RM'000	COMPANY 2017 RM'000
Short-term fund placements		**205,245**	–	**9,119**	–
Short-term deposits with original maturities within 3 months		**8,660**	109,097	**3,900**	108,667
Cash at bank and in hand	a	**19,807**	21,618	**5,443**	7,327
		233,712	130,715	**18,462**	115,994

NOTE

a. Cash and bank balances of the Group and of the Company includes an amount of RM8,262,000 (2017: RM7,095,000) and RM1,226,000 (2017: RM1,024,000) respectively which earns interest.

12. SHARE CAPITAL

GROUP AND COMPANY	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Ordinary shares, issued and fully paid:				
At 1 January	**440,000**	**544,501**	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	544,501

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	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Present value of unfunded liability	**24,572**	23,152	**989**	871
Recognised defined retirement benefit liability	**24,572**	23,152	**989**	871

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.

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13. RETIREMENT BENEFITS (cont'd)

Movements in the present value of defined retirement benefit liability

	Defined retirement benefit liability	
	2018	2017
	RM'000	RM'000
GROUP		
Balance at 1 January	**23,152**	21,535
Included in profit or loss		
Current service cost	**1,266**	1,222
Interest cost	**1,245**	1,197
	2,511	2,419
Included in other comprehensive expense		
Remeasurement loss	**–**	–
Other		
Benefits paid	**(1,091)**	(802)
Balance at 31 December	**24,572**	23,152
COMPANY		
Balance at 1 January	**871**	719
Included in profit or loss		
Current service cost	**94**	89
Interest cost	**24**	63
	118	152
Included in other comprehensive expense		
Remeasurement loss	**–**	–
Balance at 31 December	**989**	871

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.

Actuarial assumptions

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	%	%	**%**	%
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 2018, the weighted-average duration of the defined retirement benefit liability of the Group was 10 years (2017: 11 years) and the Company was 15 years (2017: 16 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	**Decrease**	**Increase**	**Decrease**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2018				
Discount rate (1% movement)	**(2,223)**	**2,601**	**(137)**	**179**
Future salary growth (1% movement)	**2,935**	**(2,559)**	**167**	**(148)**
2017				
Discount rate (1% movement)	(2,176)	2,543	(123)	152
Future salary growth (1% movement)	2,632	(2,290)	152	(126)

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	**2018 RM'000**	2017 RM'000
Current		
Unsecured revolving credits	**157,523**	149,262

The borrowings bear interest ranging between 1.4% to 3.9% (2017: 1.7% to 3.0%) per annum.

14. SHORT-TERM BORROWINGS (cont'd)

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/ 1.1.2018 RM'000**	**Net changes from financing cash flows RM'000**	**Foreign exchange movement RM'000**	**At 31.12.2018 RM'000**
Unsecured revolving credits	174,469	(9,001)	(16,206)	**149,262**	**4,942**	**3,319**	**157,523**
Total liabilities from financing activities	174,469	(9,001)	(16,206)	**149,262**	**4,942**	**3,319**	**157,523**

15. TRADE AND OTHER PAYABLES

	Note	**GROUP**		**COMPANY**	
		2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Trade					
Trade payables		**23,825**	21,569	**4,051**	3,279
Amount due to subsidiaries	a	**–**	–	**87**	122
		23,825	21,569	**4,138**	3,401
Non-trade					
Amount due to subsidiaries	b	**–**	–	**43,255**	204,533
Other payables	c	**24,710**	53,037	**6,079**	10,915
Accrued expenses		**40,186**	31,454	**3,333**	2,971
		88,721	106,060	**56,805**	221,820

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 RM36,500,000 (2017: RM197,396,000) which bears interests at fixed rate of 3.30% and 4.80% (2017: 3.30%) per annum.

c. Included in the other payables of the Group and of the Company is an amount of RM759,000 (2017: RM475,000) and RM314,000 (2017: RM123,000) 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	**At 31.12.2017/ 1.1.2018 RM'000**	**Net changes from financing cash flows RM'000**	**At 31.12.2018 RM'000**
Non-trade					
Amount due to subsidiaries	164,057	40,476	**204,533**	**(161,278)**	**43,255**
Amount due from subsidiaries	(68,959)	(18,866)	**(87,825)**	**22,841**	**(64,984)**
Net amount due to/(from) subsidiaries	95,098	21,610	**116,708**	**(138,437)**	**(21,729)**

16. CONTRACT LIABILITIES

	GROUP		**COMPANY**	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Contract liabilities	**17,756**	–	**4,437**	–

The Group and the Company recognise contract liabilities when a customer pays consideration, or is contractually required to pay consideration, before the Group and the Company recognise the related revenue. The contract liabilities are expected to be recognised as revenue within a year.

