ANNUAL REPORT

2008

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

THE EPITOME OF LUXURY IN THE HEART OF THE CITY

SHANGRI-LA KUALA LUMPUR RETURNS AND RAISES THE BAR AGAIN WITH A LUXURIOUS NEW STANDARD IN ASIAN HOSPITALITY.

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GROUP FINANCIAL HIGHLIGHTS

		2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
RESULTS						
Revenue		**415,447**	410,725	330,520	280,089	311,352
Exceptional items		**-**	-	-	12,191	(16,989)
Profit before tax		**71,474**	98,406	45,208	44,673	35,046
Profit attributable to shareholders		**49,267**	77,242	35,679	37,326	30,941
Dividend-net		**26,268**	32,428	25,564	25,344	23,760
KEY BALANCE SHEET DATA						
Issued capital		**440,000**	440,000	440,000	440,000	440,000
Total assets employed		**1,074,039**	1,041,826	1,010,791	938,055	1,509,010
Shareholders' equity		**739,322**	722,615	671,069	657,860	1,113,205
PER SHARE DATA						
Net earnings per share	(sen)	**11.20**	17.56	8.11	8.48	7.03
Net assets per share	(RM)	**1.68**	1.64	1.53	1.50	2.53
Dividend-gross	(sen)	**8.0**	10.0	8.0	8.0	7.5
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**6.7**	10.7	5.3	5.7	2.8
Return on total assets	(%)	**4.6**	7.4	3.5	4.0	2.1
Net borrowings to shareholders' equity	(%)	**20.9**	19.4	27.5	21.5	15.6

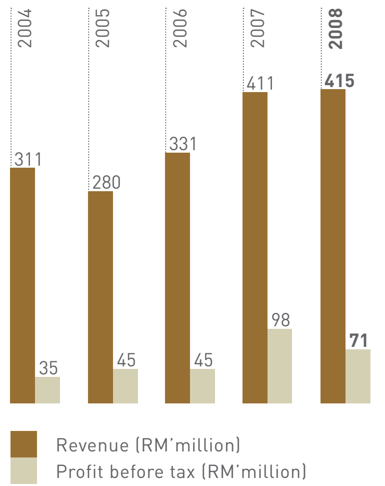
NOTES

1. Group profit attributable to shareholders for year 2008 of RM49.267 million is stated after charging to the income statement an amount of RM24.147 million for certain asset write-offs relating to the major renovation programme at Shangri-La Hotel Kuala Lumpur.

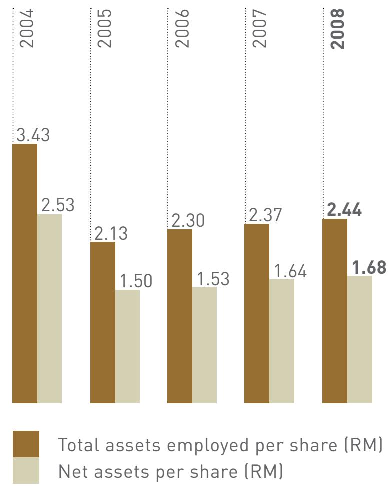
2. Dividends of RM26.268 million for the financial year ended 31 December 2008 consist of (a) the interim dividend of 3% per share less tax at 26% paid on 26 November 2008 amounting to RM9.768 million and (b) the proposed final dividend of 5% less tax at 25% amounting to RM16.500 million. The proposed final dividend of 5% less tax at 25% for the financial year ended 31 December 2008 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 21 May 2009.

GROUP FINANCIAL HIGHLIGHTS

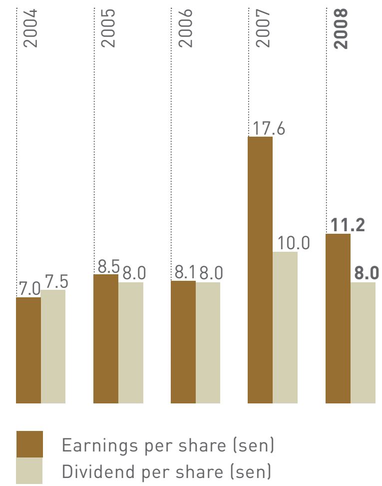
REVENUE & PROFIT BEFORE TAX



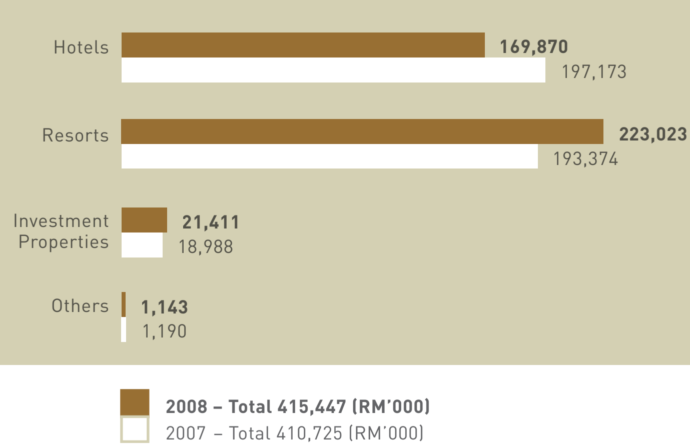
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



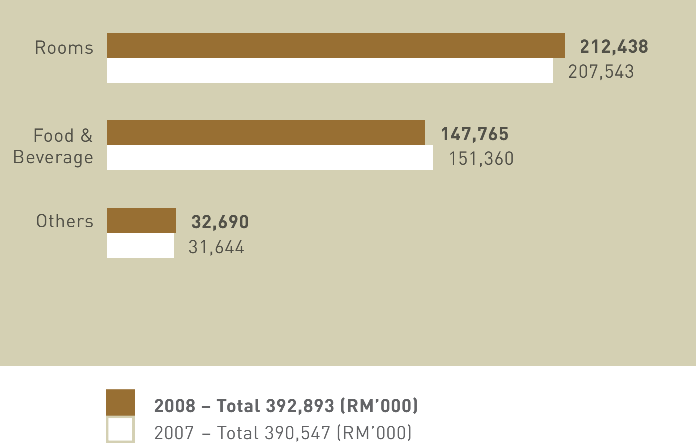
EARNINGS PER SHARE & DIVIDEND PER SHARE



REVENUE BY SEGMENT



REVENUE OF HOTELS & RESORTS BY DEPARTMENTS



CHAIRMAN'S STATEMENT

Dear Shareholders,

IN 2008, THE GROUP REGISTERED A DECLINE IN EARNINGS OVER THE PREVIOUS FINANCIAL YEAR. THIS WAS LARGELY AS A CONSEQUENCE OF THE SIGNIFICANTLY REDUCED PERFORMANCE OF SHANGRI-LA HOTEL KUALA LUMPUR, WHICH WAS UNDER MAJOR RENOVATIONS THROUGH MOST OF 2008. THE HOTEL INEVITABLY SUFFERED SUBSTANTIAL SHORTFALLS IN OCCUPANCY LEVELS AND REVENUE DURING THE YEAR AS THE WORK RESULTED IN A MATERIAL REDUCTION IN THE NUMBER OF ROOMS AVAILABLE FOR SALE.

***Lobby Lounge*, SHANGRI-LA HOTEL KUALA LUMPUR**

Coupled with this, the Group's earnings in 2008 were also affected by a significant charge of RM24.147 million to write-off certain fixed assets related to the hotel's major renovation programme.

Overall, the year saw unprecedented turbulence in the global economy and the financial markets. Indeed, our business environment became increasingly challenging in the latter part of 2008 with the deepening of the credit crisis and recessionary conditions in the global economy, leading to a sharp downturn in international travel and lower economic activity.

Our hotels and investment properties responded quickly to these challenges with increased sales and marketing efforts, and a rigorous programme of cost savings in all areas of operations.

Against this background, it is particularly pleasing to report that Rasa Ria Resort and Rasa Sayang Resort did well to achieve strong improvements in their operating results over 2007, and also the good performance from UBN Tower, our investment property in Kuala Lumpur.

GROUP RESULTS

For the full year 2008, Group revenue increased to RM415.447 million compared with RM410.725 million in the year ended 31 December 2007. This growth came mainly from Rasa Ria Resort and Rasa Sayang Resort, and helped offset the large drop in revenue at Shangri-La Hotel Kuala Lumpur.

After taking into account the impact of the RM24.147 million charge for asset write-offs, the Group's profit before tax for the full year fell by 27% to RM71.474 million from RM98.406 million in 2007. Consequently, the profit attributable to shareholders in 2008 declined by 36% to RM49.267 million from RM77.242 million in 2007. Earnings per share for 2008 were 11.20 sen as compared with 17.56 sen the previous year.

Excluding the asset write-offs, the Group's attributable profit for 2008 would have decreased by 5% to RM73.414 million from RM77.242 million last year, while earnings per share would have been 16.69 sen against 17.56 sen in 2007.

At the end of 2008, the Group had shareholders' equity of RM739.322 million, an improvement of 2% over RM722.615 million at year-end 2007, due to the retained profit for the year. In tandem, the net asset value per share of the Group at 31 December 2008 increased to RM1.68 compared with RM1.64 at the end of the previous year.

The consolidated net debt of the Group at the close of 2008 amounted to RM154.319 million, up from RM140.596 million at the end of 2007, principally as a result of the additional borrowings taken on to finance the renovation programme at Shangri-La Hotel Kuala Lumpur. The Group's balance sheet and financial position remained healthy, with a net gearing ratio of 21% at end-December 2008 compared with 19% as at the prior year-end.

DIVIDENDS

In the light of prevailing market conditions and the significant level of uncertainty facing our business, the Board of Directors therefore felt it prudent to reduce the full year dividend in respect of 2008, and is recommending a final dividend of 5% less tax. Together with the interim dividend of 3% less tax paid in November 2008, this will make a total dividend of 8% less tax for the financial year ended 31 December 2008, compared with a total dividend of 10% less tax for 2007.

The proposed final dividend, if approved at the Annual General Meeting to be held on 21 May 2009, will be paid to shareholders on 30 June 2009.

CHAIRMAN'S STATEMENT


Horizon Club Lounge, SHANGRI-LA HOTEL KUALA LUMPUR

PERFORMANCE REVIEW

As expected, performance at Shangri-La Hotel Kuala Lumpur reflected the disruptions caused by its major renovation programme, which commenced in early April 2008. Owing to a reduction in available rooms, the hotel's occupancy fell sharply in the year from 70% in 2007 to 45%, and this contributed to a 17% decline in total revenue to RM136.113 million from RM163.121 million in 2007. The hotel ended the year with a loss of RM4.334 million compared with a profit of RM43.574 million for 2007.

