SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

ANNUAL REPORT
–
2016

CONTENTS

OUR VISION, MISSION AND CORE VALUES

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

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

OUR VISION

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

OUR MISSION

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

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

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

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

OUR CORE VALUES

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

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

Rasa Ria Resort & Spa

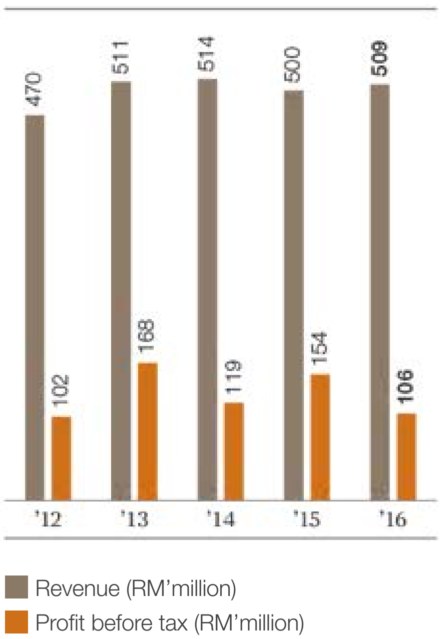
FIVE-YEAR FINANCIAL SUMMARY

		2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
RESULTS						
Revenue		**508,559**	500,253	513,679	511,225	469,572
Exceptional item		**–**	–	–	29,744	–
Profit before tax		**106,277**	153,641	119,497	168,181	102,470
Profit attributable to shareholders		**79,243**	129,686	79,340	130,367	67,389
Dividend-net		**61,600**	61,600	52,800	79,200	44,000
KEY BALANCE SHEET DATA						
Issued capital		**440,000**	440,000	440,000	440,000	440,000
Total assets employed		**1,464,361**	1,420,160	1,278,976	1,283,214	1,132,019
Shareholders' equity		**1,048,751**	1,031,865	954,979	954,839	868,932
Net borrowings		**31,701**	41,717	29,211	17,763	32,449
PER SHARE DATA						
Net earnings per share	(sen)	**18.01**	29.47	18.03	29.63	15.32
Net assets per share	(RM)	**2.38**	2.35	2.17	2.17	1.97
Dividend-gross	(sen)	**14.0**	14.0	12.0	18.0	10.0
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**7.6**	12.6	8.3	13.7	7.8
Return on total assets	(%)	**5.4**	9.1	6.2	10.2	6.0
Net borrowings to shareholders' equity	(%)	**3.0**	4.0	3.1	1.9	3.7

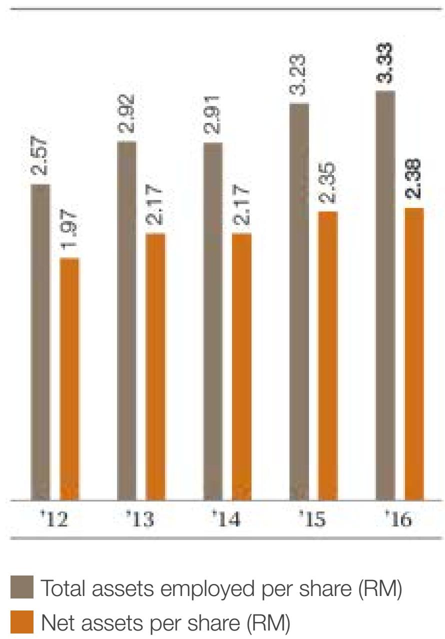
NOTE

Dividends of RM61.600 million for the financial year ended 31 December 2016 consist of (a) the interim single-tier dividend of 3 sen per share paid on 17 November 2016 amounting to RM13.200 million and (b) the proposed final single-tier dividend of 11 sen per share amounting to RM48.400 million. The proposed final single-tier dividend of 11 sen per share for the financial year ended 31 December 2016 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 18 May 2017.

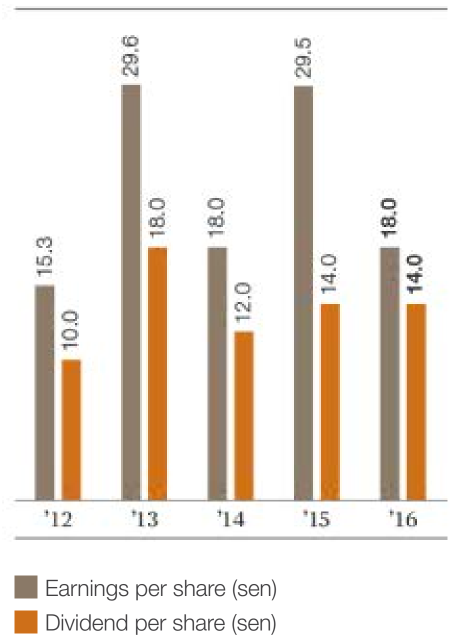
REVENUE & PROFIT BEFORE TAX



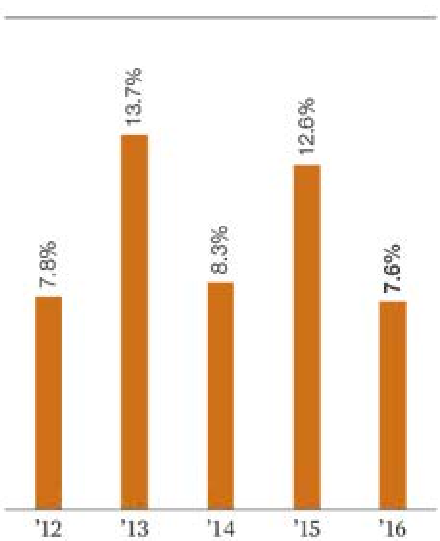
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



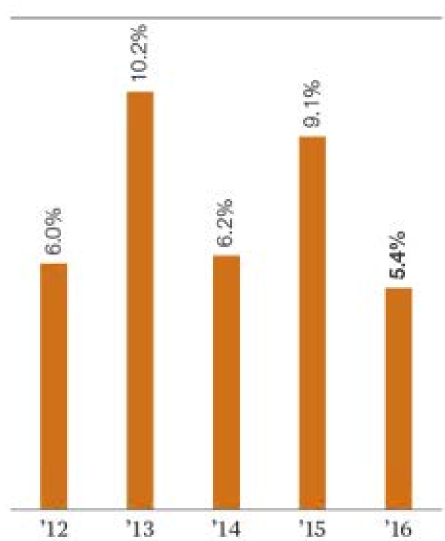
EARNINGS PER SHARE & DIVIDEND PER SHARE



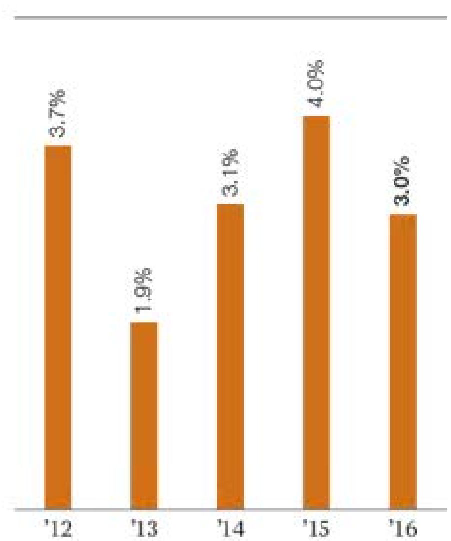
RETURN ON SHAREHOLDERS' EQUITY



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

Investment Properties

- **100%** UBN Tower Sdn Bhd
- **100%** UBN Holdings Sdn Bhd

Investment Holding & Others

- **100%** Pantai Emas Sdn Bhd
- **100%** Madarac Corporation[2]
  - **23.5%** Traders Yangon Company Ltd[3]
  - **22.2%** Shangri-La Yangon Company Ltd[3]
  - **23.6%** Traders Square Company Ltd[3]
- **100%** Wisegain Sdn Bhd
- **100%** Hasil-Usaha Sdn Bhd
- **75%** Pantai Dalit Development Sdn Bhd[1]

[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) Berhad ("SHMB") on 1 November 2004 and became Board Chairman of SHMB on 19 May 2005.

He graduated with a Bachelor of Arts (Honours) in Public Administration from University of Tasmania in 1971 and obtained a *Diplome Gestion Publique 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 October 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 boards of other public listed companies namely, Favelle Favco Berhad and Lafarge Malaysia Berhad.

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 four Board meetings held in 2016. Age 68.

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 as Managing Director on 16 November 1998. She is the Chairman of the Policy Implementation Committee and in her capacity as Managing Director she oversees the Group's business operations.

Madam Kuok joined Shangri-La Hotel Limited, Singapore in 1986 where she gained extensive practical and business experience in hotel operations through her various senior management positions. She is also Executive Chairman of Shangri-La Hotel Limited, Singapore, Chairman/President of Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc., Mactan Shangri-La Hotel & Resort, Inc. and a Director of Shangri-La Hotel Public Company Limited, Thailand. Madam Kuok is an Advocate and Solicitor (Barrister-at-Law) of Gray's Inn, London.

Madam Kuok has no conflict of interest with SHMB and no convictions for any offences within the past five years. She attended all four Board meetings held in 2016. Age 70.

BOARD OF DIRECTORS

DATIN ROZINA MOHD AMIN

Executive Director

Malaysian, Female, Non-Independent Executive Director

Datin Rozina Mohd Amin was appointed as an Executive Director of SHMB on 1 June 1998. She sits on the board of a number of companies in the SHMB Group and has also been a member of the Policy Implementation Committee since 1996. She has been with the Group for more than 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 four Board meetings held in 2016. Age 57.

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 graduated from Cambridge University, United Kingdom, with a Bachelor of Arts Degree in Economics. He started his working career with Touche Ross & Co, London, an accounting firm, in 1989. In 1992, he returned to Malaysia to work with DCB Sakura Merchant Bankers Berhad and he subsequently joined Rohas Sdn Bhd as General Manager from 1993 to 1995. He was an executive director of Bell & Order Berhad (now known as Scomi Engineering Berhad) from 1996 to 2003. Currently, he is the Managing Director of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (KESTURI), the concession holder of Lebuhraya Duta-Ulu Kelang.

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 three out of four Board meetings held in 2016. Age 50.

BOARD OF DIRECTORS

DATO' SERI ISMAIL FAROUK ABDULLAH

Malaysian, Male, Independent Non-Executive Director

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

Dato' Seri Ismail Farouk has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past five years. He attended all four Board meetings held in 2016. Age 71.

DATUK SUPPERAMANIAM A/L MANICKAM

Malaysian, Male, Independent Non-Executive Director

Datuk Supperamaniam a/l Manickam was appointed to the Board on 3 January 2005 and is a member of the Audit Committee and Nomination & Remuneration Committee. He holds a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. Datuk Supperamaniam joined the Malaysian Administrative and Diplomatic Service in 1970 and was posted to the Ministry of Trade and Industry as Assistant Director. He served in the same Ministry for thirty-three years and was appointed as Deputy Secretary General of the Ministry of International Trade and Industry (MITI) from 1997 up to his official retirement in March 2000. In May 2000, he was appointed by the Government as Ambassador/Permanent Representative of Malaysia to the World Trade Organisation, Geneva, Switzerland and held the position until September 2003. During the tenure of his service, he represented Malaysia at various bilateral, regional and international conferences including Senior Officials Meetings as well as in Summits and Ministerial Conferences of APEC, World Trade Organisation (WTO), UNCTAD and ASEAN.

Since his retirement from government service, he now serves as a resource person and consultant to meetings, workshops and conferences organised by United Nations Agencies, regional and international organisations and foreign governments. He has also been appointed to serve as a member on several committees of the Government on Globalisation issues especially those relating to trade policy and negotiations. Currently, he is an Adjunct Professor at the International Islamic University Malaysia and Management & Science University (MSU) Kuala Lumpur. He is also a Distinguished Fellow at the Institute of Strategic and International Studies (ISIS) Malaysia, Advisor to the China-ASEAN Research Institute of Guangxi University, China and the Asia-Pacific Research and Training Network on Trade, an open regional network composed of leading trade research institutions across the United Nations ESCAP (Economic and Social Commission of Asia and the Pacific) region. Recently, he was appointed as an International Advisory Board Member and Fellow at the International Academy of Belt & Road Initiative based in Hong Kong. He was also the Advisor to the Federation of Malaysian Manufacturers on Trade Policy, WTO and Free Trade Agreement (FTA) Negotiations. He also sits on the board of Panasonic Manufacturing Malaysia Berhad.

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past five years. He attended all four Board meetings held in 2016. Age 72.

BOARD OF DIRECTORS

DATO' DR TAN TAT WAI

Malaysian, Male, Independent Non-Executive Director

Dato' Dr Tan Tat Wai was appointed to the Board on 6 June 1995 and is currently the Chairman of the Nomination & Remuneration Committee. He holds a Bachelor of Science degree in Electrical Engineering and Economics from the Massachusetts Institute of Technology, a Master of Economics degree from University of Wisconsin (Madison) and a PhD in Economics from Harvard University. He started his career with Bank Negara Malaysia in 1978 undertaking research in economic policies. In 1984, he became the CEO of Southern Steel Berhad, a post he held until 2013. In 1984, he was also appointed as a part time consultant to Bank Negara Malaysia for several years and occasionally consultant to World Bank and the United Nations University. Dato' Dr Tan is currently a Director of Southern Steel Berhad and also sits on the boards of Maybank Philippines Inc. and NSL Ltd, Singapore.

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

Dato' Dr Tan has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past five years. He attended three out of four Board meetings held in 2016. Age 70.

TAN YEW JIN

Malaysian, Male, Non-Independent Non-Executive Director

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

Mr Tan has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past five years. He attended all four Board meetings held in 2016. Age 75.

LEMON GARDEN CAFÉ
Shangri-La Hotel Kuala Lumpur

SENIOR MANAGEMENT AND KEY EXECUTIVES

SENIOR MANAGEMENT

KUOK OON KWONG

Managing Director

Singaporean, Female, Aged 70

(please refer to page 5 for profile)

DATIN ROZINA MOHD AMIN

Executive Director & Group Company Secretary

Malaysian, Female, Aged 57

(please refer to page 6 for profile)

KEY EXECUTIVES

TAY KENG HOCK

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

Malaysian, Male, Aged 64

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

MANFRED WEBER

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

Austrian, Male, Aged 47

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

ELAINE YUE TOY HANG

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

Malaysian, Female, Aged 52

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.

G. RAVINDRAN A/L M. GOVINDASAMY

Area Financial Controller

Malaysian, Male, Aged 54

Mr G. Ravindran was appointed Financial Controller of Shangri-La Hotel Kuala Lumpur in 2007 before being promoted to the post of Area Financial Controller in 2011 to oversee the Shangri-La Group hotels in Kuala Lumpur and Putrajaya. He joined the Group in 2001 and acted as Financial Controller of Rasa Sayang Resort, Penang from 2001 to 2007. He formerly held various senior accounting managerial positions in two other Malaysian-based hotel group companies and also in Malaya Glass Bhd. He is a member of the Association of Certified Chartered Accountants, UK.

CHRISTOPHER SAKAYARAJ

Area Director of Human Resources – Industrial Relations (Malaysia)

Malaysian, Male, Aged 58

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

RUBY GONG SIEW MUI

Area Director of Human Resources (Malaysia)

Malaysian, Female, Aged 55

Ms Ruby Gong was appointed Director of Human Resources, Shangri-La Hotel Kuala Lumpur in 2007. She was promoted to her current role of Area Director of Human Resources in 2011, and is responsible for overseeing the human resources department of all the Shangri-La Group hotels in Malaysia. Prior to this, she was the Group Director of Human Resources with Dynawell Corporation Sdn Bhd from 1995 to 2007.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the Board, I wish to present Shangri-La Hotels (Malaysia) Berhad's annual report for the year ended 31 December 2016.

FINANCIAL PERFORMANCE

For the full year, our Group revenue grew to RM508.559 million, a modest improvement of 2% on the 2015 figure, as higher contributions from our resorts in Sabah and Penang were largely offset by a fall in revenue at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang due to major renovations.

In 2016, Group net profit attributable to shareholders dropped 39% to RM79.243 million from RM129.686 million the year before, while earnings per share declined in tandem to 18.01 sen, compared with 29.47 sen in 2015. The decrease was primarily as a result of:

- Our share of a net fair value loss of RM7.730 million in respect of the investment properties held through our associates in Myanmar, as against a net fair value gain of RM19.060 million in 2015;
- A lower net unrealised foreign exchange translation gain of RM4.308 million on our Group's US dollar loans to our associates in Myanmar, versus a net gain of RM18.380 million in 2015.

Our overall net profit for 2016 was further affected by weaker performances by Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang.

Nevertheless, in 2016 we maintained a strong balance sheet and healthy financial position. Shareholders' equity grew to RM1.049 billion as at 31 December 2016, and net asset value per share stood at RM2.38, up from RM2.35 in 2015. The Group's net debt-equity gearing ratio also improved from 4% to 3% at end 2016.

DIVIDENDS

Your Board is pleased to recommend a final single-tier dividend of 11 sen per share. Together with the interim single-tier dividend of 3 sen per share paid in November 2016, this will make a total dividend of 14 sen per share for the 2016 financial year, unchanged from 2015. Subject to approval by shareholders at the Annual General Meeting of the Company to be held on 18 May 2017, the final dividend will be paid to shareholders on 30 June 2017.

OPERATING HIGHLIGHTS

In 2016, our Group hotel businesses as a whole experienced improved levels of leisure demand, particularly from their key regional and domestic markets. This helped to counterbalance the softer demand from many of their major corporate markets in a climate of economic uncertainty.

Against this backdrop, our resorts in Penang and Sabah delivered robust growth in both revenues and profits over those of 2015.

Benefiting from increased leisure arrivals, occupancy at Rasa Ria Resort rose to 70% from 63% in 2015, while Rasa Sayang Resort posted a higher occupancy of 75%, compared to 67% the prior year. At Golden Sands Resort, a strong rise in demand from the domestic leisure segment drove occupancy up to 80% from 70% in 2015.

The results from Shangri-La Hotel Kuala Lumpur were impacted by a significant drop in contributions from its food & beverage operations, following the closure for major upgrading of the ballroom, function rooms and all-day dining restaurant in the last two months of 2016. The hotel's occupancy of 70% in 2016 remained in line with the previous year.

The performance of Hotel Jen Penang was similarly disrupted by the renovation of all its guestrooms that began in July 2016. Along with slower corporate demand, this led to a fall in occupancy from 71% to 57%, with a consequent reduction in revenue by 20%, compared to 2015.

At our investment properties in Kuala Lumpur, UBN Tower turned in a satisfactory performance in 2016, reporting a healthy occupancy rate of 82%. At UBN Apartments, however, occupancy levels remained subdued throughout the year owing to continued weak market conditions.

OUTLOOK AND STRATEGIC INITIATIVES

Overall, the operating conditions for our hotel businesses in 2017 are likely to be broadly stable. We are seeing continuing positive momentum in the leisure travel markets, and some signs of improvement in the business activity levels and corporate demand. Our hotels and resorts are well positioned to benefit from these trends.

As for our investment properties, we expect UBN Tower to achieve steady results as the prime office market in Kuala Lumpur should hold generally firm through 2017. The prospect for UBN Apartments remains weak due to ongoing sluggish demand and the oversupply situation.

Moving forward, we are concentrating on optimising the performances of our hotel assets and investment properties so as to deliver greater value and higher returns for our shareholders.