Significant changes to contract liabilities balances during the period are as follows:

GROUP	**2018 RM'000**
Contract liabilities as at the beginning of the period recognised as revenue during the year	**(20,794)**
Advances received during the year	**17,601**

COMPANY	
Contract liabilities as at the beginning of the period recognised as revenue during the year	**(3,977)**
Advances received during the year	**4,437**

NOTES TO THE FINANCIAL STATEMENTS

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17. REVENUE, OPERATING PROFIT AND OTHER COMPREHENSIVE INCOME/(EXPENSE)

17.1 Revenue and operating profit

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue from contracts with customers					
Hotels, resorts and golf operations		**521,774**	521,469	**86,481**	90,632
Laundry services		**3,985**	3,928	**–**	–
		525,759	525,397	**86,481**	90,632
Other revenue					
Property rental		**25,089**	25,168	**–**	–
Dividend income		**–**	–	**56,950**	49,550
Total revenue		**550,848**	550,565	**143,431**	140,182
Cost of services		**(204,989)**	(200,739)	**(30,372)**	(30,268)
		345,859	349,826	**113,059**	109,914
Administrative expenses		**(85,793)**	(84,700)	**(15,597)**	(15,541)
Other operating expenses		**(148,489)**	(168,151)	**(61,758)**	(39,317)
Other operating income		**5,599**	17,406	**2,455**	271
Operating profit		**117,176**	114,381	**38,159**	55,327
Operating profit is arrived at after charging:					
Auditors' remuneration: – Audit fees		**329**	313	**93**	88
– Non-audit fees		**40**	52	**14**	23
Allowance for impairment loss on trade receivables		**147**	9	**–**	9
Depreciation of property, plant and equipment	3	**63,546**	62,893	**9,450**	9,108
Exceptional items (which are included in other operating expenses)	17.4	**1,439**	–	**32,194**	–
Hire of motor vehicles		**372**	368	**–**	–
Hire of equipment		**122**	118	**–**	–
Loss on disposal of property, plant and equipment		**–**	54	**–**	–
Personnel expenses (including key management personnel):					
– contributions to Employees' Provident Fund		**10,829**	10,945	**1,948**	2,253
– retirement benefits	13	**2,511**	2,419	**118**	152
– wages, salaries and others		**124,560**	121,947	**22,420**	21,460
Property, plant and equipment written off		**153**	3,087	**16**	24
Realised loss on foreign exchange		**348**	41	**308**	41
Net unrealised loss on foreign exchange		**–**	9,641	**–**	12,081

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	Note	GROUP 2018 RM'000	GROUP 2017 RM'000	COMPANY 2018 RM'000	COMPANY 2017 RM'000
and after crediting:					
Impairment loss written back on trade receivables		**9**	202	**9**	–
Fair value gain of investment properties	4	**160**	100	**–**	–
Gain on disposal of property, plant and equipment		**13**	–	**12**	151
Gross dividends from unquoted subsidiaries		**–**	–	**56,950**	49,550
Rental income from: – subsidiary		**–**	–	**120**	120
– others		**846**	823	**–**	–
Realised gain on foreign exchange		**120**	225	**–**	–
Net unrealised gain on foreign exchange		**1,898**	–	**2,161**	–

17.2 Disaggregation of revenue

	Hotels, resorts and golf course 2018 RM'000	Hotels, resorts and golf course 2017 RM'000	Investment properties 2018 RM'000	Investment properties 2017 RM'000	Others 2018 RM'000	Others 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
GROUP								
Revenue from rooms	**302,414**	304,227	**–**	–	**–**	–	**302,414**	304,227
Food and beverage sales	**195,330**	192,172	**–**	–	**–**	–	**195,330**	192,172
Rendering of ancillary services	**20,533**	21,464	**–**	–	**–**	–	**20,533**	21,464
Golf operations	**3,497**	3,606	**–**	–	**–**	–	**3,497**	3,606
Laundry revenue	**–**	–	**–**	–	**3,985**	3,928	**3,985**	3,928
Revenue from contracts with customers	**521,774**	521,469	**–**	–	**3,985**	3,928	**525,759**	525,397
Revenue from contracts with customers	**521,774**	521,469	**–**	–	**3,985**	3,928	**525,759**	525,397
Property rental	**–**	–	**25,089**	25,168	**–**	–	**25,089**	25,168
Total revenue	**521,774**	521,469	**25,089**	25,168	**3,985**	3,928	**550,848**	550,565

17. REVENUE, OPERATING PROFIT AND OTHER COMPREHENSIVE INCOME/(EXPENSE) (cont'd)

17.2 Disaggregation of revenue (cont'd)

	2018 RM'000	2017 RM'000
COMPANY		
Revenue from rooms	**54,310**	57,889
Food and beverage sales	**27,790**	28,384
Rendering of ancillary services	**4,381**	4,359
Revenue from contracts with customers	**86,481**	90,632
Revenue from contracts with customers	**86,481**	90,632
Dividend income	**56,950**	49,550
Total revenue	**143,431**	140,182

17.3 Other comprehensive income/(expense)

	2018 Before tax RM'000	2018 Tax expense RM'000	2018 Net of tax RM'000	2017 Before tax RM'000	2017 Tax expense RM'000	2017 Net of tax RM'000
GROUP						
Item that may be reclassified subsequently to profit or loss						
Exchange differences arising on translation of financial statements of overseas associates	**(723)**	**–**	**(723)**	1,906	–	1,906
	(723)	**–**	**(723)**	1,906	–	1,906

17.4 Exceptional items

GROUP

The exceptional item of RM1,439,000 in the current year represents the allowance for impairment loss of RM53,000 on the Group's investments in associates in Myanmar, namely Traders Square Company Ltd and allowance for impairment loss on loans to the said associate of RM1,386,000 (Note 6).

