



SHANGRI-LA HOTELS (MALAYSIA) BERHAD

(10889-U)







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GROUP FINANCIAL HIGHLIGHTS

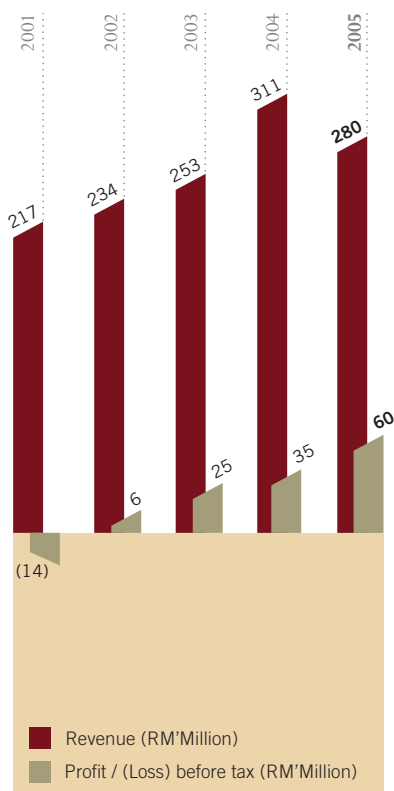
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
RESULTS					
Revenue	280,089	311,352	253,219	233,547	217,130
Exceptional items	12,191	(16,989)	-	(3,292)	(36,049)
Profit / (Loss) before tax	60,101	35,046	24,710	5,769	(14,348)
Profit / (Loss) attributable to shareholders	49,704	30,941	16,472	3,269	(21,819)
Dividend-net	25,344	23,760	20,592	19,008	19,008
KEY BALANCE SHEET DATA					
Issued capital	440,000	440,000	440,000	440,000	440,000
Total assets employed	1,502,549	1,509,010	1,556,079	1,521,610	1,306,625
Shareholders' funds	1,139,149	1,113,205	1,136,056	1,138,592	1,196,737
Net tangible assets	1,139,149	1,113,205	1,136,056	1,138,592	1,196,737
PER SHARE DATA					
Net earnings / (loss) per share (sen)	11.30	7.03	3.74	0.74	(4.96)
Net tangible assets (RM)	2.59	2.53	2.58	2.59	2.72
Dividend-gross (sen)	8.0	7.5	6.5	6.0	6.0
FINANCIAL RATIOS					
Return on shareholders' funds (%)	4.4	2.8	1.4	0.3	(2.0)
Return on total assets (%)	3.3	2.1	1.1	0.2	(1.8)
Net borrowings to shareholders' funds (%)	12.4	15.6	17.1	15.0	—

NOTES

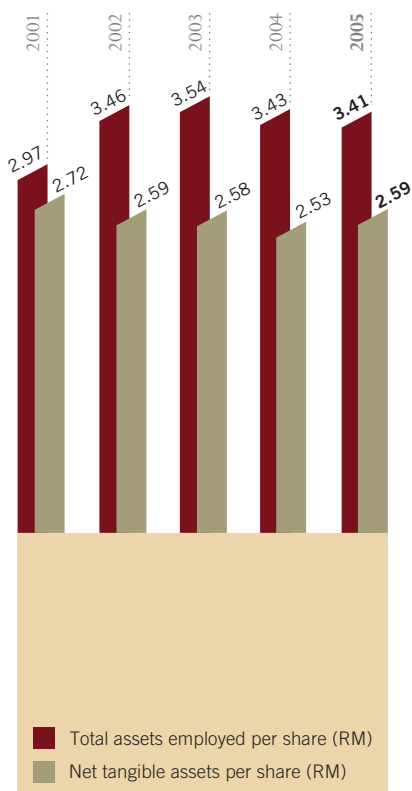
1. The exceptional item of RM12.191 million for the year ended 31 December 2005 relates to the gain arising from the divestment of the Group's entire 30% equity interest in Johdaya Karya Sdn Bhd. For the financial year 2004, the exceptional items amounting to RM16.989 million relates to certain assets written off and other costs associated with the cessation of business and closure of Rasa Sayang Resort for a major redevelopment and repositioning exercise.
2. Dividends of RM25.344 million for the financial year ended 31 December 2005 consist of (a) the interim dividend of 3% per share less tax at 28% paid on 17 November 2005 amounting to RM9.504 million and (b) the proposed final dividend of 5% per share less tax at 28% amounting to RM15.840 million. The proposed final dividend of 5% per share less tax at 28% for the financial year ended 2005 is subject to approval at the Annual General Meeting of the Company to be held on 18 May 2006.

GROUP FINANCIAL HIGHLIGHTS

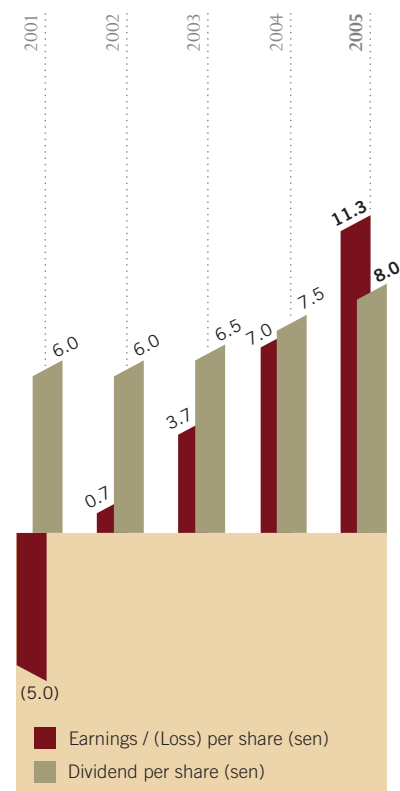
REVENUE & PROFIT / (LOSS) BEFORE TAX



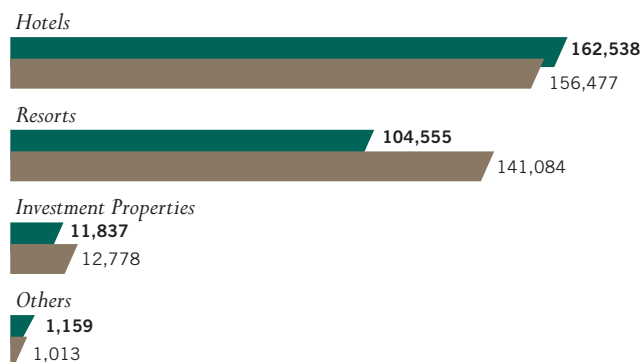
TOTAL ASSETS EMPLOYED PER SHARE & NET TANGIBLE ASSETS PER SHARE



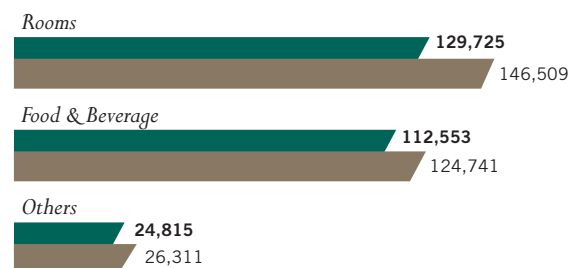
EARNINGS / (LOSS) PER SHARE & DIVIDEND PER SHARE



REVENUE BY SEGMENT



REVENUE OF HOTELS & RESORTS BY DEPARTMENTS



CHAIRMAN'S STATEMENT

Dear Shareholders ㄣ

This is my first statement to you since assuming the role of Chairman in May 2005. I am very pleased to be able to report to shareholders that the Group achieved an improved financial performance in 2005, with strong profit growth over the previous year.

The results for 2005 benefited from substantially higher earnings from our resorts in Penang and Sabah, and were further enhanced by a significant gain from the sale of our 30% interest in Johdaya Karya Sdn Bhd.

Overall, the progress made in 2005 is especially gratifying because it was achieved despite the absence of contribution from Rasa Sayang Resort, which remained closed throughout the year for a major redevelopment programme.



Group Results ↪ In the year ended 31 December 2005, Group revenue decreased 10% to RM280.089 million from RM311.352 million in 2004. As a result, Group profit before tax and exceptional items declined to RM47.910 million compared with RM52.035 million in 2004. This mainly reflects the loss of revenue and profit contribution from Rasa Sayang Resort following its closure from 1 December 2004 for major redevelopment.

On 1 May 2005, the Group successfully completed the disposal of its 30% interest in Johdaya Karya Sdn Bhd and realised an exceptional gain of RM12.191 million. After accounting for this gain, the Group recorded a profit before tax of RM60.101 million for 2005. This represents a 71% improvement over the profit of RM35.046 million in 2004, which included an exceptional charge of RM16.989 million for certain asset write-offs and other costs associated with Rasa Sayang's closure.

The consolidated profit after tax attributable to shareholders for the year ended 31 December 2005 was RM49.704 million, up 61% from RM30.941 million in the prior year. Earnings per share after exceptional items for the year were 11.30 sen versus 7.03 sen in 2004.

Group shareholders' funds as at 31 December 2005 increased to RM1,139 million compared with RM1,113 million a year ago. Correspondingly, the net tangible assets per share of the Group rose to RM2.59 from RM2.53 at year-end 2004.

The Group's consolidated net debt at 31 December 2005 reduced to RM141.430 million from RM173.686 million at end-December 2004 due to loan repayments during the year mainly from the proceeds received from the sale of Johdaya Karya Sdn Bhd. The net gearing of the Group, that is, the ratio of net debt to shareholders' funds, was 12% at 31 December 2005 compared with 16% at the previous year-end.

Dividends ↪ In view of the better results for 2005, your Board is recommending a final dividend of 5% less tax of 28%. Together with the interim dividend of 3% less tax of 28% paid in November 2005, this will give a total dividend of 8% less tax of 28% for the year ended 31 December 2005 compared with 7.5% less tax of 28% for 2004. The proposed final dividend, if approved at the Annual General Meeting to be held on 18 May 2006, will be paid on 19 June 2006.

CHAIRMAN'S STATEMENT

Performance ↗ Review

In the year under review, Shangri-La Hotel Kuala Lumpur did well to achieve revenue and profit growth in a highly competitive market. The hotel's total revenues for 2005 at RM132.015 million were 4% higher than last year, with pre-tax profit increasing by 3% to RM27.384 million. Occupancy at the hotel was 70% in 2005 and the average room rate showed a healthy increase of 14%.

In Sabah, Rasa Ria Resort produced another year of excellent results driven by buoyant market conditions. The resort grew its total revenues by 24% to RM55.034 million and pre-tax profit by 34% to RM13.054 million. Room occupancy for 2005 was 79% with the average room rate rising by 23%.

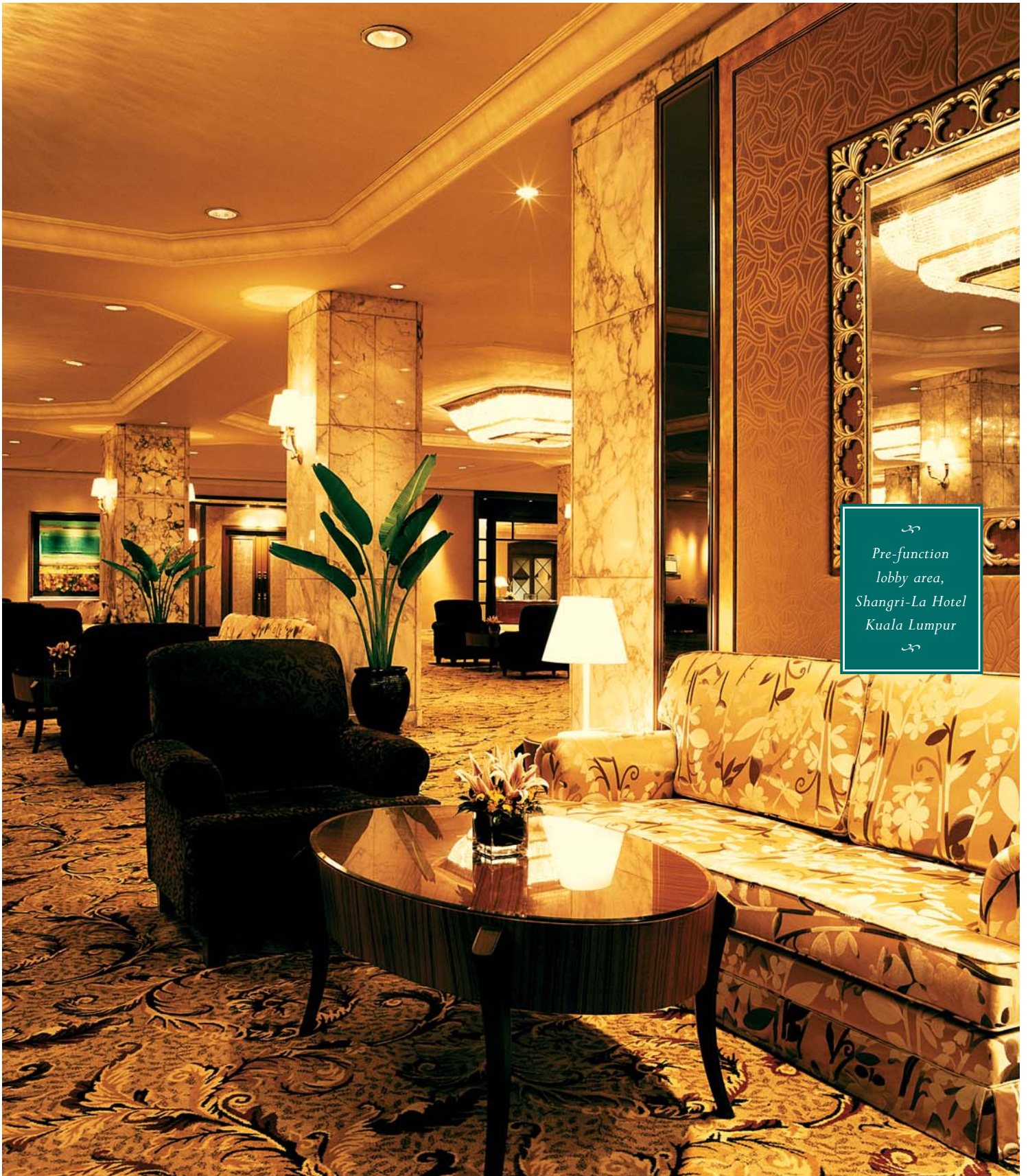
Golden Sands Resort in Penang also gave a strong performance largely attributable to a robust growth in the average room rate. The resort enjoyed an 11% increase in total revenues to RM45.701 million and saw pre-tax profit grow strongly by 45% to RM13.834 million. Occupancy for the year was 71%, while the average room rate rose by almost 37%.

Elsewhere, Shangri-La Hotel Penang achieved a 3% rise in total revenues to RM30.523 million. However, the hotel's pre-tax profit was 15% lower than in 2004 mostly as a result of reduced sales and lower margins in its food and beverage business.