In Sabah, Rasa Ria Resort posted strong growth, benefiting from a full year's contribution from its new 90-room extension that opened in late December 2007. Total revenue from its operations showed a 29% improvement to RM92.163 million in 2008, with pre-tax profit up by 39% to RM29.636 million versus RM21.300 million the previous year. The resort achieved 73% occupancy for 2008, while increasing the average room rate by 25% over last year.

In addition, Rasa Sayang Resort also enjoyed a strong year, helped by a healthy increase in occupancy levels. The resort grew total revenue by 20% to RM76.222 million, and operating profit rose to RM19.664 million, an increase of 65% over RM11.929 million in 2007. With improved leisure demand, the resort raised its occupancy in the year from 52% in 2007 to 66%, which more than compensated for the 7% decrease in the average room rate.

The operating results from Golden Sands Resort were down on last year in a lacklustre market. Room occupancy of the resort for 2008 slipped to 69% from 70% in 2007, with the average room rate falling by 5% from the previous year. The resort saw overall revenue for the year drop by 7% to RM49.986 million, with pre-tax profit reducing from RM18.075 million in 2007 to RM16.410 million.

At Traders Hotel Penang, total revenue for 2008 decreased to RM33.757 million compared with RM34.052 million in the previous year attributed to weaker food and beverage sales. Despite this, the hotel managed to achieve an 11% growth in pre-tax profit to RM4.887 million in 2008 against RM4.390 million for 2007, reflecting the positive impact of cost saving actions taken in the year. Higher corporate demand enabled the hotel to grow occupancy to 73% in 2008 from 71% in 2007, along with a 3% rise in the average room rate.

Horizon Club Lounge, SHANGRI-LA HOTEL KUALA LUMPUR

The Group's investment properties in Kuala Lumpur produced stronger results in 2008 on the back of increased occupancy and rental rates at UBN Tower. The combined total rental revenue from UBN Tower and UBN Apartments for 2008 amounted to RM21.411 million, 13% better than last year, and pre-tax profit rose by 15% to RM14.969 million from RM13.010 million for 2007.

In the year ended 31 December 2008, the Group's share of losses in Traders Hotel Yangon, its 23.53% associate hotel in Myanmar, decreased to RM1.384 million compared with RM2.698 million in 2007.

INITIATIVES AND DEVELOPMENT

In the face of many challenges, we have held firmly to our commitment to strengthen the foundations of the business to secure the future growth and long-term competitiveness of our business. During the year, we continued to improve and maintain the quality of our products through ongoing capital programmes, while continuing to invest in our technology, marketing and human resource capabilities.

We made good progress on the major renovation programme for all guestrooms at Shangri-La Hotel Kuala Lumpur. A total of 19 floors of guestrooms were completed by the end of March 2009, and the balance of the renovation programme is well underway with completion due in the middle of 2009. The rooms that have been renovated so far have been well received in the market and are already achieving significantly higher room rates. When renovations are fully completed, the hotel's improved room product and facilities will set the hotel firmly at the forefront of the market, and provide a strong platform for its future growth.

Having conducted a comprehensive review, we postponed some of our capital investment plans earmarked for 2009 due to the current economic climate. We decided, however to push ahead with the planned renovation programme at Golden Sands Resort designed to reinforce its leadership position in a marketplace that has become intensely competitive.

Work on the programme started in February 2009, and entails extensive renovations to all guestrooms, including a complete redesign and upgrade of the main and reception lobbies, and other public areas of the resort. This significant renovation programme is scheduled for full completion by mid-December 2009, and will have a negative impact on the financial performance of the resort in 2009.

INITIATIVES AND DEVELOPMENT (cont'd)
Selective enhancement works at our hotel properties are also taking place over the course of 2009 to revitalise and refresh existing food and beverage outlets, guest facilities and some public areas.

Technology remains critical to the overall success of our growth strategy. We shall need to continue to invest in new and robust IT systems and infrastructure technologies to provide a reliable operating platform for our businesses, in order to sustain our competitive edge in the industry. In 2009, the property management systems, together with the inventory management systems at all our hotels will be upgraded with modernised technology to achieve improved operational effectiveness and better control processes.

Simultaneously, we must continue to pay particular attention to our human resource management, making sure that our employees are fully equipped and competent to deliver our business objectives.

During 2008, we continued to focus our human resource activities on improving employee performance and skills, and developing the management and leadership capabilities within our businesses. This was done through effective training programmes, and we continue to make every effort to enhance the service efficiency and skills of our employees across our operations, thereby ensuring the consistent delivery of high standards of service to our customers. A number of ongoing initiatives are also being undertaken to provide our employees with a positive workplace environment, as well as to continuously improve their wellbeing, health and safety.

In the current tough business environment, our key priority is to reduce costs to help mitigate the impact of declining revenues, without compromising our strategic objectives.

In this regard, we have implemented a series of measures to drive cost savings and maximise operating efficiencies in all areas of our business. We are tightly managing costs, and will continue to address our efforts towards achieving a more efficient cost structure through ongoing initiatives to further streamline our existing business processes, especially in the areas of food and beverage operations and procurement activities.

We are also placing a great deal of emphasis on cash flow enhancement and working capital efficiency, and shall continue to keep capital expenditure under tight control.

At the same time, we are intensifying our sales and marketing efforts to gain higher market share by increasing promotional activity and innovative marketing programmes in key target markets throughout 2009. In addition to this, we have also realigned our marketing strategy with a sharper focus on the regional and domestic markets, whilst maintaining a strong marketing drive in our traditional long-haul markets such as the UK, Europe and Australia. We intend to fully leverage our strong global sales and marketing network to optimise revenue opportunities during 2009.

OUTLOOK
The overall outlook for our hotel business and the whole industry is more difficult in 2009. The worsening conditions and rising uncertainties in the global economy are likely to further depress both leisure and business travel, and will continue to pose considerable challenges for our hotels and resorts throughout 2009.

A marked slowdown in economic activity and continuing poor business sentiments have also resulted in a softening of demand in the property rental market in Kuala Lumpur. These factors are expected to weigh on the performance of our investment properties in 2009.

In these highly challenging and uncertain times, our businesses will continue to be vigilant in controlling costs and to augment marketing initiatives, while remaining resolutely focused on maintaining and enhancing their competitive market positions. Meanwhile, our high-quality portfolio of hotels and investment properties, strong brand leadership and significant operational capabilities will stand us in good stead. This, together with the actions we are taking should enable us to manage effectively through this economic downturn and at the same time, will allow us to benefit quickly and strongly from a recovery in market conditions, when it returns.

THE BOARD

In June 2008, we were pleased to welcome Mr Khoo Eng Min and Mr Kuok Khoon Ho, who joined the Board as non-independent non-executive directors.

SPECIAL THANKS

I want to take this opportunity, on behalf of the Board, to thank all our employees for their enormous dedication, passion and hard work during 2008. I have no doubt that they will rise to the challenges in the tough year ahead with great determination and enthusiasm.

Equally, I am also deeply grateful to my colleagues on the Board for their strong commitment and invaluable counsel throughout the past year.

I must end by extending our wholehearted thanks to you, our shareholders for your continuing support and confidence in us.

TAN SRI A. RAZAK BIN RAMLI
Chairman
8 April 2009

Horizon Club Lounge, SHANGRI-LA HOTEL KUALA LUMPUR

OPERATIONS REVIEW

HOTELS

THE FINANCIAL PERFORMANCE OF **SHANGRI-LA HOTEL KUALA LUMPUR** DECLINED OVER 2007 DUE TO THE NEGATIVE IMPACT OF ITS MAJOR RENOVATION PROGRAMME. THE PROGRAMME SIGNIFICANTLY REDUCED THE NUMBER OF AVAILABLE ROOMS THROUGH MOST OF 2008 AND AS SUCH LIMITED OPPORTUNITIES FOR GROWTH IN BOTH ROOMS AND FOOD AND BEVERAGE OPERATIONS.

Guestroom, **SHANGRI-LA HOTEL KUALA LUMPUR**

As a result, total revenue from the hotel's operations for 2008 dropped by 17% to RM136.113 million compared with RM163.121 million in 2007. The hotel's 2008 results were further impacted by a one-off charge of RM24.147 million for certain asset write-offs associated with the major renovation programme. Consequently, the hotel incurred a loss of RM4.334 million in 2008 compared with a profit of RM43.574 million in 2007. Excluding the asset write-offs, the hotel would have recorded a profit of RM19.813 million against RM43.574 million in 2007.

Given the reduced availability of rooms for sale during the year, the hotel's occupancy fell to 45% in 2008 from 70% in 2007. Correspondingly, lower room night bookings were reported in all market segments particularly from the corporate group markets of Singapore, Malaysia and the UK, as well as from the leisure group markets of the UK, the Middle East and Australia. However, a more aggressive approach to rate strategies enabled the hotel to grow its average room rate by 22% over the previous year. During 2008, higher room rates were recorded in almost all market segments, with strong increases in the corporate group, corporate individual and leisure group segments. Overall, total room revenue at the hotel declined by 21% to RM57.423 million in 2008 from RM72.903 million in 2007, and profit decreased by 25% to RM44.568 million compared with RM59.170 million in 2007.

The renovation work also had an adverse effect on the hotel's food and beverage operations, with the banqueting business reporting the largest fall in covers due to a significant reduction in corporate events and conventions. The hotel's food and beverage outlets also recorded decreased covers, particularly at *Lemon Garden Café* and its Chinese restaurant, *Shang Palace* mainly due to generally lower consumer spending in a softer economic climate. Total food and beverage revenue in 2008 therefore reduced by 12% to RM72.304 million from RM81.968 million in 2007, and profit fell by 18% to RM26.952 million from RM32.781 million the previous year.

The major renovation programme covering all guestrooms at the hotel is progressing well. The programme, which began in early April 2008, is scheduled for full completion by the middle of 2009. As at end-March 2009, 19 floors of guestrooms have been completed and reopened for business. The newly renovated rooms have been very well received in the market and are attracting higher average room rates. A new Horizon Club Lounge was also created and opened in early October 2008 to a favorable response from guests. When renovations are fully completed, the enhanced room product will significantly strengthen the hotel's market position and provide it with a solid foundation for long-term growth.