COMPANY

The exceptional item of RM32,194,000 in the current year represents an allowance for impairment loss on interests in a subsidiary (Note 5).

18. INTEREST INCOME

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Interest income on:				
Deposits placed with licensed banks	**1,290**	4,279	**1,162**	4,156
Short-term fund placements	**6,062**	–	**416**	–
Subsidiaries	**–**	–	**1,594**	1,127
	7,352	4,279	**3,172**	5,283

19. INTEREST EXPENSE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Interest expense on:				
Revolving credits	**4,907**	3,767	**55**	55
Subsidiaries	**–**	–	**2,560**	5,534
	4,907	3,767	**2,615**	5,589

20. SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2018	2017
GROUP	**RM'000**	RM'000
Share of (loss)/profit after tax of associates from operations	**(1,228)**	720
Share of fair value loss of investment properties, net of deferred tax	**(10,445)**	(5,953)
	(11,673)	(5,233)

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

GROUP	**2018 RM'000**	2017 RM'000
Directors		
– Fees	**247**	247
– Remuneration and other emoluments (meeting allowance)	**2,475**	2,438
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**35**	35
Total short-term employee benefits	**2,757**	2,720

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.

22. TAX EXPENSE

Recognised in profit or loss:

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Current tax expense				
Malaysian – current year	**30,085**	31,185	**1,687**	2,639
– prior years	**(3,324)**	(1,864)	**(132)**	–
	26,761	29,321	**1,555**	2,639
Deferred tax expense				
Reversal and origination of temporary differences	**5,869**	(2,646)	**1,895**	3,087
Under/(Over) provision in prior years	**(4,151)**	965	**(71)**	(213)
	1,718	(1,681)	**1,824**	2,874
Total tax expense	**28,479**	27,640	**3,379**	5,513
Reconciliation of tax expense				
Profit before tax	**107,948**	109,660	**38,716**	55,021
Tax at Malaysian tax rate of 24% (2017: 24%)	**25,908**	26,318	**9,292**	13,205
Non-deductible expenses	**8,514**	8,859	**8,452**	4,437
Non-taxable income	**(2,496)**	(231)	**(14,113)**	(11,899)
Tax incentives	**(2,168)**	(653)	**(49)**	(48)
Deferred tax assets not recognised	**90**	183	**–**	–
Deferred tax on fair value gain of investment properties				
– Current year fair value gain	**16**	5	**–**	–
– Change in tax rate on prior years fair value gain	**6,082**	–	**–**	–
Investment tax allowances	**–**	(5,956)	**–**	–
Other items	**8**	14	**–**	31
	35,954	28,539	**3,582**	5,726
(Over)/Under provision in prior years – current tax expense	**(3,324)**	(1,864)	**(132)**	–
– deferred tax expense	**(4,151)**	965	**(71)**	(213)
	28,479	27,640	**3,379**	5,513

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

GROUP	2018	2017
Profit attributable to shareholders of the Company (RM'000)	**70,554**	72,198
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per ordinary share (sen)	**16.04**	16.41

Diluted earnings per ordinary share

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

24. DIVIDENDS

Dividends recognised in the current year by the Company are:

		RM'000	Date of payment
2018			
Ordinary			
Interim 2018	– 3 sen single-tier	**13,200**	**23 November 2018**
Final 2017	– 12 sen single-tier	**52,800**	**2 July 2018**
Total amount		**66,000**	
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	

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 2018. 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 29 May 2019. 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 2019.

25. 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 2018 or 2017.

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 2018 (2017: Nil).

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25. OPERATING SEGMENTS (cont'd)