To this end, we will remain diligent in our efforts to increase brand leadership and operational excellence, to enhance the capabilities and competencies of our people, and to drive further cost efficiencies across our business operations.

CHAIRMAN'S STATEMENT

In 2017, we aim to garner market share in key and fast-growing markets by implementing innovative marketing progammes and leveraging on our brand strength and global marketing network. At the same time, we will seek to reinforce our customer base by deepening customer relationships, boosting brand awareness and introducing new added-value initiatives.

In a highly competitive environment, we will continue to build on our strong market position by ensuring the high quality of our products and service offerings. We will also focus our creative energies on developing innovative ways to enhance the customer experience so as to keep us at the forefront of the industry.

In late February 2017, we successfully completed extensive renovations to the ballroom, function rooms and the all-day dining restaurant at Shangri-La Hotel Kuala Lumpur. The upgraded facilities with their new interior designs and attractive décor, were well received by the market and have bolstered the hotel's premier reputation and leadership position in the city. We expect the benefits of this renovation programme to have a positive impact on the hotel's revenue in 2017.

In July 2016, we started a phased major renovation of all the guestrooms at Hotel Jen Penang. The upgrading works are in full swing and will continue through to mid-2017. We also plan to refurbish the main and reception lobbies and other public areas this year. When complete, the improved room product and facilities will better position the hotel to compete in the marketplace and provide an excellent platform to drive future growth. Meanwhile, though, we expect the hotel's operating performance in 2017 to reflect the disruption from the renovation works.

Our commitment to corporate governance means that we seek to ensure the highest standards of ethical management and conduct across all aspects of our business. Likewise, an unwavering dedication to our corporate responsibility objectives remains a core focus. By acting and doing business responsibly, we endeavour to make a difference to the communities and environments in which we operate, while simultaneously maintaining the Group's long term success so as to deliver sustainable value for all our stakeholders.

APPRECIATION

On behalf of my fellow Board members, I would like to thank every one of our employees for their unrelenting efforts, commitment and hard work during the past year. I am also grateful to my colleagues on the Board for their contributions, assistance and guidance throughout 2016.

Thank you all for your unfailing support.

Tan Sri A. Razak bin Ramli
Chairman
12 April 2017

The Grand Ballroom
SHANGRI-LA HOTEL KUALA LUMPUR

MANAGEMENT DISCUSSION AND ANALYSIS
Financial and Operations Review

The following discussion and analysis compares the Group's financial condition and results of operations for the year ended 31 December 2016 with those for the previous year.

PERFORMANCE OVERVIEW

In 2016, Group revenue grew by a modest 2% to RM508.559 million from the RM500.253 million reported in 2015. Higher revenues from the Group's resorts in Sabah and Penang were largely offset by declines in revenue at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang caused by major renovation programmes.

Group net profit attributable to shareholders for 2016 fell by 39% to RM79.243 million against the RM129.686 million the prior year. In tandem, earnings per share for 2016 decreased to 18.01 sen from 29.47 sen in 2015.

Earnings were lower in 2016 due mainly to:

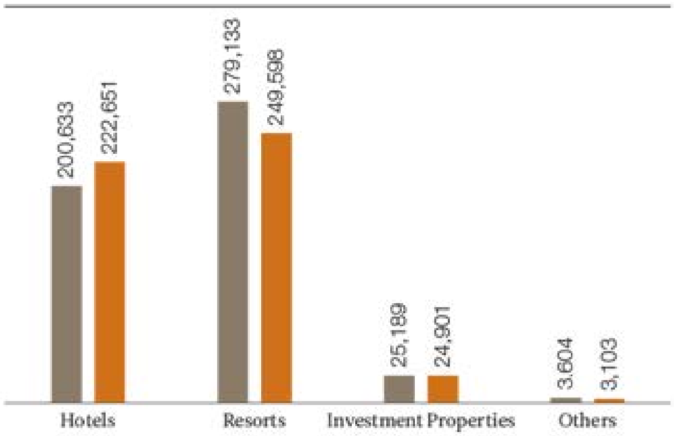
i. a non-operating item in respect of the Group's share of a net fair value loss amounting to RM7.730 million on the revaluation of the investment properties held through associates in Myanmar, versus its share of a net fair value gain of RM19.060 million in 2015;
ii. a lower net unrealised foreign exchange translation gain of RM4.308 million on the Group's US dollar loans to its associates, as compared to a net gain of RM18.380 million in 2015;
iii. reduced performances from Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang.

		2016	2015	Change
		RM'000	RM'000	%
Group Revenue		**508,559**	500,253	2
Group Operating Profit		**105,713**	126,230	(16)
Profit before tax		**106,277**	153,641	(31)
Operating cash flow		**144,397**	146,027	(1)
Earnings per share (EPS)	(sen)	**18.01**	29.47	(39)
Return on equity (ROE)	(%)	**7.6**	12.6	(5)

REVENUE

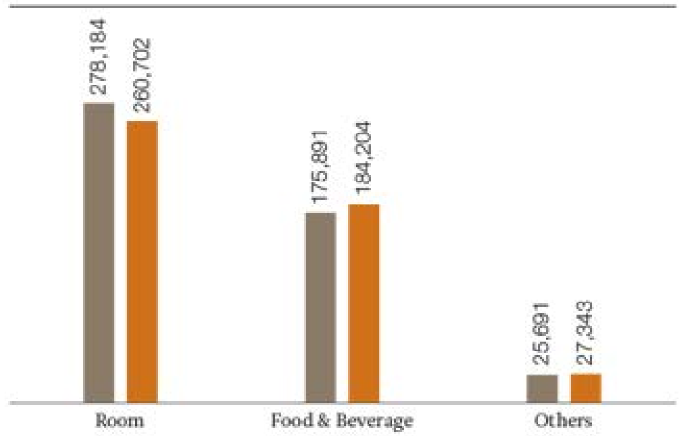
Revenue recorded by the Group for 2016 came in at RM508.559 million, 2% ahead of the 2015 figure.

Group Revenue by Business Segment



2016 – Total 508,559 (RM'000)
2015 – Total 500,253 (RM'000)

Hotels & Resorts Revenue by Departments



2016 – Total 479,766 (RM'000)
2015 – Total 472,249 (RM'000)

Resorts Segment

The Group's Resorts segment, which comprises Rasa Ria Resort (including the golf course), Rasa Sayang Resort and Golden Sands Resort, was the main revenue contributor, accounting for 55% the Group total.

Underpinned by a healthy increase in visitor arrivals from its key markets, Rasa Ria Resort saw occupancy rise to 70% from 63% in 2015, with revenue growing 12% to RM128.242 million in 2016. Occupancy at Rasa Sayang Resort in 2016 improved to 75% from 67% in 2015 on the back of higher leisure demand, while revenue climbed to RM85.017 million, 10% up on the prior year.

At Golden Sands Resort, stronger demand from the domestic leisure segment pushed occupancy up to 80% in 2016 from 70% the previous year, leading to a 15% improvement, which reached to RM60.783 million.

Hotels Segment

The Hotels segment comprising Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang saw revenue slip by 10% to RM200.633 million from RM222.651 million in 2015.

During the year, revenue for Shangri-La Hotel Kuala Lumpur fell by 8% to RM172.535 million, as its food and beverage business was affected by the closure of the ballroom, function rooms and all-day dining restaurant for major renovation from early November 2016. The hotel's occupancy for the year remained stable at 70%.

Business levels at Hotel Jen Penang were held back by the guestroom renovation work that started in July 2016, and also by lacklustre corporate demand. The hotel's occupancy dropped to 57% from 71% in 2015, with revenue down by 20% to RM28.098 million.

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Investment Properties
At the Group's investment properties, in 2016 the combined rental revenue from UBN Tower and UBN Apartments increased by 1% to RM25.189 million, supported by a higher contribution from UBN Tower.

Others
Revenue under this segment relates to the operations of Penang Laundry Services which provides laundry services mainly to the Group's hotel and resort properties in Penang, as well as to a number of outside customers. Total revenue was 16% better than in 2015 on account of increased business volumes both from Rasa Sayang Resort and Golden Sands Resort and from outside customers.

The operating performances of each of the Group's hotel businesses and investment properties are discussed in detail on pages 24 to 34.

The key performance indicators of the Group's hotel businesses and investment properties for 2016 are presented in the tables below.

Hotel/Resort	Available Rooms	Occupancy (%) 2016	Occupancy (%) 2015	RevPar (RM) 2016	RevPar (RM) 2015
Shangri-La Hotel Kuala Lumpur	662	**70**	70	**352**	356
Hotel Jen Penang	443	**57**	71	**118**	148
Rasa Sayang Resort	304	**75**	67	**483**	433
Golden Sands Resort	387	**80**	70	**296**	261
Rasa Ria Resort	499	**70**	63	**433**	379

Investment Property	Net Lettable Area (sq ft)	Occupancy (%) 2016	Occupancy (%) 2015
UBN Tower	352,181	**82**	82
	Lettable Units	**Occupancy (%) 2016**	**Occupancy (%) 2015**
UBN Apartments	58	**52**	53

SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2016	2015
	RM'000	RM'000
Share of profit after tax of associates	**6,834**	8,359
Non-operating Items		
Share of net fair value (loss)/gain on investment properties	**(7,730)**	19,060
	(896)	27,419

Through its wholly-owned British Virgin Islands subsidiary Madarac Corporation, the Group has a 23.5% interest in Traders Yangon Company Ltd (TYCL), a 22.2% interest in Shangri-La Yangon Company Ltd (SYCL) and a 23.6% interest in Traders Square Company Ltd (TSCL).

TYCL and SYCL own and operate Sule Shangri-La Yangon and the Shangri-La Serviced Apartments respectively, while TSCL owns Sule Square, a commercial complex with office and retail space in Yangon, which commenced business operations on 1 December 2016.

The Group's share of results from associates was a loss of RM0.896 million, compared with a profit of RM27.419 million in 2015, reflecting:

i. its share of a net fair value loss of RM0.075 million from the year-end revaluation of the Shangri-La Serviced Apartments, versus a net gain of RM6.042 million in 2015, along with its share of a net value loss of RM7.655 million in respect of Sule Square as against a net gain of RM13.018 million in 2015;
ii. a lower contribution from Sule Shangri-La Yangon following a reduction in occupancy from 55% in 2015 to 53% in 2016 and a negative contribution from Sule Square due to the pre-opening expenses and start-up losses incurred last year.

INTEREST EXPENSE

The Group's interest expense increased to RM2.697 million from RM1.667 million in 2015, reflecting higher average consolidated debt levels during the year. However, this was more than offset by a rise of RM2.498 million in interest income to RM4.157 million earned on higher cash balances in 2016.

TAXATION

In 2016, the tax expense was RM21.293 million, against RM15.375 million in 2015. The increase was mainly on account of a tax charge reported by Rasa Ria Resort, compared with a tax income in 2015 due to the availability of investment tax allowances (ITA) for its new extension completed in 2015. The higher tax expense in 2016 was partly offset by the utilisation of ITA by Hotel Jen Penang for its rooms renovation project and by Rasa Sayang Resort for its Garden Wing guestrooms renovation undertaken in 2014.

The Group's effective income tax rate increased from 10% in 2015 to 20%. In 2015, the effective rate was lower as the Group benefited from the ITA for Rasa Ria Resort, as well as from a significant unrealised translation gain on the Group's US dollar loans to associates which was not subjected to tax.

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EBITDA

In 2016, the Group's total EBITDA, including its share of EBITDA from associates was RM192.180 million, a decrease of 7% from RM207.080 million the previous year. This was largely a consequence of the lower performances from Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang due to the negative effects of their major renovations. The Group's EBITDA was also affected by the impact of unfavourable foreign currency movements on the translation of the Group's US dollar loans to associates, which led to a significantly reduced net unrealised gain of RM4.308 million in 2016, compared with a net gain of RM18.380 million in 2015. The Group's associates contributed 10% of total EBITDA in 2016.

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

DIVIDENDS

The Board of Directors has proposed the payment of a final single-tier dividend of 11 sen per share. When combined with the interim single-tier dividend of 3 sen per share paid in November 2016, this will bring the total dividend for the financial year ended 31 December 2016 to 14 sen per share, the same as for 2015. The proposed final dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company to be held on 18 May 2017.

The total dividend of 14 sen per share for the financial year 2016 will amount to a payout of RM61.600 million, representing approximately 78% 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.

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 2016 by WM Malik & Kamaruzaman, an independent firm of qualified valuers on an open market basis. Arising from the revaluation, the investment properties recorded a slight increase in fair value to RM288.080 million, compared with the carrying amount of RM288.062 million at the end of 2016. The fair value gain, together with the deferred tax thereon, has been incorporated in the consolidated income statement for the year ended 31 December 2016.

FINANCIAL POSITION AT END 2016

At the end of 2016, the Group continued to maintain its strong balance sheet and robust financial condition.

On 31 December 2016, total Group assets stood at RM1.464 billion, up 3% from the previous year end. This was mainly due to a significant rise in cash and bank balances, and further advances to associated companies.

At the year end, the Group held cash and bank balances of RM142.768 million, RM45.568 million higher than the RM97.200 million at the end of 2015, largely owing to the strong cash flows generated by the Group's business operations.

Interest in associates increased to RM260.514 million, as a result of an additional shareholders' loan of RM24.484 million extended to TSCL in 2016 and the favourable currency translation effects on the loans to associates.

PP&E declined by 4% to RM713.232 million due to the annual depreciation of the Group's hotel properties. However, this was partially offset by additions to PP&E relating to the renovation projects at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang.

The Group's total reserves improved from RM591.865 million at 31 December 2015 to RM608.751 million in 2016. The increase was primarily attributable to the net profit of RM79.243 million for the year, which was partly offset by the payment of dividends of RM61.600 million in respect of the final dividend of 11 sen per share for financial year 2015 and the interim dividend of 3 sen per share for financial year 2016.

As a result of the growth in total reserves, Group shareholders' equity climbed to RM1.049 billion at the end of 2016. In tandem, the Group's net asset value per share rose to RM2.38, as compared to RM2.35 at 31 December 2015. The Group's net debt-equity gearing ratio decreased to 3% at the end of 2016 from 4% the year before.

CASH FLOW

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

	2016 **RM'000**	2015 RM'000
Net cash from operating activities	**144,397**	146,027
Net cash used in investing activities	**(82,953)**	(51,259)
Net cash used in financing activities	**(62,316)**	(54,163)
Net (decrease)/increase in cash and cash equivalents	**(872)**	40,605
Cash and cash equivalents at beginning of the year	**97,200**	56,595
Cash and cash equivalents at the end of financial year	**96,328**	97,200
Short-term deposits with original maturities over 3 months	**46,440**	–
Cash and bank balances in the statement of financial position	**142,768**	97,200

Net cash inflow from the Group's operating activities was RM144.397 million, as against RM146.027 million in 2015.

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CASH FLOW (cont'd)

The net cash outflow from investing activities was RM82.953 million, RM31.694 million higher than in 2015. The cash employed for investing activities in 2016 mainly comprised RM46.440 million placed in short-term deposits with banks, plus capital expenditure of RM40.696 million for PP&E, primarily for the renovation projects at Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang, and also for operational capital expenditure.

The net cash outflow from financing activities was RM62.316 million, RM8.153 million higher than the previous year, primarily due to the dividends of RM61.600 million paid to shareholders in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's strong financial structure provides it with adequate resources to facilitate its continuing business and to fund future capital expenditure, together with the flexibility to invest in appropriate growth opportunities.

The Group actively reviews and manages its capital structure to ensure an appropriate balance between equity and debt, while seeking to maximise returns for shareholders, taking into account the future capital requirements of the Group, projected capital expenditure, and projected operating cash flows and profitability.

The Group finances its operations through cash and bank balances on hand, bank credit facilities, and operating cash flows generated by the business.

As part of its financial discipline, the Group actively monitors its cash flow position to ensure that sufficient funds are available to meet its financial obligations and operational needs. At the same time, the Group is vigilant in monitoring and managing its exposure to financial risks, including interest rate and foreign exchange risks in order to minimise the effects of fluctuations in currency and interest rates. The investment of the Group's cash resources is managed so as to minimise risk, while seeking to enhance yield.

At 31 December 2016, the Group's total available committed borrowing facilities in the form of revolving credit facilities amounted to RM249.600 million, of which RM174.469 million was drawn down.

In addition to cash and bank balances of RM142.768 million, at 31 December 2016 the Group had RM75.131 million of undrawn committed facilities.

The Group's total gross debt as at 31 December 2016 increased to RM174.469 million from RM138.917 million the prior year. At the end of 2016, the Group's net debt amounted to RM31.701 million, a reduction of RM10.016 million from the end of 2015. Accordingly, the net debt-equity ratio also dropped from 4% at the end of 2015 to 3% at the end of 2016. The interest cover ratio for 2016 remained at a healthy 40 times.

LEMON GARDEN CAFÉ
Shangri-La Hotel Kuala Lumpur

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SHANGRI-LA HOTEL KUALA LUMPUR

The operating results of Shangri-La Hotel Kuala Lumpur in 2016 were affected by a weaker performance by its food and beverage operations due to the major renovation of the hotel's ballroom and function rooms and its all-day dining restaurant, *Lemon Garden Café*. Total revenue declined by 8% to RM172.535 million from RM187.593 million the year before. Meanwhile, pre-tax profit decreased by 26% from RM45.416 million to RM33.749 million, which included a RM3.223 million charge for certain asset write-offs associated with the renovations.

SARAWAK ROOM
Shangri-La Hotel Kuala Lumpur

As in 2015, occupancy in the current year stood at 70%. Total room revenue, however, dipped to RM84.958 million from RM85.711 million due to a softer average daily rate mainly in the corporate group segment. In tandem, room profit reduced to RM65.787 million from RM67.681 million the previous year.

The closure for renovation of the hotel's ballroom, meeting facilities and *Lemon Garden Café* in November 2016 caused a significant decline in food and beverage business. Coupled with fewer government meetings, this led to a significant drop in covers in both banqueting and outlets. As a result, the hotel's food and beverage revenue slipped 14% to RM82.564 million from RM96.150 million in 2015, and profit fell by 16% to RM33.602 million from RM39.969 million.

In 2016 the hotel again clinched high profile awards in recognition of its product and service quality. It was voted the *Best Business Hotel in Kuala Lumpur* in the Business Traveller Asia-Pacific Awards 2016 and was acknowledged the *Best City Hotel in Kuala Lumpur* at the 27th Annual TTG Travel Awards 2016 by TTG Asia. The hotel was also named the *Best Hotel in Kuala Lumpur* by FinanceAsia in its Business Travel Poll 2016 and was voted one of the *Top 25 Luxury Hotels in Malaysia* by TripAdvisor in its Travellers' Choice Awards 2016.

The renovations of the ballroom, meeting facilities and *Lemon Garden Café* were completed by the end of February 2017. Since then, the upgraded products have received an encouraging response and have significantly enhanced the hotel's leadership position and competitiveness in the food and beverage market.

Looking Ahead

The hotel's operating performance in 2017 is expected to benefit from its newly upgraded facilities and from a steady rise in corporate travel demand.