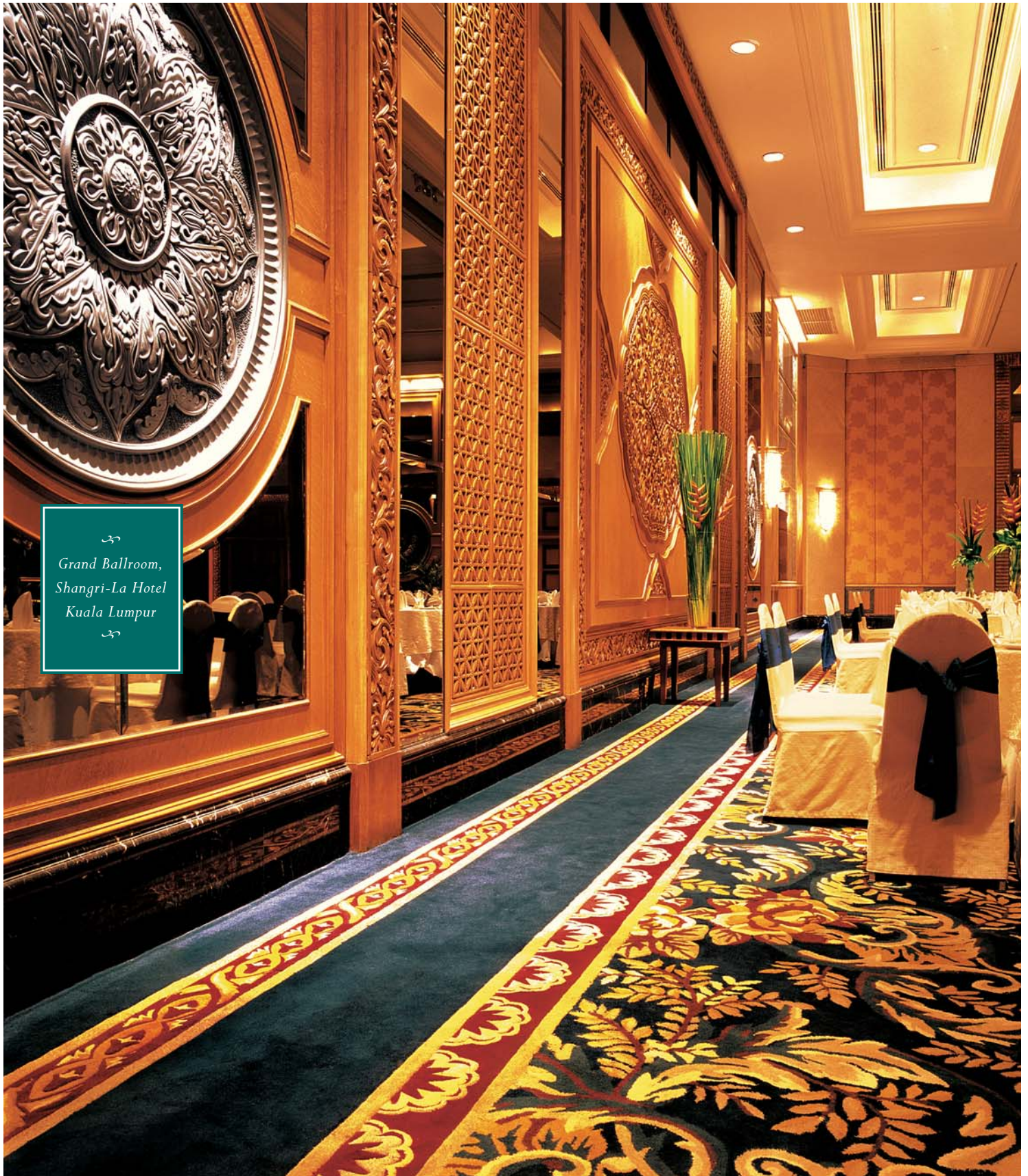
In the case of the Group's investment properties, the total combined rental revenues from UBN Tower and UBN Apartments dropped by 7% to RM11.837 million owing to continued lacklustre trading conditions in the property rental market. Notwithstanding, their combined pre-tax profit of RM8.056 million was up 5% on last year due to the receipt of a rebate on property assessment payments made in prior years.

The Group's share of losses in associated companies at RM1.900 million was higher compared with RM0.842 million in 2004 as the Group no longer equity-accounted for the share of profits in Johdaya Karya Sdn Bhd following its divestment in May 2005.

In Sabah, Rasa Ria Resort produced another year of excellent results driven by buoyant market conditions. The resort grew its total revenues by 24% to RM55.034 million and pre-tax profit by 34% to RM13.054 million. Room occupancy for 2005 was 79% with the average room rate rising by 23%.



Pre-function
lobby area,
Shangri-La Hotel
Kuala Lumpur



Grand Ballroom,
Shangri-La Hotel
Kuala Lumpur

CHAIRMAN'S STATEMENT



Initiatives and Development

Much of the focus in the past year has been on strengthening our market position, improving our operational competitiveness, and further enhancing the overall quality of our hotel properties and service standards, which are essential components of our product positioning.

We have worked with considerable success to fully reap the benefits of the more positive operating environment in 2005 through a strong sales effort, innovative marketing strategies and aggressive promotional activity. These actions have enabled our hotels and resorts to gain healthy market shares during the year with increased penetration in their major markets, as well as making further inroads in fast-growing emerging markets.

Across our business, we remain focused on cost control and continually strive for higher levels of operating efficiency through a combination of ongoing cost containment and productivity initiatives. At the same time, we have maintained a strong focus on the control of capital expenditure and working capital.

On the technical front, significant investment has been made to either replace or upgrade existing IT infrastructure and operating systems with leading-edge technology so as to strengthen our operational capabilities, and to enable us to operate faster and more efficiently.

In our pursuit of delivering enhanced business performance and high service standards, we are committed to the continuous development and motivation of our employees at all levels. Throughout 2005, a wide range of service and functional skills training activities, including management development and leadership programmes, were conducted to enhance competency levels in key areas of performance, as well as to provide employees with greater opportunities to develop their full potential. Of equal importance, considerable effort was directed at improving the standards of health, safety and welfare for our employees.

As part of our ongoing capital improvement programme, several projects were undertaken during 2005 to upgrade and refurbish existing food and beverage outlets, banqueting and meeting facilities, as well as public areas at Shangri-La Hotel Kuala Lumpur, Shangri-La Hotel Penang and Rasa Ria Resort.

In particular, we completed the second and final phase of the rooms refurbishment programme at Rasa Ria Resort covering 214 guestrooms and suites, as well as the remaining 180 guestrooms on the lower five floors at Shangri-La Hotel Penang. It has been encouraging to see that their enhanced room products have enabled both the properties to attain higher room rates in the last year, and this should provide further opportunities for growth in 2006.

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CHAIRMAN'S STATEMENT

Initiatives and Development ↗ (cont'd)

Over the last few years, the tourism industry in Sabah has demonstrated healthy growth with the number of visitor arrivals and hotel room rates rising steadily. This positive momentum is expected to continue, underpinned by the growing attractiveness of Sabah as a tourist destination, improving air accessibility with more domestic flights and international flights from around the region, coupled with limited new supply of hotel rooms.

To tap the rising demand in the hotel market in Sabah, we have taken a decision to embark on an extension programme at Rasa Ria Resort. The planned extension will entail the construction of two additional blocks of guestrooms with a total of 90 rooms, which will be larger in size and of a premier quality to cater to the higher-end leisure market.

Planning application for the extension has been made and the detailed building design plans are currently being finalised to enable construction to commence on site in early May 2006. The total development cost of the project is estimated at around RM35.500 million and is targeted to complete in late 2007. We believe that this significant extension will greatly enhance Rasa Ria's competitive position in the market, whilst providing it with a strong base for further growth.

Meanwhile, work on the major redevelopment programme at Rasa Sayang Resort is progressing well with completion anticipated in the fourth quarter of 2006. The total cost for the major redevelopment of Rasa Sayang is now expected to amount to about RM90 million due mainly to the more extensive works required to upgrade and modernise its ageing mechanical and electrical installations for greater efficiency.

At Shangri-La Hotel Penang, a strategic initiative to re-brand the hotel under the *Traders* brand name will take effect from 1 April 2006 so as to reinforce its image and market positioning. The *Traders* brand enjoys strong recognition in the hospitality industry and caters to business travellers who seek functional accommodation, modern business facilities and efficient service. This re-branding exercise should bring meaningful benefits, as it will enable the hotel to leverage the strength of the *Traders* brand, as well as its expanding global sales and marketing network and large customer database.

Outlook ↗

The overall outlook for the hotel and travel industry is expected to remain favourable in 2006. Our hotels and resorts should be able to make good progress in the current year as they are well positioned to benefit from the continuing growth in both leisure and business travel.

In the meantime, there are encouraging signs that the property rental market in Kuala Lumpur is starting to improve, and this should enable our investment properties to see a progressive recovery in demand levels through 2006.

To stay at the forefront, we intend to consolidate and build on our strong market position with a firm commitment to maintaining and enhancing the quality of our products and service levels.



Poolside,
Rasa Ria Resort,
Sabah

☞
*Sunset Lounge,
Golden Sands
Resort, Penang*
☞

CHAIRMAN'S STATEMENT



Outlook ↪ *(cont'd)* Additionally, we will endeavour to make continuous improvements in operational efficiency throughout the Group and further grow our market share by stepping up sales and marketing initiatives. We are ambitious to drive the business forward and will work relentlessly to fully exploit the opportunities in the current improving trading environment.

Although there is no doubt that competition will continue to be robust, our strong portfolio of high quality assets, brand leadership and substantial expertise, place us in a good position to compete strongly and continue to grow.

2006 will witness the re-opening of Rasa Sayang Resort, after the completion of its major redevelopment and repositioning exercise. Above all, this will allow Rasa Sayang Resort to regain its rightful place at the pinnacle of excellence as one of Asia's finest resorts, whilst retaining its rich heritage and sense of grace. A major worldwide advertising campaign and marketing promotions programme are underway to re-launch and reposition Rasa Sayang in the marketplace.

The Board ↪ There have been several changes to your Board during the year.

After the conclusion of the Annual General Meeting last year, Tan Sri Dato' Wan Sidek Wan Abd. Rahman retired from his role as Board Chairman, and I assumed the Chairmanship on 19 May 2005. My Board colleagues and I are extremely grateful to Tan Sri Dato' Wan Sidek for the guidance and strong leadership he provided, and would like to put on record our deepest appreciation and thanks for his outstanding contribution during his term of office as Chairman since May 1995. Tan Sri Dato' Wan Sidek remains on the Board as an independent non-executive director.

In November 2005, we were delighted to welcome Mr Sulip R. Menon, who joined the Board as a non-executive director.

At the end of October 2005, Encik Mohamad Abdul Halim Ahmad stepped down from the Board and ceased to be a member of the Audit Committee. We thank him most warmly for his contribution to the Group. On 24 November 2005, Encik Harun Halim Rasip was appointed to the Audit Committee to succeed Encik Mohamad Halim.

Special Thanks ↪ On behalf of the Board, I would like to express my gratitude to each and every one of our employees for their tireless work and achievements during 2005. They are at the heart of everything we do and it is their commitment and enterprise that will play a key role in our continuing success. I would also like to thank my fellow members of the Board for their important contributions, support and advice over the last year.

Finally, I would like to take this opportunity to sincerely thank you, our shareholders for your continued confidence in us. We appreciate your support and encouragement.

TAN SRI A. RAZAK BIN RAMLI

Chairman

8 April 2006

SHANGRI-LA HOTEL KUALA LUMPUR

Shangri-La Hotel Kuala Lumpur delivered a creditable performance in 2005, increasing both revenue and profit in a competitive trading environment. This demonstrates the strength of the hotel's product offering, as well as its market leadership position within the top tier of deluxe hotels in Kuala Lumpur. Revenue improved 4% to RM132.015 million from RM126.795 million last year and pre-tax profit rose 3% to RM27.384 million from RM26.638 million in 2004.

Sustained demand and an effective rate management strategy drove higher average room rates in all market segments during the year. The hotel generated strong room night bookings in the corporate individual and group segments from its major markets of Singapore, Japan, the UK and Malaysia. In addition, there was continued healthy demand from the leisure individual and group segments from the UK, Australia and the Middle East.

The hotel also recorded a significant growth in the convention business segment mainly from India and Korea, while targeted marketing programmes successfully secured more higher-rated corporate accounts for the Horizon Club guestrooms. In 2005, room occupancy was 70% and the average room rate improved by 14%. Room revenues grew to RM56.899 million from RM54.086 million last year.

Throughout the year, the hotel's dining outlets continued to enjoy a high level of support from both hotel guests and the local community. Total revenues from food and beverage operations rose to RM66.342 million from RM64.292 million in 2004 owing mainly to higher average checks in banqueting and in most of the food and beverage outlets.

Aggressive food promotions coupled with the introduction of creative new menus and service concepts reaped a good response from the local market. This enabled the hotel to attract new customers, as well as increasing repeat business in a more competitive market. Revenue from the hotel's coffee shop, *Lemon Garden Café* was particularly strong during the year, registering an 8% rise over 2004 to reach RM14.079 million. At the same time, the hotel's banqueting and catering facilities benefited from a number of high-profile corporate and social events and conventions resulting in a 20% growth in the average check from 2004 levels.



Revenue improved 4% to RM132.015 million from RM126.795 million last year and pre-tax profit rose 3% to RM27.384 million from RM26.638 million in 2004.

To maintain the hotel's competitive positioning in the food and beverage business, a significant refurbishment programme was carried out to the ballroom and function rooms including pre-function areas during the second half of 2005, and the improved product has been well received in the marketplace.

Once again in 2005, the hotel received a number of major awards and accolades in recognition of its excellence in product and service quality. Amongst others, Condé Nast Traveler (USA) Readers' Choice Awards voted the hotel into its exclusive *2006 Gold List* and its *2005 List of the Top 50 Asia Hotels*, both for the second successive year. The hotel was also recognised by the Global Finance (USA) magazine readers' survey as the *Best Hotel in Kuala Lumpur for 2005* for the fourth year running.

The hotel will face growing competition in 2006 with additional room supply coming on stream. Nonetheless, it is favourably positioned to meet future challenges, and expects another year of progress buoyed by the continuing upward trend in business and leisure travel.

Increased marketing initiatives are planned with a view to expanding corporate and leisure business volumes in existing key growth markets, as well as to deepen market penetration in the growing emerging markets of China and India. Equally important, sales programmes and promotional activities will be stepped up to promote further growth in food and beverage business. The hotel will also focus on improving margins and profitability in all operating areas, while maintaining its commitment to high standards of service delivery.

SHANGRI-LA HOTEL PENANG

Shangri-La Hotel Penang grew its revenue in 2005 mainly as a result of higher room rates. However, overall performance for the year was affected by weaker results from its food and beverage operations. The hotel achieved total revenues of RM30.523 million, up 3% on the RM29.682 million recorded in 2004, while pre-tax profit amounted to RM2.428 million compared with RM2.853 million the year before.

On the back of a 10% growth in the average room rate, room revenues climbed 7% to RM18.039 million from RM16.875 million last year. This was driven both by healthy levels of demand and by the continuing benefits of the hotel's enhanced guestrooms and suites.

Room occupancy held up well at 68%, with the hotel generating increased corporate business mainly from Japan, the USA and the domestic market. Demand also rose from the Indonesian and UK leisure markets, and there were higher room bookings from the airline crew segment from Cathay Pacific and China Airlines. Meanwhile, attractive packages produced further weekend business especially from the domestic market and Singapore. In addition, proactive marketing initiatives enabled the hotel to grow its high-end corporate customer base for its guestrooms on the Horizon Club floors. In August 2005, the hotel completed the refurbishment programme covering the remaining 180 guestrooms on the lower five floors.

The hotel's food and beverage operations had a disappointing year. In a fiercely competitive market, its outlets and banquet and catering facilities achieved lower than expected sales, and the situation was aggravated by the two-month closure of its Chinese restaurant, *Shang Palace*, for a major upgrade in the fourth quarter of 2005. This led to reduced food and beverage revenues and placed intense pressure on operating margins, resulting in a fall in profitability. The hotel's continental restaurant, *Brasserie* was closed at the end of December 2005 as it continued to underperform and the required progress was not forthcoming.

Against this background, the hotel's food and beverage revenues in 2005 dropped to RM10.872 million from RM11.258 million in 2004, while profits declined to RM1.644 million from RM2.244 million in the previous year.

The hotel has already taken decisive action to restore growth and improve the performance of its food and beverage operations. This has involved rationalising operating costs, reinforcing the catering sales team, and introducing a vigorous programme of promotional activities to raise awareness of the hotel's food and beverage facilities. The hotel is also undertaking targeted sales activities to secure more corporate and government functions and social events, as well as to attract increased outside catering business. There are already signs that these efforts are paying off, and this should lead to improvement in the current year.

The hotel's newly renovated Chinese restaurant, *Shang Palace* re-opened for business in early December 2005 with a fresh look, and has been well received by both the local community and hotel guests.

The hotel should be able to report better results in 2006, as increasing activity is expected in the corporate business travel markets, particularly in Penang's semiconductor, information technology and manufacturing industries. Marketing efforts will be intensified to generate further corporate and leisure business in existing key growth markets. At the same time, the hotel will focus on maximising the benefit of its renovated rooms and suites, as well as on improving the profitability of its food and beverage operations.