	Hotels, resorts and golf course		Investment properties		Others		Total		Eliminations of inter-segment transactions		Consolidated	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000
BUSINESS SEGMENTS												
Revenue from external customers	**521,774**	521,469	**25,089**	25,168	**3,985**	3,928	**550,848**	550,565	**–**	–	**550,848**	550,565
Inter-segment revenue	**56,950**	49,550	**2,252**	2,231	**2,779**	2,838	**61,981**	54,619	**(61,981)**	(54,619)	**–**	–
Total segment revenue	**578,724**	571,019	**27,341**	27,399	**6,764**	6,766	**612,829**	605,184	**(61,981)**	(54,619)	**550,848**	550,565
Operating profit	**128,731**	147,945	**16,257**	16,401	**(42,815)**	2,627	**102,173**	166,973	**15,003**	(52,592)	**117,176**	114,381
Interest income	**10,906**	10,467	**473**	381	**127**	91	**11,506**	10,939	**(4,154)**	(6,660)	**7,352**	4,279
Interest expense	**(4,146)**	(6,179)	**–**	–	**(4,915)**	(3,764)	**(9,061)**	(9,943)	**4,154**	6,176	**(4,907)**	(3,767)
Share of results of associated companies	**(5,214)**	(3,290)	**(6,459)**	(1,943)	**–**	–	**(11,673)**	(5,233)	**–**	–	**(11,673)**	(5,233)
Profit before tax	**130,277**	148,943	**10,271**	14,839	**(47,603)**	(1,046)	**92,945**	162,736	**15,003**	(53,076)	**107,948**	109,660
Allowance for impairment loss on interest in subsidiaries and associates	**32,194**	–	**–**	–	**1,439**	–	**33,633**	–	**(32,194)**	–	**1,439**	–
Allowance for impairment loss on loans and receivables	**147**	9	**–**	–	**–**	–	**147**	9	**–**	–	**147**	9
Allowance for impairment loss written back on loans and receivables	**(9)**	(152)	**–**	–	**–**	(50)	**(9)**	(202)	**–**	–	**(9)**	(202)
Capital expenditure	**33,406**	89,050	**26**	45	**708**	348	**34,140**	89,443	**–**	(484)	**34,140**	88,959
Depreciation	**62,538**	61,868	**276**	301	**732**	724	**63,546**	62,893	**–**	–	**63,546**	62,893
Tax expense	**18,323**	23,338	**10,027**	4,022	**129**	280	**28,479**	27,640	**–**	–	**28,479**	27,640
Segment assets before interests in associates	**1,157,433**	1,322,921	**313,530**	312,960	**14,905**	14,495	**1,485,868**	1,650,376	**(186,686)**	(383,535)	**1,299,182**	1,266,841
Interests in associates	**5,908**	11,009	**204,131**	207,648	**–**	–	**210,039**	218,657	**–**	–	**210,039**	218,657
Total segment assets	**1,163,341**	1,333,930	**517,661**	520,608	**14,905**	14,495	**1,695,907**	1,869,033	**(186,686)**	(383,535)	**1,509,221**	1,485,498

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as amortised cost ("AC").

		GROUP		COMPANY	
	Note	Carrying amount RM'000	AC RM'000	Carrying amount RM'000	AC RM'000
2018					
FINANCIAL ASSETS					
Loans to associates		**242,414**	**242,414**	**–**	**–**
Trade and other receivables (excluding prepayment)	10	**33,776**	**33,776**	**128,752**	**128,752**
Short-term fund placements	11	**205,245**	**205,245**	**9,119**	**9,119**
Cash and bank balances	11	**28,467**	**28,467**	**9,343**	**9,343**
		509,902	**509,902**	**147,214**	**147,214**
FINANCIAL LIABILITIES					
Short-term borrowings	14	**(157,523)**	**(157,523)**	**–**	**–**
Trade and other payables	15	**(88,721)**	**(88,721)**	**(56,805)**	**(56,805)**
		(246,244)	**(246,244)**	**(56,805)**	**(56,805)**

The table below provides an analysis of financial instruments as at 31 December 2017 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 (excluding prepayment)	10	32,011	32,011	142,718	142,718
Cash and bank balances	11	175,555	175,555	160,834	160,834
		446,149	446,149	303,552	303,552
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)

Loans to associates, trade and other receivables and cash and bank balances that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

26. FINANCIAL INSTRUMENTS (cont'd)

26.2 Net gains and losses arising from financial instruments

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

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	**12,431**	–	**5,342**	–
Loans and receivables	**–**	(21,375)	**–**	(6,848)
Financial liabilities measured at amortised cost	**(8,226)**	12,439	**(2,615)**	(5,589)
	4,205	(8,936)	**2,727**	(12,437)

26.3 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.

26.4 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. There are no significant changes as compared to prior periods.

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 each reporting date, the Group or the Company assesses whether any of the receivables are credit impaired. Generally, the Group and the Company have a credit period of 30 days from invoice date.

The gross carrying amounts of credit impaired receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

There are no significant changes in the risk management objectives, policies and processes for managing the risk as compared to previous year.

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.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

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 Group uses individual assessment to measure ECLs of trade receivables for all segments, taking into account of all relevant credit information and forward-looking macroeconomic information. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

Receivables (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Note	Gross-carrying amount RM'000	Loss allowance/ credit impaired RM'000	Net balance RM'000
GROUP				
2018				
Current (Not past due)		**17,685**	**–**	**17,685**
1 – 3 months past due		**1,924**	**(2)**	**1,922**
4 – 6 months past due		**55**	**(40)**	**15**
Over 6 months past due		**141**	**(140)**	**1**
	10	**19,805**	**(182)**	**19,623**

The individual impairment of trade receivables is in respect of receivables which are overdue for more than 3 months and are doubtful of recovery.