The hotel's main focus in 2017 is to increase business volume in its key corporate markets of Malaysia, Singapore, Australia and the UK and to expand its corporate customer base from China and Japan. It will also step up its efforts to grow its convention business mainly in the banking and finance, pharmaceutical and medical sectors, and to win new accounts in the meeting and incentive segments from Malaysia, Singapore, Hong Kong and India. At the same time, it will further refine its rate management strategy and reinforce its upselling activities to improve room yield, particularly for the Horizon guestrooms and suites. For its leisure markets, the hotel will continue to build business volume from the UK, Australia, China and the Middle East. Meanwhile, to drive business for weekends and holidays, it will offer the Malaysian and Singaporean markets appealing packages and promotions.

To boost its food and beverage business, the hotel will introduce a new range of creative food promotions, revamp its food concepts, and further enhance service quality across all its outlets. In addition, it will continue to promote its loyalty food and beverage programme as well as working closely with credit card merchants, offering card holders special dining promotions so as to attract new customers and encourage repeat business for the outlets. Simultaneously, the hotel will intensify its efforts both to capture more business for its newly renovated ballroom and meeting facilities and to further develop its outside catering business through innovative sales and marketing initiatives. To this end, it will introduce more competitive meetings and dining packages to secure more high profile conventions, high rated corporate events, government functions, weddings and social events.

MANAGEMENT DISCUSSION AND ANALYSIS
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HOTEL JEN PENANG

The financial performance of Hotel Jen Penang in 2016 reflects the negative impact of the major renovation of all its guestrooms which started in July 2016. Coupled with subdued corporate demand, this led to a drop in business both for the rooms and for the food and beverage operations. The hotel registered a 20% fall in total revenue from RM35.058 million in 2015 to RM28.098 million in 2016 and a pre-tax loss of RM4.054 million compared with a pre-tax profit of RM3.625 million the previous year.

CLUB LOUNGE
Hotel Jen Penang

In 2016, the hotel's occupancy level fell to 57% from 71% due to lower room night bookings in all its key corporate and leisure segments, particularly from Malaysia, Singapore, Japan and Indonesia. Total room revenue was down by 20% to RM19.215 million in 2016 from RM24.077 million in 2015, and profit decreased by 24% to RM13.370 million as against RM17.641 million in 2015.

In line with the subdued occupancy level, the hotel's food and beverage revenue declined by 17% to RM7.842 million from RM9.465 million in 2015, and profit dropped to RM1.328 million from RM2.144 million the year before. Most of the food and beverage outlets recorded lower covers as did the banqueting business, which experienced a reduction in the number of corporate meetings and social events.

The phased major guestroom renovation programme is targeted for completion by the middle of 2017. Phase one of the programme, comprising 127 guestrooms on levels 14 to 17, was completed in December 2016. The remaining 316 guestrooms, on levels 5 to 13, will be upgraded during the first half of 2017 under phases two and three of the programme.

Looking Ahead

During 2017, the hotel will be renovating its main lobby, reception and other public areas. At the same time, the all-day dining restaurant, *The Islander* will undergo a soft refurbishment. Together with the ongoing major guestroom renovation programme, this will dampen the hotel's overall operating performance in 2017. In response, the hotel will redouble its efforts to achieve increased cost savings and to step up efficiency in all areas of operation.

The guestrooms renovated so far have been very well received in the market and are commanding higher average room rates. When all the renovations are complete, the enhanced room product will enable the hotel to compete more effectively and will provide a solid foundation for long-term growth. A comprehensive marketing programme and an effective rate strategy are in place to relaunch the improved room product and to create greater awareness in the marketplace.

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RASA SAYANG RESORT

Rasa Sayang Resort delivered improved results in 2016. Revenue advanced by 10% to RM85.017 million as against RM77.625 million in 2015, and the pre-tax profit of RM18.485 million was 14% ahead of the RM16.252 million recorded the previous year.

Rasa Sayang Resort & Spa

The resort's occupancy climbed to 75% from 67% in 2015 mainly due to increased room night bookings in most market segments, particularly the leisure group and packages segments from the UK, the Middle East, Australia, Malaysia and Singapore. This pushed up room revenue by 12% to RM53.790 million from RM48.021 million in 2015, while profit grew by 11% to RM43.402 million from RM39.097 million the year before.

The resort's food and beverage outlets also performed better, with most of them recording a gain in covers, especially the all-day dining restaurant, *Spice Market Café* and *Pinang Bar*. The resort's banqueting operations, however, saw a fall in covers chiefly owing to a drop in the number of corporate meetings and social events. Overall, food and beverage revenue rose 5% to RM26.850 million compared with RM25.506 million the year before, and profit for 2016 stood at RM10.881 million.

During 2016, the resort garnered a number of prestigious awards for its product and service excellence. It was rated one of the *Top Resorts in Asia* in the Conde Nast Traveler 2016 Readers' Choice Awards. It was also voted one of the *Top 25 Spa Hotels and Resorts in Asia* by Smart Travel Asia magazine in its 2016 Best in Travel Poll. In addition, the resort was recognised as one of the *Top 10 Family Resorts* in Malaysia by Holidays with Kids, a leading Australia family travel magazine in its 2016 Readers' Choice Survey.

Looking Ahead

The resort's overall prospects for 2017 remain favourable given the improving trend in the leisure travel market. During the year, the resort will intensify its sales and marketing efforts to boost business volumes from its key leisure markets of the UK, Malaysia, Australia, and the Middle East. It will also increase its efforts to win more corporate meetings business from Malaysia, Singapore and Hong Kong and to grow its customer base from the China and Japan markets.

To further develop its food and beverage business, the resort will introduce creative food and beverage concepts and launch new food promotions. At the same time, it will forge ahead with its strategic partnerships with major credit card merchants to offer card members special dining packages. Meanwhile, to drive its banqueting business the resort will step up its sales and marketing initiatives so as to secure more corporate meetings, weddings and social events.

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GOLDEN SANDS RESORT

At Golden Sands Resort, a robust growth in leisure business from the domestic market combined with improved food and beverage business delivered a 15% rise in revenue to RM60.783 million from RM52.766 million in 2015. In line with the revenue increase, the resort's pre-tax profit advanced 48% to RM15.938 million compared with RM10.784 million the year before.

Golden Sands Resort

Occupancy at the resort strengthened from 70% in 2015 to 80% in 2016 on the back of higher room night bookings mainly from the leisure group and individual segments and packages segments from Malaysia, as well as from the Middle East, Australia and Singapore. As a result, the resort achieved a 14% gain in total room revenue to RM41.955 million from RM36.893 million in 2015, while profit rose by 13% to RM33.581 million in 2016 as against RM29.777 million the prior year.

In line with the higher occupancy, the resort's food and beverage operations performed better. All the outlets recorded a pick up in covers, especially the all-day dining restaurant, *Garden Café*, and *Sigi's Bar & Grill*. This was partially offset by a reduction in covers in the banqueting business due to lower corporate meetings and social events. Overall, the resort's food and beverage revenue increased by 21% to RM16.367 million from RM13.574 million in 2015. The growth in revenue, coupled with tight control over operating costs, enabled the resort's food and beverage profit to climb by 40% to RM4.376 million from RM3.136 million in 2015.

In 2016, the resort was named one of the *Top 10 Family Resorts* in Malaysia by Holiday with Kids, a leading Australian family travel magazine in its 2016 Readers' Choice Survey. The resort also clinched the *Best Family Stay* and *Best Resort Experience* 2016 Excellence awards by the readers of Expatriate Lifestyle, a leading Malaysian expatriate publication.

Looking Ahead

In 2017, the resort is expected to continue to benefit from the growing demand from its key leisure markets.

The resort will focus on driving business volumes from its key markets of Malaysia, the Middle East, Australia and the UK. At the same time, it will put in more effort into boosting its meeting and incentive segments from Malaysia, Singapore and Hong Kong.

To enhance business at the outlets, the resort will roll out new dining promotions and continue its strategic partnerships with credit card merchants. Meanwhile, to build banqueting business, value-added packages will be introduced to secure more corporate meetings and social events.

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RASA RIA RESORT

Rasa Ria Resort delivered a strong performance in 2016 underpinned by a healthy growth in both its rooms and food and beverage operations. Total revenue improved by 12% to RM128.242 million as against RM114.099 million in 2015, with pre-tax profit up by 39% to RM33.764 million from RM24.303 million the prior year.

Rasa Ria Resort & Spa

During the year, occupancy advanced from 63% to 70% with most segments recording higher room night bookings, particularly from the leisure group and individual segments and the meeting and incentive segments from China and Korea. At the same time, increased average daily rates were secured in almost all segments, especially in the leisure group and individual segments.

As a result, total room revenue climbed 19% to RM78.266 million in 2016 compared with RM66.000 million the year before, and profit also gained 19% to RM68.407 million from RM57.249 million in 2015.

The rise in occupancy drove an enhanced performance by the resort's food and beverage operations. Most of the outlets recorded a growth in covers, particularly the all-day dining restaurant, *Coffee Terrace* and *Kozan*. The resort's banqueting business also did better, spurred by a higher number of corporate meetings and social events. Total food and beverage revenue increased by 7% to RM41.241 million in 2016 from RM38.395 million in 2015 and profit was up 2% to RM17.192 million from RM16.928 million.

Reflecting its quality and popularity, the resort was ranked number one in the *Top 10 Family Resorts in Malaysia* by Holidays with Kids, a leading Australian family travel magazine. It was also named one of the *Top 25 Luxury Hotels in Malaysia* by TripAdvisor in its 2016 Travellers' Choice Awards.

Looking Ahead

Overall business conditions for the resort in 2017 appear to be encouraging, with demand continuing from its key leisure markets.

In 2017, the resort plans to make further improvements to its product offering by undertaking a soft refurbishment of its Indian restaurant, *Naan* and its Japanese restaurant *Kozan*. In addition, to further enhance and broaden its conservation programme, it is looking to create new cultural, adventure and nature activities within its 64-acre nature reserve.

The resort will intensify its sales and marketing initiatives to stimulate stronger growth from China, while continuing to build business volumes from its existing key leisure markets of the UK, Australia, Korea and Malaysia. Simultaneously, greater efforts will be made to boost the meeting and incentive segments from Singapore and Hong Kong. The resort will also work on sourcing new business from the emerging market of Russia. Likewise, to further drive room rates, it will introduce appealing value-added packages and increase it upselling efforts to garner more high rated customers particularly for its *Ocean Wing* guestrooms.

To create further demand at the food and beverage outlets, the resort will continue to launch dining promotions and introduce unique food concepts. Meanwhile, to grow its banqueting business, it will focus on introducing attractive packages so as to secure a higher number of corporate meetings, weddings and social functions.

MANAGEMENT DISCUSSION AND ANALYSIS

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INVESTMENT PROPERTIES

In 2016, the Group's investment properties in Kuala Lumpur achieved better results due mainly to a higher contribution from UBN Tower. The total combined rental revenue improved to RM25.189 million, while the combined pre-tax profit, excluding fair value changes, climbed to RM16.117 million from RM15.993 million the previous year.

While the occupancy rate at UBN Tower remained high at 82%, the average rental rate rose 2% on the back of healthy rate increases secured for both new tenancies and the renewal of existing tenancies. Consequently, total rental revenue advanced from RM22.878 million to RM23.109 million, and profit before tax gained 2% to RM13.551 million from RM13.339 million the year before.

Leasing activities in the high-end apartment market in the Golden Triangle remained challenging in 2016. The launch of new apartments added to the existing oversupply, and there was reduced demand from expatriates. Despite this, UBN Apartments showed only a small decline in its occupancy level, which eased to 52% from 53% in 2015, and also succeeded in achieving better rental rates for the renewal of existing tenancies. As a result, total rental revenue improved to RM2.080 million from RM2.023 million in 2015, while profit before tax for 2016 came in at RM2.566 million.

Looking Ahead

With trading conditions in Kuala Lumpur's office rental market expected to remain broadly stable in 2017, the performance by UBN Tower should hold steady. However, UBN Apartments will continue to face challenging market conditions. Demand will remain sluggish, and the existing glut of upscale apartments will be exacerbated as yet more units come on stream. Inevitably, this will put further downward pressure on both occupancy and rental rates.

In 2017, greater efforts will be made to secure new tenants and grow rental yields through a competitive rate strategy. Extra emphasis will also be placed on providing a higher standard of maintenance and security at both the properties, and on strengthening relationships with existing tenants.

CORPORATE GOVERNANCE STATEMENT

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

In accordance with the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), this statement describes the way in which the Company has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (the 2012 Code).

Save for limited exceptions as explained within this statement, the Board considers that throughout the financial year to 31 December 2016 the Company complied with the principles and recommendations of the 2012 Code.

THE BOARD

Board Structure and Effectiveness
The Board of Directors is currently made up of eight members, comprising six non-executive directors and two executive directors. The names and biographical details of each director in office at the date of this statement appear on pages 5 to 8.

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.

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

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

The Board comprises a diverse membership providing the necessary range of capabilities and perspectives to take the Company forward. In addition, there are currently two women on the Board, who make up 25% of the Board, reflecting the Company's commitment to gender diversity not only within its Board of Directors but at all levels throughout the Group.

Every year, the Board 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 2016, the review process indicated that the Board and its committees are fulfilling their roles effectively, with good engagement, performance, contribution and time commitment from all members.

Board Independence

Of the six non-executive directors on the Board, four are considered to be independent. As such, independent non-executive directors comprise more than one-third of the Board as required by the Listing Requirements of Bursa Malaysia.

The Board has adopted the criteria established by the NRC to assess independence, which are in line with the definition of "independent directors" under the Listing Requirements of Bursa Malaysia and are also consistent with the recommendations prescribed in the 2012 Code, except for the recommendation that the tenure of an independent director should not exceed a cumulative term of nine years.

The NRC and the Board are of the view that the tenure of an independent director should not be made a criterion for assessing independence as they strongly believe that the adopted criteria are sufficient to promote and safeguard independence.

However, as required by recommendation 3.3 of the 2012 Code, the Company will be seeking shareholder approval at its annual general meeting (AGM) to be held on 18 May 2017 to retain Dato' Dr Tan Tat Wai, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam and Dato' Haris Onn bin Hussein, who have each served on the Board for more than nine years as independent non-executive directors of the Company.

Following a rigorous process of assessment during the year, the NRC and the Board determined that each of the four non-executive directors 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.

Notwithstanding their length of service, and having given careful consideration to the matter, the Board is satisfied that each of them continues to demonstrate the qualities of independence and impartiality in carrying out their roles as non-executive directors.

Further, they bring an objective perspective to the Board's deliberations, and make strong contributions to Board decision-making through their varied and extensive experience, knowledge and skills, which are highly valued by the Board and are of significant benefit to the Company.

CORPORATE GOVERNANCE STATEMENT

The other area of non-compliance is with respect to the recommendation of the 2012 Code that a board should comprise a majority of independent directors where the chairman is not an independent director. Currently, the Board is made up of four non-independent directors (including the Chairman) and four independent directors. In keeping with its aim of maintaining and promoting high governance standards, the Board will endeavour to meet the recommendation of the 2012 Code when considering future Board appointments to further strengthen its composition.

Re-election of Directors

Under the Company's Articles of Association, all directors seek re-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 46th AGM of the Company to be held on 18 May 2017 are set out in the Notice of AGM.

Board Meetings

The Board meets on a quarterly basis, and supplementary meetings are held as and when necessary. A total of four Board meetings was held in 2016 and the attendance of the directors for each meeting is shown in the table below. There are a number of committee meetings between Board meetings and these are normally fully attended.

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 2016

NAME	BOARD ATTENDANCE
Tan Sri A. Razak bin Ramli	4 / 4
Kuok Oon Kwong	4 / 4
Datin Rozina Mohd Amin	4 / 4
Dato' Haris Onn bin Hussein[1]	3 / 4
Dato' Seri Ismail Farouk Abdullah	4 / 4
Datuk Supperamaniam a/l Manickam	4 / 4
Dato' Dr Tan Tat Wai[1]	3 / 4
Tan Yew Jin	4 / 4

1 Dato' Haris Onn bin Hussein and Dato' Dr Tan Tat Wai were each unable to attend one meeting due to a prior commitment which could not be re-scheduled.

Board Support and Information

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. The Board is also updated regularly on relevant legislative and regulatory developments, as well as changes to accounting and corporate governance standards. The Group has a comprehensive system for reporting financial results to the Board.

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.

Board Development and Induction for New Directors

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 2016, Bursa Malaysia introduced new sustainability reporting requirements, and on 31 January 2017 the new Companies Act 2016 came into effect, replacing the Companies Act, 1965. In response to these major changes, a full-day in-house training programme was organised for the directors, covering a broad range of topics including an overview of the new Bursa Malaysia requirements and of the key amendments and new provisions of the 2016 Act.

Several of our directors also attended various external training programmes, including the following:

- CG Breakfast Series with Directors: Thought leadership session for directors and how to leverage on AGM for better engagement with shareholders
- ICLIF Leadership and Governance Centre: Internal Capital Adequacy Assessment Process (ICAAP) - Banks
- ICLIF Leadership and Governance Centre: Current Issues in Corporate Governance
- ICLIF Leadership and Governance Centre: Independent Directors Programme "The Essence of Independence"
- Seminar on: Independent Directors – Regulator's expectation organised by Companies Commission of Malaysia

All directors receive an induction on joining the Board. This typically involves management briefings and presentations about the Company's businesses, meetings with the Chairman, executive directors and key senior executives and visits to operations around the Group. The Group Company Secretary also provides guidance on directors' duties and on legal, regulatory and governance matters, with which the Company, Board and individual directors are required to comply.

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 reference 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)

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

   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 during 2016. 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)

   The NRC comprises only independent non-executive directors and is chaired by Dato' Dr Tan Tat Wai. The other members are Dato' Seri Ismail Farouk Abdullah and Datuk Supperamaniam a/l Manickam. The Committee met once during the year.

   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 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.

Board 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. The aggregate remuneration of the directors of the Company categorised into the appropriate components and analysed into bands of RM50,000 for the year ended 31 December 2016 is set out below.

CATEGORY	FEES & ALLOWANCES (RM)	SALARIES & BONUS (RM)	BENEFITS-IN-KIND (RM)
Executive directors	–	2,096,000	35,200
Non-executive directors	263,000	–	–
Total	**263,000**	**2,096,000**	**35,200**

AMOUNT OF REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Below RM50,000	–	5
RM50,001 to RM100,000	–	1
RM100,001 to RM1,000,000	–	–
RM1,000,001 to RM1,050,000	1	–
RM1,050,001 to RM1,100,000	–	–
RM1,100,001 to RM1,150,000	1	–

CORPORATE GOVERNANCE STATEMENT

RELATIONS WITH SHAREHOLDERS

The Board is committed to ensuring the accurate and timely disclosure of 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 holds meetings with institutional investors and financial analysts on a regular basis each year to discuss matters relating to the Group's performance, business activities and growth plans and to respond to any queries they may have.

The AGM provides the Board with an opportunity to communicate with and answer questions from shareholders. The entire Board is also available to talk to shareholders before and after the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of results, the Board seeks to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit Committee assists the Board in ensuring the reliability and integrity of the accounting and financial reporting process of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval. A statement of the directors' responsibilities for preparing the financial statements is set out on page 61.

Risk Management and Internal Control

The Board has overall responsibility for overseeing the Group's system of 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 50 to 53.

Relationship with Auditors

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

This Statement is made in accordance with a resolution of the Board of Directors dated 12 April 2017.

SUSTAINABILITY STATEMENT

As a responsible corporate citizen, we are fully committed to sound principles of Corporate Social Responsibility (CSR). CSR is integral to the way we conduct our business and underpins our long-term growth strategy. We strive to build on our CSR programme and initiatives, which aim for high standards of social and environmental business practices across our operations.