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GOLDEN SANDS RESORT

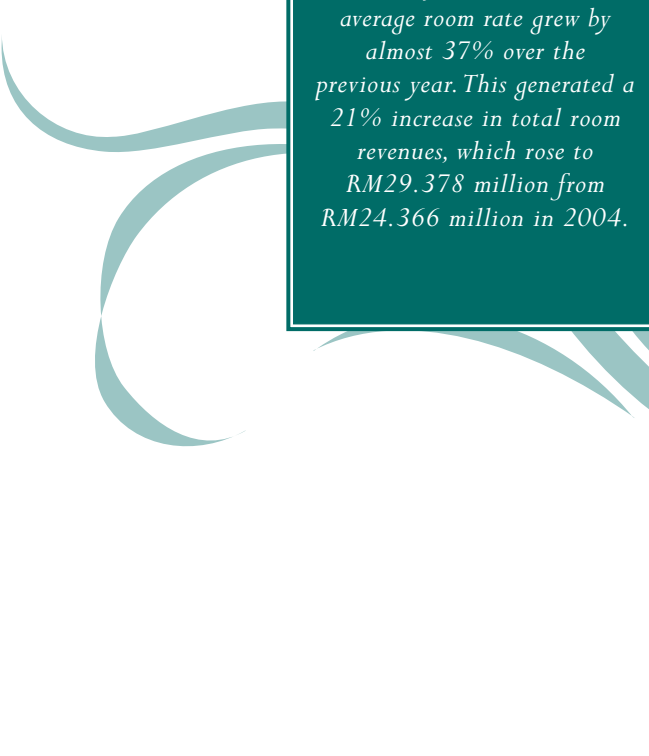
Golden Sands Resort performed very well in 2005 to record substantial growth in its operating results over 2004. In the second half of the year, the resort saw an upsurge in visitor arrivals from its key markets following earlier reduced demand due to the lingering effects of the Tsunami catastrophe that occurred at the end of December 2004. This success was supported by focused marketing and intensive sales efforts. During the year, the resort strengthened its leadership position and significantly increased its market share.

Total revenues grew 11% to RM45.701 million from RM41.133 million in 2004, and pre-tax profit rose by 45% to RM13.834 million from RM9.561 million last year.

Performance in the rooms department showed solid progress, driven primarily by a major improvement in average room rates. Golden Sands Resort enjoyed strong leisure demand from its major markets of the UK, Australia, Japan and the Middle East, as well as from the domestic leisure travel market. At the same time, the resort successfully grew its business volumes from the corporate group and individual segments particularly from the USA, UK and domestic markets.

Aggressive rate strategies resulted in higher room rates in most market segments, with significant increases registered particularly in the leisure group and corporate segments.

In 2005, room occupancy was a healthy 71%, while the average room rate grew by almost 37% over the previous year. This generated a 21% increase in total room revenues, which rose to RM29.378 million from RM24.366 million in 2004.



In 2005, room occupancy was a healthy 71%, while the average room rate grew by almost 37% over the previous year. This generated a 21% increase in total room revenues, which rose to RM29.378 million from RM24.366 million in 2004.

In response to increasing competition from nearby freestanding restaurants in the Batu Feringgi area, the resort made concerted efforts to generate increased covers for its food and beverage outlets from both in-house guests and the local market. Initiatives included innovative sales and creative dining programmes. As a result, the resort managed to grow its total food and beverage revenues to RM14.253 million, derived mainly from higher average checks in all the food and beverage outlets, particularly from banqueting and the coffee shop.

For the third consecutive year, Golden Sands Resort retained the award for *Excellence in Hotel Services* under the 4-star Resort category in conjunction with the Malaysia Tourism Awards 2004 held in August 2005.

With demand continuing to improve, the resort is expected to deliver an enhanced performance in 2006. To help accelerate revenue growth, further action will be taken to reinforce marketing strategies both in major long-haul markets and in the important regional and domestic leisure travel markets. This will be supplemented by increasing efforts to further penetrate the expanding leisure markets of India and China. The resort will also continue to focus on improving room yield management, as well as seeking further improvements in service standards and operating efficiency.

✂ RASA RIA RESORT

Rasa Ria Resort in Sabah recorded another year of strong performance, benefiting from buoyant market conditions. In 2005, the hotel market in Sabah continued to experience a healthy rise in visitor arrivals with limited new supply underpinning a steady growth in hotel room rates.

In this environment, Rasa Ria's operating results were well ahead of expectations, with total revenues growing by 24% to RM55.034 million from RM44.431 million in 2004, and pre-tax profit up 34% to RM13.054 million from RM9.774 million the prior year. This was achieved in spite of a major reduction in the available room inventory between April and mid-July 2005 when the second and final phase of the refurbishment programme covering the resort's remaining 214 guestrooms and suites was being undertaken. During the year, the resort enhanced its leadership position and significantly increased overall market share.

The newly refurbished guestrooms enabled the resort to take a more aggressive approach to room rates. Combined with robust demand levels and active yield management, this resulted in a significant increase in room rates in almost all market segments. The occupancy rate for 2005 at 79% remained unchanged from the year before, with the average room rate increasing by 23%.

Strong growth in business volumes came from the leisure group and leisure individual segments, mainly from the major markets of Australia, the UK and Japan.

Hotel guests from Australia comprise the most important market at 24% of total room nights sold, while the UK market recorded a steep growth, producing 17,997 room nights sold, up nearly 17% on the previous year. The resort's total room revenues improved by 26% to RM25.409 million from RM20.234 million in 2004.

Rasa Ria's food and beverage operations produced a solid performance with strong gains in revenue and profit. This was due to a sharp rise in the volume of covers and average checks at most food and beverage outlets, coupled with healthy levels of banqueting activity. A stronger focus on innovation and attractive dining promotions, as well as an increase in selling prices also contributed towards improving sales volumes and average checks in the dining outlets.

In 2005, the resort's poolside outlet, *Tepi Laut* was extensively renovated and improvement works were carried out at *Sampan Bar*. *Tepi Laut* received a particularly favourable response from hotel guests and has performed well since it re-opened in July 2005, with revenue rising by 18% to RM4.273 million.

Overall, operating margins were better than in the previous year as a result of continued efficiency improvements and effective cost control. Food and beverage revenues rose 20% to RM20.614 million from RM17.138 million, and profits increased by 22% to RM8.394 million in 2005.

Along with upgrades to guestrooms and dining outlets, the nature centre recreation facility was renovated and a new wedding pavilion was completed in June 2005. The wedding pavilion offers a good opportunity for the resort to develop the wedding market particularly from the UK and Australia. Meanwhile, the Spa, launched in December 2004, continued to be very popular with hotel guests and produced much better results than anticipated. The new facilities and enhancements to the resort's product offering have raised the profile of the resort and given it a significant edge over its competitors.

During the year, Rasa Ria Resort earned the coveted *Excellence in Hotel Services - 5-star Resort Award* in conjunction with the Sabah Tourism Awards for 2005, while its Indian restaurant, *NAAN* was recognised as the *Best Indian Restaurant in Malaysia* at the Malaysia Tourism Awards 2004 held in August 2005.


Growth prospects for the resort in 2006 remain positive with the improving trends in the hotel market. An intensive marketing programme is in place to capture a larger share of leisure and corporate business in existing key and potential new markets. The resort will also continue to drive cost efficiency and profitability throughout its operations, and will seek to further enhance both its average room rates and its service offering to customers.

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the prior year.*

✂ For 2005, the Group's investment properties recorded a 7% decline in rental revenues from RM12.778 million in the previous year to RM11.837 million due to lower revenue contribution from UBN Tower. Nevertheless, their combined pre-tax profit rose by 5% to RM8.056 million compared with RM7.709 million in 2004. This improvement was mainly attributable to a significant rebate received in 2005 on property assessment payments made in prior years.

UBN Tower continued to face a challenging trading environment in 2005. The demand for prime office space in Kuala Lumpur's Golden Triangle area remained relatively subdued for most of the year. In addition, the prevailing large oversupply in the office rental market combined with aggressive rate undercutting put ongoing downward pressure on both occupancy levels and rental rates. A number of office tenants continued to rationalise or shut down their operations, while others moved to secondary locations. In these circumstances, UBN Tower recorded a lower average occupancy rate of 41% for 2005, and total rental revenues decreased from RM11.080 million last year to RM9.944 million. The average rental rate at UBN Tower, however was broadly level with 2004 as the same rental rates were secured for almost all the renewals of tenancy leases during the year.

By contrast, leasing activity in the high-end apartment rental market remained healthy in 2005 due to a steady rise in expatriate arrivals with more multinational corporations expanding their operations in Malaysia and setting-up new offices in central Kuala Lumpur. Increasingly, landlords are offering fewer incentives and adopting a firmer stance on rentals. With higher demand, the average occupancy rate at UBN Apartments improved to 75% as compared with 71% in the previous year, while the average rental rate increased by 3% from 2004. The main source of demand came from multinational companies in the financial services sector and the oil & gas and manufacturing industries. The rental revenues at UBN Apartments grew by 11% to RM1.893 million in 2005.



With higher demand, the average occupancy rate at UBN Apartments improved to 75% as compared with 71% in the previous year, while the average rental rate increased by 3% from 2004.

To address competitive pressures, the two properties continued to focus their efforts on maintaining high standards of security, safety and upkeep of the facilities at the two buildings. Equal priority was given to the provision of efficient and high quality tenant services and on building strong relationships with tenants. Keen efforts will continue to be expended to source for new tenants and to retain existing tenants through strategic marketing and competitive lease packaging.

The prime office rental market in Kuala Lumpur is showing encouraging signs of recovery in tandem with improving business sentiment and stronger economic fundamentals. This should lead to a gradual improvement in demand over the course of 2006, although fierce competition will continue to exert pressure on rental rates. In the meantime, the level of leasing activity in the high-end apartment rental market is likely to remain stable during 2006.

CORPORATE STRUCTURE

SHANGRI-LA HOTELS (MALAYSIA) BERHAD

<i>Hotels & Resorts</i>					
Shangri-La Hotel (KL) Sdn Bhd	Golden Sands Beach Resort Sdn Bhd	Palm Beach Hotel Sdn Bhd	Pantai Dalit Beach Resort Sdn Bhd	Dalit Bay Golf & Country Club Berhad ¹	Komtar Hotel Sdn Bhd
100%	100%	100%	75%	75%	60%
<i>Investment Holding & Others</i>					
Pantai Emas Sdn Bhd	Madarac Corporation ²	Wisegain Sdn Bhd	Hasil-Usaha Sdn Bhd	Pantai Dalit Development Sdn Bhd ¹	
100%	100%	100%	100%	75%	
	Traders Yangon Company Ltd ³	Shangri-La Yangon Company Ltd ³	Traders Square Company Ltd ³		
	23.5%	22.2%	23.6%		
<i>Investment Properties</i>					
UBN Tower Sdn Bhd	UBN Holdings Sdn Bhd				
100%	100%				

¹ Held via Pantai Dalit Beach Resort Sdn Bhd

² Incorporated in British Virgin Islands

³ Incorporated in Union of Myanmar

FINANCIAL CALENDAR

2005	2006
<p>19 MAY Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2005</p> <p>23 AUG Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2005</p> <p>27 OCT 2005 Interim Dividend Entitlement Date</p> <p>28 OCT Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2005</p> <p>17 NOV 2005 Interim Dividend Payment Date</p> <p>31 DEC Financial Year End</p>	<p>23 FEB Announcement of Audited Consolidated Results for the 4th Quarter and Financial year ended 31.12.2005</p> <p>26 APR Issue of 2005 Annual Report</p> <p>18 MAY 2006 Annual General Meeting to be held</p> <p>18 MAY Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2006</p> <p>29 MAY Entitlement Date for the proposed 2005 Final Dividend</p> <p>19 JUN Payment Date for the proposed 2005 Final Dividend</p>

CORPORATE DATA

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Rozina Mohd Amin
Executive Director

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

Harun bin Halim Rasip

Dato' Seri Ismail Farouk Abdullah*

Kuok Khoon Ho

Tan Sri Dato' Mohd Amin bin Osman

Sulip R. Menon

Datuk Supperamaniam a/l Manickam*

Dato' Dr Tan Tat Wai*

** Independent Non-Executive Directors*

AUDIT COMMITTEE

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

Harun bin Halim Rasip

Dato' Seri Ismail Farouk Abdullah

POLICY IMPLEMENTATION COMMITTEE – Hotels & Resorts

Kuok Oon Kwong
Chairman

Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

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

Kuok Khoon Ho

Dato' Dr Tan Tat Wai

COMPANY SECRETARY

Rozina Mohd Amin

REGISTERED OFFICE

13th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur
Tel (+60-3) 2026 1018
Fax (+60-3) 2026 1068
E-Mail shmb@po.jaring.my

AUDITORS

KPMG
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

SOLICITORS

Kadir, Andri & Partners

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad

SHARE REGISTRAR

PPB Corporate Services Sdn Bhd
14th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel (+60-3) 2141 2077
Fax (+60-3) 2141 8242

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

PROFILE OF BOARD OF DIRECTORS

TAN SRI A. RAZAK BIN RAMLI *↪ Board Chairman*

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

Tan Sri A. Razak has no family relationship with any Director and/or major shareholder of SHMB and has no conflict of interest with SHMB. He has no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 57.

KUOK OON KWONG *↪ Managing Director*

*↪ Singaporean,
Non-Independent
Executive Director*

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

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

Her brother, Mr Kuok Khoon Ho is also a member of the Board. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all five Board meetings held in 2005. Age 59.

ROZINA MOHD AMIN *↪ Executive Director*

*↪ Malaysian,
Non-Independent
Executive Director*

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

Her father, Tan Sri Dato' Mohd Amin bin Osman is also a member of the Board. She does not have any family relationship with any major shareholder of SHMB. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all five Board meetings held in 2005. Age 46.

PROFILE OF BOARD OF DIRECTORS

TAN SRI DATO' WAN SIDEK BIN WAN ABD. RAHMAN

↪ *Malaysian,
Independent
Non-Executive
Director*

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

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

Tan Sri Dato' Wan Sidek has no family relationship with any Director and/or major shareholder of SHMB and has no conflict of interest with SHMB. He has no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 69.

HARUN BIN HALIM RASIP

↪ *Malaysian,
Non-Independent
Non-Executive
Director*

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

Encik Harun does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended three out of five Board meetings held in 2005. Age 52.

DATO' SERI ISMAIL FAROUK ABDULLAH

↪ *Malaysian,
Independent
Non-Executive
Director*

Dato' Seri Ismail Farouk Abdullah was appointed to the Board on 23 June 1979. He is also a member of the Audit Committee. He holds a degree in Hotel Management from L'Ecole Hoteliere, Lausanne, Switzerland. His experience in the hospitality industry spans over 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, manufacturing and education. He is currently the Chairman of The KAB 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 ten years. He attended all five Board meetings held in 2005. Age 60.

PROFILE OF BOARD OF DIRECTORS

KUOK KHOON HO

↪ *Malaysian,
Non-Independent
Non-Executive
Director*

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

His sister, Madam Kuok Oon Kwong is also a member of the Board. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 55.

TAN SRI DATO' MOHD AMIN BIN OSMAN

↪ *Malaysian,
Non-Independent
Non-Executive
Director*

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

His daughter, Puan Rozina Mohd Amin is also a member of the Board. He does not have any family relationship with any major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 78.

SULIP R. MENON

↪ *Malaysian,
Non-Independent
Non-Executive
Director*

Mr Sulip R. Menon joined the Board on 24 November 2005. He holds a degree in Law from the University of London, is a Barrister-at-Law of the Honourable Society of Lincoln's Inn and also holds an eMBA from the Asian Institute of Management, Manila. Mr Menon began his career as a Legal Assistant with Messrs Zaid Ibrahim & Co and later joined the legal department of Peremba (Malaysia) Sdn Bhd as its Assistant Manager, Legal. He moved to Landmarks Berhad in 1996 and has held the positions of Group Legal Adviser/General Manager before assuming his current position as the Chief Operating Officer of Landmarks Berhad, which is involved in a wide range of activities including hotel business, property investment and development, healthcare services and power. He does not sit on the board of any other public listed company.