The hotel also undertook several other enhancement projects during 2008. The major work to re-clad the exterior of the building with a new finish was successfully completed at the end of November 2008. The swimming pool and deck area on level two were also renovated, while the hotel's *Lobby Lounge* underwent significant upgrading and was re-launched in June 2008. Since re-opening, it has been well received by both hotel guests and the local community.

In 2008, the hotel again received several prestigious awards for its high quality products and services. Conde Nast Traveler (USA) 2008 Readers' Choice Awards listed the hotel amongst the *Top 100 Asia Hotels*. The hotel was also voted *Asia's Best Hotel in Kuala Lumpur* by Asiamoney (Hong Kong) in its 16th Annual Travel Poll 2008.

In 2009, the hotel is moving on several fronts to meet the challenges ahead. A comprehensive advertising campaign will be carried out to re-launch and create stronger awareness of its renovated rooms. The hotel will also focus its efforts on driving higher corporate business from the domestic market and the regional markets of Singapore, Hong Kong and Japan, as well as seek to increase leisure business from the UK, Australia and the Middle East. At the same time, the hotel will continue to grow its high-yield corporate accounts for the Horizon floor guestrooms, primarily targeting the key markets of the USA and Europe. Greater efforts will be made to improve room yields through focused and effective rate management strategies.

Meanwhile, more attractive food promotions will be introduced along with innovative dining concepts to further enhance food and beverage performance. The hotel will also continue to build on its food and beverage loyalty programme to attract new customers and draw repeat business at the outlets. In addition, sales and marketing initiatives will be intensified to grow its banqueting and outside catering business. Importantly, the hotel will continue to exercise stringent control over costs to achieve higher levels of operating efficiency.

OPERATIONS REVIEW

HOTELS

TRADERS HOTEL PENANG ENJOYED INCREASED CORPORATE DEMAND IN 2008. THIS, COMBINED WITH TIGHT COST MANAGEMENT AND EFFICIENCY IMPROVEMENTS, LED TO HIGHER PROFITS IN SPITE OF AN OVERALL DECLINE IN REVENUE DUE TO LOWER FOOD AND BEVERAGE SALES. TOTAL REVENUE FOR THE HOTEL DROPPED FROM RM34.052 MILLION IN 2007 TO RM33.757 MILLION IN 2008, WHILE PRE-TAX PROFIT ROSE BY 11% TO RM4.887 MILLION COMPARED WITH RM4.390 MILLION THE YEAR BEFORE.

Lemon Garden Café, **SHANGRI-LA HOTEL KUALA LUMPUR**

During 2008, the hotel experienced healthy demand from its key corporate group and corporate individual segments of Malaysia, Japan, Singapore and the USA. Overall, room occupancy rose to 73% in 2008 from 71% in 2007. The hotel's average room rates in 2008 also showed an increase of 3% on the previous year as a result of higher rates achieved in most market segments, particularly in the corporate group and airline business segments. In consequence, total room revenue went up by 4% to RM23.027 million in 2008 against RM22.108 million in 2007, and profit increased by 3% to RM17.216 million compared with RM16.790 million in 2007.

The hotel's food and beverage operations faced intense levels of competition and stiff pricing pressure during the year. In this environment, the hotel's coffee shop, *The Islander* and *Lobby Lounge* recorded weak food and beverage covers and average checks. In addition, the food and beverage business was affected by the closure of the hotel's ballroom and function rooms for three months in the second quarter of 2008 for significant renovation works. Since re-opening in early July 2008, the upgraded banqueting facilities have been well received in the market. Total food and beverage covers from the hotel's outlets and banqueting business declined by 14% to 229,203 covers in 2008. This resulted in an 11% drop in total food and beverage revenue to RM9.210 million compared with RM10.330 million the year before. Despite the lower revenue, profit increased to RM1.956 million in 2008 as a result of effective cost saving measures. Correspondingly, food and beverage profit margins improved to 21% in 2008 from 19% the previous year.

Looking forward to 2009, the hotel will drive stronger corporate demand from its key regional markets of Singapore and Hong Kong, as well as from Malaysia. Marketing efforts will also be stepped up to expand its corporate customer base in the pharmaceutical, IT and government sectors, while relationships with existing corporate customers will be further strengthened to gain continued support. In addition, the hotel will implement attractive packages to generate greater demand from the leisure markets of China, India and the Middle East. To further grow its banqueting business, the hotel will intensify its sales activities to secure more corporate functions and social events. New and innovative food and beverage concepts and promotions will also continue to be introduced to enhance the performance of its outlets. At the same time, the hotel will focus on improving its service standards and boost cost efficiency throughout its operations.

Lift Lobby, **SHANGRI-LA HOTEL KUALA LUMPUR**

OPERATIONS REVIEW

RESORTS

RASA SAYANG RESORT DELIVERED A STRONG SET OF RESULTS IN 2008, DRIVEN MAINLY BY HIGHER OCCUPANCY LEVELS. TOTAL REVENUE FOR THE YEAR WENT UP BY 20% TO RM76.222 MILLION COMPARED WITH RM63.485 MILLION IN 2007, WHILE OPERATING PROFIT ROSE BY 65% TO RM19.664 MILLION FROM RM11.929 MILLION THE YEAR BEFORE.

Boardroom, *Horizon Club Lounge*, **SHANGRI-LA HOTEL KUALA LUMPUR**

Occupancy at the resort increased to 66% in 2008 from 52% the previous year due to a healthy upsurge in visitor arrivals from its major leisure markets, which helped to compensate for the 7% decline in average room rates. During the year, aggressive sales and marketing initiatives enabled the resort to generate significant growth in room night bookings mainly from the leisure group and leisure individual segments in its key markets of the UK, the Middle East, Australia and Japan. Total room night bookings from these two segments in 2008 increased by 45% or 15,165 room nights over 2007. Consequently, total room revenue went up by 19% to RM48.582 million in 2008 from RM40.820 million in 2007, and profit rose by 17% to RM40.321 million in 2008 versus RM34.346 million the year before.

The resort's food and beverage operations also performed better in line with improved room occupancy. Total food and beverage revenue rose 25% to RM22.198 million in 2008 from RM17.770 million in 2007, whilst profit climbed by 32% to RM8.093 million in 2008 against RM6.150 million in 2007. All food and beverage outlets at the resort recorded improved covers, particularly at *Spice Market Café, Tepi Laut* and *Feringgi Grill*. In addition, the resort's banqueting business did well, reflecting increased private functions and corporate events during the year.

In 2008, the resort's luxurious *Chi Spa* received The BrandLaureate Awards 2007-2008 for the *Best Brands in Wellness Spa* organised by the Asia Pacific Brands Foundation for excellence in product branding. It also won the FIABCI Malaysia Property Award 2008 for the *Resort Development* category, acknowledging the high standards and excellence achieved in its major redevelopment project which was completed in September 2006.

In the coming year, the resort will step up its sales and marketing activities to grow its leisure and corporate customer base in the regional markets of Singapore, Hong Kong and Thailand, as well as in Malaysia. At the same time, increased efforts will be made to secure more high-yield business from its traditional key leisure markets of the UK and Australia, while continuing to improve market share from the emerging markets of Russia and China. The resort will also focus on maximising room yields through more effective rate management strategies and aggressive upselling efforts. To help drive improvements in operating efficiency, ongoing initiatives to further rationalise the cost structure will be pursued through 2009. Alongside these initiatives, the resort will continue to place great emphasis on all aspects of skills training so as to maintain and enhance the overall quality of customer service standards.

Swimming Pool, **SHANGRI-LA HOTEL KUALA LUMPUR**

OPERATIONS REVIEW

RESORTS

RASA RIA RESORT IN SABAH GAVE A STRONG PERFORMANCE IN 2008, BUOYED BY A FULL YEAR'S CONTRIBUTION FROM THE OCEAN WING, ITS NEW 90-ROOM EXTENSION, WHICH OPENED IN LATE DECEMBER 2007.

THE RESORT INCREASED ITS TOTAL REVENUE BY 29% TO RM92.163 MILLION IN 2008 COMPARED WITH RM71.680 MILLION IN 2007, WITH PRE-TAX PROFIT UP BY 39% TO RM29.636 MILLION FROM RM21.300 MILLION IN 2007.

Ocean Wing Pool, **RASA RIA RESORT**

Healthy room night bookings were recorded by its key leisure markets of the UK, Europe, Australia and Hong Kong. The new rooms in the *Ocean Wing* also enjoyed good demand from high-yield leisure markets, particularly from the UK and Hong Kong. Overall, occupancy at the resort averaged 73% in 2008. Total room revenue for 2008 grew by 39% to RM49.447 million compared with RM35.466 million the previous year, while profit surged by 41% to RM43.182 million in 2008 versus RM30.683 million in 2007. The stronger room performance was primarily driven by a robust 25% growth in the average room rate. Good yield management combined with an effective rate upselling strategy resulted in all market segments recording higher room rates.

The resort's food and beverage operations also performed well, helped by higher business levels in most outlets. In total, the food and beverage outlets showed an increase of 93,498 covers, up 23% on 2007, mainly from the *Coffee Terrace* and *Coast*, its Western restaurant by the beachfront. Lower covers were, however, recorded by its banqueting facilities due to a reduction in corporate meetings and social events. In 2008, the resort's Indian restaurant, *Naan*, underwent a complete renovation and part of its space was converted into a new Japanese restaurant, *Kozan Teppan-yaki* to widen and improve the range of its food and beverage offering. The upgraded *Naan* and the new *Kozan Teppan-yaki* outlets have been well received by guests and the local community since opening in December 2008. Overall, total food and beverage revenue in 2008 went up by 16% to RM30.122 million from RM25.916 million in 2007, while profit gained 9% to RM11.854 million from RM10.842 million the previous year.

In 2008, Conde Nast Traveller (UK) Readers' Travel Awards 2008 ranked the resort seventh in the *Top 20 Overseas Leisure Hotels in the Asia & Indian Subcontinent Category* and also featured the resort in its prestigious *2009 Gold List Best for Facilities Category*.

Moving forward, the resort will continue to pursue focused and innovative marketing strategies to generate higher business volumes from its key leisure markets of the UK, Europe, Japan and Australia. Simultaneously, sales efforts will be stepped up to secure more corporate meeting business, particularly from the regional markets of Singapore, Hong Kong and Korea. In addition, an active marketing programme is in place to strengthen awareness of its new *Ocean Wing* rooms so as to capture a larger share of the higher-end leisure and business travellers from the UK, Europe and the Asian region. In order to achieve better cost efficiency throughout its operations, ongoing initiatives will be undertaken to streamline existing cost structures and improve operational processes, while maintaining a commitment to product and service excellence.