	Trade receivables		
	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
GROUP			
Balance at 1 January 2018 as per MFRS 139	**–**	**44**	**44**
Adjustments on initial application of MFRS 9	**–**	**–**	**–**
Balance at 1 January 2018 as per MFRS 9	**–**	**44**	**44**
Amounts written off	**–**	**–**	**–**
Net remeasurement of loss allowance	**–**	**138**	**138**
Balance as 31 December 2018	**–**	**182**	**182**

	Note	Gross-carrying amount RM'000	Loss allowance/ credit impaired RM'000	Net balance RM'000
COMPANY				
2018				
Current (Not past due)		**3,156**	**–**	**3,156**
1 – 3 months past due		**51**	**–**	**51**
4 – 6 months past due		**3**	**–**	**3**
Over 6 months past due		**–**	**–**	**–**
	10	**3,210**	**–**	**3,210**

The individual impairment of trade receivables is in respect of receivables which are overdue for more than 3 months and are doubtful of recovery.

	Trade receivables		
	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
COMPANY			
Balance at 1 January 2018 as per MFRS 139	**–**	**9**	**9**
Adjustments on initial application of MFRS 9	**–**	**–**	**–**
Balance at 1 January 2018 as per MFRS 9	**–**	**9**	**9**
Amounts written off	**–**	**–**	**–**
Net remeasurement of loss allowance	**–**	**(9)**	**(9)**
Balance as 31 December 2018	**–**	**–**	**–**

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

Receivables (cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	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
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

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

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

	Group 2017 RM'000	**Company** 2017 RM'000
At 1 January	309	–
Allowance for impairment loss recognised	9	9
Allowance for impairment loss written back	(202)	–
Allowance for impairment loss written off against trade receivables	(72)	–
At 31 December	44	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.

Cash and cash equivalents

Cash and cash equivalents are held with banks, financial institutions and cash management fund. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

These banks, financial institutions and cash management fund have low credit risks. In addition, some bank balances are insured by government agencies. The cash management fund will only invest into deposits with licensed financial institutions in Malaysia. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, not provided for.

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

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 RM157,523,000 (2017: RM149,262,000) 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.

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

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.

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

	Note	Gross-carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
COMPANY				
2018				
Low credit risk	10	**64,984**	–	**64,984**
Significant increase in credit risk		–	–	–
Credit impaired		–	–	–
		64,984	–	**64,984**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

No allowance for impairment losses of inter-company loans and advances were made as at 31 December 2017.

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 investments and loans to associates using cash flows projections of the associates estimated by management or independent valuer which incorporated several key assumptions. These assumptions include estimation of future revenue, average room rates, rental rates, occupancy rate, profit margins and discount rates.

26. FINANCIAL INSTRUMENTS (cont'd)

26.5 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 RM36,500,000 (2017: RM197,396,000) bears interests at fixed rate of 3.30% and 4.80% (2017: 3.30%) per annum.

Excess funds are placed in short-term fund placements which comprise of investment in highly liquid money market instruments and are readily convertible to cash. The management reviews the interest rates of the investment 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**	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
FIXED RATE INSTRUMENTS				
Amount due to subsidiaries	**–**	–	**(36,500)**	(197,396)
Cash and bank balances	**16,922**	161,032	**5,126**	154,531
Amount due from subsidiaries	**–**	–	**36,000**	47,730
FLOATING RATE INSTRUMENTS				
Short-term fund placements	**205,245**	–	**9,119**	–
Short-term borrowings	**(157,523)**	(149,262)	**–**	–

Interest rate risk sensitivity analysis for fixed rate instruments

The Group and Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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.

	EQUITY		PROFIT AFTER TAX	
	1% Increase RM'000	1% Decrease RM'000	1% Increase RM'000	1% Decrease RM'000
GROUP				
2018				
FLOATING RATE INSTRUMENTS				
Short-term fund placements	**–**	**–**	**2,052**	**(2,052)**
Short-term borrowings	**–**	**–**	**(1,575)**	**1,575**
Cash flow sensitivity (net)	**–**	**–**	**477**	**(477)**
2017				
FLOATING RATE INSTRUMENTS				
Short-term borrowings	–	–	(1,493)	1,493
Cash flow sensitivity (net)	–	–	(1,493)	1,493

	PROFIT AFTER TAX	
	1% Increase RM'000	1% Decrease RM'000
COMPANY		
2018		
FLOATING RATE INSTRUMENTS		
Short-term fund placements	**91**	**(91)**

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Foreign currency risk

The Group 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 has minimal foreign currency transactions other than short-term borrowings and loans to associates, 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:

	2018 Denominated in		2017 Denominated in	
	USD RM'000	**HKD RM'000**	USD RM'000	HKD RM'000
GROUP				
Short-term borrowings	**(134,916)**	**(22,607)**	(127,091)	(22,171)
Loans to associates	**243,800**	**–**	238,583	–
	108,884	**(22,607)**	111,492	(22,171)

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**	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
GROUP				
USD	**–**	–	**(5,444)**	(5,575)
HKD	**–**	–	**1,130**	1,109
	–	–	**(4,314)**	(4,466)

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.