Mr Sulip R. Menon does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. Since his appointment in November 2005, he attended the last Board meeting held in 2005. Age 42.

PROFILE OF BOARD OF DIRECTORS

DATUK SUPPERAMANIAM A/L MANICKAM

↪ *Malaysian,
Independent
Non-Executive
Director*

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

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 61.

DATO' DR TAN TAT WAI

↪ *Malaysian,
Independent
Non-Executive
Director*

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

Dato' Dr Tan does not have any family relationship with any Director and/or major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2005. Age 59.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

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

The Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), requires listed companies to publish each year in the annual report, a disclosure statement describing the manner in which the principles of the Code have been applied and the extent of compliance with its best practices during the financial year. In the opinion of the Directors, this statement reflects the way in which the Company has applied the principles in Part 1 and, save where otherwise identified, its compliance with the best practices set out in Part 2 of the Code for the year ended 31 December 2005.

THE BOARD

Board Structure and Procedures

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

All the members of the Board served throughout 2005 save for Datuk Supperamaniam a/l Manickam, Encik Harun bin Halim Rasip and Mr Sulip R. Menon. Datuk Supperamaniam was appointed to the Board as an independent non-executive director on 3 January 2005, while Encik Harun joined the Board as a non-executive director with effect from 1 February 2005. In addition, Mr Sulip was appointed to the Board on 24 November 2005 as a non-executive director. Encik Faisal bin Ismail and Encik Mohamad Abdul Halim bin Ahmad stepped down from the Board on 1 February 2005 and 31 October 2005 respectively.

With effect from 19 May 2005, Tan Sri A. Razak bin Ramli was appointed Non-Executive Chairman of the Company, following Tan Sri Dato’ Wan Sidek’s retirement as Chairman after the Annual General Meeting in May 2005. Tan Sri Razak was first appointed to the Board on 1 November 2004. Tan Sri Dato’ Wan Sidek has remained on the Board as an independent non-executive director.

The brief profiles of the current members of the Board are given on pages 27 to 30 of this annual report.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

Board Structure and Procedures (cont'd)

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

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

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

During the period under review, the Board has not adopted the Code's recommendation pursuant to best practice AA VII whereby a senior independent non-executive director should be identified. Having again considered this appointment, the Board has concluded that the appointment of a senior independent non-executive director is not necessary given the strong independent element on the Board. Furthermore, the roles of the Board Chairman and the Managing Director are separately held with a clear demarcation of responsibilities to ensure there is an appropriate balance of power and to facilitate independent decision-making.

Re-election of Directors

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

The directors of the Company who are seeking election, re-election or re-appointment at the Thirty-fifth AGM of the Company to be held on 18 May 2006 are contained in the Notice and the Statement Accompanying the Notice of AGM.

Board Meetings

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

The Board met five times during 2005 and the record of attendance of each director at the board meetings is set out in the table below. Several meetings of board committees were also held during 2005 and generally, these meetings correspond with major phases of the financial reporting cycles.

<i>Name of Director</i>	<i>Total Attendance</i>
Tan Sri A. Razak bin Ramli	5 / 5
Kuok Oon Kwong	5 / 5
Rozina Mohd Amin	5 / 5
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	5 / 5
Harun bin Halim Rasip	3 / 5
Dato' Seri Ismail Farouk Abdullah	5 / 5
Kuok Khoon Ho	5 / 5
Tan Sri Dato' Mohd Amin bin Osman	5 / 5
Datuk Supperamaniam a/l Manickam	5 / 5
Dato' Dr Tan Tat Wai	5 / 5
Sulip R. Menon (appointed on 24.11.2005)	1 / 1
Mohamad Abdul Halim bin Ahmad (resigned on 31.10.2005)	4 / 4
Faisal bin Ismail (resigned on 1.2.2005) [#]	-

[#] no board meetings were held from 1 January 2005 to date of resignation.

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information and Access to Advice

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

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

Board Committees

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

a. Audit Committee ("AC")

The AC currently consists of three non-executive directors, two of whom are independent including the Chairman and meets at least four times a year. Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman chairs the AC and the other members are Dato' Seri Ismail Farouk Abdullah and Encik Harun bin Halim Rasip. Encik Harun was appointed on 24 November 2005 to succeed Encik Mohamad Abdul Halim bin Ahmad who ceased to be a member of the AC following his resignation from the Board at the end of October 2005. The primary functions of the AC include the review of the effectiveness of the internal control and risk management processes within the Group, overseeing the financial reporting process and the external audit process.

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

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

c. Nomination & Remuneration Committee ("NRC")

The NRC met in December 2005 and comprises three non-executive directors, two of whom are independent. Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman is the Chairman of this committee and the other members are Mr Kuok Khoon Ho and Dato' Dr Tan Tat Wai. The key functions of the NRC are to make recommendations on all new appointments to the Board, and to recommend membership of board committees as well as the remuneration framework for executive directors. Its other responsibilities include the review of the structure, size and composition of the Board, including the ongoing effectiveness of the Board as a whole and the committees of the board, and the contributions of each director towards the effective functioning of the Board.

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training

The Board places the responsibility for training of directors on the NRC. To ensure that the Directors are competent in carrying out their expected roles and responsibilities, they are provided with the opportunity for training on an ongoing basis so as to keep up to date on relevant new legislation, regulations and changing commercial risks. Two in-house training sessions accredited by Bursa Malaysia were organised for the Directors in July and September 2005. The training sessions were well attended by the Directors and covered areas such as financial reporting, credit rating, and detection & prevention of fraud.

Mr Sulip R. Menon, who was appointed in November 2005 has completed the Mandatory Accreditation Programme in compliance with the Listing Requirements of Bursa Malaysia.

Directors' Remuneration

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

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

The non-executive directors of the Company are paid an annual fixed fee for serving on the Board, which is determined by the Board as a whole, subject to shareholders approval at the Annual General Meeting. No director is involved in deciding his or her own remuneration. The aggregate remuneration of the directors of the Company categorised into the appropriate components and analysed into bands of RM50,000 for the financial year ended 31 December 2005 is set out below.

<i>Category</i>	<i>Fees & Allowances (RM)</i>	<i>Salaries & Bonus (RM)</i>	<i>Benefits-in-kind (RM)</i>
Executive Directors	-	913,000	21,000
Non-Executive Directors	230,000	-	-
Total	230,000	913,000	21,000

<i>Amount of Remuneration</i>	<i>Executive Directors</i>	<i>Non-Executive Directors</i>
Below RM50,000	-	11
RM50,001 to RM100,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	1	-
RM450,001 to RM500,000	1	-

STATEMENT ON CORPORATE GOVERNANCE

RELATIONSHIP WITH SHAREHOLDERS

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement of results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit Committee of the Board assists the Board in ensuring the reliability and integrity of the accounting and financial reporting systems of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval. A statement of the directors' responsibilities for preparing the financial statements is set out on page 43 of this annual report.

Internal Control

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The Statement on Internal Control which provides an overview of the state of the Group's system of internal control is set out on pages 36 to 38 of this annual report.

Relationship with the Auditors

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

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2006.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

STATEMENT ON INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- **Organisation structure with clearly defined lines of responsibility and delegated authority**
The Group has in place an organisation structure with key responsibilities clearly defined for the Board, committees of the board and the executive management of the Group's major operating units.
- **Independence of Audit Committee**
The Audit Committee of the Board currently comprises three non-executive directors, the majority of whom are independent, and has full access to both the internal and external auditors.
- **Documented internal policies and procedures**
Key policies and control procedures regulating financial and operating activities are clearly documented in manuals for the hotel operating units. Compliance with the controls set out in the manuals is monitored by monthly self assessment reports from the finance heads of each operating unit and a rolling programme of internal audit reviews. These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve operational deficiencies, if any.
- **Detailed budgeting process**
Detailed annual budgets are prepared by individual operating units containing business strategies, financial and operating targets, performance indicators and capital expenditure proposals, which are reviewed by the Policy Implementation Committee of the Board. The Board approves the consolidated Group budget with objectives for each operating unit.
- **Comprehensive system of financial reporting**
A comprehensive system of reporting financial information to the executive management of major operating units, the executive directors and the Board is in place. Detailed management accounts are prepared by each operating unit based on an annual budget with monthly reports compared against budget, analysis of significant variances and key performance indicators and regular re-forecasting.

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

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

STATEMENT ON INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- **Established capital expenditure approval process**

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

- **Employee competency**

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

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

INTERNAL AUDIT FUNCTION

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

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2006.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2005

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

COMPOSITION AND ATTENDANCE AT MEETINGS

The committee currently consists of three non-executive directors, two of whom are independent under the chairmanship of Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman. The other members of the committee are Dato' Seri Ismail Farouk Abdullah and Encik Harun bin Halim Rasip. Encik Harun was appointed as a member of the committee on 24 November 2005 to succeed Encik Mohamad Abdul Halim bin Ahmad who ceased to be a member of the committee following his resignation from the Board at the end of October 2005.

The committee met four times in 2005. Detailed written agendas are prepared and distributed to committee members in advance of each meeting to allow proper consideration of enclosed reports. While the executive directors and senior management are normally invited to attend the meetings, the external and internal auditors may have private discussions with the members of the committee. The committee reports its conclusions and recommendations to the Board on a quarterly basis and the minutes of the committee meetings are made available to the full Board. The record of attendance of each member at the committee meetings is set out in the table below.

<i>Name of Member</i>	<i>Total Attendance</i>
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman, <i>Chairman</i> (Independent Non-Executive Director)	4 / 4
Dato' Seri Ismail Farouk Abdullah (Independent Non-Executive Director)	4 / 4
Mohamad Abdul Halim bin Ahmad (ceased as a member on 31.10.2005) (Non-Independent Non-Executive Director)	4 / 4
Harun bin Halim Rasip (appointed as a member on 24.11.2005) [#] (Non-Independent Non-Executive Director)	-

[#] no committee meetings were held from the date of appointment to 31 December 2005.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

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

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

AUDIT COMMITTEE REPORT

for the year ended 31 December 2005

TERMS OF REFERENCE OF THE COMMITTEE

1. Membership

- 1.1 The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members, the majority of whom shall be independent non-executive directors in accordance with the definition provided under Paragraph 1.01 of the Listing Requirements of 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 Audit Committee.
- 1.3 At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- 1.4 The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.
- 1.5 The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

2. Meetings

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

3. Authority

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

- a. have authority to investigate any activity within its Terms of Reference;
- b. have access to resources required to perform its duties within its Terms of Reference;
- c. have full and unrestricted access to any employee and information pertaining to the Group;

AUDIT COMMITTEE REPORT

for the year ended 31 December 2005

- d. have direct communication channels with the external auditors and members of the internal audit department who carry out the internal audit function of the Group;
- e. be able to engage independent professional advisers or to secure attendance of outsiders with relevant experience and expertise, when the Audit Committee considers this necessary.

4. Functions & Duties

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

- a. review external audit plans and scope of work before audit commences.
- b. review the adequacy of the internal audit plan and its scope of audit and ensure that the internal audit function has the necessary authority and resources to carry out its work.
- c. review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - any changes in or implementation of major accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - the going concern assumptions;
 - compliance with accounting standards and regulatory requirements.
- d. review and assess the adequacy and effectiveness of the systems of internal control and the efficiency of the Group's operations in particular those relating to areas of significant risks. Additionally, to assess the internal process for determining and managing the principal risks throughout the Group.
- e. review the scope of internal and external auditors' evaluation of the systems of internal control of the Group.
- f. review audit reports prepared by the internal and external auditors, the major findings and management's responses thereto and ensure that appropriate action is taken in respect of these reports.
- g. review appraisals or assessment of the performance of the staff members of the internal audit function.
- h. approve the appointments or termination of the Head of Internal Audit and senior executives in the internal audit function.
- i. be informed of resignations of internal audit staff members and provide the resigning staff member with an opportunity to submit his/her reasons for resigning.
- j. direct any special investigations to be carried out by internal audit.
- k. discuss problems arising from external audit including the assistance given by employees of the Group to the external auditors and any matters the external auditors may wish to discuss.
- l. nominate the external auditors and recommend for approval of the Board of Directors the external audit fee; and consider any questions of resignation or dismissal, resources and capability.

AUDIT COMMITTEE REPORT

for the year ended 31 December 2005

4. Functions & Duties (cont'd)

- m. review the effectiveness of the system for monitoring compliance with applicable laws and regulatory requirements.
- n. review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- o. where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia, the Audit Committee shall promptly report such matters to Bursa Malaysia.
- p. perform other duties as directed by the Board of Directors.

INTERNAL AUDIT FUNCTION

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

ADDITIONAL COMPLIANCE INFORMATION

1. NON-AUDIT FEES

Non-audit fees paid by the Company and its subsidiaries to the external Auditors, Messrs KPMG and its affiliated companies for the financial year ended 31 December 2005 amounted to RM444,055. These were mainly in respect of tax advisory services, as well as enterprise risk management advisory services and risk-based internal audits undertaken by KPMG Internal Audit Services.

	RM
KPMG	324,228
KPMG Tax Services Sdn Bhd	119,827
Total	444,055

2. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Other than those disclosed in the financial statements of the Group and of the Company for the financial year ended 31 December 2005, there were no material contracts entered into by the Company or its subsidiaries, involving the interests of Directors and substantial shareholders.

STATEMENT ON DIRECTORS' RESPONSIBILITY

in relation to the audited financial statements for the year ended 31 December 2005

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 2005 on pages 54 to 91, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards in Malaysia have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

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



FINANCIAL STATEMENTS



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DIRECTORS' REPORT

for the year ended 31 December 2005

The Directors have pleasure in submitting their Report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

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. The beach resort ceased operation and closed from 1 December 2004 for a period of approximately eighteen (18) to twenty-four (24) months for a major redevelopment and repositioning exercise.

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

RESULTS FOR THE FINANCIAL YEAR

	GROUP RM'000	COMPANY RM'000
Net profit for the year	49,704	45,303
Unappropriated profits brought forward	212,197	96,333
Profits available for appropriation	261,901	141,636
Dividends	(23,760)	(23,760)
Unappropriated profits carried forward	238,141	117,876

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

DIRECTORS' REPORT

for the year ended 31 December 2005

DIVIDENDS

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

- i. a final dividend of 4.5% less tax at 28% totalling RM14,256,000 in respect of the year ended 31 December 2004 on 20 June 2005; and
- ii. an interim dividend of 3.0% less tax at 28% totalling RM9,504,000 in respect of the year ended 31 December 2005 on 17 November 2005.

The Board has proposed a final dividend of 5.0% less tax at 28% totalling RM15,840,000 for the financial year ended 31 December 2005. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2006. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of unappropriated profits in the financial year ending 31 December 2006.