***Naan*, RASA RIA RESORT**

OPERATIONS REVIEW

RESORTS

GOLDEN SANDS RESORT RECORDED LOWER RESULTS FOR 2008 IN A SUBDUED MARKET. SOFTER LEISURE DEMAND COUPLED WITH DECLINING AVERAGE ROOM RATES CAUSED A 7% FALL IN TOTAL REVENUE TO RM49.986 MILLION FROM RM53.486 MILLION IN 2007, WHILE PRE-TAX PROFIT DECREASED BY 9% TO RM16.410 MILLION IN 2008 FROM RM18.075 MILLION THE PREVIOUS YEAR.

***Kozan Teppan-yaki*, RASA RIA RESORT**

During the year, the resort experienced a decline in room night bookings from its key leisure markets of the UK, Japan and Europe, as well as from the corporate meeting segment of Malaysia. Meanwhile, leisure business from the resort's traditional major long-haul markets of Australia and the Middle East held relatively firm. Overall, occupancy declined to 69% in 2008 compared with 70% the previous year, while average room rate dropped by 5% from 2007, mainly as a result of various tactical promotions and offers introduced during the year to stimulate demand.

Consequently, total room revenue declined by 6% to RM33.959 million in 2008 from RM36.246 million in 2007, whilst profit reduced to RM28.577 million for the year against RM30.894 million in 2007.

The resort's food and beverage operations also performed below expectations in tandem with weaker occupancy levels and increasing competition from freestanding restaurants in the Batu Feringgi area. Most of the outlets at the resort registered lower food and beverage covers, particularly at *Garden Café* and the poolside outlet, *Kuda Laut*. Similarly, the resort's banqueting facilities saw reduced business levels due to fewer business functions and meetings. Results from the food and beverage operations in 2008 were also impacted by a three-month closure of the *Garden Café* for upgrading work. The renovated coffee shop has received encouraging response from guests and the local community since re-opening in October 2008.

For 2008, total food and beverage revenue at the resort dropped by 10% to RM13.364 million from RM14.777 million, with profit down by 29% to RM3.126 million in 2008 from RM4.374 million in 2007.

To stay ahead of competition, the resort initiated a major renovation programme in February 2009 to upgrade all its guestrooms, main and reception lobbies, and other public areas. This programme is targeted for full completion by mid-December 2009 and will have a large negative impact on the financial performance of the resort in 2009. On completion, the new room product and facilities will greatly enhance the resort's leadership position and enable it to compete more effectively.

In 2009, the resort will also be streamlining and consolidating its food and beverage operations to gain improved operating efficiency and productivity. The resort's Italian restaurant, *Peppino*, and *Kuda Laut* will be closed and their operations merged into *Sigi's by the Sea*, its outlet by the beachfront. As part of this initiative, *Sigi's by the Sea* will be completely redesigned and repositioned.

With renovations ongoing through a significant part of 2009, the resort will actively launch direct sales campaigns and aggressive promotional activities to drive business volumes from the domestic market and the regional markets of Japan, Singapore and Hong Kong. In addition, it will implement targeted marketing programmes and attractive room packages to grow share from its major long-haul leisure markets of Australia, the Middle East and the UK. The resort will also aim to maximise room yields through more effective rate management strategies and upselling initiatives. Innovative food and beverage programmes will be introduced to attract higher in-house covers at the outlets. Along with this, weekend buffets and new dining promotions will be created to draw greater patronage from the local community. Further, it will step up its cost containment measures in all areas of operations, while maintaining high customer service levels.

OPERATIONS REVIEW

INVESTMENT PROPERTIES

THE GROUP'S INVESTMENT PROPERTIES IN KUALA LUMPUR ACHIEVED IMPROVED FINANCIAL RESULTS IN 2008, UNDERPINNED BY GOOD GROWTH IN OCCUPANCY RATES AT UBN TOWER.

THE COMBINED RENTAL REVENUE FROM UBN TOWER AND UBN APARTMENTS ROSE BY 13% TO RM21.411 MILLION IN 2008 FROM RM18.988 MILLION THE YEAR BEFORE, WHILE THEIR COMBINED PRE-TAX PROFIT INCREASED BY 15% TO RM14.969 MILLION IN 2008 COMPARED WITH RM13.010 MILLION IN 2007.

The overall demand for prime office space in the Kuala Lumpur Golden Triangle area remained healthy during the year. This, together with focused marketing strategies, enabled UBN Tower to improve its occupancy rate from 72% in 2007 to 83% in 2008. Most of the new tenants secured in 2008 were from the oil and gas, financial business services and IT sectors. The growth in demand was also supported by increased office space requirements from several existing tenants for their business expansions.

As a result, total rental revenue for UBN Tower went up by 16% to RM18.824 million in 2008 from RM16.166 million the previous year, and pre-tax profit grew by 24% to RM11.549 million in 2008 from RM9.323 million in 2007.

A renovation programme was started in the fourth quarter of 2008 to significantly upgrade all the washrooms, service lift lobbies and car park lift lobbies at UBN Tower, in order to enhance its high-quality image and competitve edge. Work on the programme is making satisfactory progress, with completion planned by end-June 2009.

The performance of UBN Apartments was, however, affected by sluggish demand due to the slower growth in the number of expatriates in Kuala Lumpur, coupled with smaller corporate housing budgets, amidst a weakening global economy. The situation was further exacerbated by a significant increase in competitive activity, given the prevalence of new supply of high-end apartment units in the market.

Consequently, the occupancy rate at UBN Apartments for 2008 reduced to 77% from 80% in 2007. Total rental revenue from UBN Apartments for 2008 decreased by 8% from RM2.822 million in 2007 to RM2.587 million, with pre-tax profit falling to RM3.420 million in 2008 against RM3.687 million the year before.

In tandem with the deepening economic slowdown and uncertain outlook, trading conditions in the prime office and residential property rental markets in Kuala Lumpur are expected to weaken considerably in the course of 2009 on the back of slower demand. In addition, the leasing market for high-end apartments in Kuala Lumpur will likely face higher competition as more supply is expected to come on line with the completion of several new condominium development projects during 2009. These factors will put added pressure on the overall occupancy levels and rental rates at UBN Tower and UBN Apartments.

In response to these market challenges, the Group's investment properties will redouble their marketing efforts and employ more strategic marketing initiatives to attract new tenants, as well as to retain existing tenants. Greater emphasis will be placed on cost management during 2009 to drive further improvements in operating efficiencies. At the same time, both properties will strive for high standards of building maintenance and security, and will increase their focus on maintaining and improving their service offer to tenants.

CORPORATE STRUCTURE

SHANGRI-LA HOTELS (MALAYSIA) BERHAD

HOTELS & RESORTS

SHANGRI-LA HOTEL (KL) SDN BHD	100%
GOLDEN SANDS BEACH RESORT SDN BHD	100%
PALM BEACH HOTEL SDN BHD	100%
PANTAI DALIT BEACH RESORT SDN BHD	75%
DALIT BAY GOLF & COUNTRY CLUB BERHAD [1]	75%
KOMTAR HOTEL SDN BHD	60%

INVESTMENT PROPERTIES

UBN TOWER SDN BHD	100%
UBN HOLDINGS SDN BHD	100%

INVESTMENT HOLDING & OTHERS

PANTAI EMAS SDN BHD	100%
MADARAC CORPORATION [2]	100%
WISEGAIN SDN BHD	100%
HASIL-USAHA SDN BHD	100%
PANTAI DALIT DEVELOPMENT SDN BHD [1]	75%

Held by MADARAC CORPORATION:

TRADERS YANGON COMPANY LTD [3]	23.5%
SHANGRI-LA YANGON COMPANY LTD [3]	22.2%
TRADERS SQUARE COMPANY LTD [3]	23.6%

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

FINANCIAL CALENDAR

YEAR 2008

15 MAY
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2008

27 AUGUST
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2008

3 NOVEMBER
2008 Interim Dividend Entitlement Date

6 NOVEMBER
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2008

26 NOVEMBER
2008 Interim Dividend Payment Date

31 DECEMBER
Financial Year End

YEAR 2009

24 FEBRUARY
Announcement of Audited Consolidated Results for the 4th Quarter and Financial year ended 31.12.2008

29 APRIL
Issue of 2008 Annual Report

21 MAY
2009 Annual General Meeting to be held

21 MAY
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2009

2 JUNE
Entitlement Date for the proposed 2008 Final Dividend

30 JUNE
Payment Date for the proposed 2008 Final Dividend

CORPORATE DATA

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Rozina Mohd Amin
Executive Director

Dato' Haris Onn bin Hussein *

Dato' Seri Ismail Farouk Abdullah *

Khoo Eng Min

Kuok Khoon Ho

Tan Sri Dato' Mohd Amin bin Osman

Ravinder Singh Grewal Sarbjit S

Richard Anthony Johnson

Datuk Supperamaniam a/l Manickam *

Dato' Dr Tan Tat Wai *

Tan Yew Jin

Alternate Director
Joseph Patrick Stevens
(Alternate to Richard Anthony Johnson)

* Independent Non-Executive Directors

AUDIT COMMITTEE

Dato' Seri Ismail Farouk Abdullah
Chairman

Datuk Supperamaniam a/l Manickam

Tan Yew Jin

POLICY IMPLEMENTATION COMMITTEE
– Hotels & Resorts

Kuok Oon Kwong
Chairman

Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

Dato' Dr Tan Tat Wai
Chairman

Dato' Seri Ismail Farouk Abdullah

Datuk Supperamaniam a/l Manickam

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

SHARE REGISTRAR

PPB Corporate Services Sdn Bhd
17th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (+60-3) 2117 0888
Fax : (+60-3) 2117 0999

SOLICITORS

Puthucheary Firoz & Mai

Kadir, Andri & Partners

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

RHB Bank Berhad

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 graduated with a Bachelor of Arts (Honours) in Public Administration from University of Tasmania in 1971 and obtained a *Diplome Gestion Publique Institut International D'Administration Publique*, Paris in 1980. He started his career in the Policy Research Division of the Malaysian Prime Minister's Department and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to October 2004, he held various positions in the Ministry of International Trade & Industry (MITI), and his last position was as the Secretary General of MITI. He currently sits on the boards of other public listed companies namely, Ann Joo Resources Berhad, Favelle Favco Berhad, Lafarge Malayan Cement Berhad and Transmile Group Berhad. He is also a board member of Hong Leong Islamic Bank Berhad, Hong Leong Tokio Marine Takaful Berhad and Hong Leong Investment Bank Berhad.