We emphasise engagement with our stakeholders at all levels including employees, customers, shareholders and local communities. We also work closely with local and national authorities and government bodies on environmental issues so as to deliver common goals and objectives.

Each of our hotel properties has a CSR committee made up of members of senior management. The role of each committee is to oversee the continuous development and implementation of the Group's CSR policies and practices, as well as to monitor progress in the key areas of environmental management, employment, health and safety, community support, and supply chain management.

Our framework for sustainability development focuses on four priority areas which are integrated into our business strategy and are at the heart of everything we do.

OUR ENVIRONMENT	OUR BUSINESS	OUR PEOPLE	OUR COMMUNITIES
Climate Change and Greenhouse Gas Emissions	Corporate Procurement	Employment Practices Diversity and Equal Opportunities	Community Development Embrace, Shangri-La's Care for People Project
Water	Guest Engagement	Training and Development	Disaster Relief and Rehabilitation
Waste	Guest Safety and Security Fire and life safety Food safety Indoor air quality Data privacy	Occupational Health and Safety	
Biodiversity and Conservation Sanctuary, Shangri-La's Care for Nature Project	Sustainable Choices	Employee Wellbeing	Volunteering

The Group monitors performance using a CSR Scorecard. Launched in 2011, the Scorecard is regularly updated to reflect the progress of various initiatives designed to enhance communication, guest engagement, and supply chain/sustainable sourcing.

SUSTAINABILITY STATEMENT

Stakeholder Engagement

In 2016, we conducted a stakeholder engagement consultation with a group of key stakeholders including local suppliers and senior management in order to seek and better understand their views and expectations on current concerns. These engagements indicate that we now need to:

- Use a science-based approach to measure our environmental impact and to enhance the way we track and report on our environmental performance,
- Improve our waste management,
- Undertake more comprehensive audits of our core suppliers and be more proactive in driving the implementation of corrective action plans to ensure continuous improvements in audit results,
- Do more to empower our female employees by providing them with further career development opportunities, in line with our commitment to workplace diversity.

THE ENVIRONMENT

We acknowledge our responsibility for managing and reducing the impact that our business has on the environment, and are committed to making continuous improvements in environmental performance. Each of our hotel properties follows an Environmental Management System manual, which helps to identify and address the immediate and long-term impact of the hotel's operations on its local environment.

ISO 14001 Environmental Management System

Our hotels have made considerable strides over the past years in developing management systems for the protection of the environment. This has resulted in all the hotels having attained ISO 14001 accreditation, an international standard of environmental management intended to assist organisations to achieve environmental goals.

Energy and Water Efficiency, Waste Management

We have made a significant investment in initiatives to improve efficiency in the use of resources including energy and water throughout the Group. Our hotels continue to roll out energy-saving measures such as replacing older equipment with energy-efficient alternatives, utilising LED lighting, and reducing the usage of chemicals within their operations. Shangri-La Hotel Kuala Lumpur, Hotel Jen Penang and UBN Tower have modernised all their lifts and escalators. The escalators have built-in sensors to detect passengers approaching, and operate at a low speed when on standby mode to reduce energy usage.

All of our hotels have completed a programme to replace low efficiency chillers with new environmentally friendly CFC-free high-efficiency chillers except for one remaining chiller at Hotel Jen Penang which will be replaced in 2017. Shangri-La Hotel Kuala Lumpur now uses natural gas rather than liquid petroleum gas in all its boilers and in all kitchen areas in order to improve air quality. Rasa Sayang Resort has switched from using diesel-burning boilers to heat pumps to reduce both diesel fuel consumption and emissions, while Hotel Jen Penang and Golden Sands Resort have plans to convert in the near future.

To further enhance energy efficiencies, all of our hotels have installed guestroom electronic control systems as well as high-efficiency lighting in guestrooms and certain public areas. Shangri-La Hotel Kuala Lumpur and Rasa Ria Resort have converted all outdoor garden lighting to use energy-saving LED bulbs.

The newly renovated guestrooms at Hotel Jen Penang have been installed with more efficient air conditioning systems and LED lighting. The renovated Club Lounge has been fitted out with tinted glass windows to conserve energy, and vinyl flooring to reduce vacuuming requirements.

To lessen water and energy usage, we encourage guests to reuse towels and linen, and all our hotels have adopted a low temperature laundry programme.

Several other measures have also been introduced to reduce water usage, such as the installation of water saving flush systems and other water saving devices in the guestroom bathrooms as well as the public area washrooms. Sub-meters have been installed throughout the hotels to monitor and measure energy and water consumption and to enable the setting of targets for improvement.

Since 2011, Rasa Sayang Resort and Golden Sands Resort in Penang and Rasa Ria Resort in Sabah have installed an inhouse water purification system which enables the three resorts to bottle their own drinking water in recyclable glass bottles. This is more sustainable, reduces plastic bottle waste, and creates a more eco-friendly environment. Meanwhile, Rasa Ria Resort's 18-hole Dalit Bay golf course in Pantai Dalit is fully irrigated by recycled treated waste water from the sewage treatment plant at the property.

Our hotels continue to improve waste management by collaborating with various partners on segregation and recycling programmes for glass bottles, paper, plastics, metal, used cooking oil and other forms of waste. Increased efforts are also being made to ensure that the majority of cleaning materials used by our hotels are biodegradable. In addition, all our hotels use recycled paper for the printing of guestroom collaterals.

To minimise our food waste, we are focusing on three areas: food preparation, spoilage, and food serving. At Rasa Ria Resort, food waste from all food and beverage outlets including the staff cafeteria is, whenever possible, sent to a local animal farm. Kitchen food waste and landscape trimmings are used for composting, which in turn lessens the resort's dependency on purchased fertiliser.

In collaboration with Sealed Air and various local partners, Rasa Sayang Resort and Hotel Jen Penang run the Soap for Hope Programme. This involves salvaging and sanitising leftover soap from guestrooms and turning it into new bars that are then sold or donated for the benefit of the community. The programme also encourages hand washing, which in turn prevents disease. In 2016, 9.23 tonnes of discarded soap from Rasa Sayang Resort and Hotel Jen Penang were reused instead of being sent to landfill.

Shangri-La Hotel Kuala Lumpur, Rasa Ria Resort and Rasa Sayang Resort were the recipients of the 2016-2018 ASEAN Green Hotel Award. The award criteria are: environmental policy and hotel operation activities; use of green products; cooperation with local community and organisations; human resources development; solid waste management; energy efficiency; water efficiency; indoor and outdoor air quality management; noise pollution control; waste water treatment and management; and management of toxic and chemical waste disposal.

Conservation and Biodiversity
In line with our commitment to biodiversity conservation and habitat protection, each of our resorts runs a Sanctuary, Shangri-La's Care for Nature Project. To protect and enhance conservation of the natural environment, Rasa Ria Resort in Sabah has dedicated 64 acres of its forested hills to a nature reserve. This reserve is home to various species of birds and small animals and an abundance of indigenous flora.

The highly successful Orangutan Rehabilitation Support Programme, jointly managed by the resort and the Sabah Wildlife Department since 1996, reached completion in April 2016. Over the course of 20 years, 43 orphaned orangutans successfully completed the first phase of their rehabilitation under the care of trained rangers within the nature reserve. The orangutans were then moved on to the next stage of the programme at the renowned Sepilok Orangutan Rehabilitation Centre which prepares them for eventual release into the wild. As well as providing specialist care for orphaned orangutans, the programme has helped to increase the public's understanding of the plight of these endangered primates, and the centre has been visited by more than 12,000 students from around Sabah.

To expand its conservation education and activities, in 2017 the resort plans to create new cultural, adventure and nature activities within the nature reserve with enhanced supporting facilities at its Nature Interpretation Centre.

At Rasa Sayang Resort and Golden Sands Resort in Penang, the Turtle Care Project aims to demonstrate a commitment both to creating awareness of the need for turtle conservation and to increasing the survival rate of hatching turtles. An Eco Centre has been set up onsite that uses informative displays to tell visitors about environmental protection and the conservation of turtle species. It also highlights the efforts made by the resorts for the Turtle Care Project.

The resorts' turtle conservation efforts are supported by a variety of activities such as educational and awareness-building games designed to engage the local community, local schools, resort guests and other visitors. The two resorts continued their bi-yearly environmental education programmes for school children from the local community. These include interactive and fun presentations followed by educational outdoor games, arts and crafts sessions using recycled materials, a beach clean-up, and a tour of the Eco Centre involving lively learning activities with a strong take-home message about what participants can do to help prevent turtles from becoming extinct. In April 2016, Turtle Egg Retrieval and Turtle Watching Etiquette training was organised in collaboration with the Department of Fisheries, Penang.

HEALTH, SAFETY AND SECURITY

The Group regards the health and safety of all its employees, customers and the general public as of paramount importance.

We are committed to delivering high standards in health and safety across all aspects of our operations to ensure a safe and secure environment. All employees receive comprehensive and regular training in health and safety awareness, covering fire, security, food safety, hygiene and sanitation.

Our health and safety policies and procedures promote a strong safety culture and encourage good practice as well as compliance with all applicable laws and regulations. Annual internal audits are conducted throughout the Group's hotels to ensure that health and safety management systems are properly implemented and maintained.

Fire and Life Safety is a top priority and our five hotels are audited annually. In 2016, the hotels achieved an overall compliance rate of 81% which exceeds our benchmark of 80%.

Meanwhile, our Privacy and Data Protection Policy sets out our commitment to respecting privacy, safeguarding our guests' personal information, and upholding the highest standards of ethical and legal conduct relating to individuals.

Food Safety

Our hotels place a strong emphasis on ensuring the highest level of food safety and on managing food safety risks under the stringent Shangri-La Food Safety Management System (SFSMS).

The SFSMS is a comprehensive system covering the receiving, preparing, cooking and serving of food items, and safeguards against the cross-contamination of products. The system is regularly reviewed to ensure that it remains effective and complies with all regulatory requirements. Each hotel has a dedicated food hygienist responsible for monitoring the implementation of food safety. Food safety performance is tracked as part of each hotel's CSR Scorecard.

All our hotels and resorts have attained HACCP (Hazard Analysis and Critical Control Point System) certification. HACCP is a global food safety standard system and is one of the most sought-after accreditations in the hospitality industry.

OHSAS 18001 Occupational Health and Safety Management System

All our hotels have achieved OHSAS 18001 certification – the international occupational health and safety management system which helps organisations to control and manage the health and safety risks associated with their business activities.

PROCUREMENT AND SUPPLY CHAIN

We acknowledge that many social and environmental impacts derive from activities in our supply chain. We therefore continually seek ways to enhance environmental standards all along the chain. We are committed to working with business partners who share our values, and whenever possible our hotels source from local suppliers and select eco-friendly products.

In accordance with Shangri-La's Corporate Purchasing Policy, suppliers are required to comply with our Supplier Code of Conduct, which is included as an appendix to every supplier contract and which is regularly reviewed to ensure compliance. The code is closely aligned with Shangri-La's core values and incorporates recognised international best practice in the areas of labour and human rights, health and safety, environmental impact, ethics, and management commitment. Adherence to the code is systematically monitored through both scheduled and unannounced site visits to suppliers' premises. Our hotel-based procurement teams regularly engage with local supply chain partners on sustainability topics, and in 2016 each of our hotels hosted four engagement sessions with their suppliers.

In our efforts to broaden sustainable choices in our food and beverage offerings, our Rooted in Nature Programme features chemical and pesticide free produce, free range and ethically reared livestock and poultry, sustainably caught seafood, and organic or fair trade produce as well as supporting local agricultural and fishing communities. In 2016, 131 new Rooted in Nature menu items were introduced across our five hotels, featuring the finest locally and ethically sourced ingredients. As part of our ongoing commitment to sustainable seafood, we are also committed to procuring responsibly sourced seafood certified by the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC) whenever possible.

OUR PEOPLE

Our employees are central to the continued success of our business and our reputation for service excellence.

As a preferred employer, the Group aims to attract, recruit and retain talented people through appropriate and competitive salaries and benefits. We strive to ensure a fair and inclusive workplace that enables everyone to pursue their professional and personal goals, and where colleagues treat each other with respect. We embrace diversity, provide equal opportunities in all aspects of employment, and repudiate all forms of discrimination, whether on the basis of gender, race, religion, disability, marital status, family status, sexual orientation, or any other personal characteristic.

The total number of full-time permanent employees of the Group hotel in 2016 was 2,400 and the breakdown by gender and age group is shown in the table below.

	PERCENTAGE OF TOTAL
By Gender	
Male	61%
Female	39%
By Age Group	
Under 20 years	0.9%
20 – 40 years	63.8%
Over 40 years	35.3%

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

Training Development and Wellbeing

The Group endeavours to provide a working environment that fosters the continuous development and motivation of employees at all levels so as to enable them to maximise their potential and capabilities within the organisation. The Group supports and encourages internal promotion.

Every hotel employee is required to participate in the Shangri-La Care Programme which is designed to promote the understanding and daily practice of the Group's core values and code of ethics. The programme consists of four modules called Shangri-La Hospitality from a Caring Family, Delighting and Engaging with Guests, Taking Ownership, and Recovering to Gain Loyalty.

The Group hotels also 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.

Each of the Group hotels has dedicated training facilities for conducting internal training courses for employees, and employees also participate in a range of external training and development programmes. The Group has in place four core development programmes for managerial employees with high potential, namely the Corporate Service Executive Trainee Programme, the Corporate Executive Trainee Programme, the Corporate Management Trainee Programme, and the Corporate Trainee Programme.

The Group also provides opportunities for selected employees to attend training at the Shangri-La Global Academy through its Certificate, Diploma and Management Development programmes. In 2016, 39 employees from the Group's hotels and resorts attended courses at the Academy.

The wellbeing of our people is among our highest priorities. To help staff achieve their personal and career goals, we provide comprehensive training and development opportunities for career progression. Similarly, we run wellness programmes both for colleagues and their families. Training sessions and talks focusing on physical wellbeing and health have looked at areas as diverse as tuberculosis, managing back and joint pain, awareness of breast cancer, the Zika virus, and other chronic illnesses. Meanwhile, sporting events have allowed employees to take part in sports and activities including yoga, football, badminton and bowling.

To increase the employment opportunities of people with disabilities (PWDs), the Group helps PWDs to cultivate specialised skills during their employment. The Group's target is for 2% of each hotel's staff to be PWDs working in various divisions. As at the end of 2016, Shangri-La Hotel Kuala Lumpur and Hotel Jen Penang had exceeded the target while the other three hotels were still just short of it. Rasa Ria Resort has also received a Gold Award from the Social Security Organisation (SOCSO) for its initiative in employing PWDs under the Return to Work Programme.

OUR COMMUNITY

In line with our responsibility to act as a good corporate citizen, we encourage our hotels to engage with their local communities. Embrace, Shangri-La's Care for People Project aims to build, strengthen and sustain local communities through various specific education and health projects, infrastructural support, fundraising, living skills training and hotel apprenticeships. Each project must have measurable and achievable outcomes, and success is measured annually as part of the CSR Scorecard.

Our hotels provide not only positive economic benefits through employment opportunities but also significant training support for developing the capabilities of many locals so as to groom them for senior roles. All the Group hotels provide practical training in various aspects of hotel operations for students from local Institutes of Higher Learning. In Sabah, Rasa Ria Resort works closely with the human resources department of the State Ministry of Human Resources to provide a Hotel Attachment Training Programme for both graduates and school leavers.

Our hotels are involved in a wide range of initiatives for the benefit of local communities both through annual blood donation campaigns and through the active involvement of our employees, who volunteer for beach cleaning and for visits to hospitals, orphanages, and homes for the elderly and the blind. The hotels also support local communities through fundraising and sponsorship activities for charities, as well as making donations in kind such as blankets, towels, linen, used uniforms and furniture. In January 2017, Rasa Ria Resort together with its sister hotel in Sabah organised a donation drive to assist the community in Pitas, Kudat which had been affected by serious flooding. Staff donations were used to purchase food and other basic necessities for 67 families in Kg Masin and Kg Botung in Pitas.

SUSTAINABILITY STATEMENT

To encourage employees to take part in community events we offer them one day of paid volunteering leave a year. Highlights in 2016 included participation in a programme on turtle conservation and environmental awareness, a fundraising cookie sale to support Fiji cyclone relief efforts, and participation in the Penang Heart Safe Mass CPR session.

In 2016, Rasa Ria Resort organised Biking for Autism, a sponsored activity to raise awareness of autism, and 135 riders including members of staff completed the 61.2-kilometre course. In conjunction with the event, the resort hosted a brunch and a family day for children from a special needs school and their families.

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 2016, through its annual fundraising initiatives and its own donations, the hotel sponsored heart surgery for 12 children. Meanwhile, Rasa Sayang Resort sponsored heart surgery for five babies and young children with congenital heart defects under its Embrace, Gift of Life Project; and Golden Sands Resort sponsored artificial limbs for six recipients under its Embrace, Gift of Limb Project. Hotel Jen Penang has sponsored treatment at local hospitals for two children and one young adult suffering from cancer under its Embrace, Gift of Hope Project.

Under the Embrace, Shangri-La's Care for People Project the three Penang hotels and Rasa Ria Resort, Sabah run an ongoing series of community programmes aimed at improving the lives of the less fortunate.

In 2016, Hotel Jen Penang continued its partnership with the Special Children's Centre, a learning centre for children with special needs. During the year, several initiatives were organised for the children including the Special Children Food Fair, Go Green Project and Water Telematch.

In 2015, Rasa Ria Resort adopted SK Lapasan, a primary school located in Telipok, about 8km from the resort. The school serves about 300 students aged between five and 12 years old, many from low-income families. During the course of the five-year support programme, the resort is implementing a comprehensive plan to create a more conducive learning environment for the children. So far, this has included addressing deficiencies in the school's infrastructure through such projects as the construction of a multipurpose hall where students can get together, improvements to the school's sports field, and the repair and maintenance of the school's facilities and electrical appliances to create a safer and better environment for the students. In 2016, Rasa Ria Resort sponsored a daily meal for 120 underprivileged students at SK Lapasan. 60 students benefited from book sponsorship and 148 were rewarded with book vouchers for excelling in their school examinations.

In 2016, Rasa Ria Resort successfully concluded its five-year support programme for SMK Sri Nangka, a secondary school in Tuaran with about 800 students living mainly in fishing villages within the Tuaran District. Over the past five years, the school and its students have benefited from the programme through academic sponsorships at a higher learning institution, bursary awards in the form of book vouchers for students who excel in their school examinations, book sponsorships, and a meal-a-day initiative for underprivileged students. The success of the programme was further highlighted when the school received an award from the Ministry of Education in 2015. The award acknowledges schools that have achieved outstanding progress in terms of average school grades, which makes up 70 per cent of the evaluation, while the remaining 30 per cent is evaluated on the schools' quality of education.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The Group's risk assessment and evaluation are an integral part of its system of internal control. The Group has an established framework of procedures and internal controls with which the management of each operating business unit is required to comply. 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**
  The Audit Committee of the Board currently comprises three non-executive directors, two of whom are independent, and has full access to both the internal and external auditors.