DIRECTORS OF THE COMPANY

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

Directors

Tan Sri A. Razak bin Ramli *Chairman*

Kuok Oon Kwong *Managing Director*

Rozina Mohd Amin *Executive Director*

Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman

Harun bin Halim Rasip

Dato' Seri Ismail Farouk Abdullah

Kuok Khoon Ho

Tan Sri Dato' Mohd Amin bin Osman

Datuk Supperamaniam a/l Manickam

Dato' Dr Tan Tat Wai

Sulip R. Menon (Appointed on 24.11.2005)

Mohamad Abdul Halim bin Ahmad (Resigned on 31.10.2005)

In accordance with Article 76 of the Company's Articles of Association, Mr Sulip R. Menon retires from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman, Dato' Seri Ismail Farouk Abdullah and Dato' Dr Tan Tat Wai retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

DIRECTORS' REPORT

for the year ended 31 December 2005

DIRECTORS' INTERESTS IN SHARES

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

The Company	As at 1.1.2005/ Date of Appointment	Acquired	(Disposed)	As at 31.12.2005
	Number of Ordinary Shares of RM1.00 each			
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	-	-	-	-
Kuok Oon Kwong	-	-	-	-
Rozina Mohd Amin	-	-	-	-
Tan Sri Dato’ Wan Sidek bin Wan Abd. Rahman	-	-	-	-
Harun bin Halim Rasip	-	-	-	-
Dato’ Seri Ismail Farouk Abdullah	200,000	-	-	200,000
Kuok Khoon Ho	-	-	-	-
Tan Sri Dato’ Mohd Amin bin Osman	-	-	-	-
Sulip R. Menon	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato’ Dr Tan Tat Wai	-	-	-	-
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	-	-	10,000
Kuok Khoon Ho	10,000	-	-	10,000
Harun bin Halim Rasip	117,124,012	-	-	117,124,012

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	151,379	-	-	151,379
Rozina Mohd Amin	-	-	-	-
Tan Sri Dato’ Wan Sidek bin Wan Abd. Rahman	-	-	-	-
Harun bin Halim Rasip	-	-	-	-
Dato’ Seri Ismail Farouk Abdullah	-	-	-	-
Kuok Khoon Ho	-	1,800,000	(1,800,000)	-
Tan Sri Dato’ Mohd Amin bin Osman	15,900	-	-	15,900
Sulip R. Menon	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato’ Dr Tan Tat Wai	-	-	-	-
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	2,863,937	108,673	(1,210,000)	1,762,610
Kuok Khoon Ho	3,256,388	508,673	(1,602,451)	2,162,610

DIRECTORS' REPORT

for the year ended 31 December 2005

Share Options in SAL

Share Options in SAL			Number of Ordinary Shares of HKD1.00 each granted under the option			
	Option period	Exercise price per share option	As at 1.1.2005	Granted	Exercised	As at 31.12.2005
Kuok Oon Kwong	28.4.2006 - 27.4.2015	HKD11.60	-	150,000	-	150,000
	28.4.2007 - 27.4.2015	HKD11.60	-	150,000	-	150,000
Rozina Mohd Amin	28.4.2006 - 27.4.2015	HKD11.60	-	25,000	-	25,000
	28.4.2007 - 27.4.2015	HKD11.60	-	25,000	-	25,000
Kuok Khoon Ho	1.5.1999 - 30.4.2008	HKD 8.26	387,041	-	(387,041)	-
	1.5.2000 - 30.4.2008	HKD 8.26	387,041	-	(387,041)	-
	1.5.2001 - 30.4.2008	HKD 8.26	387,041	-	(25,918)	361,123
	15.1.2001 - 14.1.2010	HKD 8.82	242,278	-	-	242,278
	15.1.2002 - 14.1.2010	HKD 8.82	242,277	-	-	242,277
	15.1.2002 - 14.1.2011	HKD 8.18	145,545	-	-	145,545
	15.1.2003 - 14.1.2011	HKD 8.18	145,545	-	-	145,545
	29.5.2003 - 28.5.2012	HKD 6.81	500,000	-	(500,000)	-
	29.5.2004 - 28.5.2012	HKD 6.81	500,000	-	(500,000)	-

Other than as disclosed above, none of the Directors held any shares as at 31 December 2005, nor has any Director acquired or disposed any shares during the course of the year, in any other related corporations of the Company.

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

for the year ended 31 December 2005

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the exceptional items as disclosed in Note 22 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

DIRECTORS' REPORT

for the year ended 31 December 2005

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.

AUDITORS

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

Signed in accordance with a resolution of the Directors:

TAN SRI A. RAZAK BIN RAMLI

Chairman

KUOK OON KWONG

Managing Director

Kuala Lumpur,
23 February 2006

STATEMENT BY DIRECTORS

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

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 54 to 91 are drawn up in accordance with applicable approved accounting standards in Malaysia and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

TAN SRI A. RAZAK BIN RAMLI

Chairman

KUOK OON KWONG

Managing Director

Kuala Lumpur,
23 February 2006

STATUTORY DECLARATION

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

I, TAY KENG HOCK, the Officer primarily responsible for the financial management of SHANGRI-LA HOTELS (MALAYSIA) BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 54 to 91 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
TAY KENG HOCK at Kuala Lumpur in
Wilayah Persekutuan on 23 February 2006

Before me:

ONG KAH CHONG, A.M.N.

Commissioner for Oaths

Kuala Lumpur

REPORT OF THE AUDITORS

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

We have audited the financial statements set out on pages 54 to 91. The preparation of the financial statements is the responsibility of the Company's Directors.

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

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

In our opinion:

- a. the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i. the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date; and
 - ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- b. the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

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

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

KPMG

Firm Number: AF 0758

Chartered Accountants

TANG SENG CHOON

Partner

Approval Number: 2011/12/07(J)

Kuala Lumpur,
23 February 2006

BALANCE SHEETS

at 31 December 2005

	NOTE	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment	2	288,599	284,745	12,745	4,877
Hotel properties	3	900,426	891,731	190,036	190,039
Investment properties	4	213,065	213,065	-	-
Investments in subsidiaries	5	-	-	591,403	591,403
Interests in associates	6	21,232	44,559	-	16,200
Property development expenditure	7	11,578	11,578	-	-
Deferred tax assets	16	11,031	14,700	-	-
		1,445,931	1,460,378	794,184	802,519
Current assets					
Inventories	8	8,616	9,207	-	-
Trade and other receivables	9	24,333	20,145	226,314	214,146
Tax recoverable	9	9,120	12,449	5,215	2,817
Cash and cash equivalents	10	14,549	6,831	3,167	2,438
		56,618	48,632	234,696	219,401
Current liabilities					
Trade and other payables	11	51,529	61,881	25,434	35,208
Borrowings (unsecured)	12	111,464	97,785	36,904	29,579
Taxation		750	674	-	-
		163,743	160,340	62,338	64,787
Net current (liabilities)/assets		(107,125)	(111,708)	172,358	154,614
		1,338,806	1,348,670	966,542	957,133
Financed by:					
Capital and reserves					
Share capital	13	440,000	440,000	440,000	440,000
Reserves	14	699,149	673,205	485,249	463,706
		1,139,149	1,113,205	925,249	903,706
Negative goodwill		2,874	2,874	-	-
Minority shareholders' interests	15	70,564	68,120	-	-
Long term and deferred liabilities					
Borrowings (unsecured)	12	44,515	82,732	28,420	40,423
Deferred tax liabilities	16	72,050	72,850	12,873	13,004
Retirement benefits	17	9,654	8,889	-	-
		1,338,806	1,348,670	966,542	957,133

The financial statements were approved and authorised for issue by the Board of Directors on 23 February 2006.

The notes set out on pages 60 to 91 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2005

	NOTE	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	18	280,089	311,352	52,025	76,933
Operating profit	18	67,839	42,258	58,615	8,193
Interest expense	20	(6,016)	(6,518)	(2,630)	(2,490)
Interest income	21	178	148	212	400
Share of losses of associates		(1,900)	(842)	-	-
Profit before taxation		60,101	35,046	56,197	6,103
Tax expense					
- Company and subsidiaries		(7,238)	(455)	(10,894)	242
- Associates		(235)	(854)	-	-
	23	(7,473)	(1,309)	(10,894)	242
Profit after taxation		52,628	33,737	45,303	6,345
Less: Minority interest		(2,924)	(2,796)	-	-
Net profit for the year		49,704	30,941	45,303	6,345
Basic earnings per ordinary share (sen)	24	11.3	7.0		
Dividends per ordinary share - gross (sen)	25	8.0	7.5	8.0	7.5
- net (sen)		5.8	5.4	5.8	5.4

The notes set out on pages 60 to 91 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

		NON-DISTRIBUTABLE			DISTRIBUTABLE			
		ASSET						
		SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	MERGER RESERVES	OTHER RESERVES	UNAPPROPRIATED PROFITS	TOTAL
NOTE		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP								
At 1 January 2004		440,000	104,501	448,055	(65,859)	7,511	201,848	1,136,056
Net profit for the year		-	-	-	-	-	30,941	30,941
Impairment of hotel properties		3	-	-	(33,200)	-	-	(33,200)
Realisation of asset revaluation reserve			-	-	(1)	-	1	-
Dividends								
- 2003 final		25	-	-	-	-	(11,088)	(11,088)
- 2004 interim		25	-	-	-	-	(9,504)	(9,504)
At 31 December 2004		440,000	104,501	414,854	(65,859)	7,512	212,197	1,113,205
At 1 January 2005		440,000	104,501	414,854	(65,859)	7,512	212,197	1,113,205
Net profit for the year			-	-	-	-	49,704	49,704
Dividends								
- 2004 final		25	-	-	-	-	(14,256)	(14,256)
- 2005 interim		25	-	-	-	-	(9,504)	(9,504)
At 31 December 2005		440,000	104,501	414,854	(65,859)	7,512	238,141	1,139,149
		Note 13		Note 14			Note 14	

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

		NON-DISTRIBUTABLE			DISTRIBUTABLE		
		ASSET					
	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	REVALUATION RESERVE RM'000	CAPITAL RESERVE RM'000	UNAPPROPRIATED PROFITS RM'000	TOTAL RM'000
COMPANY							
At 1 January 2004		440,000	104,501	150,237	145,835	110,580	951,153
Net profit for the year		-	-	-	-	6,345	6,345
Impairment of hotel properties	3	-	-	(33,200)	-	-	(33,200)
Dividends							
- 2003 final	25	-	-	-	-	(11,088)	(11,088)
- 2004 interim	25	-	-	-	-	(9,504)	(9,504)
At 31 December 2004		440,000	104,501	117,037	145,835	96,333	903,706
At 1 January 2005		440,000	104,501	117,037	145,835	96,333	903,706
Net profit for the year		-	-	-	-	45,303	45,303
Dividends							
- 2004 final	25	-	-	-	-	(14,256)	(14,256)
- 2005 interim	25	-	-	-	-	(9,504)	(9,504)
At 31 December 2005		440,000	104,501	117,037	145,835	117,876	925,249
		Note 13		Note 14		Note 14	

The notes set out on pages 60 to 91 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2005

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	60,101	35,046	56,197	6,103
Adjustments for:				
Allowance for doubtful debts on shareholders' loan in associates assigned from a shareholder of the associates	-	1,644	-	-
Allowance for doubtful debts of subsidiary written back	-	-	(459)	-
Depreciation	20,172	18,948	916	1,863
Gain on disposal of investment properties	-	(177)	-	-
Gain on disposal of investment in an associate	(12,191)	-	(16,736)	-
Hotel properties written off	876	261	18	-
Impairment loss on shares in associates transferred by a shareholder of the associates	-	183	-	-
Interest expense	6,016	6,518	2,630	2,490
Interest income	(178)	(148)	(212)	(400)
(Gain)/Loss on disposal of property, plant and equipment and hotel properties	(746)	705	(1,807)	103
Property, plant and equipment written off	1,782	6,380	167	5,656
Retirement benefits charged	1,220	3,645	-	1,987
Share of losses of associates	1,900	842	-	-
Shareholders' loan in associates assigned from a shareholder of the associates	-	(1,644)	-	-
Shares in associates transferred from a shareholder of the associates	-	(183)	-	-
Reversal of retirement benefits	-	(8,055)	-	(8,055)
Unrealised (gain)/loss on foreign exchange	(99)	-	459	-
Operating profit before working capital changes	78,853	63,965	41,173	9,747
(Increase)/Decrease in working capital:				
Inventories	591	415	-	780
Trade and other receivables	(4,188)	3,407	(16,104)	1,112
Trade and other payables	(10,352)	7,763	(10,176)	6,271
Cash generated from operations	64,904	75,550	14,893	17,910
Income taxes paid	(964)	(9,515)	(13,423)	(3,383)
Retirement benefits paid	(455)	(2,460)	-	(2,229)
Net cash generated from operating activities	63,485	63,575	1,470	12,298

CASH FLOW STATEMENTS

for the year ended 31 December 2005

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Additions to hotel properties	(1,808)	(1,365)	(15)	(286)
Interest received	178	148	212	400
Proceeds from disposal of property, plant and equipment, hotel properties and investment properties	2,604	600	1,808	-
Proceeds from disposal of investment in an associate	32,936	-	32,936	-
Purchase of property, plant and equipment	(35,313)	(15,220)	(8,836)	(1,030)
Net cash (used in)/generated from investing activities	(1,403)	(15,837)	26,105	(916)
Cash flows from financing activities				
Advances and payments made on behalf of subsidiaries	-	-	4,338	3,461
Dividend paid to minority interest	(480)	(720)	-	-
Dividend paid to shareholders of the Company	(23,760)	(20,592)	(23,760)	(20,592)
Interest paid	(6,132)	(6,518)	(2,746)	(2,490)
Refund of excess call from associates	447	447	-	-
Drawdown/(Repayments) of revolving credits	15,126	(18,810)	8,500	(13,000)
(Repayments)/Drawdown of term loans	(39,394)	(3,647)	(13,180)	18,500
Net cash used in financing activities	(54,193)	(49,840)	(26,848)	(14,121)
Net increase/(decrease) in cash and cash equivalents	7,889	(2,102)	727	(2,739)
Cash and cash equivalents at beginning of year	6,461	8,563	2,436	5,175
Cash and cash equivalents at end of year	14,350	6,461	3,163	2,436
Cash and cash equivalents comprise:				
Cash and bank balances	9,148	6,051	3,167	2,158
Deposits placed with licensed banks and a licensed financial institution	5,401	780	-	280
Bank overdrafts	(199)	(370)	(4)	(2)
	14,350	6,461	3,163	2,436

The notes set out on pages 60 to 91 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of accounting

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

The Malaysian Accounting Standards Board has issued a number of new and revised Financial Reporting Standards ("FRS"), which will become effective for accounting periods commencing on or after 1 January 2006. This is an effort to align the standards with those issued by the International Accounting Standards Board.

The Group has not early adopted these new and revised FRS in the financial statements for the year ended 31 December 2005.

The Group will be adopting these new and revised FRS with effect from 1 January 2006 and this will result in some changes to the Group's accounting policies. The Group expects that the adoption of FRS 116 Property, Plant and Equipment and FRS 140 Investment Property, which will require retrospective application to have the following significant impact on the financial statements of the Group.

FRS 116 - PROPERTY, PLANT AND EQUIPMENT

The Group's hotel properties and property, plant and equipment will no longer be stated at valuation. Hotel properties and property, plant and equipment will be stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The adoption of this new accounting policy will result in a decrease in the carrying amounts of hotel properties and property, plant and equipment and will reduce the net assets value of the Group. Additional annual depreciation charges and amortisation will be provided for the Group's hotel properties and property, plant and equipment.

FRS 140 - INVESTMENT PROPERTY

The Group's investment properties will continue to be stated at fair values as allowed under FRS 140. However, any surplus or deficit arising from a change in the fair values of investment properties will be recognised in the income statement for the period in which they arise. Prior to 1 January 2006, any surplus arising from a change in fair values of investment properties that the Directors considered as being other than temporary is dealt with in the assets revaluation reserve. Any deficit is set off against the asset revaluation reserve and in the case where the reserve is insufficient to cover a deficit on an individual basis, the excess of the deficit is charged to the income statement.

In compliance with FRS 140, the existing revaluation reserve with respect to the Group's investment properties, will be transferred to unappropriated profits.

The Group will continue to assess the impact of other new and revised FRS. However, it is not expected that these FRS will have a significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

b. Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for UBN Holdings Sdn Bhd, which is consolidated using the merger method of accounting. Merger method of accounting for the consolidation of UBN Holdings Sdn Bhd is continued to be applied in line with the transition provision of FRS 122²⁰⁰⁴, Business Combinations, which allows the Group to apply the standard prospectively.