Tan Sri A. Razak has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2008. Age 60.

KUOK OON KWONG

Managing Director

SINGAPOREAN, NON-INDEPENDENT EXECUTIVE DIRECTOR

Madam Kuok Oon Kwong joined the Board on 14 November 1996 and was appointed as Managing Director on 16 November 1998. She is the Chairman of the Policy Implementation Committee and in her capacity as Managing Director, she oversees the Group's business operations.

Madam Kuok joined Shangri-La Hotel Limited, Singapore in 1986 where she gained extensive practical and business experience in hotel operations through her various senior management positions. She is also Executive Chairman of Shangri-La Hotel Limited, Singapore, a non-executive Director of Shangri-La Asia Limited, Hong Kong, Chairman/President of Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc. and Mactan Shangri-La Hotel & Resort, Inc. and Managing Director of Shangri-La Hotel Public Company Limited, Thailand. In addition, she also sits on the board of Allgreen Properties Limited, Singapore. 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 2008. Age 62.

PROFILE OF BOARD OF DIRECTORS

ROZINA MOHD AMIN

Executive Director

MALAYSIAN, NON-INDEPENDENT EXECUTIVE DIRECTOR

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

Her father, Tan Sri Dato' Mohd Amin bin Osman is also a member of the Board. She does not have any family relationship with any major shareholder of SHMB. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all five Board meetings held in 2008. Age 49.

DATO' HARIS ONN BIN HUSSEIN

MALAYSIAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Haris Onn bin Hussein was appointed to the Board on 17 October 2006. He graduated from Cambridge University, United Kingdom, with a Bachelor of Arts Degree in Economics. He started his working career with Touche Ross & Co, London, an accounting firm, in 1989. In 1992, he returned to Malaysia to work with DCB Sakura Merchant Bankers Berhad and he subsequently joined Rohas Sdn Bhd as General Manager from 1993 to 1995. He was an executive director of Bell & Order Berhad (now known as Scomi Engineering Berhad) from 1996 to 2003. Currently, he is the Managing Director of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (KESTURI), the concession holder of Lebuhraya Duta-Ulu Kelang and also sits on the board of Scomi Marine Berhad, which is listed on Bursa Malaysia Securities Berhad.

Dato' Haris Onn has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2008. Age 42.

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

Dato' Seri Ismail Farouk has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2008. Age 63.

PROFILE OF BOARD OF DIRECTORS

KHOO ENG MIN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Khoo Eng Min was appointed to the Board on 10 June 2008. He holds a Diploma in Business Administration from Brookes University, Oxford (United Kingdom) and is a member of the Royal Agriculture College in Rural Estate Management, United Kingdom. He joined PPB Oil Palms group of companies in 1987 and has held many senior positions within the plantation division including the position of Managing Director of PPB Oil Palms Berhad (2004 – 2008). Prior to this, he was with Dunlop Estates Berhad for about 21 years. He does not sit on the board of any other public listed company.

Mr Khoo Eng Min 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 three Board meetings held since his appointment in June 2008. Age 67.

KUOK KHOON HO

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Kuok Khoon Ho was appointed to the Board on 26 June 2008. He graduated from McGill University, Canada with a bachelor's degree in Commerce. Mr Kuok 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 of Shangri-La Asia Limited, Hong Kong, Managing Director of Television Broadcasts Ltd, Hong Kong and also served on the Board of Shangri-La Hotels Malaysia Berhad from June 2001 to December 2007. He is currently the Chairman of Kuok Brothers Sdn Bhd and also sits on the boards of Wilmar International Limited, Singapore and Transmile Group 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 three Board meetings held since his appointment in June 2008. Age 58.

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 2008. Age 81.

PROFILE OF BOARD OF DIRECTORS

RAVINDER SINGH GREWAL SARBJIT S

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ravinder Singh Grewal was appointed to the Board on 1 November 2007. He holds a Bachelor of Commerce from the University of New South Wales, Australia and is also a member of the Certified Public Accountants, Australia. He has 16 years of experience in corporate finance and private equity. His corporate finance deals have included IPOs and bond issues in Singapore, merger & acquisition transactions in South-East Asia as well as debt restructuring transactions in Malaysia and Indonesia. His private equity deals have included development capital investments in middle-market companies in Malaysia and Singapore. He previously worked for Standard Chartered Merchant Bank and also DBS Bank in Singapore. Currently, he is an Investment Director of Standard Chartered Private Equity Limited. He does not sit on the board of any other public listed company in Malaysia.

Mr Ravinder 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 2008. Age 39.

RICHARD ANTHONY JOHNSON

BRITISH, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Richard Anthony Johnson was appointed to the Board on 1 November 2007. He holds a Master of Arts in Jurisprudence from Oxford University, a Master of Science in Property Investment from City University, London and is a Chartered Surveyor. He has over 20 years of experience in real estate investment, development and financing in many of the world's major markets. Previously, he was an International Director of Jones Lang LaSalle based in China, Singapore and London, as well as a Partner of St Quintin in London. He was also the Managing Director of Istithmar, a Dubai based global private equity investor in a wide range of alternative investments and real estate. He is currently the Chief Executive Officer of Standard Chartered-Istithmar Asia Real Estate Opportunity Fund. He does not sit on the board of any other public listed company in Malaysia.

Mr Richard Johnson 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 four out of five Board meetings held in 2008. Age 44.

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 and is a member of the Audit Committee and Nomination & Remuneration Committee. He holds a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. Datuk Supperamaniam joined the Malaysian Administrative and Diplomatic Service in 1970 and was posted to the Ministry of Trade and Industry as Assistant Director. He served in the same Ministry for thirty-three years and was appointed as Deputy Secretary General of the Ministry of International Trade and Industry (MITI) from 1997 up to his official retirement in March 2000. In May 2000, he was appointed by the Government as Ambassador/Permanent Representative of Malaysia to the World Trade Organisation, Geneva, Switzerland and held the position until September 2003. During the tenure of his service, he represented Malaysia at various bilateral, regional and international conferences including Senior Officials Meetings as well as in Summits and Ministerial Conferences of APEC, World Trade Organisation (WTO), UNCTAD and ASEAN. Since his retirement from government service, he has continued to be invited to participate as a resource person and consultant to meetings, workshops and conferences organised by United Nations Agencies, regional and international organisations and foreign governments. He has also been appointed to serve as a member on several committees of the Government on Globalisation issues especially those relating to trade policy and negotiations. Currently, he also serves as an adjunct Professor to the International Islamic University of Malaysia and a Visiting Professor of Macao University of Science and Technology (Faculty of Law). He is also the Advisor to the Federation of Malaysian Manufacturers on Trade Policy, WTO and Free Trade Agreement (FTA) Negotiations. He also sits on the board of Panasonic Manufacturing Malaysia Berhad.

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2008. Age 64.

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 currently the Chairman of the Nomination & Remuneration Committee. He holds a Bachelor of Science degree in Electrical Engineering and Economics from the Massachusetts Institute of Technology, a Master of Economics degree from University of Wisconsin (Madison) and a PhD in Economics from Harvard University. He started his career with Bank Negara Malaysia in 1978 undertaking research in economic policies. In 1984, he became 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. Dato' Dr Tan currently represents Malaysia as a member of the APEC Business Advisory Council (ABAC). He is also a vice president of Hospital Lam Wah Ee, Penang, a member of the Council of Wawasan Open University and an adviser to Hwang DBS Investment Bank Berhad. 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 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 2008. Age 62.

PROFILE OF BOARD OF DIRECTORS

TAN YEW JIN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Tan has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2008. Age 67.

JOSEPH PATRICK STEVENS

AMERICAN, ALTERNATE DIRECTOR

Mr Joseph Patrick Stevens joined the Board on 1 November 2007 as an Alternate Director to Mr Richard Anthony Johnson. He holds a Juris Doctorate from Georgetown University (United States) and a Bachelor of Science in Political Science from Alfred University (United States). He spent 13 years at Goldman Sachs in the Investment Banking Division, where he held various leadership positions throughout Asia (Hong Kong, Singapore, Tokyo, Beijing), including Chief Executive and Managing Director of Goldman Sachs' China joint venture, Goldman Sachs Gao Hua Securities Limited. His investment banking experience includes several successful principal investments, mergers and acquisitions, acquisition financings and capital markets transactions. Prior to joining Goldman, he was an attorney with a US law firm, Cravath, Swaine & Moore (in New York and London) for 6 years, focusing primarily on mergers & acquisitions and securities transactions. Currently, he is the Global Head of Principal Finance at Standard Chartered Bank, and is based in Singapore. He does not sit on the board of any other public listed company in Malaysia.

Mr Joseph Stevens has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. Age 47.

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 2008.

THE BOARD

Board Structure and Procedures

The Board currently consists of eleven 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 2008 save for Mr Khoo Eng Min and Mr Kuok Khoon Ho, who joined the Board as non-independent non-executive directors on 10 June 2008 and 26 June 2008 respectively.

The brief profiles of the current members of the Board are given on pages 25 to 30 of this annual report.

Of the eleven non-executive directors on the Board, four are considered to be fully independent. As such, independent non-executive directors make-up 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 thirteen-member board represent the interests of Shangri-La Asia Limited, the largest shareholder of the Company holding 52.78% equity interest.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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-Eighth AGM of the Company to be held on 21 May 2009 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 2008 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 2008 and generally, these meetings correspond with major phases of the financial reporting cycles.

NAME OF DIRECTOR	TOTAL ATTENDANCE
Tan Sri A. Razak bin Ramli	5 / 5
Kuok Oon Kwong	5 / 5
Rozina Mohd Amin	5 / 5
Dato' Haris Onn bin Hussein	5 / 5
Dato' Seri Ismail Farouk Abdullah	5 / 5
Tan Sri Dato' Mohd Amin bin Osman	5 / 5
Ravinder Singh Grewal Sarbjit S	5 / 5
Richard Anthony Johnson	4 / 5
Datuk Supperamaniam a/l Manickam	5 / 5

STATEMENT ON CORPORATE GOVERNANCE

NAME OF DIRECTOR	TOTAL ATTENDANCE
Dato' Dr Tan Tat Wai	5 / 5
Tan Yew Jin	5 / 5
Khoo Eng Min (appointed on 10.6.2008)	3 / 3
Kuok Khoon Ho (appointed on 26.6.2008)	3 / 3

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. Dato' Seri Ismail Farouk Abdullah chairs the AC and the other members are Datuk M. Supperamaniam and Mr Tan Yew Jin. 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 2008 and comprises three independent non-executive directors. The NRC is chaired by Dato' Dr Tan Tat Wai and the other members are Datuk M. Supperamaniam and Dato' Seri Ismail Farouk Abdullah. 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 update them on relevant new legislation, regulations and changing commercial risks. In September 2008, an in-house training seminar was held for Directors on IT risk management and information protection, as well as to provide updates on developments in tax matters and related issues.