- **Documented internal policies and procedures**
  Key policies and control procedures regulating financial and operating activities are clearly documented in manuals for the hotel operating units. Compliance with the controls set out in the manuals is monitored by monthly self assessment reports from the finance heads of each operating unit and by a rolling programme of internal audit reviews. Every operating business unit has a detailed Delegation of Authority Manual covering all areas of operation specifying transactions/activities and their required level of approval/authorisation. These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve any operational deficiencies.

- **Detailed budgeting process**
  Detailed annual budgets are prepared by individual operating units containing business strategies, financial and operating targets, performance indicators and capital expenditure proposals, which are reviewed by the Policy Implementation Committee (PIC) of the Board. The Board approves the consolidated Group budget with objectives for each operating unit.

- **Comprehensive system of financial reporting**
  A comprehensive system is in place for reporting financial information to the executive management of major operating units, the executive directors and the Board. Detailed management accounts are prepared by each operating unit based on an annual budget with monthly reports compared against budget, analysis of significant variances and key performance indicators, and regular re-forecasting.

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

  The PIC and senior management periodically update the Board on the Group's operations and on any significant changes in the business and external environment that may have an impact on the financial position of the Group.

- **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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

  The IAD reports to the Audit Committee of the Board regarding the effectiveness of the risk and control management, and also recommends improvements in controls. The audits performed by the IAD are based on risk-based audit plans approved by the Audit Committee.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Information Security and Cyber Threats**
  The Group regards information governance and cyber security as of paramount importance. In order to mitigate its exposure to cyber security attacks, fraud and information loss, the Group has established processes, IT security policies and procedures which are subject to regular audit. The Group processes credit card payments in accordance with the Payment Card Industry-Data Security Standard (PCI-DSS). To ensure that personal data is protected, the Group conducts tests and evaluates its website and system security controls and procedures on an annual basis. The Group continues to focus on raising the awareness of all employees about information security threats across the businesses.

In 2016, 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 Recommended Practice Guide ("RPG") 5 (Revised), *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 2016, 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.

RPG 5 (Revised) 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 and opinion by 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 is made in accordance with a resolution of the Board of Directors dated 12 April 2017.

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 for 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

The AC consists of three non-executive directors, two of whom are independent including the Chairman. The members of the AC are Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin. It is chaired by Dato' Seri Ismail Farouk Abdullah. There were no changes in the composition of the AC during the year.

The AC held four meetings in 2016. The executive directors, the Group Regional Financial Controller, the Group Finance Manager, the Director of Corporate Internal Audit and representatives of the external auditor are normally invited to attend meetings. The Chairman of the AC reports the outcome and recommendations of the AC meetings to the full Board on a quarterly basis, the minutes of meetings having been provided to all Board members.

The attendance of each member at the AC meetings held in the year ended 31 December 2016 is shown in the table below.

NAME OF MEMBER	TOTAL ATTENDANCE
Dato' Seri Ismail Farouk Abdullah, Chairman (Independent Non-Executive Director)	4 / 4
Datuk Supperamaniam a/l Manickam (Independent Non-Executive Director)	4 / 4
Tan Yew Jin[1] (Non-Independent Non-Executive Director)	3 / 4

[1] Tan Yew Jin was absent for one meeting due to unforeseen circumstances.

AUDIT COMMITTEE REPORT

MAIN ACTIVITIES IN 2016

A summary is set out below of the main activities carried out by the AC in 2016 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 review and audit of the Group's annual financial statements;
- Reviewed and considered the key audit matters raised by the external auditor, the other areas of key focus, and the audit methodology;
- Reviewed the valuation of the Group's investment properties to ensure that material judgements, and the assumptions and valuation techniques used by the independent external valuer in the valuations, were within reasonable parameters and that conclusions had been appropriately drawn;
- Reviewed and examined the impairment test on the carrying values for each of the Group's associated companies in Myanmar, including significant judgements and assumptions, and the discount factors used in the cash flow projections;
- 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 audit fees from the external auditor for financial years 2016 and 2017 and made recommendations to the Board;
- Assessed the scope and effectiveness of the systems established to identify, evaluate, manage and monitor key financial and non-financial risks;
- Received and reviewed regular reports from the Director of Corporate Internal Audit on the status of the Group's risk management activities, including actions to mitigate risks, and the findings of the internal audit reviews, as well as the actions agreed with management; and
- Monitored and reviewed the plans, work and effectiveness of the internal audit function, including the status of follow-up actions taken to address any weaknesses or failures in internal controls.

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 relevant professional and regulatory requirements. The AC has established a policy on the engagement of the external auditor to supply non-audit services, the implementation of which it monitors.

Based on the review conducted in 2016, the AC was satisfied with the performance of the external auditor and the effectiveness of the audit process. It has therefore recommended to the Board that the external auditor be re-appointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2017 the re-appointment of the external auditor for a period of one year.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by the Internal Audit Department (IAD) of the Company's ultimate holding company. The IAD is responsible for reviewing and providing assurance on the effectiveness, adequacy and integrity of the Group's system of internal control and risk management, and compliance with Group policies and procedures.

For the financial year ended 31 December 2016, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM65,900.

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 or a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

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

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

2. Meetings

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

2.2 The quorum for a meeting of the AC shall be two members. At meetings of the AC a majority of the members must be independent non-executive directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

2.3 The meetings of the AC shall normally be attended by the executive directors and the Director of Corporate Internal Audit. The AC may also request other directors, members of senior management, counsels, and the internal and external auditors to participate in the AC meetings, as necessary.

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

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

AUDIT COMMITTEE REPORT

3. Authority

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

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

4. Functions & Duties

The AC shall carry out the following functions and duties:

a. Review the external audit plan and scope of work before the audit commences.
b. Review the adequacy of the internal audit plan and its scope of audit and ensure that the internal audit function has the necessary authority and resources to carry out its work.
c. Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review will focus primarily on:
   - Any changes in or implementation of major accounting policies and practices;
   - Material judgements;
   - Significant adjustments arising from the audit;
   - Going concern assumptions; and
   - Compliance with accounting standards and regulatory requirements.
d. Review and assess the adequacy and effectiveness of the systems of internal control and the efficiency of the Group's operations, in particular those relating to areas of significant risks; and assess the internal process for determining and managing the principal risks throughout the Group.
e. Review the scope of the internal and external auditors' evaluation of the Group's systems of internal control.
f. Review audit reports prepared by the internal and external auditors, the major findings, and the management's responses thereto, and ensure that appropriate action is taken in respect of these reports.
g. Review appraisals or assessments of the performance of the staff members of the internal audit function.
h. Approve the appointment and/or termination of the Director of Corporate Internal Audit and senior executives in the internal audit function.
i. Be informed of resignations of internal audit staff members and provide the resigning staff members with an opportunity to submit their reasons for resigning.
j. Direct any special investigations to be carried out by the IAD.
k. Discuss any problems arising from the external audit including the assistance given by employees of the Group to the external auditor and any matters the external auditor may wish to discuss.
l. Nominate the external auditor and recommend the external audit fee for approval by the Board of Directors; and consider any questions of resignation or dismissal, resources and capability.
m. Review the effectiveness of the system for monitoring compliance with applicable laws and regulatory requirements.
n. Review any related party transactions and conflicts of interest that may arise within the Company or the Group including any transactions, procedures or conduct that raise questions of management integrity.
o. Where the AC is of the view that a matter it has reported to the Board of Directors has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia, to promptly report the matter to Bursa Malaysia.
p. Perform other duties as directed by the Board of Directors.

PRINCIPAL RISKS

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

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

PRINCIPAL RISKS

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

FINANCIAL STATEMENTS

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STATEMENT ON DIRECTORS' RESPONSIBILITY

in relation to the audited financial statements for the year ended 31 December 2016

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

The Directors consider that in preparing the financial statements for the year ended 31 December 2016 on pages 73 to 134, 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, 1965. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to seek to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT
for the year ended 31 December 2016

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 2016.

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	79,243	63,229
Non-controlling interests	5,741	–
	84,984	63,229

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 2015 as reported in the Directors' Report of that year:
- a final single-tier dividend of 11 sen per ordinary share, totalling RM48,400,000 on 30 June 2016; and

ii) In respect of the financial year ended 31 December 2016:
- an interim single-tier dividend of 3 sen per ordinary share, totalling RM13,200,000 on 17 November 2016.

DIRECTORS' REPORT
for the year ended 31 December 2016

The Board has proposed a final single-tier dividend of 11 sen per ordinary share, totalling RM48,400,000 for the financial year ended 31 December 2016. The proposed final dividend has not been accounted for and is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2017. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2017.

DIRECTORS OF THE COMPANY

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

Tan Sri A. Razak bin Ramli — Chairman
Kuok Oon Kwong — Managing Director
Datin Rozina Mohd Amin — Executive Director
Dato' Haris Onn bin Hussein
Dato' Seri Ismail Farouk Abdullah
Datuk Supperamaniam a/l Manickam
Dato' Dr Tan Tat Wai
Tan Yew Jin

In accordance with Article 95 of the Company's Articles of Association, Madam Kuok Oon Kwong, Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam and Mr Tan Yew Jin retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' REPORT
for the year ended 31 December 2016

DIRECTORS' INTERESTS IN SHARES

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

THE COMPANY	As at 1.1.2016	Acquired	(Disposed)	As at 31.12.2016
		Number of Ordinary Shares		
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong	–	–	–	–
Datin Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	10,000	–	–	10,000
Datuk Supperamaniam a/l Manickam	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
Tan Yew Jin	5,000	–	–	5,000
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	–	–	10,000
Tan Yew Jin	20,000	–	–	20,000

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

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

Other than as disclosed above, none of the Directors held any shares as at 31 December 2016, 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 2016

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

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

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.

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.

DIRECTORS' REPORT
for the year ended 31 December 2016

OTHER STATUTORY INFORMATION (cont'd)

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 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) have indicated their willingness to accept re-appointment.

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

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
Date: 12 April 2017

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 73 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

The Company has provided an additional information of the breakdown on Realised and Unrealised Profits/Losses in Note 30 to the financial statements for the year ended 31 December 2016 in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The information has been prepared in accordance with the Guidance on Special Matter No.1 – ***Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures***, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia.

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
Date: 12 April 2017

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 73 to 134 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 12 April 2017.

TAY KENG HOCK
NRIC No: 530107-04-5005

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 2016 of the Group and the Company, and income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and 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 73 to 133.

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 2016, 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, 1965 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 the Company in accordance with the ***By-Laws (on Professional Ethics, Conduct and Practice)*** of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' ***Code of Ethics for Professional Accountants*** ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

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

RECOVERABILITY OF AMOUNTS DUE FROM ASSOCIATES

Refer to Note 2(i)(ii) - Significant accounting policy: Impairment of other assets; Note 6 – Interests in associates; and Note 25.4 – Credit risk.

The key audit matter	How the matter was addressed in our audit
The Group has three associated companies which operate a hotel, serviced apartments and a commercial complex in Myanmar respectively. The Directors assessed the recoverable amounts due from these associates using cash flows projections of the associated companies. We have identified the recoverability of amounts due from associated companies of RM277 million as at 31 December 2016 as a key audit matter because of the significance of the amounts and the assessment of recoverable amounts due from associated companies involved significant judgment.	We performed the following audit procedures, among others: • We tested the principles and integrity of the associated companies' cash flows model. • We compared previous forecast to actual results to assess the performance of the business and the reliability of management's forecasting. • We assessed the reasonableness of the cash flows model's key assumptions by comparing them to our own assessments which took into consideration historical trends and other corroborative evidences available.

VALUATION OF INVESTMENT PROPERTIES

Refer to Note 2(f) – Significant accounting policy: Investment properties; Note 4 – Investment properties

The key audit matter	How the matter was addressed in our audit
The Group's investment properties are carried at fair value. The Directors engaged an independent external valuer to determine the fair value of the investment properties at the reporting date. We have identified the valuation of investment properties of RM288 million as at 31 December 2016 as a key audit matter because of the significance of the amount and the valuation models used by the valuer included significant assumptions which are judgmental.	We performed the following audit procedures, among others: • We assessed the valuation methodology applied by the Group against those applied by external valuers for similar type of property. • We considered the qualifications and competence of the external valuer and assessed the scope of work of the external valuer to determine whether the valuation was appropriate to be applied for financial reporting purposes. • We compared the key assumptions used by the external valuer in the valuation models to internal and external available data. • We also assessed the adequacy of the Group's disclosures about those key assumptions in the financial statements.

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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.

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

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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 30 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, ***Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements***, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

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

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

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

Petaling Jaya
Date: 12 April 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**713,232**	746,294	**109,076**	117,369
Investment properties	4	**288,080**	287,980	**–**	–
Investments in subsidiaries	5	**–**	–	**459,188**	459,188
Interests in associates	6	**260,514**	226,090	**–**	–
Property development expenditure	7	**12,286**	12,286	**–**	–
Deferred tax assets	8	**1,910**	5,189	**–**	–
		1,276,022	1,277,839	**568,264**	576,557
Current assets					
Inventories	9	**6,559**	8,242	**1,013**	1,196
Trade and other receivables, prepayments and deposits	10	**33,966**	32,327	**253,408**	248,002
Tax recoverable	10	**5,046**	4,552	**468**	1,233
Cash and bank balances	11	**142,768**	97,200	**130,853**	83,396
		188,339	142,321	**385,742**	333,827
Total assets		**1,464,361**	1,420,160	**954,006**	910,384
EQUITY					
Share capital	12	**440,000**	440,000	**440,000**	440,000
Reserves		**608,751**	591,865	**331,929**	330,110
Total equity attributable to shareholders of the Company		**1,048,751**	1,031,865	**771,929**	770,110
Non-controlling interests		**113,868**	108,044	**–**	–
Total equity		**1,162,619**	1,139,909	**771,929**	770,110
LIABILITIES					
Non-current liabilities					
Retirement benefits	13	**21,535**	21,322	**719**	838
Deferred tax liabilities	8	**14,440**	18,334	**3,124**	5,043
		35,975	39,656	**3,843**	5,881
Current liabilities					
Short-term borrowings	14	**174,469**	138,917	**–**	–
Trade and other payables	15	**90,735**	100,351	**178,234**	134,393
Current tax liabilities		**563**	1,327	**–**	–
		265,767	240,595	**178,234**	134,393
Total liabilities		**301,742**	280,251	**182,077**	140,274
Total equity and liabilities		**1,464,361**	1,420,160	**954,006**	910,384

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

INCOME STATEMENTS
for the year ended 31 December 2016

		GROUP		COMPANY	
	Note	**2016 RM'000**	2015 RM'000	**2016 RM'000**	2015 RM'000
Revenue	16.1	**508,559**	500,253	**129,567**	114,175
Operating profit	16.1	**105,713**	126,230	**63,413**	69,633
Interest income	17	**4,157**	1,659	**4,103**	1,591
Interest expense	18	**(2,697)**	(1,667)	**(3,993)**	(2,495)
Share of results of associated companies	19	**(896)**	27,419	**–**	–
Profit before tax		**106,277**	153,641	**63,523**	68,729
Tax expense	21	**(21,293)**	(15,375)	**(294)**	(3,323)
Profit for the year		**84,984**	138,266	**63,229**	65,406
Profit attributable to:					
Shareholders of the Company		**79,243**	129,686	**63,229**	65,406
Non-controlling interests		**5,741**	8,580	**–**	–
Profit for the year		**84,984**	138,266	**63,229**	65,406
Basic earnings per ordinary share (sen)	22	**18.01**	29.47		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Profit for the year	**84,984**	138,266	**63,229**	65,406
Other comprehensive income/(expense)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit retirement obligations, net of tax (Note 16.2)	**1,185**	–	**190**	–
Item that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of financial statements of overseas associates (Note 16.2)	**(1,859)**	–	**–**	–
Other comprehensive (expense)/income for the year	**(674)**	–	**190**	–
Total comprehensive income for the year	**84,310**	138,266	**63,419**	65,406
Total comprehensive income attributable to:				
Shareholders of the Company	**78,486**	129,686	**63,419**	65,406
Non-controlling interests	**5,824**	8,580	**–**	–
Total comprehensive income for the year	**84,310**	138,266	**63,419**	65,406

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		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 2015		440,000	104,501	–	410,478	954,979	100,164	1,055,143
Remeasurements of defined benefit retirement obligations, net of tax	16.2	–	–	–	–	–	–	–
Exchange differences arising on translation of financial statements of overseas associates	16.2	–	–	–	–	–	–	–
Total other comprehensive income for the year		–	–	–	–	–	–	–
Profit for the year		–	–	–	129,686	129,686	8,580	138,266
Total comprehensive income for the year		–	–	–	129,686	129,686	8,580	138,266
Dividends to shareholders	23	–	–	–	(52,800)	(52,800)	–	(52,800)
Dividend to non-controlling interests of a subsidiary		–	–	–	–	–	(700)	(700)
At 31 December 2015/1 January 2016		**440,000**	**104,501**	**–**	**487,364**	**1,031,865**	**108,044**	**1,139,909**
Remeasurements of defined benefit retirement obligations, net of tax	16.2	**–**	**–**	**–**	**1,102**	**1,102**	**83**	**1,185**
Exchange differences arising on translation of financial statements of overseas associates	16.2	**–**	**–**	**(1,859)**	**–**	**(1,859)**	**–**	**(1,859)**
Total other comprehensive (expense)/income for the year		**–**	**–**	**(1,859)**	**1,102**	**(757)**	**83**	**(674)**
Profit for the year		**–**	**–**	**–**	**79,243**	**79,243**	**5,741**	**84,984**
Total comprehensive (expense)/income for the year		**–**	**–**	**(1,859)**	**80,345**	**78,486**	**5,824**	**84,310**
Dividends to shareholders	23	**–**	**–**	**–**	**(61,600)**	**(61,600)**	**–**	**(61,600)**
Dividend to non-controlling interests of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2016		**440,000**	**104,501**	**(1,859)**	**506,109**	**1,048,751**	**113,868**	**1,162,619**
		Note 12						

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		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 2015		440,000	104,501	213,003	757,504
Remeasurements of defined benefit retirement obligations, net of tax	16.2	–	–	–	–
Total other comprehensive income for the year		–	–	–	–
Profit for the year		–	–	65,406	65,406
Total comprehensive income for the year		–	–	65,406	65,406
Dividends to shareholders	23	–	–	(52,800)	(52,800)
At 31 December 2015/1 January 2016		**440,000**	**104,501**	**225,609**	**770,110**
Remeasurements of defined benefit retirement obligations, net of tax	16.2	**–**	**–**	**190**	**190**
Total other comprehensive income for the year		**–**	**–**	**190**	**190**
Profit for the year		**–**	**–**	**63,229**	**63,229**
Total comprehensive income for the year		**–**	**–**	**63,419**	**63,419**
Dividends to shareholders	23	**–**	**–**	**(61,600)**	**(61,600)**
At 31 December 2016		**440,000**	**104,501**	**227,428**	**771,929**
		Note 12			

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

CASH FLOW STATEMENTS

for the year ended 31 December 2016

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Cash flows from operating activities					
Profit before tax		**106,277**	153,641	**63,523**	68,729
Adjustments for:					
Allowance for/(Write back of) impairment loss on trade receivables		**144**	56	**(2)**	(1)
Depreciation of property, plant and equipment	3	**61,007**	61,950	**10,127**	10,736
Dividend income	16.1	**–**	–	**(44,550)**	(36,550)
Fair value gain of investment properties	4	**(18)**	(1,800)	**–**	–
Interest expense	18	**2,697**	1,667	**3,993**	2,495
Interest income	17	**(4,157)**	(1,659)	**(4,103)**	(1,591)
Loss/(Gain) on disposal of property, plant and equipment	16.1	**812**	38	**54**	(45)
Property, plant and equipment written off	16.1	**5,819**	1,915	**–**	1,036
Retirement benefits	13	**2,317**	2,229	**131**	132
Share of results of associated companies		**896**	(27,419)	**–**	–
Unrealised gain on foreign exchange		**(4,308)**	(18,380)	**(5,094)**	(21,119)
Operating profit before changes in working capital		**171,486**	172,238	**24,079**	23,822
Change in inventories		**1,683**	285	**183**	(150)
Change in trade and other receivables, prepayments and deposits		**(1,783)**	(5,820)	**(1,666)**	(317)
Change in trade and other payables		**(2,904)**	4,526	**(567)**	(3,597)
Cash generated from operations		**168,482**	171,229	**22,029**	19,758
Dividends received		**–**	–	**36,550**	36,800
Retirement benefits paid	13	**(497)**	(583)	**–**	–
Tax paid		**(23,588)**	(24,619)	**(1,508)**	(1,824)
Net cash from operating activities		**144,397**	146,027	**57,071**	54,734

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

CASH FLOW STATEMENTS

for the year ended 31 December 2016

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(40,696)**	(52,489)	**(2,562)**	(2,562)
Acquisition of investment properties		**(82)**	(550)	**–**	–
Interest received		**4,157**	1,659	**4,103**	1,591
Short-term deposits with original maturities over 3 months		**(46,440)**	–	**(46,440)**	–
Proceeds from disposal of property, plant and equipment		**108**	121	**17**	75
Net cash used in investing activities		**(82,953)**	(51,259)	**(44,882)**	(896)
Cash flows from financing activities					
Dividends paid to shareholders of the Company	23	**(61,600)**	(52,800)	**(61,600)**	(52,800)
Dividend paid to non-controlling interests of a subsidiary		**(700)**	(1,000)	**–**	–
Interest paid		**(2,697)**	(1,667)	**(3,993)**	(2,495)
Net advances from subsidiaries		**–**	–	**54,421**	39,190
Net loans advanced to associates		**(24,484)**	(31,230)	**–**	–
Net drawndown of revolving credits		**27,165**	32,534	**–**	–
Net cash used in financing activities		**(62,316)**	(54,163)	**(11,172)**	(16,105)
Net (decrease)/increase in cash and cash equivalents		**(872)**	40,605	**1,017**	37,733
Cash and cash equivalents at 1 January		**97,200**	56,595	**83,396**	45,663
Cash and cash equivalents at 31 December	11	**96,328**	97,200	**84,413**	83,396

Cash and cash equivalents

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

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Short-term deposits with original maturities within 3 months	11	**80,590**	80,356	**79,090**	78,710
Cash at bank and in hand	11	**15,738**	16,844	**5,323**	4,686
		96,328	97,200	**84,413**	83,396

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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 2016 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 12 April 2017.