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

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

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

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

c. Associates

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

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

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

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

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

The Group's share of results and reserves of associates are based on the unaudited financial statements of these companies for the year ended 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

d. Property, plant and equipment

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

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

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

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

DEPRECIATION

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

Buildings and improvements	2%
Golf course and its related buildings (60 years)	1.7%
Furniture, fixtures and equipment	5% to 25%
Motor vehicles	20%

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

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

e. Hotel properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

f. Investment properties

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

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

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

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

g. Investments

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

h. Property development expenditure

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

i. Goodwill

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

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

j. Inventories

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

k. Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

l. Cash and cash equivalents

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

m. Liabilities

Borrowings and trade and other payables are stated at cost.

n. Impairment

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

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

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

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

o. Borrowing costs

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

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

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

p. Income tax

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

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

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

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

q. Employee benefits

i. SHORT TERM EMPLOYEE BENEFITS

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

ii. DEFINED CONTRIBUTION PLAN

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

iii. DEFINED BENEFIT PLANS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

r. Foreign currency

i. FOREIGN CURRENCY TRANSACTIONS

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

ii. FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

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

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

	2005	2004
USD 1.00	RM3.780	RM3.800
HKD 1.00	RM0.487	RM0.489
JPY 1.00	RM0.032	RM0.037
SGD 1.00	RM2.271	RM2.284

s. Revenue

i. HOTEL AND GOLF OPERATIONS

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

ii. RENTAL

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

iii. DIVIDEND INCOME

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

iv. LAUNDRY SERVICES

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

v. INTEREST INCOME

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

t. Financing costs

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

2. PROPERTY, PLANT AND EQUIPMENT

GROUP	NOTE	FREEHOLD LAND RM'000	LONG TERM LEASEHOLD LAND RM'000	SHORT TERM LEASEHOLD LAND AND BUILDINGS RM'000	GOLF COURSE AND ITS RELATED BUILDINGS RM'000	FURNITURE, FIXTURES, EQUIPMENT AND MOTOR VEHICLES RM'000	RENOVATION AND CONTRACT- IN-PROGRESS RM'000	TOTAL RM'000
Cost/Valuation								
At 1 January 2005		155,000	9,173	2,500	38,238	217,792	7,139	429,842
Additions		-	-	3,138	-	9,433	22,858	35,429
Disposals		-	-	-	-	(4,228)	-	(4,228)
Write off		-	-	-	-	(13,602)	(596)	(14,198)
Transfers to hotel properties	3	-	-	-	-	12,502	(21,314)	(8,812)
At 31 December 2005		155,000	9,173	5,638	38,238	221,897	8,087	438,033
Representing items at:								
Cost		-	-	3,138	248	221,897	8,087	233,370
Directors' valuation								
- 2001		155,000	-	2,500	-	-	-	157,500
- 2002		-	9,173	-	37,990	-	-	47,163
At 31 December 2005		155,000	9,173	5,638	38,238	221,897	8,087	438,033
Accumulated depreciation								
At 1 January 2005		-	-	155	1,436	143,506	-	145,097
Charge for the year		-	-	156	722	19,294	-	20,172
Disposals		-	-	-	-	(3,419)	-	(3,419)
Write off		-	-	-	-	(12,416)	-	(12,416)
At 31 December 2005		-	-	311	2,158	146,965	-	149,434
Net book value								
At 31 December 2005		155,000	9,173	5,327	36,080	74,932	8,087	288,599
At 31 December 2004		155,000	9,173	2,345	36,802	74,286	7,139	284,745
Depreciation charge for the year ended 31 December 2004		-	-	51	717	18,180	-	18,948

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY	SHORT TERM LEASEHOLD LAND RM'000	FURNITURE, FIXTURES, EQUIPMENT AND MOTOR VEHICLES RM'000	RENOVATION- IN-PROGRESS RM'000	TOTAL RM'000
Cost/Valuation				
At 1 January 2005	800	13,416	449	14,665
Additions	3,138	190	5,624	8,952
Disposal	-	(126)	-	(126)
Write off	-	(5,025)	-	(5,025)
At 31 December 2005	3,938	8,455	6,073	18,466
Representing items at:				
Cost	3,138	8,455	6,073	17,666
Directors' valuation - 2001	800	-	-	800
At 31 December 2005	3,938	8,455	6,073	18,466
Accumulated depreciation				
At 1 January 2005	53	9,735	-	9,788
Charge for the year	122	794	-	916
Disposal	-	(125)	-	(125)
Write off	-	(4,858)	-	(4,858)
At 31 December 2005	175	5,546	-	5,721
Net book value				
At 31 December 2005	3,763	2,909	6,073	12,745
At 31 December 2004	747	3,681	449	4,877
Depreciation charge for the year ended 31 December 2004	17	1,846	-	1,863

REVALUATION

GROUP

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

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

As at 31 December 2005, a full independent valuation of the Group's freehold land, long term leasehold land, short term leasehold land and buildings, golf course and its related buildings were carried out by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, based on open market value on an existing use basis. In relation to this, there are no material differences between the carrying values of the assets and their fair values.

Included in renovation and contract-in-progress of the Group is RM1,414,000 (2004 - RM1,414,000) pertaining to redevelopment project of a subsidiary, which has been shelved for the time being until market conditions improve.

COMPANY

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

As at 31 December 2005, a full independent valuation of the Company's short term leasehold land was carried out by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, based on open market value on an existing use basis. In relation to this, there are no material differences between the carrying values of the assets and their fair values.

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

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Freehold land	11,718	11,718	-	-
Long term leasehold land	4,867	4,867	-	-
Short term leasehold land and buildings	2,507	2,568	2,054	2,103
Golf course and its related buildings	41,634	42,572	-	-
	60,726	61,725	2,054	2,103

BORROWING COSTS

GROUP AND COMPANY

Included in renovation and contract-in-progress of the Group and of the Company is interest capitalised at rates ranging from 3.5% to 3.8% per annum (2004 - Nil) of RM116,000 (2004 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

3. HOTEL PROPERTIES

		GROUP		COMPANY	
	NOTE	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cost/Valuation					
At 1 January		891,731	921,383	190,039	223,056
Additions		1,808	1,365	15	286
Disposals		(1,049)	(459)	-	(103)
Write off		(876)	(261)	(18)	-
Impairment losses		-	(33,200)	-	(33,200)
Transfers from property, plant and equipment	2	8,812	2,903	-	-
At 31 December		900,426	891,731	190,036	190,039
Representing items at:					
Cost		71,101	62,406	3,236	3,239
Directors' valuation - 2001		722,455	722,455	186,800	186,800
- 2002		106,870	106,870	-	-
At 31 December		900,426	891,731	190,036	190,039
Hotel properties consist:					
Freehold hotel properties		684,870	683,029	190,036	190,039
Long term leasehold hotel properties		215,556	208,702	-	-
		900,426	891,731	190,036	190,039

GROUP AND COMPANY

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

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

Impairment losses on the hotel properties of the Group and of the Company in the previous year of RM33,200,000 arose from the closure of Rasa Sayang Resort for a major redevelopment and repositioning exercise and were charged against the Asset Revaluation Reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

As at 31 December 2005, a full independent valuation of the Group's hotel properties were carried out by W.M. Malik & Kamaruzaman, a firm of independent professional valuers, based on open market value on an existing use basis. In relation to this, there are no material differences between the carrying values of the assets and their fair values.

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

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

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Hotel properties	582,524	577,106	133,413	133,413

Hotel properties at 31 December 2005 are all located in Malaysia and comprised the following:

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

NOTE

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

4. INVESTMENT PROPERTIES

	GROUP	
	2005	2004
	RM'000	RM'000
Cost/Valuation		
Freehold office and its integral plant and machinery		
At 1 January/At 31 December	182,280	182,280
Freehold apartment and its integral plant and machinery		
At 1 January	30,785	30,989
Disposal	-	(204)
At 31 December	30,785	30,785
	213,065	213,065
Representing items at:		
Freehold office and its integral plant and machinery		
Cost	13,990	13,990
Directors' valuation - 1991	168,290	168,290
	182,280	182,280
Freehold apartment and its integral plant and machinery		
Directors' valuation - 1991	30,785	30,785
	213,065	213,065

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

As at 31 December 2005, the Group's investment properties were revalued at RM227,500,000 by W.M. Malik & Kamaruzaman, an independent firm of professional valuers, based on open market value on an existing use basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

5. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2005 RM'000	2004 RM'000
Unquoted shares, at 1992 valuation	156,448	156,448
Unquoted shares, at cost	434,955	434,955
	591,403	591,403

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

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

NAME OF COMPANY	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST	
		2005 %	2004 %
Shangri-La Hotel (KL) Sdn Bhd	Operation of a city hotel	100	100
Komtar Hotel Sdn Bhd	Operation of a city hotel	60	60
Golden Sands Beach Resort Sdn Bhd	Operation of a beach resort	100	100
UBN Holdings Sdn Bhd	Investment holding and property investment	100	100
UBN Tower Sdn Bhd	Property investment and office management	100	100
Pantai Emas Sdn Bhd	Operation of a commercial laundry	100	100
Madarac Corporation	Investment holding	100	100
Palm Beach Hotel Sdn Bhd (NOTE a)	Operation of a beach resort	100	100
Wisegain Sdn Bhd	Investment holding	100	100
Hasil-Usaha Sdn Bhd	Dormant	100	100
Pantai Dalit Beach Resort Sdn Bhd	Operation of a beach resort	75	75
Dalit Bay Golf & Country Club Berhad	Operation of a golf course together with club house and related facilities	75	75
Pantai Dalit Development Sdn Bhd	Property development	75	75

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

NOTE

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

6. INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	3,557	19,757	-	16,200
Loans to associates	115,852	116,912	-	-
	119,409	136,669	-	16,200
Less: Share of losses of associates	(46,283)	(39,603)	-	-
Impairment losses on unquoted shares	(3,557)	(3,557)	-	-
Allowance for doubtful debts on loans to associates	(48,337)	(48,950)	-	-
	21,232	44,559	-	16,200
Represented by:				
Group's share of net liabilities	(42,726)	(19,846)		

Details of the associates are as follows:

NAME OF COMPANY	PLACE OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST	
			2005 %	2004 %
Johdaya Karya Sdn Bhd	Malaysia	Property development and investment in real properties	-	30
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	Hotel ownership and operation	23.53	23.53
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	Intended to construct and own apartment	22.22	22.22
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	Intended to construct and own commercial complex	23.56	23.56

NOTE

* The results of these companies are based on unaudited financial statements for the year ended 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

The Company together with Shangri-La Hotel Limited, Kuok Brothers Sdn Bhd, Lee Rubber (Selangor) Sdn Bhd, Majlis Bandaraya Johor Bahru and Merit Properties Sdn Bhd (collectively, the “Vendors”), had on 31 May 2004 entered into a Conditional Sale & Purchase Agreement with Reco City Square JB Sdn Bhd (the “Purchaser”), a nominee of Government of Singapore Investment Corporation to dispose of the Company’s entire 30% equity interest comprising 16,200,000 ordinary shares of RM1.00 each fully paid-up in Johdaya Karya Sdn Bhd (“Johdaya Karya”), for a total cash consideration of RM39,366,000 or RM2.43 per share based upon the terms and conditions as stipulated in the said Conditional Sale & Purchase Agreement.

On 1 May 2005, the disposal of the Company’s entire 30% equity interest in Johdaya Karya was successfully completed. The said disposal resulted in a gain of RM18,621,000 for the Group and RM23,166,000 for the Company. The Group and the Company has recognised a gain of RM12,191,000 and RM16,736,000 respectively in the income statements for the year ended 31 December 2005. The remaining balance of the gain of RM6,430,000 for the Group and the Company will be recognised as operating income over the next three (3) consecutive years commencing from the date of completion, subject to Johdaya Karya achieving certain minimum levels of EBITDA for each of the respective years in accordance with the terms of the Sale & Purchase Agreement. Following the completion of the disposal, Johdaya Karya has ceased to be an associate of the Group and its results were no longer equity accounted effective 1 May 2005.

The Group’s interest in TYCL, SYCL and TSCL are held via a 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. At 31 December 2005, balances of RM72,278,000 (2004 - RM72,660,000) of the loans to associates are interest free and the remaining balances are interest-bearing at 2.5% (2004 - 2.5%) per annum. The loan interest income has not been recognised in the financial statements as the recoverability of the loan interest income is remote and it is prudent to recognise the loan interest income on a cash basis.

7. PROPERTY DEVELOPMENT EXPENDITURE

The property development expenditure represents development expenditure incurred by a subsidiary. Included in property development expenditure is interest capitalised amounting to RM4,142,000 (2004 - RM4,142,000).

8. INVENTORIES

	GROUP		COMPANY	
	2005 RM’000	2004 RM’000	2005 RM’000	2004 RM’000
At cost				
Food, beverage and tobacco	3,678	3,684	-	-
Room supplies	332	363	-	-
Other supplies	4,606	5,160	-	-
	8,616	9,207	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

9. TRADE AND OTHER RECEIVABLES AND TAX RECOVERABLE

	NOTE	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables		19,450	15,862	-	-
Other receivables, deposits and prepayments		4,883	4,283	769	657
Dividends receivable		-	-	38,802	22,622
Subsidiaries	a	-	-	267,503	272,086
Less: Allowance for doubtful debts		-	-	(80,760)	(81,219)
		-	-	186,743	190,867
		24,333	20,145	226,314	214,146
Tax recoverable	b	9,120	12,449	5,215	2,817

a. Subsidiaries

Amount due from subsidiaries comprises the following:

	COMPANY	
	2005 RM'000	2004 RM'000
Trade	-	224
Non-trade	267,503	271,862
Less: Allowance for doubtful debts	(80,760)	(81,219)
	186,743	190,643
	186,743	190,867

Non-trade balance comprises the following:

Advances owing from	-	24,768
Interest receivable	-	28
Payments made on behalf of	186,743	165,847
	186,743	190,643

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for an amount of RM3,620,000 (2004 - RM5,400,000), which bears interest at rates ranging from 3.10% to 3.75% (2004 - 3.50% to 3.95%) per annum.

b. Tax recoverable

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Deposits placed with:				
- licensed banks	4,900	-	-	-
- a licensed financial institution	501	780	-	280
Cash and bank balances	9,148	6,051	3,167	2,158
	14,549	6,831	3,167	2,438

11. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
		2005	2004	2005	2004
	NOTE	RM'000	RM'000	RM'000	RM'000
Trade payables		17,618	17,195	154	733
Other payables and accrued expenses		29,111	39,886	5,373	14,970
Loan from minority shareholder	a	4,800	4,800	-	-
Amount due to subsidiaries	b	-	-	19,907	19,505
		51,529	61,881	25,434	35,208

a. Loan from minority shareholder

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

b. Subsidiaries

Amount due to subsidiaries comprises the following:

	COMPANY	
	2005	2004
	RM'000	RM'000
Trade	-	36
Non-trade	19,907	19,469
	19,907	19,505
Non-trade balance comprises the following:		
Advances owing to	19,907	19,469

Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment, except for an amount of RM13,276,000 (2004 - RM11,508,000) which bears interest at 3.10% (2004 - 3.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

12. BORROWINGS (UNSECURED)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current:				
Bank overdrafts	199	370	4	2
Revolving credits	78,151	63,124	30,000	21,500
Term loans	33,114	34,291	6,900	8,077
	111,464	97,785	36,904	29,579
Non-current:				
Term loans	44,515	82,732	28,420	40,423

GROUP

Terms and debt repayment schedule

Bank overdrafts bear interest at rates ranging from Nil to 0.5% (2004 - Nil to 0.5%) per annum above the base lending rate whilst the revolving credits bear interest at rates ranging from 3.44% to 5.14% (2004 - 3.50% to 3.95%) per annum.

The term loans are unsecured and repayable as follows:

- RM16,340,000 (2004 - RM29,420,000), which is repayable in thirteen (13) equal quarterly instalments commencing February 2004;
- RM8,000,000 (2004 - RM16,000,000), which is repayable in ten (10) equal quarterly instalments commencing August 2004;
- RM17,969,000 (2004 - RM23,103,000), which is repayable in ten (10) equal semi-annual instalments commencing July 2004;
- RM6,900,000 (2004 - RM35,000,000), which is repayable in six (6) quarterly instalments commencing May 2005; and
- RM28,420,000 (2004 - RM13,500,000), which was further drawdown during the year and is repayable in fifteen (15) quarterly instalments commencing June 2007.

In the previous year, the unsecured term loan of RM35,000,000 was repayable in thirteen (13) equal quarterly instalments commencing May 2005. During the year, an amount of RM20,000,000 was prepaid and the balance of RM15,000,000 is repayable over six (6) quarterly instalments commencing May 2005.