Mr Khoo Eng Min and Mr Kuok Khoon Ho who were appointed to the Board during 2008, have 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 2008 is set out below.

CATEGORY	FEES & ALLOWANCES (RM)	SALARIES & BONUS (RM)	BENEFITS-IN-KIND (RM)
Executive Directors	–	1,439,900	24,000
Non-Executive Directors	255,000	–	–
Total	**255,000**	**1,439,900**	**24,000**

AMOUNT OF REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Below RM50,000	–	11
RM50,001 to RM700,000	–	–
RM700,001 to RM750,000	2	–

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 48 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 8 April 2009.

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 practise 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 Internal Audit Department of the Company's ultimate holding company, which monitors the continuing effectiveness of the risk management activities of the Group 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.

- **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.

STATEMENT ON INTERNAL CONTROL

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

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

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 8 April 2009.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

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 including the Chairman. The committee is chaired by Dato' Seri Ismail Farouk Abdullah and the other members are Datuk M. Supperamaniam and Mr Tan Yew Jin.

The committee met four times in 2008. Detailed written agendas are prepared and distributed to committee members in advance of each meeting to allow proper consideration of enclosed reports. While the executive directors and senior management are normally invited to attend the meetings, the external and internal auditors may have private discussions with the members of the committee. The committee reports its conclusions and recommendations to the Board on a quarterly basis and the minutes of the committee meetings are made available to the full Board. The record of attendance of each member at the committee meetings is set out in the table below.

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

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 2008

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.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

3. Authority

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

a. have authority to investigate any activity within its Terms of Reference;

b. have access to resources required to perform its duties within its Terms of Reference;

c. have full and unrestricted access to any employee and information pertaining to the Group;

d. have direct communication channels with the external auditors and members of the internal audit department who carry out the internal audit function of the Group;

e. be able to engage independent professional advisers or to secure attendance of outsiders with relevant experience and expertise, when the Audit Committee considers this necessary.

4. Functions & Duties

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

a. review external audit plans and scope of work before audit commences.

b. review the adequacy of the internal audit plan and its scope of audit and ensure that the internal audit function has the necessary authority and resources to carry out its work.

c. review the quarterly results and annual financial statements of the Company and Group before submission to the Board.

   The review should focus primarily on:

   - any changes in or implementation of major accounting policies and practices;
   - significant and unusual events;
   - significant adjustments arising from the audit;
   - the going concern assumptions;
   - compliance with accounting standards and regulatory requirements.

d. review and assess the adequacy and effectiveness of the systems of internal control and the efficiency of the Group's operations in particular those relating to areas of significant risks. Additionally, to assess the internal process for determining and managing the principal risks throughout the Group.

e. review the scope of internal and external auditors' evaluation of the systems of internal control of the Group.

f. review audit reports prepared by the internal and external auditors, the major findings and management's responses thereto and ensure that appropriate action is taken in respect of these reports.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

g. review appraisals or assessment of the performance of the staff members of the internal audit function.

h. approve the appointments or termination of the Head of Internal Audit and senior executives in the internal audit function.

i. be informed of resignations of internal audit staff members and provide the resigning staff member with an opportunity to submit his/her reasons for resigning.

j. direct any special investigations to be carried out by internal audit.

k. discuss problems arising from external audit including the assistance given by employees of the Group to the external auditors and any matters the external auditors may wish to discuss.

l. nominate the external auditors and recommend for approval of the Board of Directors the external audit fee; and consider any questions of resignation or dismissal, resources and capability.

m. review the effectiveness of the system for monitoring compliance with applicable laws and regulatory requirements.

n. review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

o. where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved, resulting in a breach of 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, and ensure compliance with the Group's policies, procedures and systems of internal control. The IAD reports to the Audit Committee of the Board regarding the effectiveness of risk and control management, and also recommends improvements in controls.

CORPORATE SOCIAL RESPONSIBILITY

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

We place a strong focus on engagement with our stakeholders at all levels including employees, customers, shareholders, and the local communities. We also continue to work closely and participate in extensive dialogue with local authorities and government bodies at both national and local levels on environment-related issues to deliver common goals and objectives.

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

THE ENVIRONMENT

We acknowledge our responsibilities for managing and reducing the impact that our business has on the environment, and are committed to making continuous improvements in environmental performance.

ISO 14001 Environmental Management System

Our hotels have made considerable strides over the past years in the continued development of their environmental management systems for the protection of the environment. This has resulted in all of our hotels having attained ISO 14001 accreditation, an international standard of environmental management intended to assist organisations to achieve environmental goals. In January 2009, Rasa Sayang Resort obtained re-certification following the completion of its major redevelopment exercise.

Energy and Water Efficiency, Waste Management

Significant investment has been made in initiatives to improve efficiency in the use of resources including energy and water throughout the Group.

Most of our hotels have completed a programme to replace low efficiency chillers with new environmentally friendly CFC-free high efficiency chillers. Shangri-La Hotel Kuala Lumpur has converted to the use of natural gas boilers in all kitchen areas aimed at achieving improved air quality. Rasa Sayang Resort has switched from using diesel burning boilers to heat pumps to reduce both diesel fuel consumption and emissions, and in 2009 will be replacing both its chillers with new CFC-free chillers. Meanwhile, Rasa Ria Resort is currently studying the viability of using solar energy as an alternative energy source for outdoor lighting.

To further enhance energy efficiencies, all of our hotels have installed electronic control systems and high efficiency lighting in guestrooms. High efficiency lighting has also been installed in certain public areas.

Several measures have been introduced to reduce water usage such as the installation of "constant flow constant pressure" water saving devices at selected hotel areas. Sub-meters have been installed throughout the hotels to monitor and measure energy and water consumption, and to enable the setting of targets for further improvement.

Our hotels continue to explore opportunities to improve their waste management programmes through the recycling of waste such as glass bottles, paper, plastics, metals and used cooking oil. Increased efforts are also being made to ensure that the majority of cleaning materials used by our hotels are biodegradable.

CORPORATE SOCIAL RESPONSIBILITY

Conservation and Biodiversity

To protect and enhance conservation of the natural environment, Rasa Ria Resort in Sabah has dedicated 64 acres of its forested hills to a nature reserve. This nature reserve is home to various species of birds and small animals and an abundance of indigenous flora.

In collaboration with the Sabah Wildlife Department, abandoned baby orangutans are rehabilitated in the nature reserve under the care of the resort's trained forest rangers. In 2008, seven orangutans were successfully rehabilitated and moved to the next stage of the programme for eventual release into the wild, bringing the total number of rehabilitated orangutans to twenty-six since 1996.

The Nature Interpretation Centre at the resort, which opened in 2005, features facilities such as a veterinary clinic, an animal food preparation kitchen, a nocturnal watch area, a reference library and a number of nature trails. Rasa Ria Resort's nature reserve and its supporting facilities aim to raise greater environmental awareness and at the same time provide an enriching educational experience for visitors, the local communities and students from all around Sabah. In 2008 there were 16,588 visitors, bringing the total number to 194,588 visitors since the nature reserve opened in 1996. In 2009, to further enhance the visitors' experience, a canopy walkway will be constructed and improvements carried out to the nature trails and the nocturnal watch area.

In early March 2009, Golden Sands Resort launched a *Save the River Campaign in Batu Feringgi* to clean up and rehabilitate the nearby *Sungai Emas*. This project uses EM (Effective Microorganism) biotechnology, more commonly known as *mud balls*. The mud ball is made of decomposed organic waste and is used as a bio-active compound to improve soil and water quality. The hotel is working closely with EM Admins, a biotechnology organisation on this project.

In support of the Turtle Conservation Centre managed by the Penang State Fisheries Department, Rasa Sayang Resort will be launching a *Save the Turtles Campaign* in 2009 to raise funds for the Centre through the sale of specially designed merchandise to hotel guests and the local community. The merchandise will include t-shirts, fridge magnets and soft toys using a turtle motif.

The proceeds will help fund the Centre's turtle education programme, its research and observation efforts, its in-situ and ex-situ hatching programme, and its R&D programme. The Centre has recorded turtle landings since 1990 at three main beaches, all located within the sanctuary of the Penang National Park.

EMPLOYEES

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

As a preferred employer, the Group operates a non-discriminatory employment policy, providing equal opportunities in all aspects of employment. We aim to recruit and retain employees through appropriate and competitive salary and benefits.

The Group has a comprehensive set of policies that embody its approach to employees and establish a framework for high standards of ethical behaviour and values. The Group's human resource policies and procedures covering various areas are regularly reviewed to keep abreast of industry benchmarks and best practices.

The Workplace and People Development

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

CORPORATE SOCIAL RESPONSIBILITY

The Group hotels operate a wide range of service and functional skills training activities for all levels of employees, including training programmes to develop and improve the management and leadership skills of top talent and high potential employees. Every hotel employee is required to undergo the Group's service culture training through the Shangri-La Care Programme to ensure the delivery of consistently high levels of customer service in all areas of operations.

Each of the Group hotels has dedicated training facilities to conduct internal training courses for its employees and, employees also participate in a range of external training and development programmes. The Group has in place three core development programmes for managerial employees with high potential, namely the corporate management trainee programme, the corporate executive trainee programme and the corporate trainee program.

The Group also provides opportunities for select employees to attend training at the Shangri-La Academy in China through its certificate, diploma and management development programmes. In 2008, a total of 24 employees from the Group's hotels and resorts attended the Academy.

Employee feedback and suggestions are encouraged through our staff opinion surveys, speak up programmes, team meetings and two-way dialogue sessions. Employees are kept fully informed of business developments through a variety of communication channels.

HEALTH AND SAFETY

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

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

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

Food Safety

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

The SFSMS is a fully comprehensive system covering the receiving, preparing, cooking and serving of food items and safeguards against the cross contamination of products. This system is regularly reviewed to ensure that it remains effective and complies with all regulatory requirements. Each hotel has a qualified hygienist responsible for monitoring the implementation of food safety.