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, 1965 in Malaysia.

With effect from 1 January 2016, the Group and the Company adopted a number of amendments to MFRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016.

Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by Malaysian Accounting Standards Board ("MASB"), which are relevant to the Group's and the Company's operations, but are not effective for the financial year ended 31 December 2016.

Amendments effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*
Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

MFRSs effective for annual periods beginning on or after 1 January 2019
MFRS 16, *Leases*

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

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

The application of the abovementioned standards and amendments are not expected to have any material impact to the financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties as explained in Note 2(f). As at 31 December 2016, the Group's current liabilities exceeded its current assets by RM77 million. The net current liabilities of RM77 million arose mainly due to the short-term borrowings of unsecured revolving credits, which do not have a fixed term of repayment. The Directors are of the opinion that the Group will be able to generate sufficient cash flows to meet its liabilities as and when they fall due.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) SUBSIDIARIES

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

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

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

(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.

(v) ASSOCIATES (cont'd)

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

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

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

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

(vi) NON-CONTROLLING INTERESTS

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

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

(vii) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

(b) Foreign currency

(i) FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

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

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

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

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

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

(c) Financial instruments

(i) INITIAL RECOGNITION AND MEASUREMENT

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

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

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

(ii) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) FINANCIAL GUARANTEE CONTRACTS

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

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

(iv) DERECOGNITION

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

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

(d) Property, plant and equipment

(i) RECOGNITION AND MEASUREMENT

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

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

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

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

(ii) SUBSEQUENT COSTS

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

(d) Property, plant and equipment (cont'd)

(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.

(f) Investment properties

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

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

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

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

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

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

(g) Inventories

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

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

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

(h) Cash and cash equivalents

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

(i) Impairment

(i) FINANCIAL ASSETS

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

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

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

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

(ii) OTHER ASSETS

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

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

(j) Equity instruments

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

(k) Employee benefits

(i) SHORT-TERM EMPLOYEE BENEFITS

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

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

(k) Employee benefits (cont'd)

(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.

(l) Provisions

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

(m) Revenue recognition and other income

(i) HOTEL AND GOLF OPERATIONS
Revenue from the provision of rooms, food and beverage, other departments sales, laundry service fees and golf related income are recognised when services are rendered.

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

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

(iv) DIVIDEND INCOME
Dividend income from subsidiaries is recognised in the profit or loss when the right to receive payment is established.

(v) INTEREST INCOME
Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

(n) Borrowing costs

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

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

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

(o) Income tax

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

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

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

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

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

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

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

(p) Earnings per ordinary share

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

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

(q) Operating segments

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

(r) Contingent liabilities

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

(s) Fair value measurement

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

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

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

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

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

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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 2015	44,880	4,123	19,681	626,507	149,438	48,664	449,458	63,621	1,406,372
Additions	–	–	–	11,225	6,134	–	10,145	24,985	52,489
Disposals	–	–	–	(46)	(123)	–	(3,773)	–	(3,942)
Write off	–	–	–	(117)	(664)	–	(4,935)	(349)	(6,065)
Transfers	–	–	–	54,863	20,158	–	7,999	(83,020)	–
At 31 December 2015/ 1 January 2016	**44,880**	**4,123**	**19,681**	**692,432**	**174,943**	**48,664**	**458,894**	**5,237**	**1,448,854**
Additions	**–**	**–**	**–**	**4**	**404**	**–**	**13,613**	**26,675**	**40,696**
Disposals	**–**	**–**	**–**	**(1,354)**	**(587)**	**(39)**	**(8,541)**	**–**	**(10,521)**
Write off	**–**	**–**	**–**	**(8,423)**	**(3,757)**	**(87)**	**(8,083)**	**(5)**	**(20,355)**
Transfers	**–**	**–**	**–**	**8,315**	**3,253**	**–**	**5,284**	**(16,852)**	**–**
Reclassification	**–**	**–**	**–**	**–**	**(14,552)**	**–**	**14,552**	**–**	**–**
Adjustments	**–**	**–**	**–**	**(5,651)**	**–**	**–**	**(361)**	**–**	**(6,012)**
At 31 December 2016	**44,880**	**4,123**	**19,681**	**685,323**	**159,704**	**48,538**	**475,358**	**15,055**	**1,452,662**

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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 2015									
Accumulated depreciation	–	1,349	4,672	248,048	101,261	13,483	273,848	–	642,661
Accumulated impairment loss	–	–	–	–	–	5,882	–	–	5,882
	–	1,349	4,672	248,048	101,261	19,365	273,848	–	648,543
Depreciation for the year	–	125	206	13,992	8,194	715	38,718	–	61,950
Disposals	–	–	–	(22)	(110)	–	(3,651)	–	(3,783)
Write off	–	–	–	(26)	(506)	–	(3,618)	–	(4,150)
At 31 December 2015/ 1 January 2016									
Accumulated depreciation	**–**	**1,474**	**4,878**	**261,992**	**108,839**	**14,198**	**305,297**	**–**	**696,678**
Accumulated impairment loss	**–**	**–**	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**1,474**	**4,878**	**261,992**	**108,839**	**20,080**	**305,297**	**–**	**702,560**
Depreciation for the year	**–**	**125**	**207**	**14,098**	**6,412**	**713**	**39,452**	**–**	**61,007**
Disposals	**–**	**–**	**–**	**(622)**	**(575)**	**(11)**	**(8,393)**	**–**	**(9,601)**
Write off	**–**	**–**	**–**	**(3,325)**	**(3,702)**	**(30)**	**(7,479)**	**–**	**(14,536)**
Reclassification	**–**	**–**	**–**	**–**	**(12,302)**	**–**	**12,302**	**–**	**–**
At 31 December 2016									
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**
CARRYING AMOUNTS									
At 1 January 2015	44,880	2,774	15,009	378,459	48,177	29,299	175,610	63,621	757,829
At 31 December 2015/ 1 January 2016	**44,880**	**2,649**	**14,803**	**430,440**	**66,104**	**28,584**	**153,597**	**5,237**	**746,294**
At 31 December 2016	**44,880**	**2,524**	**14,596**	**413,180**	**61,032**	**27,786**	**134,179**	**15,055**	**713,232**

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

COMPANY	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Hotel buildings RM'000	Integral plant and machinery RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COST							
At 1 January 2015	1,012	3,938	105,941	37,060	65,821	–	213,772
Additions	–	–	–	87	1,372	1,103	2,562
Disposals	–	–	–	(28)	(1,497)	–	(1,525)
Write off	–	–	(6)	(159)	(3,257)	–	(3,422)
Transfers	–	–	–	–	1,103	(1,103)	–
At 31 December 2015/ 1 January 2016	**1,012**	**3,938**	**105,935**	**36,960**	**63,542**	**–**	**211,387**
Additions	**–**	**–**	**4**	**94**	**2,436**	**28**	**2,562**
Disposals	**–**	**–**	**–**	**(22)**	**(471)**	**–**	**(493)**
Write off	**–**	**–**	**–**	**–**	**(46)**	**–**	**(46)**
Adjustments	**–**	**–**	**(296)**	**–**	**(361)**	**–**	**(657)**
Reclassification	**–**	**–**	**–**	**(18,909)**	**18,909**	**–**	**–**
At 31 December 2016	**1,012**	**3,938**	**105,643**	**18,123**	**84,009**	**28**	**212,753**
DEPRECIATION							
At 1 January 2015	–	1,271	30,769	17,290	37,833	–	87,163
Depreciation for the year	–	122	2,118	2,928	5,568	–	10,736
Disposals	–	–	–	(16)	(1,479)	–	(1,495)
Write off	–	–	–	(1)	(2,385)	–	(2,386)
At 31 December 2015/ 1 January 2016	**–**	**1,393**	**32,887**	**20,201**	**39,537**	**–**	**94,018**
Depreciation for the year	**–**	**122**	**2,106**	**1,048**	**6,851**	**–**	**10,127**
Disposals	**–**	**–**	**–**	**(14)**	**(408)**	**–**	**(422)**
Write off	**–**	**–**	**–**	**–**	**(46)**	**–**	**(46)**
Reclassification	**–**	**–**	**–**	**(13,811)**	**13,811**	**–**	**–**
At 31 December 2016	**–**	**1,515**	**34,993**	**7,424**	**59,745**	**–**	**103,677**
CARRYING AMOUNTS							
At 1 January 2015	1,012	2,667	75,172	19,770	27,988	–	126,609
At 31 December 2015/ 1 January 2016	**1,012**	**2,545**	**73,048**	**16,759**	**24,005**	**–**	**117,369**
At 31 December 2016	**1,012**	**2,423**	**70,650**	**10,699**	**24,264**	**28**	**109,076**

GROUP

Hotel properties at 31 December 2016 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
Palm Beach Resort	Batu Feringgi Beach, Penang	Vacant land	Freehold
Rasa Ria Resort & Spa	Tuaran, Sabah	499 room resort	Leasehold

4. INVESTMENT PROPERTIES

GROUP	2016 RM'000	2015 RM'000
At 1 January	**287,980**	285,630
Additions	**82**	550
Fair value gain recognised in the income statements	**18**	1,800
At 31 December	**288,080**	287,980

Included in the above are:

At fair value		
Freehold land	**39,785**	39,785
Buildings	**248,295**	248,195
	288,080	287,980

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

Rental income	**25,189**	24,901
Direct operating expenses:		
– income generating investment properties	**(10,939)**	(10,635)

4. INVESTMENT PROPERTIES (cont'd)

Fair value information

Fair value of investment properties are categorised as follows:

GROUP	Level 3 2016 RM'000	 2015 RM'000
Land	**39,785**	39,785
Buildings	**248,295**	248,195
	288,080	287,980

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:

GROUP	2016 RM'000	2015 RM'000
At 1 January	**287,980**	285,630
Additions	**82**	550
Gains and losses recognised in income statements		
Change in fair value - Other income - Unrealised	**18**	1,800
At 31 December	**288,080**	287,980

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 RM5.10 to RM6.90 per square foot (average net current rent of RM2.96 per square foot) for office space and RM4.50 to RM13.00 (average net current rent of RM4.26 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 outgoing/expenses.	• Gross reversion rent of RM5.10 to RM6.60 per square foot (average net current rent of RM3.20 per square foot) for office space, and RM4.50 to RM13.00 (average net current rent of RM4.60 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 RM439 per square foot.	• Market value of land and building were higher (lower).

Valuation processes applied by the Group for Level 3 fair value

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

5. INVESTMENTS IN SUBSIDIARIES

COMPANY	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**459,188**	459,188

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Effective ownership interest 2016 %	2015 %
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.

5.1 Non-controlling interests in subsidiaries

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

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

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

5. INVESTMENTS IN SUBSIDIARIES

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

	Komtar Hotel Sdn Bhd RM'000	Pantai Dalit Beach Resort Sdn Bhd and its subsidiaries * RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	40%	25%	
Carrying amount of NCI	16,663	91,381	108,044
Profit allocated to NCI	1,053	7,527	8,580
Summarised financial information			
As at 31 December 2015			
Non-current assets	37,882	279,406	
Current assets	16,664	67,378	
Non-current liabilities	(5,274)	(1,404)	
Current liabilities	(7,614)	(31,787)	
Net assets	41,658	313,593	
Year ended 31 December 2015			
Revenue	35,058	119,207	
Profit for the year	2,632	30,108	
Total comprehensive income	2,632	30,108	
Net cash flows from operating activities	3,315	38,992	
Net cash flows used in investing activities	(1,966)	(35,343)	
Net cash flows used in financing activities	(2,500)	–	
Net (decrease)/increase in cash and cash equivalents	(1,151)	3,649	
Dividends paid to NCI	(1,000)	–	

* 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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6. INTERESTS IN ASSOCIATES

GROUP	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**3,557**	3,557
Loans to associates	**277,113**	239,934
	280,670	243,491
Share of post-acquisition results of associates	**(31,169)**	(38,003)
Share of fair value gain of investment property, net of deferred tax	**12,872**	20,602
Foreign currency translation differences	**(1,859)**	–
	260,514	226,090

Details of the material associates are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
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 to develop, own and operate a hotel and serviced apartments	**22.22**	22.22
Traders Square Company Ltd ("TSCL")	Union of Myanmar	The principal activities of the Company are to develop, own and operate a commercial complex	**23.56**	23.56

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31 December 2016

6. INTERESTS IN ASSOCIATES (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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GROUP	TYCL RM'000	SYCL RM'000	TSCL RM'000	Total RM'000
Summarised financial information				
As at 31 December 2015				
Non-current assets	269,993	636,530	364,357	1,270,880
Current assets	100,661	40,711	116,890	258,262
Non-current liabilities	(482,019)	(549,993)	(375,254)	(1,407,266)
Current liabilities	(94,646)	(39,970)	(46,053)	(180,669)
Net (liabilities)/assets	(206,011)	87,278	59,940	(58,793)
Year ended 31 December 2015				
Profit from operations	8,529	56,498	54,574	119,601
Reconciliation of net (liabilities)/assets to carrying amount				
As at 31 December 2015				
Group's share of net (liabilities)/assets	(48,474)	19,393	14,122	(14,959)
Loans to associates	62,714	88,817	88,403	239,934
Unrealised gain/(loss) on foreign exchange	5,238	(2,912)	(1,211)	1,115
Carrying amount in the statement of financial position	19,478	105,298	101,314	226,090
Group's share of results				
Year ended 31 December 2015				
Group's share of profit from continuing operations	2,007	12,554	12,858	27,419
Group's share of total comprehensive income	2,007	12,554	12,858	27,419

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 (2015: RM4,142,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
GROUP						
Property, plant and equipment	**–**	–	**(25,771)**	(29,930)	**(25,771)**	(29,930)
Investment properties	**–**	–	**(5,689)**	(5,445)	**(5,689)**	(5,445)
Provisions	**4,304**	4,035	**–**	–	**4,304**	4,035
Retirement benefits	**5,146**	5,053	**–**	–	**5,146**	5,053
Unutilised investment tax allowances	**9,480**	13,142	**–**	–	**9,480**	13,142
Deferred tax assets/(liabilities)	**18,930**	22,230	**(31,460)**	(35,375)	**(12,530)**	(13,145)
Set off	**(17,020)**	(17,041)	**17,020**	17,041	**–**	–
Net deferred tax assets/(liabilities)	**1,910**	5,189	**(14,440)**	(18,334)	**(12,530)**	(13,145)
COMPANY						
Property, plant and equipment	**–**	–	**(8,998)**	(9,579)	**(8,998)**	(9,579)
Provisions	**812**	703	**–**	–	**812**	703
Retirement benefits	**173**	201	**–**	–	**173**	201
Unutilised investment tax allowances	**4,889**	3,632	**–**	–	**4,889**	3,632
Deferred tax assets/(liabilities)	**5,874**	4,536	**(8,998)**	(9,579)	**(3,124)**	(5,043)
Set off	**(5,874)**	(4,536)	**5,874**	4,536	**–**	–
Net deferred tax liabilities	**–**	–	**(3,124)**	(5,043)	**(3,124)**	(5,043)

Movements in temporary differences during the year

	At 1.1.2015 RM'000	Recognised in profit or loss (Note 21) RM'000	**At 31.12.2015/ 1.1.2016 RM'000**	**Recognised in profit or loss (Note 21) RM'000**	**Recognised in other comprehensive income (Note 16.2) RM'000**	**At 31.12.2016 RM'000**
GROUP						
Property, plant and equipment	(30,797)	867	**(29,930)**	**4,159**	**–**	**(25,771)**
Investment properties	(6,303)	858	**(5,445)**	**(244)**	**–**	**(5,689)**
Provisions	4,226	(191)	**4,035**	**269**	**–**	**4,304**
Retirement benefits	4,757	296	**5,053**	**515**	**(422)**	**5,146**
Unutilised capital allowances	528	(528)	**–**	**–**	**–**	**–**
Unutilised investment tax allowances	5,657	7,485	**13,142**	**(3,662)**	**–**	**9,480**
Net deferred tax liabilities	(21,932)	8,787	**(13,145)**	**1,037**	**(422)**	**(12,530)**
COMPANY						
Property, plant and equipment	(10,232)	653	**(9,579)**	**581**	**–**	**(8,998)**
Provisions	922	(219)	**703**	**109**	**–**	**812**
Retirement benefits	170	31	**201**	**32**	**(60)**	**173**
Unutilised capital allowances	528	(528)	**–**	**–**	**–**	**–**
Unutilised investment tax allowances	5,657	(2,025)	**3,632**	**1,257**	**–**	**4,889**
Net deferred tax liabilities	(2,955)	(2,088)	**(5,043)**	**1,979**	**(60)**	**(3,124)**

Unrecognised deferred tax assets

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

GROUP	**2016 RM'000**	2015 RM'000
Taxable temporary differences	**(2,040)**	(2,156)
Unutilised capital allowances	**10,012**	9,838
Unutilised tax losses	**12,428**	12,428
	20,400	20,110
Deferred tax assets at 24% (2015: 24%)	**4,896**	4,826

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

9. INVENTORIES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	**2016 RM'000**	2015 RM'000
Food, beverage and tobacco	**2,932**	3,550	**459**	593
Room supplies	**443**	527	**238**	208
Other supplies	**3,184**	4,165	**316**	395
	6,559	8,242	**1,013**	1,196
Recognised in profit or loss:				
Inventories recognised as cost of services	**71,457**	66,468	**9,991**	8,941

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

		GROUP		COMPANY	
	Note	**2016 RM'000**	2015 RM'000	**2016 RM'000**	2015 RM'000
Trade					
Trade receivables		**22,026**	22,090	**4,766**	3,873
Less: Allowance for impairment loss		**(309)**	(165)	**–**	(2)
		21,717	21,925	**4,766**	3,871
Non-trade					
Amount due from subsidiaries	a	**–**	–	**201,505**	205,767
Other receivables		**4,947**	2,858	**1,390**	511
Deposits		**4,067**	2,920	**312**	289
Dividends receivable		**–**	–	**44,550**	36,550
		30,731	27,703	**252,523**	246,988
Prepayments		**3,235**	4,624	**885**	1,014
		33,966	32,327	**253,408**	248,002
Tax recoverable	b	**5,046**	4,552	**468**	1,233

NOTE

a. Amount due from subsidiaries represents payments made on behalf and loans to a subsidiary which are unsecured, interest-free and repayable on demand.