The term loans bear interest at rates ranging from 3.45% to 3.85% (2004 - 3.50% to 3.70%) per annum.

COMPANY

Bank overdrafts bear interest at base lending rate whilst the revolving credits bear interest at rate of 3.44% to 3.80% (2004 - 3.50% to 3.95%) per annum.

The term loans are unsecured and repayable as follows:

- RM6,900,000 (2004 - RM35,000,000), which is repayable in six (6) quarterly instalments commencing May 2005 and
- RM28,420,000 (2004 - RM13,500,000), which was further drawdown during the year is repayable in fifteen (15) quarterly instalments commencing June 2007.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

In the previous year, the unsecured term loan of RM35,000,000 was repayable in thirteen (13) equal quarterly instalments commencing May 2005. During the year, an amount of RM20,000,000 was prepaid and the balance of RM15,000,000 is repayable over six (6) quarterly instalments commencing May 2005.

The term loan bears interest at 3.45% to 3.85% (2004 - 3.5%) per annum.

13. SHARE CAPITAL

	COMPANY	
	2005 RM'000	2004 RM'000
Ordinary shares of RM1.00 each:		
Authorised	500,000	500,000
Issued and fully paid	440,000	440,000

14. RESERVES

i. Asset Revaluation Reserve

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

ii. Unappropriated profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all its distributable reserves at 31 December 2005, if paid out as dividends.

15. MINORITY SHAREHOLDERS' INTERESTS

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

16. DEFERRED TAXATION

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

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax liabilities	(72,050)	(72,850)	(12,873)	(13,004)
Deferred tax assets	11,031	14,700	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

16. DEFERRED TAXATION (CONT'D)

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- capital allowances	(46,713)	(45,406)	(9,770)	(7,335)
- revaluation	(31,248)	(31,248)	(6,247)	(6,247)
Provisions	2,767	2,673	-	63
Unabsorbed capital allowances	3,144	1,131	3,144	515
	(72,050)	(72,850)	(12,873)	(13,004)
Property, plant and equipment				
- capital allowances	(13,014)	(12,402)	-	-
Provisions	172	172	-	-
Unabsorbed infrastructure allowances	18,944	18,944	-	-
Unutilised tax losses	4,041	4,038	-	-
Unabsorbed capital allowances	888	3,948	-	-
	11,031	14,700	-	-

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

	GROUP	
	2005	2004
	RM'000	RM'000
Taxable temporary differences	(1,045)	(1,318)
Unabsorbed capital allowances	5,237	5,043
Unutilised tax losses	11,562	11,114
Infrastructure allowances	293	293
	16,047	15,132
Deferred tax assets not recognised at 28%	4,493	4,237

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

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

Subject to agreement by the Inland Revenue Board, the Group has unutilised investment tax allowances of approximately RM20,242,000 (2004 - RM43,000,000), which are available to be offset against future taxable income. The investment tax allowances have not been recognised as deferred tax assets in the Group and Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

17. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded obligations	9,654	8,889	-	-
Recognised liability for defined benefit obligations	9,654	8,889	-	-

Liability for defined benefit obligations

The Group makes contributions to an unfunded defined benefit scheme in accordance with the Collective Union Agreement that provide pension benefits for employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits based on length of service and last drawn salary of the employees concerned. The most recent actuarial valuation at 31 December 2003, which was performed for the adoption of FRS 119₂₀₀₄, showed that there was a shortfall carried forward from previous valuation of RM2,476,000 and RM1,404,000 for the Group and for the Company respectively. The shortfall was recognised over a period of two (2) financial years and it was fully recognised in the previous year.

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Net liability at 1 January	8,889	15,759	-	8,297
Benefits paid	(455)	(2,460)	-	(2,229)
Expense recognised in the income statement	1,220	3,645	-	1,987
Reversal	-	(8,055)*	-	(8,055)*
Net liability at 31 December	9,654	8,889	-	-

Expense recognised in the income statements

Current service cost	607	1,253	-	681
Interest on obligation	613	1,154	-	604
Transition amount	-	1,238	-	702
	1,220	3,645	-	1,987

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

Cost of sales	994	3,120	-	1,620
Administration expenses	147	305	-	262
Other operating expenses	79	220	-	105
	1,220	3,645	-	1,987

NOTE

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

17. RETIREMENT BENEFITS (CONT'D)

Liability for defined benefit obligations

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	%	%	%	%
Discount rate	7.00	7.00	-	-*
Future salary increases	5.25	5.25	-	-*

NOTE

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

18. OPERATING PROFIT

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Revenue - hotel and golf operations	267,093	297,561	-	51,728
- rental	11,837	12,778	-	-
- dividend income	-	-	52,025	25,205
- laundry services	1,159	1,013	-	-
	280,089	311,352	52,025	76,933
Cost of sales	(123,229)	(141,336)	-	(26,101)
Cost of services	(5,541)	(7,153)	-	-
	(128,770)	(148,489)	-	(26,101)
Administration expenses	(43,848)	(45,405)	(3,899)	(9,259)
Other operating expenses	(51,980)	(77,231)	(6,247)	(33,380)
Other operating income	12,348	2,031	16,736	-
Operating profit	67,839	42,258	58,615	8,193

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

		GROUP		COMPANY	
	NOTE	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating profit is arrived at after charging:					
Auditors' remuneration		141	153	23	35
Allowance for doubtful debts					
- associates		-	1,644	-	-
- others		244	14	-	-
Bad debts written off		10	2	-	-
Company's Directors					
- remuneration and meeting allowances		941	813	941	813
- fees		202	183	202	183
Depreciation	2	20,172	18,948	916	1,863
Exceptional items	22	-	16,989	-	16,989
Hire of motor vehicles		202	165	-	-
Hire of equipment		141	238	-	-
Hotel properties written off	3	876	261	18	-
Impairment loss on shares in associates					
transferred by a shareholder of the associates		-	183	-	-
Inventories written off		-	550	-	550
Loss on disposal of property, plant					
and equipment and hotel properties		1,244	705	-	103
Property, plant and equipment written off		1,782	3,085	167	2,361
Retirement benefits charged	17	1,220	3,645	-	1,987
Rental of apartments		426	457	-	67
Unrealised loss on foreign exchange		-	-	459	-
and after crediting:					
Allowance for doubtful debts written back					
- subsidiary		-	-	459	-
- others		243	-	-	-
Gain on disposal of investment properties		-	177	-	-
Gain on disposal of property, plant					
and equipment and hotel properties		1,990	-	1,807	-
Gross dividends from subsidiaries		-	-	52,025	25,205
Realised gain on foreign exchange		367	327	-	-
Unrealised gain on foreign exchange		99	-	-	-
Rental receivable from:					
- subsidiary		-	-	120	120
- others		420	394	-	-
Shareholders' loan in associates assigned					
from a shareholder of the associates		-	1,644	-	-
Shares in associates transferred from					
a shareholder of the associates		-	183	-	-
Exceptional item	22	12,191	-	16,736	-

The estimated monetary value of a Director's benefits-in-kind is RM21,000 (2004 - RM21,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

19. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Other staff costs (emoluments of Directors and staff)	67,647	81,776	2,755	19,656
Employees Provident Fund	5,550	6,371	235	1,453
	73,197	88,147	2,990	21,109

The average number of employees of the Group and of the Company (including Directors) during the year was 2,364 (2004 - 2,918) and 55 (2004 - 602) respectively.

20. INTEREST EXPENSE

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Interest payable				
Bank overdrafts	-	13	-	22
Revolving credits	2,766	2,415	937	963
Term loans	3,250	4,090	1,415	1,134
Subsidiaries	-	-	278	371
	6,016	6,518	2,630	2,490

21. INTEREST INCOME

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Interest receivable				
Deposits placed with licensed banks and a licensed financial institution	178	148	100	97
Subsidiaries	-	-	112	303
	178	148	212	400

22. EXCEPTIONAL ITEMS

GROUP AND COMPANY

The exceptional item in the current year of RM12,191,000 and RM16,736,000 respectively for the Group and the Company relates to the gain on disposal of the Company's entire 30% equity interest in Johdaya Karya Sdn Bhd (Note 6).

The exceptional items amounting to RM16,989,000 for the year ended 31 December 2004 comprised retrenchment payouts (net of the reversal of retirement benefits provision of RM8,055,000 (Note 17)) and write off of certain furniture, fixtures and equipment, in relation to the closure of Rasa Sayang Resort for major redevelopment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

23. TAX EXPENSE

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current tax expense - current year provision	4,192	4,267	11,025	2,583
- under/(over) provision in prior years	177	(2,365)	-	-
	4,369	1,902	11,025	2,583
Deferred tax expense				
Origination and reversal of temporary differences	5,159	4,465	(131)	(2,825)
Over provision in prior years	(2,290)	(5,912)	-	-
	2,869	(1,447)	(131)	(2,825)
Tax expense on share of results of associates	235	854	-	-
	7,473	1,309	10,894	(242)

Reconciliation of effective tax rate/expense

	2005		2004	
	%	RM'000	%	RM'000
GROUP				
Profit before taxation		60,101		35,046
Income tax using Malaysian tax rate	28.0	16,828	28.0	9,813
Effect of using different tax rates for chargeable income of up to RM500,000 of certain subsidiaries	(0.1)	(40)	(0.2)	(80)
Non-deductible expenses	6.7	4,044	13.1	4,587
Non-taxable income	(5.7)	(3,413)	-	-
Tax incentives	(13.2)	(7,965)	(14.2)	(4,959)
Effect of deferred tax assets not recognised during the year	0.4	256	0.6	208
Other items	(0.2)	(124)	0.1	17
	15.9	9,586	27.4	9,586
Over provision in prior years - current tax expense	0.3	177	(6.8)	(2,365)
- deferred tax expense	(3.8)	(2,290)	(16.9)	(5,912)
Tax expense	12.4	7,473	3.7	1,309
COMPANY				
Profit before taxation		56,197		6,103
Income tax using Malaysian tax rate	28.0	15,735	28.0	1,709
Non-deductible expenses	2.1	1,189	41.3	2,523
Non-taxable income	(10.7)	(6,030)	(73.3)	(4,474)
Tax expense	19.4	10,894	(4.0)	(242)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

24. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit of RM49,704,000 (2004 - RM30,941,000) attributable to ordinary shareholders and the number of ordinary shares outstanding during the year of 440,000,000 (2004 - 440,000,000).

25. DIVIDENDS

	COMPANY	
	2005 RM'000	2004 RM'000
Ordinary		
2005 - Interim dividends of 3.0% less tax at 28% (2004 - 3.0% less tax at 28%) paid in November 2005	9,504	9,504
2004 - Final dividends of 4.5% less tax at 28% (2003 - 3.5% less tax at 28%) paid in June 2005	14,256	11,088
	23,760	20,592

The Board has proposed a final dividend of 5.0% less tax at 28% totalling RM15,840,000 for the financial year ended 31 December 2005. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2006. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of unappropriated profits in the financial year ending 31 December 2006.

26. SEGMENTAL INFORMATION

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

Inter-segment pricing is determined based on negotiated terms.

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

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

Business segments

The Group comprises the following main business segments:

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

	HOTELS, RESORTS AND GOLF COURSE		INVESTMENT PROPERTIES		OTHERS		ELIMINATIONS		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	267,093	297,561	11,837	12,778	1,159	1,013	-	-	280,089	311,352
Inter-segment revenue	52,025	25,205	1,959	1,972	1,890	2,840	(55,874)	(30,017)	-	-
Total revenue	319,118	322,766	13,796	14,750	3,049	3,853	(55,874)	(30,017)	280,089	311,352
Operating profit	116,417	59,478	7,722	7,365	729	620	(57,029)	(25,205)	67,839	42,258
Interest expense	(5,674)	(6,689)	-	(7)	(816)	(506)	474	684	(6,016)	(6,518)
Interest income	258	429	334	351	60	52	(474)	(684)	178	148
Share of (losses)/profit of associates	(2,785)	(3,380)			885	2,538			(1,900)	(842)
Tax expense									(7,473)	(1,309)
Minority interest									(2,924)	(2,796)
Net profit for the year									49,704	30,941
Segment assets	1,313,768	1,277,681	382,116	381,238	11,288	11,536	(246,006)	(233,153)	1,461,166	1,437,302
Interests in associates	-	16,200	-	-	31,048	31,495	(9,816)	(3,136)	21,232	44,559
Unallocated assets	-	-	-	-	-	-	-	-	20,151	27,149
Total assets									1,502,549	1,509,010
Segment liabilities	359,517	388,031	64,412	57,199	119,990	120,428	(326,757)	(314,371)	217,162	251,287
Unallocated liabilities	-	-	-	-	-	-	-	-	72,800	73,524
Total liabilities									289,962	324,811
Capital expenditure	37,204	16,424	33	9	-	152	-	-	37,237	16,585
Impairment loss on shares in associates transferred by a shareholder of the associates	-	-	-	-	-	183	-	-	-	183
Depreciation	19,918	18,650	118	128	136	170	-	-	20,172	18,948
Non-cash expenses other than depreciation	3,132	10,991	-	-	-	-	-	-	3,132	10,991

NOTES TO THE FINANCIAL STATEMENTS

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27. CONTINGENT LIABILITIES (UNSECURED)

COMPANY

The Company had issued a Corporate Guarantee for an amount up to USD6.5 million (2004 - USD10.0 million) to The Bank of Tokyo-Mitsubishi UFJ, Ltd, Labuan for the revolving credit facility of USD6.5 million (2004 - USD10.0 million) granted to a subsidiary, Madarac Corporation. As at 31 December 2005, the said facility utilised was USD5,040,000 (2004 - USD4,980,000).

28. COMMITMENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Capital commitments:				
Property, plant and equipment, hotel properties and investment properties				
Contracted but not provided for in the financial statements				
- Company and subsidiaries	3,389	4,090	2,677	-
Authorised but not contracted for				
- Company and subsidiaries	119,144	98,653	90,358	68,016
- Associates	-	18,600	-	-
	119,144	117,253	90,358	68,016
	122,533	121,343	93,035	68,016

29. HOLDING COMPANIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

30. RELATED PARTY TRANSACTIONS

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

Significant transactions and balances with related corporations are as follows:

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiaries				
Interest income receivable or received				
- Shangri-La Hotel (KL) Sdn Bhd	-	-	25	98
- Komtar Hotel Sdn Bhd	-	-	81	90
- Golden Sands Beach Resort Sdn Bhd	-	-	-	109
- UBN Tower Sdn Bhd	-	-	-	6
- Pantai Dalit Beach Resort Sdn Bhd	-	-	6	-
Rental income receivable or received				
- Pantai Emas Sdn Bhd	-	-	120	120
Interest expense payable or paid				
- UBN Holdings Sdn Bhd	-	-	225	329
- Pantai Emas Sdn Bhd	-	-	53	42
Laundry service fees payable or paid				
- Pantai Emas Sdn Bhd	-	-	22	1,062
Transactions with associates				
Loan amounts due from				
- Traders Yangon Company Ltd	65,178	65,625	-	-
- Shangri-La Yangon Company Ltd	2,337	2,337	-	-
Transactions with subsidiaries of Shangri-La Asia Limited				
Shangri-La International Hotel Management Ltd				
- Project consultancy fees paid	23	-	23	-
- Management, marketing and reservation fees paid or payable	7,490	8,063	-	1,757
Shangri-La International Hotel Management Pte Ltd				
- Management fees paid or payable	1,355	1,355	-	209
Transactions with corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have indirect financial interests				
Insurance premium paid or payable				
- Jerneh Insurance Bhd	2,142	2,190	190	447
- Jerneh Insurance (HK) Ltd	-	330	-	41
Project management fees paid or payable				
- PPB Hartabina Sdn Bhd	402	288	332	137

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

31. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Credit risk

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

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

Liquidity risk

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

Interest rate risk

The borrowings of the Group and of the Company as at balance sheet date comprise short term borrowings, which are rolled over at short intervals of one (1) to three (3) months and term loans, which are repayable over various periods not exceeding five (5) years.