26.7 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								
2018								
Short-term borrowings	14	**(157,523)**	**1.4 – 3.9**	**(162,985)**	**(162,985)**	**–**	**–**	**–**
Trade and other payables	15	**(88,721)**	**–**	**(88,721)**	**(88,721)**	**–**	**–**	**–**
		(246,244)		**(251,706)**	**(251,706)**	**–**	**–**	**–**
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)	–	–	–

26. FINANCIAL INSTRUMENTS (cont'd)

26.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	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
COMPANY								
2018								
Trade and other payables	15	**(13,463)**	**–**	**(13,463)**	**(13,463)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(36,500)**	**3.3 – 4.8**	**(38,252)**	**(38,252)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(6,842)**	**–**	**(6,842)**	**(6,842)**	**–**	**–**	**–**
Financial guarantees	26.4	**–**	**–**	**(157,523)**	**(157,523)**	**–**	**–**	**–**
		(56,805)		**(216,080)**	**(216,080)**	**–**	**–**	**–**
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	26.4	–	–	(149,262)	(149,262)	–	–	–
		(221,820)		(377,596)	(377,596)	–	–	–

26.8 Fair value information

The carrying amounts of short-term fund placements, 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 loans to associates are not carried at fair value. The carrying amounts of the loans approximate fair values.

The valuation technique used in the determination of the fair values within Level 3 is discounted cash flows using a rate based on the current market rate of borrowing of the associates as the reporting date.

27. 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.

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28. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
CAPITAL EXPENDITURE COMMITMENTS				
Property, plant and equipment				
Contracted but not provided for	**6,742**	7,444	**283**	348
Authorised but not contracted for	**47,334**	59,339	**6,621**	5,087
Investment properties				
Authorised but not contracted for	**32**	7	**–**	–
	54,108	66,790	**6,904**	5,435

29. CONTINGENT LIABILITIES

GROUP

Similar to many Unionised hotels in Malaysia, the Group's hotels, namely Rasa Sayang Resort, Shangri-La Hotel Kuala Lumpur, Hotel Jen Penang and Golden Sands Resort Penang ("the Group hotels") are involved in litigation proceedings at various stages with the National Union of Hotel, Bar and Restaurant Workers Peninsular Malaysia ("Union") arising from the minimum wage order, which first came into effect for the hotel industry on 1 October 2013.

The subject matter of the litigation essentially concerns the Top-Up Structure implemented by the Group hotels, whereby part of the service charge is converted to form part of the minimum wage. This is being disputed by the Union and the matter is currently pending in the Court of Appeal.

The Group companies are subject to claims and litigation from time to time arising in the ordinary course of business, and provisions are made if, based on available information and professional advice, liabilities are considered likely to arise.

At this juncture, the Group has made no provision for the potential financial liability of the pending litigation of the minimum wage issue as it cannot predict with any certainty the final outcome of the on-going litigation. This is because the legislation on the minimum wage is as yet untested in the Federal Court and the hotel industry in general is awaiting a landmark decision of the apex court to give clarity on the law on whether service charge can be used to form part of the minimum wage. The Group may incur financial liabilities depending on the final outcome of the on-going minimum wage litigation.

29. CONTINGENT LIABILITIES (cont'd)

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 MUFG Bank, Ltd., Labuan Branch ("MUFJ Bank")(formerly known as The Bank of Tokyo-Mitsubishi UFJ Ltd., Labuan Branch); and
c) USD30,000,000 Corporate Guarantee to The Bank of East Asia Limited, Labuan Branch ("BEA").

As at 31 December 2018, the outstanding STRC facilities of Madarac Corporation amounted to RM157,523,000 (2017: RM149,262,000).

30. 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 and subsidiaries of its holding companies.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018

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	
	2018	2017
	RM'000	RM'000
GROUP		
Associated Companies		
Loan repayment from an associate		
– Traders Square Company Ltd	**–**	12,683
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**16,632**	16,770
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**2,700**	2,712
COMPANY		
Subsidiaries		
Dividends receivable	**56,950**	49,550
Interest income received or receivable	**1,594**	1,127
Rental income received or receivable	**120**	120
Interest expense paid or payable	**2,560**	5,534
Rental expense paid or payable	**192**	189
Laundry service fees paid or payable	**987**	1,097
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**2,784**	2,735
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**405**	417

Significant balances with related parties of the Group and the Company at the reporting date are disclosed in Note 5, Note 6, Note 10 and Note 15 to the financial statements.

31. CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company applied the cumulative effect approach for the requirements of MFRS 15 and applied the requirements of MFRS 9 retrospectively with transition exemptions as allowed by MFRS 9.

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

ii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

31.1 MFRS 15

The following table shows the reclassification impact arising from the adoption of MFRS 15 on the Group's and the Company's financial statements.