More significantly, three of our hotels and resorts have now attained HACCP (Hazard Analysis and Critical Control Point System) certification, namely Shangri-La Hotel Kuala Lumpur in 2006, Rasa Sayang Resort in 2008, and Rasa Ria Resort in January 2009. HACCP is a global food safety standard system and is one of the most sought-after accreditations in the hospitality industry. Rasa Sayang Resort is the first hotel in Penang to attain this certification, and Traders Hotel Penang is working towards obtaining HACCP certification by 2010.

CORPORATE SOCIAL RESPONSIBILITY

OHSAS 18001 Occupational Health and Safety Management System

In addition to the HACCP certification, Shangri-La Hotel Kuala Lumpur is also OHSAS 18001-certified, reflecting its commitment to maintaining and improving a healthy and safe work environment. OHSAS 18001 is an international occupational health and safety management system specification, which helps organisations to control and manage high potential occupational health and safety hazards and risks associated with their business activities.

THE COMMUNITY

We are conscious of our responsibility to act as a good corporate citizen and encourage our hotels to engage with the local communities in their areas of operation.

Our hotels bring positive economic benefits through employment opportunities and provide significant training support for developing the capabilities of many locals so as to groom them for senior roles.

All the Group hotels provide practical training on various aspects of hotel operations for students from local Institutes of Higher Learning. In Sabah, Rasa Ria Resort works closely with the human resources department of the State Ministry of Human Resources to provide a hotel attachment training programme for both graduates and school leavers. At the same time, Traders Hotel Penang has been supporting the *Young Enterprise Programme* since 2002, a joint initiative with the American Chamber of Commerce to assists students from local government schools to gain knowledge of business planning and operations.

Our hotels are involved in a wide range of initiatives for the benefit of the local communities through the active involvement of our employees in beach cleaning, visits to hospitals, orphanages, homes for old folks and the blind, and through annual blood donation campaigns. They also support local communities through fundraising and sponsorship activities for charities and make donations in kind such as blankets, towels, linen, used uniforms and furniture.

In August 2008, Rasa Sayang Resort hosted a *Go Green Batu Feringgi* gotong-royong beach cleaning project in conjunction with International Coastal Cleanup Day 2008. Over 800 participants from various community associations in Penang including volunteers from Intel Malaysia, Golden Sands Resort and several other hotels within the Batu Feringgi area were involved, making this one of the largest gotong-royong beach cleaning initiative held in Penang during the year.

Rasa Sayang Resort also supports Resource & Education for Autistic Children (REACh), a Penang-based charity organisation, by purchasing turtle fridge magnets hand-painted by the children from the REACh Centre. The fridge magnets will be sold by the hotel as part of its *Save the Turtles Campaign* in 2009.

For many years, Shangri-La Hotel Kuala Lumpur's annual fund raising initiative, the *Save-A-Life-Charity Project* has benefited many less fortunate children who are in urgent need of critical life saving medical treatment and artificial limbs. Golden Sands Resort, meanwhile, helped raise funds through its Christmas Tree charity project for the Eden Handicap Service Centre, a Penang-based charity centre which provides practical training for the disabled to acquire basic skills to support themselves.

In 2009, Rasa Sayang Resort will be conducting a Fire Life Safety Awareness programme to educate school children on safety procedures in the event of a fire at their schools. The programme will also cover fire prevention and proper emergency and evacuation procedures. Two schools from surrounding areas have been selected namely *Sekolah Menengah Kebangsaan Hamid Khan* and *Sekolah Rendah Jenis Kebangsaan (Cina) Pai Chai*.

CORPORATE SOCIAL RESPONSIBILITY

In addition to these initiatives, the Group makes corporate donations to national fundraising campaigns for emergency relief for the victims of natural disasters such as the Tsunami Humanitarian Fund in 2004 and the Natural Disaster Aid Fund Trust for the Johor flood victims in 2006. In 2008, a donation drive amongst the employees of the Group was undertaken to raise funds for the staff of Traders Hotel Yangon and their families who were affected by cyclone *Nargis*.

SUPPLY CHAIN

We acknowledge that much social and environmental impacts is derived from activities in our supply chain. We therefore continually seek ways and identify opportunities to enhance environmental standards in the supply chain.

Our hotels provide CSR guidelines to their major suppliers and procedures are in place to monitor implementation. Compliance with CSR guidelines and performance is monitored through scheduled and unannounced site visits to suppliers' premises. Where supplier audits show shortcomings, a programme of improvement is encouraged for implementation leading to compliance.

Demonstrating our commitment to a sustainable supply chain, Rasa Ria Resort in Sabah continues to work closely with its major suppliers to reduce the quantity and improve the environmental quality of packaging materials used in delivery. At the same time, our hotels in Penang assist their local poultry and seafood suppliers in the effective implementation of HACCP, and one of the suppliers successfully attained certification in 2008.

External Recognition

SHANGRI-LA HOTEL KUALA LUMPUR

- ASEAN Green Hotel Award 2008
- Human Resource Development (Service Sector) 2004 Ministry of Human Resources Award
- Hospitality Asia Platinum Awards 2003/2004 (Malaysia Series) for the Best Human Resources Department
- National HR Excellence Awards 2003 (Main Award Category)
- Prime Minister's Quality Award 1997 for Management Excellence

RASA SAYANG RESORT

- ASEAN Green Hotel Award 2008
- Prime Minister's Hibiscus Award 2000/2001 for Exceptional Achievement in Environmental Performance

GOLDEN SANDS RESORT

- Prime Minister's Hibiscus Award 2002/2003 for Notable Achievement in Environmental Performance

RASA RIA RESORT

- Prime Minister's Hibiscus Award 2000/2001 for Notable Achievement in Environmental Performance

TRADERS HOTEL PENANG

- Human Resource Development (Service Sector) 2008 Ministry of Human Resources Award

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 2008 amounted to RM152,164. This payment was in respect of advisory services for the Group's taxation matters and filing of tax returns, and the review of the Statement on Internal Control.

	RM
KPMG	9,563
KPMG Tax Services Sdn Bhd	142,601
Total	152,164

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 2008, 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 2008

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 2008 on pages 59 to 100, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

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

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008.

PRINCIPAL ACTIVITIES

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

The principal activities of the Company are investment holding and the operation of a beach resort, namely Rasa Sayang Resort. There has been no significant change in the nature of these activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	GROUP RM'000	COMPANY RM'000
Profit attributable to:		
Shareholders of the Company	49,267	34,614
Minority interests	8,517	–
	57,784	34,614

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

DIVIDENDS

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

i a final dividend of 7% less tax at 26% totalling RM22,792,000 in respect of the year ended 31 December 2007 on 26 June 2008; and

ii an interim dividend of 3% less tax at 26% totalling RM9,768,000 in respect of the year ended 31 December 2008 on 26 November 2008.

The Board has proposed a final dividend of 5% less tax at 25% totalling RM16,500,000 for the financial year ended 31 December 2008. 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 21 May 2009. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2009.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Dato' Haris Onn bin Hussein

Dato' Seri Ismail Farouk Abdullah

Tan Sri Dato' Mohd Amin bin Osman

Ravinder Singh Grewal Sarbjit S

Richard Anthony Johnson

Datuk Supperamaniam a/l Manickam

Dato' Dr Tan Tat Wai

Tan Yew Jin

Khoo Eng Min .... (appointed on 10.6.2008)

Kuok Khoon Ho .... (appointed on 26.6.2008)

Alternate Director
Joseph Patrick Stevens .... (Alternate Director to Richard Anthony Johnson)

In accordance with Article 76 of the Company's Articles of Association, Mr Khoo Eng Min and Mr Kuok Khoon Ho retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 95 of the Company's Articles of Association, Dato' Haris Onn bin Hussein, 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 2008

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 *(including the interest of the spouse or children of the Directors who themselves are not Directors of the Company)* in shares and share options in the Company and a related corporation are as follows:

The Company	As at 1.1.2008/ Date of Appointment	Acquired	(Disposed)	As at 31.12.2008
	Number of Ordinary Shares of RM1.00 each			
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong	–	–	–	–
Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	200,000	200,000	–	400,000
Khoo Eng Min	5,000[1]	–	–	5,000[1]
Kuok Khoon Ho	–	–	–	–
Tan Sri Dato' Mohd Amin bin Osman	23,000[1]	–	–	23,000[1]
Datuk Supperamaniam a/l Manickam	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
Tan Yew Jin	5,000	–	–	5,000
Ravinder Singh Grewal Sarbjit S	–	–	–	–
Richard Anthony Johnson	–	–	–	–
Joseph Patrick Stevens	–	–	–	–
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	–	–	10,000
Kuok Khoon Ho	10,000	–	–	10,000
Tan Yew Jin	20,000	–	–	20,000

Related Corporation **Shangri-La Asia Limited ("SAL") – Ultimate Holding Company**	Number of Ordinary Shares of HKD1.00 each			
DIRECT INTERESTS IN SAL				
Tan Sri A. Razak bin Ramli	–	–	–	–
Kuok Oon Kwong - own	168,197	–	–	168,197
- others	213,345[1]	–	–	213,345[1]
Rozina Mohd Amin	–	–	–	–
Dato' Haris Onn bin Hussein	–	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–	–
Khoo Eng Min	–	–	–	–
Kuok Khoon Ho - own	707,520	–	–	707,520
- others	444,444[1]	–	–	444,444[1]
Tan Sri Dato' Mohd Amin bin Osman	15,900	–	(15,900)	–
Datuk Supperamaniam a/l Manickam	–	–	–	–
Dato' Dr Tan Tat Wai	–	–	–	–
Tan Yew Jin	111,560	–	–	111,560
Ravinder Singh Grewal Sarbjit S	–	–	–	–
Richard Anthony Johnson	–	–	–	–
Joseph Patrick Stevens	–	–	–	–
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	182,633	–	(25,000)	157,633
Kuok Khoon Ho	257,633	–	–	257,633

[1] shares held directly by spouse/child. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of the spouse/ child in the shares of the Company and its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of the Director.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

Share Options in SAL

	Option period	Exercise price per share option	Number of Ordinary Shares of HKD1.00 each granted under the option: As at 1.1.2008	Granted	Exercised	As at 31.12.2008
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
	16.6.2007 – 15.6.2016	HKD14.60	60,000	–	–	60,000
	16.6.2008 – 15.6.2016	HKD14.60	60,000	–	–	60,000
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
	16.6.2007 – 15.6.2016	HKD14.60	10,000	–	–	10,000
	16.6.2008 – 15.6.2016	HKD14.60	10,000	–	–	10,000