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

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

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

Foreign currency risk

The Group and the Company incur minimal foreign currency sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. Hence, the Board considers this risk to be insignificant. As at balance sheet date, the Group and the Company have minimal foreign currency transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

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

Effective interest rates and repricing analysis

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

	2005					2004				
	EFFECTIVE		WITHIN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	EFFECTIVE		WITHIN 1 YEAR	1-5 YEARS	AFTER 5 YEARS
	INTEREST	TOTAL				INTEREST	TOTAL			
	RATE	%				RATE	%			
	%	RM'000	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	RM'000
GROUP										
Financial asset										
Deposits placed with licensed banks and a licensed financial institution	2.4	5,401	5,401	-	-	2.7	780	780	-	-
Financial liabilities										
Unsecured bank overdrafts	6.8	199	199	-	-	6.5	370	370	-	-
Unsecured revolving credits	3.8	78,151	78,151	-	-	3.3	63,124	63,124	-	-
Unsecured term loans	3.8	77,629	77,629	-	-	3.5	117,023	117,023	-	-
COMPANY										
Financial assets										
Advances to subsidiaries	3.8	3,620	3,620	-	-	3.5	5,400	5,400	-	-
Deposits placed with a licensed financial institution	-	-	-	-	-	2.7	280	280	-	-
Financial liabilities										
Advances from subsidiaries	3.1	13,276	13,276	-	-	3.0	11,508	11,508	-	-
Unsecured bank overdrafts	6.3	4	4	-	-	6.5	2	2	-	-
Unsecured revolving credits	3.8	30,000	30,000	-	-	3.4	21,500	21,500	-	-
Unsecured term loan	3.8	35,320	35,320	-	-	3.5	48,500	48,500	-	-

Fair values

Recognised financial instruments

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

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

GROUP PROPERTIES

as at 31 December 2005

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2005 (RM'000)
<i>Shangri-La Hotel (KL) Sdn Bhd</i>	Shangri-La Hotel Kuala Lumpur 29-storey, 701 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	20	16,229	337,551
<i>Komtar Hotel Sdn Bhd</i>	Shangri-La Hotel Penang 17-storey, 444 room hotel located at Magazine Road 10300 Penang	Leasehold (Expires 2082)	19	4,800	102,082
<i>Shangri-La Hotels (Malaysia) Berhad</i>	Shangri-La's Rasa Sayang Resort* 512 room resort comprising 11 inter-connected low-rise blocks not exceeding 5 storeys each and 3 inter-connected low-rise blocks of 8 storeys each located at 10th Mile, Batu Feringgi, 11100 Penang	Freehold	32	58,798	193,069
	Land Lot 402, Section 2 Town of Batu Feringgi North East District, Penang	Leasehold (Expires 2034)	-	2,973	
	Industrial land on which the central laundry owned by Pantai Emas Sdn Bhd is situated on at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	Leasehold (Expires 2047)	-	3,737	730
<i>Palm Beach Hotel Sdn Bhd</i>	Land Lots 9, 10, 13, 15, 93, 316, 420, 591 & 592, Section 2 Town of Batu Feringgi North East District, Penang	Freehold	-	33,097	47,000

NOTE

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

GROUP PROPERTIES

as at 31 December 2005

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2005 (RM'000)
<i>Golden Sands Beach Resort Sdn Bhd</i>	Golden Sands Resort 8-storey, 395 room resort located at 10th Mile, Batu Feringgi, 11100 Penang	Freehold	27	19,359	110,283
	Land Lot 389, Section 2 Town of Batu Feringgi North East District, Penang	Leasehold (Expires 2050)	-	424	
<i>Pantai Emas Sdn Bhd</i>	Penang Laundry Services A central laundry located at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	Leasehold (Expires 2047)	15	3,737	1,564
<i>UBN Tower Sdn Bhd</i>	UBN Tower 36-storey commercial/ office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	Freehold	20	3,696	182,280
<i>UBN Holdings Sdn Bhd</i>	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	20	3,120	30,785[#]
	Commercial land on which Shangri-La Hotel Kuala Lumpur is situated on at 11 Jalan Sultan Ismail 50250 Kuala Lumpur and UBN Tower at 10 Jalan P. Ramlee 50250 Kuala Lumpur	Freehold	-	19,925	155,000

GROUP PROPERTIES

as at 31 December 2005

REGISTERED OWNER	DESCRIPTION/LOCATION	TENURE	AGE OF BUILDINGS (YEARS)	LAND AREA (SQ. METRES)	NET BOOK VALUE AT 31.12.2005 (RM'000)
<i>Pantai Dalit Beach Resort Sdn Bhd</i>	Shangri-La's Rasa Ria Resort 330 room resort comprising 2 inter-connected low-rise blocks of 4 storeys each and 6 inter-connected low-rise blocks of 6 storeys each located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	9	67,999	113,475
	Land Undeveloped lands for future development located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	-	880,981	9,173
	Lands on which Shangri-La's Rasa Ria Resort and Dalit Bay Golf & Country Club is situated on at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	-	736,984	
<i>Dalit Bay Golf & Country Club Berhad</i>	Dalit Bay Golf & Country Club An 18-hole golf course and clubhouse located at Pantai Dalit 89208 Tuaran, Sabah	Leasehold (Expires 2090)	8	668,985	36,080

NOTE

The last revaluation for the Group's Properties comprising freehold land, leasehold land, golf course, buildings and investment properties were carried out by a firm of independent professional valuers as at 31.12.2005 on an open market basis for existing use. Please refer to Notes 2, 3 and 4 of the Financial Statements set out on pages 67 to 72 for further details.

SHAREHOLDING STATISTICS

as at 31 March 2006

CLASS OF SHARES - Ordinary Shares of RM1.00 each fully paid

VOTING RIGHTS - One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	% of Issued Capital
Less than 100	80	0.78	1,835	0.00
100 - 1,000	3,931	38.53	3,847,077	0.87
1,001 - 10,000	5,243	51.39	21,080,876	4.79
10,001 - 100,000	847	8.30	23,312,019	5.30
100,001 to less than 5% of issued shares	100	0.98	63,695,600	14.48
5% and above of issued shares	2	0.02	328,062,593	74.56
	10,203	100.00	440,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	Deemed Interest	
Name of Substantial Shareholders	No. of Shares	No. of Shares	% of Issued Capital
Hoopersville Limited	232,237,841	-	52.78
Shangri-La Asia Limited	-	232,237,841	52.78
Kerry Holdings Limited	-	232,237,841	52.78
Kerry Group Limited	-	232,237,841	52.78
Ikatan Perkasa Sdn Bhd	95,824,752	-	21.78
Landmarks Berhad	-	117,124,012	26.62
Zimulia Sdn Bhd	-	117,124,012	26.62
Loo Khee Kwong @ Danny Loo	-	117,124,012	26.62
Harun bin Halim Rasip	-	117,124,012	26.62

SHAREHOLDING STATISTICS

as at 31 March 2006

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 2006 are as follows:

	Direct Interest	Deemed Interest	
(Ordinary Shares of RM1.00 each)			
The Company			
Shangri-La Hotels (Malaysia) Berhad	No. of Shares	No. of Shares	% of Issued Capital
Tan Sri A. Razak bin Ramli	-	-	-
Kuok Oon Kwong	-	10,000	negligible
Rozina Mohd Amin	-	-	-
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	-	-	-
Harun bin Halim Rasip	-	117,124,012	26.62
Dato' Seri Ismail Farouk Abdullah	200,000	-	0.05
Kuok Khoon Ho	-	10,000	negligible
Tan Sri Dato' Mohd Amin bin Osman	-	-	-
Sulip R. Menon	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-

(Ordinary Shares of HKD1.00 each)			
Related Corporation			
Shangri-La Asia Limited (Ultimate Holding Company)	No. of Shares	No. of Shares	% of Issued Capital
Tan Sri A. Razak bin Ramli	-	-	-
Kuok Oon Kwong	151,379	1,762,610	0.08
Rozina Mohd Amin	-	-	-
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	-	-	-
Harun bin Halim Rasip	-	-	-
Dato' Seri Ismail Farouk Abdullah	-	-	-
Kuok Khoon Ho	-	1,762,610	0.07
Tan Sri Dato' Mohd Amin bin Osman	15,900	-	negligible
Sulip R. Menon	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-

	No. of shares granted under the option
Share Options in Shangri-La Asia Limited	
Kuok Oon Kwong	300,000
Rozina Mohd Amin	50,000
Kuok Khoon Ho	1,136,768

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

SHAREHOLDING STATISTICS

as at 31 March 2006

THE THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares Held	% of Issued Capital
1. Hoopersville Limited	232,237,841	52.78
2. Mayban Trustees Berhad for Ikatan Perkasa Sdn Bhd	95,824,752	21.78
3. Mayban Trustees Berhad for Fokus Asas Sdn Bhd	13,130,173	2.98
4. Fokus Asas Sdn Bhd	8,169,087	1.86
5. Malaysia Nominees (Tempatan) Sdn Bhd For Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	3,840,000	0.87
6. Ophir Holdings Berhad	3,300,000	0.75
7. Permodalan Nasional Berhad	2,160,000	0.49
8. Lembaga Tabung Angkatan Tentera	1,510,000	0.34
9. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kon Cze Yan @ Koon Cze Yan	1,360,000	0.31
10. Robert Yong Kuen Loke	1,350,400	0.31
11. Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board	1,210,600	0.28
12. Key Development Sdn Bhd	1,140,000	0.26
13. Lim Yan Pok	1,080,000	0.25
14. Toh Kam Choy	1,002,000	0.23
15. Ying Holding Sdn Bhd	972,000	0.22
16. Migan Sdn Bhd	964,000	0.22
17. Khoo Lee Hoon @ Khoo Hoon Hoon	838,000	0.19
18. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	706,000	0.16
19. Lim Kian Huat	635,900	0.14
20. Gan Tee Kian	626,000	0.14
21. Asia Life (M) Berhad	615,000	0.14
22. W. Gan Sdn Bhd	587,000	0.13
23. Goh Aik Lai Holdings Sdn Bhd	586,700	0.13
24. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Chee Leong	539,000	0.12
25. Ke-Zan Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte Ltd for Choong Yoon Kian	536,000	0.12
26. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kok Tai	525,000	0.12
27. Bidor Tahan Estates Sdn Bhd	516,000	0.12
28. G.T.Y. Holdings Sdn Bhd	505,000	0.11
29. G.T.Y. Holdings Sdn Bhd	501,000	0.11
30. Peringkat Tegas Sdn Bhd	500,000	0.11
	377,467,453	85.79

NOTICE OF ANNUAL GENERAL MEETING

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Thirty-Fifth 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 2006 at 10.00 a.m. for the following purposes:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2005 and the Auditors' Report thereon. **Resolution 1**
2. To approve the payment of a Final dividend of 5% less tax of 28% for the year ended 31 December 2005 as recommended by the Directors. **Resolution 2**
3. To approve the payment of Directors' fees for the year ended 31 December 2005. **Resolution 3**
4. To elect Sulip R. Menon who is retiring pursuant to Article 76 of the Company's Articles of Association. **Resolution 4**
5. To re-elect the following Directors, each of whom are retiring by rotation pursuant to Article 95 of the Company's Articles of Association.
 - i. Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman **Resolution 5**
 - ii. Dato' Seri Ismail Farouk Abdullah **Resolution 6**
 - iii. Dato' Dr Tan Tat Wai **Resolution 7**
6. To re-appoint Tan Sri Dato' Mohd Amin bin Osman as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company. **Resolution 8**
7. To re-appoint Messrs KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 9**
8. To transact any other business for which due notice shall have been given.

By Order of the Board

ROZINA MOHD AMIN

Company Secretary

Kuala Lumpur
26 April 2006

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The Form of Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time set for the meeting or any adjournment thereof.
3. The proposed Final dividend, if approved, will be paid on Monday, 19 June 2006 to shareholders whose names appear in the Record of Depositors on Monday, 29 May 2006.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

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

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

- Sulip R. Menon

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

- Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman
- Dato' Seri Ismail Farouk Abdullah
- Dato' Dr Tan Tat Wai

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

- Tan Sri Dato' Mohd Amin bin Osman

The profiles of the above Directors are set out on pages 27 to 30 of this annual report. Their shareholdings in the Company and its subsidiaries are shown on page 96.

2. Details of Attendance of Directors at Board Meetings

A total of 5 Board Meetings were held during the financial year ended 31 December 2005. Details of attendance of Directors at the Board Meetings are set out below.

<i>Name of Director</i>	<i>Total Attendance</i>
Tan Sri A. Razak bin Ramli	5 / 5
Kuok Oon Kwong	5 / 5
Rozina Mohd Amin	5 / 5
Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman	5 / 5
Harun bin Halim Rasip	3 / 5
Dato' Seri Ismail Farouk Abdullah	5 / 5
Kuok Khoon Ho	5 / 5
Tan Sri Dato' Mohd Amin bin Osman	5 / 5
Datuk Supperamaniam a/l Manickam	5 / 5
Dato' Dr Tan Tat Wai	5 / 5
Sulip R. Menon (Appointed on 24.11.2005)	1 / 1
Mohamad Abdul Halim bin Ahmad (Resigned on 31.10.2005)	4 / 4
Faisal bin Ismail (Resigned on 1.2.2005) [#]	-

[#] no board meetings were held from 1 January 2005 to date of resignation.

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

Date : Thursday, 18 May 2006

Time : 10.00 a.m.

Place : Sabah Room, B2 Level

Shangri-La Hotel Kuala Lumpur

11 Jalan Sultan Ismail

50250 Kuala Lumpur

NOTES



SHANGRI-LA HOTELS (MALAYSIA) BERHAD
(10889-U)

FORM OF PROXY

No of shares held:

I/We

of

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

of

or failing him

of

as my/our proxy, to vote for me/us on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Thursday, 18 May 2006 at 10.00 a.m. and at any adjournment thereof in the following manner:

		For	Against
Resolution 1	Adoption of Reports and Financial Statements		
Resolution 2	Approval of Final Dividend		
Resolution 3	Approval of Directors' Fees		
Resolution 4	Election of Sulip R. Menon retiring pursuant to Article 76		
Resolution 5	Re-election of Tan Sri Dato' Wan Sidek bin Wan Abd. Rahman retiring pursuant to Article 95		
Resolution 6	Re-election of Dato' Seri Ismail Farouk Abdullah retiring pursuant to Article 95		
Resolution 7	Re-election of Dato' Dr Tan Tat Wai retiring pursuant to Article 95		
Resolution 8	Re-appointment of Tan Sri Dato' Mohd Amin bin Osman as a Director pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 9	Re-appointment of Messrs KPMG as Auditors		

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

Dated this _____ day of _____ 2006 Signature _____

NOTES

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

Fold here

Stamp

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

Fold here

DIRECTORY OF
GROUP HOTELS
& RESORTS

Kuala Lumpur

SHANGRI-LA HOTEL
KUALA LUMPUR
11 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel (+60-3) 2032 2388
Fax (+60-3) 2070 1514
E-Mail slkl@shangri-la.com

Penang

SHANGRI-LA HOTEL
PENANG
Magazine Road
10300 Penang
Tel (+60-4) 262 2622
Fax (+60-4) 262 6526
E-Mail slp@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

SHANGRI-LA'S
RASA SAYANG RESORT
10th Mile Batu Feringgi Beach
11100 Penang
Tel (+60-4) 881 1811
Fax (+60-4) 881 1984
E-Mail rsr@shangri-la.com

Sabah

SHANGRI-LA'S
RASA RIA RESORT
Pantai Dalit, P.O. Box 600
89208 Tuaran, Sabah
Tel (+60-88) 792 888
Fax (+60-88) 792 777
E-Mail rrr@shangri-la.com

DALIT BAY GOLF
& COUNTRY CLUB
Pantai Dalit, P.O. Box 600
89208 Tuaran, Sabah
Tel (+60-88) 791 188
Fax (+60-88) 792 128
E-Mail dalitbay@tm.net.my

REGISTERED OFFICE

13th Floor, UBN Tower

10 Jalan P. Ramlee

50250 Kuala Lumpur

Tel (+60-3) 2026 1018

Fax (+60-3) 2026 1068



SHANGRI-LA HOTELS (MALAYSIA) BERHAD

(10889-U)