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

11. CASH AND BANK BALANCES

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Short-term deposits with original maturities:					
– Within 3 months		**80,590**	80,356	**79,090**	78,710
– Over 3 months		**46,440**	–	**46,440**	–
Cash at bank and in hand	a	**15,738**	16,844	**5,323**	4,686
		142,768	97,200	**130,853**	83,396

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

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Short-term deposits with original maturities within 3 months		**80,590**	80,356	**79,090**	78,710
Cash at bank and in hand	a	**15,738**	16,844	**5,323**	4,686
		96,328	97,200	**84,413**	83,396

NOTE

a. Cash and bank balances of the Group and of the Company includes an amount of RM8,561,000 (2015: RM9,884,000) and RM1,445,000 (2015: RM2,032,000) respectively which earns interest.

12. SHARE CAPITAL

GROUP AND COMPANY	**Number of shares 2016 RM'000**	**Amount 2016 RM'000**	**Number of shares** 2015 RM'000	**Amount** 2015 RM'000
Authorised:				
Ordinary shares of RM1 each	**500,000**	**500,000**	500,000	500,000
Issued and fully paid shares classified as equity instrument:				
Ordinary shares of RM1 each	**440,000**	**440,000**	440,000	440,000

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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Present value of unfunded liability	**21,535**	21,322	**719**	838
Recognised defined retirement benefit liability	**21,535**	21,322	**719**	838

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

Movements in the present value of defined retirement benefit liability

	Defined retirement benefit obligation		Fair value of plan assets		Net defined retirement benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
GROUP						
Balance at 1 January	**21,322**	19,676	**–**	–	**21,322**	19,676
Included in profit or loss						
Current service cost	**1,159**	1,114	**–**	–	**1,159**	1,114
Interest cost	**1,158**	1,115	**–**	–	**1,158**	1,115
	2,317	2,229	**–**	–	**2,317**	2,229
Included in other comprehensive expense						
Remeasurement loss	**(1,607)**	–	**–**	–	**(1,607)**	–
Other						
Benefits paid	**(497)**	(583)	**–**	–	**(497)**	(583)
Balance at 31 December	**21,535**	21,322	**–**	–	**21,535**	21,322

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	Defined retirement benefit obligation		Fair value of plan assets		Net defined retirement benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
COMPANY						
Balance at 1 January	**838**	706	**–**	–	**838**	706
Included in profit or loss						
Current service cost	**85**	101	**–**	–	**85**	101
Interest cost	**46**	31	**–**	–	**46**	31
	131	132	**–**	-	**131**	132
Included in other comprehensive expense						
Remeasurement loss	**(250)**	–	**–**	–	**(250)**	–
Balance at 31 December	**719**	838	**–**	–	**719**	838

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	
	2016	2015	**2016**	2015
	%	%	**%**	%
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 2016, the weighted-average duration of the defined retirement benefit liability of the Group was 12 years (2015: 12.8 years) and the Company was 17.0 years (2015: 18.9 years).

13. RETIREMENT BENEFITS (cont'd)

Sensitivity analysis

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

	GROUP		COMPANY	
	Defined retirement benefit liability			
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2016				
Discount rate (1% movement)	**(2,113)**	**2,478**	**(109)**	**135**
Future salary growth (1% movement)	**2,333**	**(2,035)**	**128**	**(106)**
2015				
Discount rate (1% movement)	(2,364)	2,568	(138)	165
Future salary growth (1% movement)	3,317	(2,862)	189	(157)

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	2016 RM'000	2015 RM'000
Current		
Unsecured revolving credits	**174,469**	138,917

The borrowings bear interest ranging between 1.1% to 2.2% (2015: 0.9% to 1.8%) per annum.

15. TRADE AND OTHER PAYABLES

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Trade					
Trade payables		**20,515**	22,286	**2,932**	3,460
Amount due to subsidiaries	a	**–**	–	**120**	272
		20,515	22,286	**3,052**	3,732
Non-trade					
Amount due to subsidiaries	b	**–**	–	**164,057**	118,992
Other payables	c	**42,599**	52,671	**7,402**	8,836
Accrued expenses		**27,621**	25,394	**3,723**	2,833
		90,735	100,351	**178,234**	134,393

NOTE

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 RM157,086,000 (2015: RM112,156,000) which bears interests at fixed rate of 3.30% (2015: 3.30%) per annum.

c. Included in the other payables of the Group and of the Company is an amount of RM279,000 (2015: RM2,904,000) and RM111,000 (2015: RM1,168,000) respectively relating to retention sum payable to renovation contractors.

16. OPERATING PROFIT AND OTHER COMPREHENSIVE INCOME/(EXPENSE)

16.1 Operating profit

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue					
Hotel and golf operations		**479,766**	472,249	**85,017**	77,625
Rental		**25,189**	24,901	**–**	–
Dividend income		**–**	–	**44,550**	36,550
Laundry services		**3,604**	3,103	**–**	–
		508,559	500,253	**129,567**	114,175
Cost of services		**(186,143)**	(183,652)	**(28,364)**	(25,386)
		322,416	316,601	**101,203**	88,789
Administrative expenses		**(79,819)**	(75,464)	**(14,671)**	(12,904)
Other operating expenses		**(149,748)**	(157,759)	**(28,213)**	(27,524)
Other operating income		**12,864**	42,852	**5,094**	21,272
Operating profit		**105,713**	126,230	**63,413**	69,633
Operating profit is arrived at after charging:					
Auditors' remuneration: – Audit fees		**313**	290	**88**	76
– Non-audit fees		**184**	289	**57**	82
Allowance for impairment loss on trade receivables		**152**	79	**–**	2
Depreciation of property, plant and equipment	3	**61,007**	61,950	**10,127**	10,736
Hire of motor vehicles		**372**	372	**–**	–
Hire of equipment		**310**	311	**189**	187
Loss on disposal of property, plant and equipment		**812**	38	**54**	–
Personnel expenses (including key management personnel):					
– contributions to Employees' Provident Fund		**10,536**	10,368	**2,127**	2,176
– retirement benefits	13	**2,317**	2,229	**131**	132
– wages, salaries and others		**113,374**	109,768	**19,885**	17,818
Property, plant and equipment written off		**5,819**	1,915	**–**	1,036
Rental of apartments		**331**	437	**–**	–
Unrealised loss on foreign exchange		**8,387**	20,577	**–**	–
and after crediting:					
Impairment loss written back on trade receivables		**8**	23	**2**	3
Fair value gain of investment properties	4	**18**	1,800	**–**	–
Gain on disposal of property, plant and equipment		**–**	–	**–**	45
Gross dividends from unquoted subsidiaries		**–**	–	**44,550**	36,550
Rental income from: – subsidiary		**–**	–	**120**	120
– others		**856**	855	**–**	–
Realised gain on foreign exchange		**275**	477	**–**	42
Unrealised gain on foreign exchange		**12,695**	38,957	**5,094**	21,119

16.2 Other comprehensive income/(expense)

	2016 Before tax RM'000	2016 Tax expense RM'000	2016 Net of tax RM'000	2015 Before tax RM'000	2015 Tax expense RM'000	2015 Net of tax RM'000
GROUP						
Item that will not be reclassified subsequently to profit or loss						
Remeasurements of defined benefit retirement obligations, net of tax	**1,607**	**(422)**	**1,185**	–	–	–
Item that may be reclassified subsequently to profit or loss						
Exchange differences arising on translation of financial statements of overseas associates	**(1,859)**	**–**	**(1,859)**	–	–	–
	(252)	**(422)**	**(674)**	–	–	–
COMPANY						
Item that will not be reclassified subsequently to profit or loss						
Remeasurements of defined benefit retirement obligations, net of tax	**250**	**(60)**	**190**	–	–	–

17. INTEREST INCOME

	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Interest income on:				
Deposits placed with licensed banks	**4,157**	1,659	**4,030**	1,539
Subsidiaries	**–**	–	**73**	52
	4,157	1,659	**4,103**	1,591

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18. INTEREST EXPENSE

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Interest expense on:				
Revolving credits	**2,697**	1,667	**55**	55
Subsidiaries	**–**	–	**3,938**	2,440
	2,697	1,667	**3,993**	2,495

19. SHARE OF RESULTS OF ASSOCIATED COMPANIES

	2016	2015
GROUP	**RM'000**	RM'000
Share of profit after tax of associates	**6,834**	8,359
Share of fair value (loss)/gain of investment properties, net of deferred tax	**(7,730)**	19,060
	(896)	27,419

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2016	2015
GROUP AND COMPANY	**RM'000**	RM'000
Directors		
– Fees	**247**	252
– Remuneration and allowances	**2,112**	1,969
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**35**	35
Total short-term employee benefits	**2,394**	2,256

Key management personnel comprises all the Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly, and comprise the Executive Directors and Non-Executive Directors of the Group.

21. TAX EXPENSE

Recognised in profit or loss:

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense				
Malaysian – current year	**23,662**	24,051	**2,026**	1,198
– prior years	**(1,332)**	111	**247**	37
	22,330	24,162	**2,273**	1,235
Deferred tax expense				
Reversal and origination of temporary differences	**2,561**	(6,837)	**2,289**	2,104
Over provision in prior years	**(3,598)**	(1,950)	**(4,268)**	(16)
	(1,037)	(8,787)	**(1,979)**	2,088
Total tax expense	**21,293**	15,375	**294**	3,323
Reconciliation of tax expense				
Profit before tax	**106,277**	153,641	**63,523**	68,729
Tax at Malaysian tax rate of 24% (2015: 25%)	**25,506**	38,410	**15,246**	17,182
Non-deductible expenses	**4,937**	5,661	**1,145**	1,018
Non-taxable income	**(1,390)**	(12,885)	**(11,990)**	(14,717)
Tax incentives	**(673)**	(548)	**(87)**	(85)
Deferred tax (liabilities)/assets not recognised	**(70)**	74	**–**	–
Deferred tax on fair value gain of investment properties	**1**	89	**–**	–
Investment tax allowances	**(2,117)**	(13,315)	**–**	–
Effect of changes in tax rate	**–**	(435)	**–**	(88)
Other items	**29**	163	**1**	(8)
	26,223	17,214	**4,315**	3,302
(Over)/Under provision in prior years – current tax expense	**(1,332)**	111	**247**	37
– deferred tax expense	**(3,598)**	(1,950)	**(4,268)**	(16)
	21,293	15,375	**294**	3,323

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

GROUP	2016	2015
Profit attributable to shareholders of the Company (RM'000)	**79,243**	129,686
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per ordinary share (sen)	**18.01**	29.47

Diluted earnings per ordinary share

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

23. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Total amount RM'000	Date of payment
2016		
Ordinary		
Interim 2016 – 3 sen single-tier	**13,200**	**17 November 2016**
Final 2015 – 11 sen single-tier	**48,400**	**30 June 2016**
Total amount	**61,600**	
2015		
Ordinary		
Interim 2015 – 3 sen single-tier	13,200	17 November 2015
Final 2014 – 9 sen single-tier	39,600	30 June 2015
Total amount	52,800	

The Board has proposed a final single-tier dividend of 11 sen per ordinary share, totalling RM48,400,000 for the financial year ended 31 December 2016. The proposed final dividend has not been accounted for and is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2017. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2017.

24. OPERATING SEGMENTS

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

Business segments

The Group comprises the following reportable segments:

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

The Group's other operations include commercial laundry services and investment holding. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

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 2016 (2015: Nil).

24. OPERATING SEGMENTS (cont'd)

	Hotels, resorts and golf course		Investment properties		Others		Total		Eliminations of inter-segment Transactions		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
BUSINESS SEGMENTS												
Revenue from external customers	**479,766**	472,249	**25,189**	24,901	**3,604**	3,103	**508,559**	500,253	**–**	–	**508,559**	500,253
Inter-segment revenue	**44,550**	36,550	**2,127**	2,073	**2,817**	2,759	**49,494**	41,382	**(49,494)**	(41,382)	**–**	–
Total segment revenue	**524,316**	508,799	**27,316**	26,974	**6,421**	5,862	**558,053**	541,635	**(49,494)**	(41,382)	**508,559**	500,253
Operating profit	**137,593**	150,220	**15,763**	17,439	**(51)**	(1,837)	**153,305**	165,822	**(47,592)**	(39,592)	**105,713**	126,230
Interest income	**7,735**	3,766	**372**	354	**61**	31	**8,168**	4,151	**(4,011)**	(2,492)	**4,157**	1,659
Interest expense	**(3,999)**	(2,498)	**–**	–	**(2,693)**	(1,661)	**(6,692)**	(4,159)	**3,995**	2,492	**(2,697)**	(1,667)
Share of results of associated companies	**714**	2,007	**(1,610)**	25,412	**–**	–	**(896)**	27,419	**–**	–	**(896)**	27,419
Profit before tax	**142,043**	153,495	**14,525**	43,205	**(2,683)**	(3,467)	**153,885**	193,233	**(47,608)**	(39,592)	**106,277**	153,641
Allowance for impairment loss on loans and receivables	**152**	79	**–**	–	**–**	–	**152**	79	**–**	–	**152**	79
Allowance for impairment loss written back on loans and receivables	**(8)**	(23)	**–**	–	**–**	–	**(8)**	(23)	**–**	–	**(8)**	(23)
Capital expenditure	**40,051**	51,881	**62**	219	**599**	389	**40,712**	52,489	**(16)**	–	**40,696**	52,489
Depreciation	**59,946**	60,889	**318**	302	**743**	759	**61,007**	61,950	**–**	–	**61,007**	61,950
Tax expense	**17,322**	12,331	**3,848**	2,900	**123**	144	**21,293**	15,375	**–**	–	**21,293**	15,375
Segment assets before interests in associates	**1,194,263**	1,128,619	**312,789**	312,161	**14,123**	13,273	**1,521,175**	1,454,053	**(317,328)**	(259,983)	**1,203,847**	1,194,070
Interests in associates	**15,651**	19,478	**244,863**	206,612	**–**	–	**260,514**	226,090	**–**	–	**260,514**	226,090
Total segment assets	**1,209,914**	1,148,097	**557,652**	518,773	**14,123**	13,273	**1,781,689**	1,680,143	**(317,328)**	(259,983)	**1,464,361**	1,420,160

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

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

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

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

		GROUP		COMPANY	
	Note	Carrying Amount RM'000	L&R/ (FL) RM'000	Carrying Amount RM'000	L&R/ (FL) RM'000
2016					
FINANCIAL ASSETS					
Loans to associates	6	**277,113**	**277,113**	**–**	**–**
Trade and other receivables	10	**30,731**	**30,731**	**252,523**	**252,523**
Cash and bank balances	11	**142,768**	**142,768**	**130,853**	**130,853**
		450,612	**450,612**	**383,376**	**383,376**
FINANCIAL LIABILITIES					
Short-term borrowings	14	**(174,469)**	**(174,469)**	**–**	**–**
Trade and other payables	15	**(90,735)**	**(90,735)**	**(178,234)**	**(178,234)**
		(265,204)	**(265,204)**	**(178,234)**	**(178,234)**
2015					
FINANCIAL ASSETS					
Loans to associates	6	239,934	239,934	–	–
Trade and other receivables	10	27,703	27,703	246,988	246,988
Cash and bank balances	11	97,200	97,200	83,396	83,396
		364,837	364,837	330,384	330,384
FINANCIAL LIABILITIES					
Short-term borrowings	14	(138,917)	(138,917)	–	–
Trade and other payables	15	(100,351)	(100,351)	(134,393)	(134,393)
		(239,268)	(239,268)	(134,393)	(134,393)

25. FINANCIAL INSTRUMENTS

25.2 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Net gains/(losses) on:				
Loans and receivables	**16,708**	40,560	**9,199**	22,753
Financial liabilities measured at amortised cost	**(11,084)**	(22,244)	**(3,993)**	(2,495)
	5,624	18,316	**5,206**	20,258

25.3 Financial risk management

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

25.4 Credit risk

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

Receivables

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

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

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

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

	Note	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
GROUP					
2016					
Not past due		**17,129**	**–**	**–**	**17,129**
1 – 3 months past due		**4,244**	**–**	**–**	**4,244**
4 – 6 months past due		**562**	**(228)**	**–**	**334**
Over 6 months past due		**91**	**(81)**	**–**	**10**
	10	**22,026**	**(309)**	**–**	**21,717**
2015					
Not past due		15,770	–	–	15,770
1 – 3 months past due		5,314	–	–	5,314
4 – 6 months past due		921	(82)	–	839
Over 6 months past due		85	(83)	–	2
	10	22,090	(165)	–	21,925
COMPANY					
2016					
Not past due		**4,090**	**–**	**–**	**4,090**
1 – 3 months past due		**411**	**–**	**–**	**411**
4 – 6 months past due		**255**	**–**	**–**	**255**
Over 6 months past due		**10**	**–**	**–**	**10**
	10	**4,766**	**–**	**–**	**4,766**
2015					
Not past due		3,307	–	–	3,307
1 – 3 months past due		564	–	–	564
4 – 6 months past due		–	–	–	–
Over 6 months past due		2	(2)	–	–
	10	3,873	(2)	–	3,871

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

25. FINANCIAL INSTRUMENTS

25.4 Credit risk (cont'd)

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**165**	109	**2**	3
Allowance for impairment loss recognised	**152**	79	**–**	2
Allowance for impairment loss written back	**(8)**	(23)	**(2)**	(3)
Allowance for impairment loss written off against trade receivables	**–**	–	**–**	–
At 31 December	**309**	165	**–**	2

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

Financial guarantees

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

The maximum exposure to credit risk amounts to RM174,469,000 (2015: RM138,917,000) representing the outstanding banking facilities of the subsidiary as at the reporting date. As at the reporting date, there was no indication that the subsidiary would default on repayment.