Statement of financial position

	Before adoption of new standard 2018 RM'000	Impact from adoption of MFRS 15 RM'000	After adoption of new standard 2018 RM'000
GROUP			
Current liabilities			
Trade and other payables	**106,477**	**(17,756)**	**88,721**
Contract liabilities	**–**	**17,756**	**17,756**
COMPANY			
Current liabilities			
Trade and other payables	**61,242**	**(4,437)**	**56,805**
Contract liabilities	**–**	**4,437**	**4,437**

32. COMPARATIVE FIGURES

Certain comparative information have been reclassified to conform with current year's presentation:

	COMPANY			
	31.12.2017		1.1.2017	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Statement of financial position				
Non-current assets				
Interests in subsidiaries	580,214	459,188	591,734	459,188
Current assets				
Trade and other receivables, prepayments and deposits	143,394	264,420	120,862	253,408

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 Datin Rozina Mohd Amin Dato' Seri Ismail Farouk Abdullah	 resigned on 30.7.2018
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 Mazuki bin Abdullah @ Muhammad	
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	 resigned on 30.7.2018
Palm Beach Hotel Sdn Bhd (dormant)	Kuok Oon Kwong Datin Rozina Mohd Amin	
Pantai Dalit Development Sdn Bhd (dormant)	Datin Rozina Mohd Amin Tay Keng Hock	
Hasil-Usaha Sdn Bhd (dormant)	Tay Keng Hock Chan Chee Yuen Sylvia Yap	 appointed on 23.1.2018 resigned on 23.1.2018
Wisegain Sdn Bhd (dormant)	Tay Keng Hock Chan Chee Yuen Sylvia Yap	 appointed on 23.1.2018 resigned 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 2018 are set out below.

	GROUP RM	COMPANY RM
Audit fees		
– KPMG	**329,000**	**92,500**
Non-audit fees		
– KPMG Tax Services Sdn Bhd	**26,000**	**–**
– KPMG	**13,500**	**13,500**
	39,500	**13,500**
Total	**368,500**	**106,000**

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 2018, 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*

Goh Ching Yin*

Dato' Sri Khazali bin Ahmad*

Ahmed Reza bin Mohd Ghazali*

*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

SOLICITORS

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

AUDITORS

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

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

FINANCIAL CALENDAR

Year 2019

28 FEBRUARY
Announcement of Unaudited Results for the 4th Quarter and Financial Year ended 31.12.2018

30 APRIL
Issue of 2018 Annual Report

29 MAY
48th Annual General Meeting to be held

29 MAY
Announcement of Unaudited Results for the 1st Quarter ended 31.3.2019

17 JUNE
Entitlement Date for the proposed 2018 Final Dividend

15 JULY
Payment Date for the proposed 2018 Final Dividend

Year 2018

17 MAY
47th Annual General Meeting

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

29 AUGUST
Announcement of Unaudited Results for the 2nd Quarter ended 30.6.2018

2 NOVEMBER
2018 Interim Dividend Entitlement Date

8 NOVEMBER
Announcement of Unaudited Results for the 3rd Quarter ended 30.9.2018

23 NOVEMBER
2018 Interim Dividend Payment Date

GROUP PROPERTIES
as at 31 December 2018

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2018 (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**	**34**	**16,229**	**120,015**
Komtar Hotel Sdn Bhd	**Hotel Jen Penang** 17-storey, 443 room hotel located at Magazine Road George Town, 10300 Penang	**Leasehold** (Expires 2082)	**32**	**4,800**	**67,439**
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**	**45**	**58,798**	**78,323**
	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**	**507**
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 2018

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2018 (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**	**40**	**19,359**	**35,835**
	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)	**28**	**3,737**	**626**
UBN Tower Sdn Bhd	**UBN Tower** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**34**	**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**	**34**	**3,120**	**48,210 #**
	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 2018

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2018 (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)	**22**	**105,318**	**119,019**
	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**	**3,337**
	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)	**21**	**668,985**	**26,347**

SHAREHOLDING STATISTICS
as at 29 March 2019

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	269	6.44	3,480	0.00
100 – 1,000	1,803	43.21	1,583,601	0.36
1,001 – 10,000	1,745	41.82	6,951,495	1.58
10,001 – 100,000	267	6.40	8,073,483	1.83
100,001 to less than 5% of issued shares	87	2.08	89,837,200	20.42
5% and above of issued shares	2	0.05	333,550,741	75.81
	4,173	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	101,312,900	237,500	23.08
Standard Life Aberdeen PLC	–	37,990,200	8.63
Aberdeen Asset Management PLC	–	37,990,200	8.63
Aberdeen Asset Management (Asia) Limited	–	29,470,100	6.70

SHAREHOLDING STATISTICS

as at 29 March 2019

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 29 March 2019 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	–	–	–
Goh Ching Yin	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–
Ahmed Reza bin Mohd Ghazali	–	–	–

(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	317,455	0.02
– others	252,635 [1]	–	0.01
Datin Rozina Mohd Amin	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Goh Ching Yin	–	–	–
Dato' Sri Khazali bin Ahmad	–	–	–
Ahmed Reza bin Mohd Ghazali	–	–	–

[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 29 March 2019

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	101,312,900	23.03
3. HSBC Nominees (Asing) Sdn Bhd BPSS Lux for Aberdeen Global - Asian Smaller Companies Fund	19,454,000	4.42
4. Amsec Nominees (Tempatan) Sdn Bhd for Ambank (M) Berhad (Hedging)	11,474,200	2.61
5. HSBC Nominees (Asing) Sdn Bhd BPSS LDN for Aberdeen Standard Asia Focus PLC	9,520,900	2.16
6. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen)	4,160,600	0.95
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client a/c-Res)	4,160,400	0.95
8. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,719,300	0.62
9. Citigroup Nominees (Tempatan) Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	2,434,300	0.55
10. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	2,141,300	0.49
11. CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad for Hong Leong Regular Income Fund	1,875,000	0.43
12. Kington Tong Kum Loong	1,804,500	0.41
13. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Yu Kuan Chon	1,590,000	0.36
14. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,405,500	0.32
15. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irama Gigih Sdn Bhd	1,236,400	0.28
16. CIMB Group Nominees (Tempatan) Sdn Bhd for CIMB Bank Berhad (EDP 2)	1,218,000	0.28
17. Key Development Sdn Berhad	1,156,400	0.26
18. Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,102,700	0.25
19. Amanahraya Trustees Berhad for PB Smallcap Growth Fund	1,028,100	0.23
20. Ying Holding Sdn Bhd	776,000	0.17
21. Maybank Nominees (Tempatan) Sdn Bhd Maybank Private Wealth Management for Kington Tong Kum Loong	750,000	0.17
22. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Huat	699,000	0.16
23. Gan Teng Siew Realty Sdn Berhad	645,000	0.15
24. Lim Kian Huat	613,000	0.14
25. G.T.Y. Holdings Sdn Bhd	606,000	0.14
26. Gemas Bahru Estates Sdn Bhd	600,000	0.13
27. Migan Sdn Bhd	595,300	0.13
28. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	593,400	0.13
29. Rengo Malay Estate Sendirian Berhad	571,000	0.13
30. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Swee Ming	519,500	0.12
	409,000,541	92.95

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting of the Company will be held at the Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 29 May 2019 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 2018 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 2018 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees and meeting allowance for the year ended 31 December 2018. **Ordinary Resolution 3**

4. To re-elect the following Directors, each of whom is retiring by rotation pursuant to Article 95 of the Company's Articles of Association:
   (i) Kuok Oon Kwong **Ordinary Resolution 4**
   (ii) Goh Ching Yin **Ordinary Resolution 5**

5. 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 6**

AS SPECIAL BUSINESS

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

6. **Proposed Adoption of the New Constitution of the Company**

   "THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and, in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018 be and is hereby adopted as the Constitution of the Company AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any modifications, variation and/or amendments as may be required by the relevant authorities and to do all such acts and things and take all such steps as may be considered necessary to give full effect to the foregoing. " **Special Resolution**

Voting on all Resolutions will be by way of poll

By Order of the Board

DATIN ROZINA MOHD AMIN
Company Secretary

Kuala Lumpur
30 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. With respect to deposited securities, only members whose names appear in the Record of Depositors on Friday, 17 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Forty-Eighth Annual General Meeting (48th AGM) is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. The Form of Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the date and time set for holding the 48th AGM or any adjournment thereof.
4. The proposed final single-tier dividend, if approved, will be paid on Monday, 15 July 2019 to shareholders whose names appear in the Record of Depositors on Monday, 17 June 2019.

EXPLANATORY NOTE ON SPECIAL BUSINESS

Special Resolution – Proposed Adoption of the New Constitution of the Company

The proposed Special Resolution seeks approval for the adoption of the new Constitution of the Company which, if passed by Shareholders, will bring the Company's Constitution into line with the Companies Act 2016 that came into force on 31 January 2017 and the updated Main Market Listing Requirements of Bursa Malaysia Securities Berhad issued on 29 November 2017.

Due to the substantial changes required to be made to the existing Memorandum and Articles of Association of the Company, the Board is proposing that a new Constitution be adopted instead, to replace the existing Memorandum and Articles of Association.

The proposed new Constitution of the Company is set out in the Circular to Shareholders dated 30 April 2019 that accompanies the Company's Annual Report for the financial year ended 31 December 2018.

NOTES

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

FORM OF PROXY

for the Forty-Eighth Annual General Meeting of the Company

No. of shares held:

I/We ______________________________ NRIC/Company No. ____________________

of ______________________________ Tel. No. ____________________

being a member/members of **SHANGRI-LA HOTELS (MALAYSIA) BERHAD**, hereby appoint

______________________________ NRIC No. ____________________

of ______________________________

or failing him/her ______________________________ NRIC No. ____________________

of ______________________________

or failing him/her, the Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the Forty-Eighth Annual General Meeting of the Company to be held at the Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Wednesday, 29 May 2019 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 and Meeting Allowance		
4	To re-elect Kuok Oon Kwong as Director		
5	To re-elect Goh Ching Yin as Director		
6	To re-appoint Messrs KPMG PLT as Auditors		
	SPECIAL RESOLUTION		
	To approve the Proposed Adoption of the New Constitution of the Company		

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/her discretion.

Dated this __________ day of ____________________ 2019

Signature ______________________________

For appointment of 2 proxies, percentage of shareholdings to be represented by the proxies.	
First Proxy	%
Second Proxy	%
Total	**100%**

NOTES

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

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STAMP

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

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

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REGISTERED OFFICE 13th Floor, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur | tel (+60-3) 2026 1018 fax (+60-3) 2026 1068

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