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

Inter-company balances

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

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

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

Loans to associates

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

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

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

25.5 Interest rate risk

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

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

The Group and the Company monitor the interest rates of borrowings offered by the financial institutions on a monthly basis. The interest expense 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 RM157,086,000 (2015: RM112,156,000) bears interests at fixed rate of 3.30% (2015: 3.30%) per annum.

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

Exposure to interest rate risk

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	**2016 RM'000**	2015 RM'000
Fixed rate instruments				
Amount due to subsidiaries	**–**	–	**(157,086)**	(112,156)
Cash and bank balances	**135,591**	90,240	**126,975**	80,742
Floating rate instruments				
Short-term borrowings	**(174,469)**	(138,917)	**–**	–

Interest rate risk sensitivity analysis for fixed rate instruments

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

25. FINANCIAL INSTRUMENTS

25.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis for floating rate instruments

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

	Equity		Profit after tax	
GROUP	**1% Increase RM'000**	**1% Decrease RM'000**	**1% Increase RM'000**	**1% Decrease RM'000**
2016				
Floating rate instruments				
Short-term borrowings	**–**	**–**	**(1,745)**	**1,745**
Cash flow sensitivity (net)	**–**	**–**	**(1,745)**	**1,745**
2015				
Floating rate instruments				
Short-term borrowings	–	–	(1,389)	1,389
Cash flow sensitivity (net)	–	–	(1,389)	1,389

25.6 Foreign currency risk

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

Exposure to foreign currency risk

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

	2016		2015	
	Denominated in		Denominated in	
	USD	**HKD**	USD	HKD
	RM'000	**RM'000**	RM'000	RM'000
GROUP				
Short-term borrowings	**(149,709)**	**(24,760)**	(115,206)	(23,711)
Loans to associates	**277,113**	**–**	239,934	–
	127,404	**(24,760)**	124,728	(23,711)
COMPANY				
Amount due from a subsidiary	**109,042**	**9,787**	104,363	9,372

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**	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
GROUP				
USD	**–**	–	**(6,370)**	(6,236)
HKD	**–**	–	**1,238**	1,186
	–	–	**(5,132)**	(5,050)
COMPANY				
USD	**–**	–	**(5,452)**	(5,218)
HKD	**–**	–	**(489)**	(469)
	–	–	**(5,941)**	(5,687)

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

25. FINANCIAL INSTRUMENTS

25.7 Liquidity risk

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

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

Maturity analysis

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

	Note	Carrying amount RM'000	Contractual interest rate per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
GROUP								
2016								
Short-term borrowings	14	**(174,469)**	**1.1 – 2.2**	**(177,789)**	**(177,789)**	**–**	**–**	**–**
Trade and other payables	15	**(90,735)**	**–**	**(90,735)**	**(90,735)**	**–**	**–**	**–**
		(265,204)		**(268,524)**	**(268,524)**	**–**	**–**	**–**
2015								
Short-term borrowings	14	(138,917)	0.9 – 1.8	(141,179)	(141,179)	–	–	–
Trade and other payables	15	(100,351)	–	(100,351)	(100,351)	–	–	–
		(239,268)		(241,530)	(241,530)	–	–	–
COMPANY								
2016								
Trade and other payables	15	**(14,057)**	**–**	**(14,057)**	**(14,057)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(157,086)**	**3.3**	**(162,270)**	**(162,270)**	**–**	**–**	**–**
Amount due to subsidiaries	15	**(7,091)**	**–**	**(7,091)**	**(7,091)**	**–**	**–**	**–**
Financial guarantees	28	**–**	**–**	**(174,469)**	**(174,469)**	**–**	**–**	**–**
		(178,234)		**(357,887)**	**(357,887)**	**–**	**–**	**–**
2015								
Trade and other payables	15	(15,129)	–	(15,129)	(15,129)	–	–	–
Amount due to subsidiaries	15	(112,156)	3.3	(115,857)	(115,857)	–	–	–
Amount due to subsidiaries	15	(7,108)	–	(7,108)	(7,108)	–	–	–
Financial guarantees	28	–	–	(138,917)	(138,917)	–	–	–
		(134,393)		(277,011)	(277,011)	–	–	–

25.8 Fair value information

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

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

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**
2016					
Financial assets					
Loans to associates	**–**	**–**	**277,113**	**277,113**	**277,113**
2015					
Financial assets					
Loans to associates	–	–	239,934	239,934	239,934

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

Financial instruments not carried at fair value

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

26. CAPITAL MANAGEMENT

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

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

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

27. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
CAPITAL EXPENDITURE COMMITMENTS				
Property, plant and equipment				
Contracted but not provided for	**88,977**	3,933	**51**	969
Authorised but not contracted for	**42,025**	115,949	**4,670**	2,251
Investment properties				
Contracted but not provided for	**–**	82	**–**	–
Authorised but not contracted for	**45**	47	**–**	–
	131,047	120,011	**4,721**	3,220

28. CONTINGENT LIABILITIES

COMPANY

Corporate Guarantees (unsecured)

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

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

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

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

29. RELATED PARTIES

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

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

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

Significant related party transactions

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

	Transactions amount for the year ended	
	2016	2015
	RM'000	RM'000
GROUP		
Associated companies		
Net loans (advanced to)/repayment from associates		
– Shangri-La Yangon Company Ltd	**–**	15,540
– Traders Square Company Ltd	**(24,484)**	(46,770)
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**13,963**	13,186
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**2,411**	2,412
Corporations in which Kuok Oon Kwong, Director of the Company, has direct or indirect financial interests		
Office rental income received or receivable		
– Kuok Brothers Sdn Bhd	**831**	831
– PPB Group Berhad	**833**	833
– PPB Oil Palms Berhad	**318**	318
– PGEO Marketing Sdn Bhd	**294**	294
– Chemquest Sdn Bhd	**139**	139
– Southern Marina Development Sdn Bhd	**277**	277
COMPANY		
Subsidiaries		
Dividend receivable	**44,550**	36,550
Interest income received or receivable	**73**	52
Rental income received or receivable	**120**	120
Interest expense paid or payable	**3,938**	2,440
Rental expense paid or payable	**189**	187
Laundry service fees paid or payable	**1,098**	1,056
Subsidiaries of Shangri-La Asia Limited		
Management, marketing and reservation fees paid or payable		
– Shangri-La International Hotel Management Ltd	**2,362**	2,196
Management fees paid or payable		
– Shangri-La International Hotel Management Pte Ltd	**391**	357

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

30. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2016 RM'000	2015 RM'000
GROUP		
Total retained profits of the Company and its subsidiaries		
– Realised	**534,802**	511,220
– Unrealised	**142,985**	138,044
	677,787	649,264
Total share of results of associated companies		
– Realised	**(31,169)**	(38,003)
– Unrealised	**12,872**	20,602
	659,490	631,863
Add: Consolidation adjustments	**(153,381)**	(144,499)
Total Group retained profits	**506,109**	487,364
COMPANY		
– Realised	**179,582**	184,776
– Unrealised	**47,846**	40,833
Total Company retained profits	**227,428**	225,609

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No.1, ***Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements***, issued by Malaysian Institute of Accountants on 20 December 2010.

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 2016 are set out below.

	GROUP RM	COMPANY RM
Audit fees		
– KPMG	**313,100**	**87,500**
Non-audit fees		
– KPMG Tax Services Sdn Bhd	**156,115**	**29,000**
– KPMG	**27,500**	**27,500**
	183,615	**56,500**
Total	**496,715**	**144,000**

Non-audit fees to KPMG Tax Services Sdn Bhd mainly related to tax advisory services and the filing of tax returns for the Company and its subsidiaries, including submission to the Malaysian Investment Development Authority (MIDA) in respect of applications by the Group's hotels for the Investment Tax Allowance incentive for their renovation projects.

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 2016, there were no material contracts entered into by the Company or its subsidiaries involving the interests of Directors and substantial shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Datin Rozina Mohd Amin
Executive Director

Dato' Haris Onn bin Hussein*

Dato' Seri Ismail Farouk Abdullah*

Datuk Supperamaniam a/l Manickam*

Dato' Dr Tan Tat Wai*

Tan Yew Jin

*Independent Non-Executive Directors

AUDIT COMMITTEE

Dato' Seri Ismail Farouk Abdullah
Chairman

Datuk Supperamaniam a/l Manickam

Tan Yew Jin

POLICY IMPLEMENTATION COMMITTEE – *Hotels & Resorts*

Kuok Oon Kwong
Chairman

Datin Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

Dato' Dr Tan Tat Wai
Chairman

Dato' Seri Ismail Farouk Abdullah

Datuk Supperamaniam a/l Manickam

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
Chambers of Mai
Kadir, Andri & Partners

AUDITORS

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank 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 2017

28 FEBRUARY
Announcement of Unaudited Consolidated Results for the 4th Quarter and Financial Year ended 31.12.2016

26 APRIL
Issue of 2016 Annual Report

18 MAY
2017 Annual General Meeting to be held

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

6 JUNE
Entitlement Date for the proposed 2016 Final Dividend

30 JUNE
Payment Date for the proposed 2016 Final Dividend

Year 2016

18 MAY
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2016

23 AUGUST
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2016

26 OCTOBER
2016 Interim Dividend Entitlement Date

10 NOVEMBER
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2016

17 NOVEMBER
2016 Interim Dividend Payment Date

31 DECEMBER
Financial Year End

GROUP PROPERTIES
as at 31 December 2016

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2016 (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**	**32**	**16,229**	**126,613**
Komtar Hotel Sdn Bhd	**Hotel Jen Penang** 17-storey, 443 room hotel located at Magazine Road 10300 Penang	**Leasehold** (Expires 2082)	**30**	**4,800**	**39,958**
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**	**43**	**58,798**	**84,243**
	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**	**541**
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 2016

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2016 (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**	**38**	**19,359**	**38,332**
	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)	**26**	**3,737**	**438**
UBN Tower Sdn Bhd	**UBN Tower** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**32**	**3,696**	**200,315**
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**	**32**	**3,120**	**47,980#**
	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 2016

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2016 (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)	**20**	**105,318**	**140,148**
	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**	**3,430**
	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)	**19**	**668,985**	**27,786**

SHAREHOLDING STATISTICS
as at 31 March 2017

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	243	5.52	3,578	0.00
100 – 1,000	1,883	42.77	1,684,503	0.38
1,001 – 10,000	1,856	42.15	7,346,995	1.67
10,001 – 100,000	320	7.27	10,293,083	2.34
100,001 to less than 5% of issued shares	99	2.25	90,419,500	20.55
5% and above of issued shares	2	0.04	330,252,341	75.06
	4,403	100.00	440,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	Deemed Interest	
Name of Substantial Shareholders	No. of Shares	No. of Shares	% of Issued Shares
Hoopersville Limited	232,237,841	–	52.78
Shangri-La Asia Limited	–	232,237,841	52.78
Caninco Investments Limited	–	232,237,841	52.78
Kerry Holdings Limited	–	232,237,841	52.78
Kerry Group Limited	–	232,237,841	52.78
Kuok Brothers Sdn Berhad	98,014,500	237,500	22.33
Aberdeen Asset Management PLC	–	42,992,600	9.77
Aberdeen Asset Management Asia Limited	–	32,191,900	7.32

SHAREHOLDING STATISTICS

as at 31 March 2017

DIRECTORS' INTERESTS IN SHARES

The direct and deemed interests of the Directors in the shares of the Company and in its related corporations as at 31 March 2017 are as follows:

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

(Ordinary Shares of HKD1.00 each) **Related Corporation** **Shangri-La Asia Limited** (Ultimate Holding Company)	**No. of Shares**	**No. of Shares**	**% of Issued Shares**
Tan Sri A. Razak bin Ramli	–	–	–
Kuok Oon Kwong – own	442,921	189,455	0.02
– others	252,635 [1]	–	0.01
Datin Rozina Mohd Amin	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–
Datuk Supperamaniam a/l Manickam	–	–	–
Dato' Dr Tan Tat Wai	–	–	–
Tan Yew Jin	138,121	–	negligible

[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 31 March 2017

THE THIRTY LARGEST SHAREHOLDERS (AS PER RECORD OF DEPOSITORS)

Name of Shareholders	No. of Shares Held	% of Issued Shares
1. Hoopersville Limited	232,237,841	52.78
2. Kuok Brothers Sdn Berhad	98,014,500	22.28
3. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	21,146,900	4.81
4. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	9,520,900	2.16
5. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen)	5,524,700	1.26
6. Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Yu Kuan Chon	4,500,000	1.02
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client a/c-Res)	3,457,100	0.79
8. Ophir Holdings Berhad	3,298,400	0.75
9. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,975,800	0.68
10. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	2,461,300	0.56
11. Malaysia Nominees (Tempatan) Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	2,449,600	0.56
12. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irama Gigih Sdn Bhd	2,058,000	0.47
13. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,569,800	0.36
14. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,157,200	0.26
15. Key Development Sdn Bhd	1,156,400	0.26
16. HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	1,133,600	0.26
17. Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Chan Sow Keng	1,098,500	0.25
18. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,004,900	0.23
19. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	843,600	0.19
20. Ying Holding Sdn Bhd	776,000	0.17
21. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Huat	699,000	0.16
22. Lim Kian Huat	679,000	0.15
23. Gan Teng Siew Realty Sdn Bhd	645,000	0.15
24. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	636,600	0.14
25. G.T.Y. Holdings Sdn Bhd	606,000	0.14
26. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Sow Keng	601,000	0.14
27. Gemas Bahru Estate Sdn Bhd	600,000	0.13
28. Migan Sdn Bhd	595,300	0.13
29. Rengo Malay Estate Sdn Bhd	571,000	0.13
30. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	523,700	0.12
	402,541,641	91.49

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 18 May 2017 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 2016 and the Auditors' Report thereon. **Ordinary Resolution 1**

2. To approve the payment of a final single-tier dividend of 11 sen per share for the year ended 31 December 2016 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2016. **Ordinary Resolution 3**

4. To re-elect the following Directors, each of whom are retiring by rotation pursuant to Article 95 of the Company's Articles of Association:

   (i) Kuok Oon Kwong **Ordinary Resolution 4**
   (ii) Dato' Seri Ismail Farouk Abdullah **Ordinary Resolution 5**
   (iii) Datuk Supperamaniam a/l Manickam **Ordinary Resolution 6**
   (iv) Tan Yew Jin **Ordinary Resolution 7**

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 8**

AS SPECIAL BUSINESS

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

6. **Continuing in office as Independent Non-Executive Directors of the Company**

   (i) "THAT subject to the passing of Ordinary Resolution 5, approval be and is hereby given to Dato' Seri Ismail Farouk Abdullah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company."
   Ordinary Resolution 9

   (ii) "THAT subject to the passing of Ordinary Resolution 6, approval be and is hereby given to Datuk Supperamaniam a/l Manickam, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company."
   Ordinary Resolution 10

   (iii) "THAT approval be and is hereby given to Dato' Dr Tan Tat Wai, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company." **Ordinary Resolution 11**

NOTICE OF ANNUAL GENERAL MEETING

(iv) "THAT approval be and is hereby given to Dato' Haris Onn bin Hussein, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company." **Ordinary Resolution 12**

Voting on all Resolutions will be by way of poll.

By Order of the Board

DATIN ROZINA MOHD AMIN
Company Secretary

Kuala Lumpur
26 April 2017

NOTES

1. With respect to deposited securities, only members whose names appear in the Record of Depositors on 9 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The Proxy Form must be deposited at the Registered Office of the Company, not less than 48 hours before the time set for the Meeting or any adjournment thereof.
4. The proposed final single-tier dividend, if approved, will be paid on Friday, 30 June 2017 to shareholders whose names appear in the Record of Depositors on Tuesday, 6 June 2017.

EXPLANATORY NOTE ON SPECIAL BUSINESS

Ordinary Resolutions 9 to 12 – Continuing in office as Independent Non-Executive Directors of the Company

Resolutions 9 to 12 are proposed pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 and, if passed, will allow Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam, Dato' Dr Tan Tat Wai and Dato' Haris Onn bin Hussein who have each served on the Board for more than nine years to continue serving as Independent Non-Executive Directors of the Company, to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Nomination & Remuneration Committee and the Board have assessed the independence of Dato' Seri Ismail Farouk Abdullah, Datuk Supperamaniam a/l Manickam, Dato' Dr Tan Tat Wai and Dato' Haris Onn bin Hussein, and the Board has recommended that all four of them be retained as Independent Non-Executive Directors of the Company. The Board's justifications for their retention are set out in the Statement on Corporate Governance in the Company's 2016 Annual Report.

NOTES

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

PROXY FORM

No. of shares held:

I/We ____________________ NRIC/Company No. ____________________

of ____________________

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

appoint ____________________ NRIC No. ____________________

of ____________________

or failing him ____________________ NRIC No. ____________________

of ____________________

as my/our proxy, to vote for me/us on my/our behalf at the Forty-Sixth Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Thursday, 18 May 2017 at 10.00 a.m. and at any adjournment thereof in the following manner:

NO.	ORDINARY RESOLUTIONS	For	Against
1	To receive the Reports and Financial Statements		
2	To approve payment of Final Single-Tier Dividend		
3	To approve payment of Directors' Fees		
4	To re-elect Kuok Oon Kwong as Director		
5	To re-elect Dato' Seri Ismail Farouk Abdullah as Director		
6	To re-elect Datuk Supperamaniam a/l Manickam as Director		
7	To re-elect Tan Yew Jin as Director		
8	To re-appoint Messrs KPMG PLT as Auditors		
9	To retain Dato' Seri Ismail Farouk Abdullah as an Independent Non-Executive Director		
10	To retain Datuk Supperamaniam a/l Manickam as an Independent Non-Executive Director		
11	To retain Dato' Dr Tan Wai as an Independent Non-Executive Director		
12	To retain Dato' Haris Onn bin Hussein as an Independent Non-Executive Director		

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

Dated this ________ day of ________________ 2017 Signature ____________________

NOTES

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

FOLD HERE

STAMP

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

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

FOLD HERE

DIRECTORY OF GROUP HOTELS & RESORTS

KUALA LUMPUR

Shangri-La Hotel Kuala Lumpur
11 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (+60-3) 2032 2388
Fax : (+60-3) 2070 1514
E-Mail : slkl@shangri-la.com

PENANG

Shangri-La's Rasa Sayang Resort & Spa
10th Mile Batu Feringgi Beach
11100 Penang
Tel : (+60-4) 888 8888
Fax : (+60-4) 881 1800
E-Mail : rsr@shangri-la.com

Golden Sands Resort
10th Mile Batu Feringgi Beach
11100 Penang
Tel : (+60-4) 886 1911
Fax : (+60-4) 881 1880
E-Mail : gsh@shangri-la.com

Hotel Jen Penang
Magazine Road
10300 Penang
Tel : (+60-4) 262 2622
Fax : (+60-4) 262 6526
E-Mail : hjp@hoteljen.com

SABAH

Shangri-La's Rasa Ria Resort & Spa
Pantai Dalit
89200 Tuaran, Sabah
Tel : (+60-88) 797 888
Fax : (+60-88) 792 777
E-Mail : rrr@shangri-la.com

Dalit Bay Golf & Country Club
Pantai Dalit
89200 Tuaran, Sabah
Tel : (+60-88) 791 188
Fax : (+60-88) 792 128
E-Mail : dalitbaygolf.rrr@shangri-la.com

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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