Other than as disclosed above, none of the Directors held any shares as at 31 December 2008, nor 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 2008

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 charge recognised in the income statement of the Group for certain asset write-offs associated with the major renovation programme at Shangri-La Hotel Kuala Lumpur as disclosed in Note 17 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 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 2008

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
24 February 2009

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 59 to 100 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
24 February 2009

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 59 to 100 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 24 February 2009

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SHANGRI-LA HOTELS (MALAYSIA) BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Shangri-La Hotels (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 59 to 100.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SHANGRI-LA HOTELS (MALAYSIA) BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b. We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c. Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

PETER HO KOK WAI
Approval Number: 1745/12/09(J)
Chartered Accountant

Petaling Jaya, Selangor
24 February 2009

BALANCE SHEETS

AS AT 31 DECEMBER 2008

		GROUP		COMPANY	
	Note	**2008 RM'000**	2007 RM'000	**2008 RM'000**	2007 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**693,511**	657,585	**124,248**	130,969
Prepaid lease payments	4	**19,534**	19,862	**3,399**	3,520
Investment properties	5	**262,500**	262,500	**–**	–
Investments in subsidiaries	6	**–**	–	**459,188**	459,188
Interests in associates	7	**10,376**	13,357	**–**	–
Property development expenditure	8	**12,187**	11,973	**–**	–
Deferred tax assets	9	**499**	4,768	**499**	4,768
		998,607	970,045	**587,334**	598,445
Current assets					
Inventories	10	**11,592**	10,960	**1,822**	1,825
Trade and other receivables, prepayments and deposits	11	**31,094**	30,409	**217,462**	218,808
Tax recoverable	11	**10,287**	7,329	**6,787**	6,747
Cash and cash equivalents	12	**22,459**	23,083	**7,320**	13,149
		75,432	71,781	**233,391**	240,529
Total assets		**1,074,039**	1,041,826	**820,725**	838,974
EQUITY					
Share capital	13	**440,000**	440,000	**440,000**	440,000
Reserves	13	**299,322**	282,615	**267,356**	265,302
Total equity attributable to shareholders of the Company		**739,322**	722,615	**707,356**	705,302
Minority interests		**61,318**	53,601	**–**	–
Total equity		**800,640**	776,216	**707,356**	705,302
LIABILITIES					
Non-current liabilities					
Long-term borrowings	14	**79,900**	75,867	**35,000**	66,900
Retirement benefits	15	**11,685**	10,936	**151**	110
Deferred tax liabilities	9	**11,726**	12,350	**–**	–
		103,311	99,153	**35,151**	67,010
Current liabilities					
Trade and other payables and accruals	16	**72,449**	74,313	**27,818**	28,912
Short-term borrowings	14	**96,878**	87,812	**50,400**	37,750
Current tax liabilities		**761**	4,332	**–**	–
		170,088	166,457	**78,218**	66,662
Total liabilities		**273,399**	265,610	**113,369**	133,672
Total equity and liabilities		**1,074,039**	1,041,826	**820,725**	838,974

The notes on pages 64 to 100 are an integral part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	17	**415,447**	410,725	**101,147**	150,485
Operating profit	17	**78,995**	108,192	**45,089**	97,014
Interest income	18	**340**	227	**217**	148
Interest expense	19	**(6,477)**	(7,315)	**(4,263)**	(6,191)
Share of results of an associated company		**(1,384)**	(2,698)	**–**	–
Profit before tax		**71,474**	98,406	**41,043**	90,971
Tax expense	21	**(13,690)**	(15,213)	**(6,429)**	(17,030)
Profit for the year		**57,784**	83,193	**34,614**	73,941
Attributable to:					
Shareholders of the Company		**49,267**	77,242	**34,614**	73,941
Minority interests		**8,517**	5,951	**–**	–
Profit for the year		**57,784**	83,193	**34,614**	73,941
Basic earnings per ordinary share (sen):	22	**11.2**	17.6		

The notes on pages 64 to 100 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

		Attributable to shareholders of the Company					
		Non-distributable		Distributable			
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity attributable to shareholders of the Company RM'000	Minority interests RM'000	Total equity RM'000
GROUP							
At 1 January 2007		440,000	104,501	126,568	671,069	48,450	719,519
Profit for the year		–	–	77,242	77,242	5,951	83,193
Dividends to shareholders	23	–	–	(25,696)	(25,696)	–	(25,696)
Dividend to minority shareholder of a subsidiary		–	–	–	–	(800)	(800)
At 31 December 2007/1 January 2008		**440,000**	**104,501**	**178,114**	**722,615**	**53,601**	**776,216**
Profit for the year		**–**	**–**	**49,267**	**49,267**	**8,517**	**57,784**
Dividends to shareholders	23	**–**	**–**	**(32,560)**	**(32,560)**	**–**	**(32,560)**
Dividend to minority shareholder of a subsidiary		**–**	**–**	**–**	**–**	**(800)**	**(800)**
At 31 December 2008		**440,000**	**104,501**	**194,821**	**739,322**	**61,318**	**800,640**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

		Attributable to shareholders of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
COMPANY					
At 1 January 2007		440,000	104,501	112,556	657,057
Profit for the year		–	–	73,941	73,941
Dividends to shareholders	23	–	–	(25,696)	(25,696)
At 31 December 2007/1 January 2008		**440,000**	**104,501**	**160,801**	**705,302**
Profit for the year		**–**	**–**	**34,614**	**34,614**
Dividends to shareholders	23	**–**	**–**	**(32,560)**	**(32,560)**
At 31 December 2008		**440,000**	**104,501**	**162,855**	**707,356**

The notes on pages 64 to 100 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before tax	**71,474**	98,406	**41,043**	90,971
Adjustments for:				
Allowance for doubtful debts of subsidiary/(written back)	**–**	–	**4,167**	(5,851)
Amortisation of prepaid lease payments	**328**	326	**121**	121
Depreciation on property, plant and equipment	**41,515**	39,287	**9,864**	9,639
Gain on disposal of investment in an associate	**(3,858)**	(1,286)	**(3,858)**	(1,286)
Interest expense	**6,477**	7,315	**4,263**	6,191
Interest income	**(340)**	(227)	**(217)**	(148)
Loss/(Gain) on disposal of property, plant and equipment	**1,520**	579	**(24)**	(74)
Property, plant and equipment written off	**25,679**	1,066	**494**	–
Retirement benefits charged	**1,581**	1,547	**41**	85
Share of losses of associates	**1,384**	2,698	**–**	–
Unrealised loss/(gain) on foreign exchange	**859**	(1,166)	**(4,182)**	5,886
Operating profit before changes in working capital	**146,619**	148,545	**51,712**	105,534
Changes in working capital:				
Change in inventories	**(632)**	(1,204)	**3**	(308)
Change in trade and other payables and accruals	**(1,864)**	4,382	**(1,094)**	(1,935)
Change in trade and other receivables, prepayments and deposits	**(670)**	2,313	**(23,437)**	46,491
Cash generated from operations	**143,453**	154,036	**27,184**	149,782
Tax paid	**(16,574)**	(6,197)	**(2,200)**	(14,374)
Retirement benefits paid	**(832)**	(1,064)	**–**	–
Net cash generated from operating activities	**126,047**	146,775	**24,984**	135,408

The notes on pages 64 to 100 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(105,206)**	(71,996)	**(3,778)**	(20,695)
Additions to property development expenditure		**(214)**	(368)	**–**	–
Interest received		**340**	227	**217**	148
Proceeds from disposal of property, plant and equipment		**717**	235	**165**	82
Proceeds from disposal of investment in an associate		**3,858**	1,286	**3,858**	1,286
Net cash (used in)/generated from investing activities		**(100,505)**	(70,616)	**462**	(19,179)
Cash flows from financing activities					
Advances and payments made on behalf of subsidiaries		**–**	–	**24,798**	(32,711)
Dividend paid to minority shareholder of a subsidiary		**(800)**	(800)	**–**	–
Dividend paid to shareholders of the company		**(32,560)**	(25,696)	**(32,560)**	(25,696)
Interest paid		**(6,628)**	(8,128)	**(4,263)**	(6,191)
Refund of excess call from associates		**1,597**	1,017	**–**	–
Repayments of revolving credits		**(17,241)**	(27,175)	**(1,350)**	(35,250)
Drawdown/(Repayments) of term loans		**29,466**	(4,034)	**(17,900)**	(5,300)
Net cash used in financing activities		**(26,166)**	(64,816)	**(31,275)**	(105,148)
Net (decrease)/increase in cash and cash equivalents		**(624)**	11,343	**(5,829)**	11,081
Cash and cash equivalents at 1 January		**23,083**	11,740	**13,149**	2,068
Cash and cash equivalents at 31 December		**22,459**	23,083	**7,320**	13,149

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Cash and bank balances	12	**18,257**	11,380	**3,318**	2,546
Deposits with licensed banks	12	**4,202**	11,703	**4,002**	10,603
		22,459	23,083	**7,320**	13,149

The notes on pages 64 to 100 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

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

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

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

The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The Company is principally engaged in investment holding and the operation of a beach resort while the other Group entities are primarily involved in the operation of hotels and beach resorts, a golf course and clubhouse, property management and investment and commercial laundry.

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

The financial statements were approved by the Board of Directors on 24 February 2009.

1. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

For the financial year ended 31 December 2008, the Group and the Company have adopted the following revised and amended FRSs issued by the Malaysian Accounting Standards Board (MASB), which are relevant to their operations.

FRS 107, *Cash Flow Statements*
FRS 112, *Income Taxes*
FRS 118, *Revenue*
FRS 121, *The Effects of Changes in Foreign Exchanges Rates*
FRS 134, *Interim Financial Reporting*
FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*

There have been no changes to the accounting policies of the Group and the Company as a result of adopting the FRSs mentioned above.

The Group and the Company have not applied the following accounting standards and interpretations that have been issued by the MASB, which are relevant to their operations, but are not yet effective:

FRSs/Interpretation	**Effective Date**
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segments*	1 July 2009
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010

The Group and the Company will apply the abovementioned FRSs/Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of FRS 8 and IC Interpretation 10 are not expected to have any material impact on the financial statements of the Group and the Company.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties as explained in Note 2(e).

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than those disclosed in Note 5 – Valuation of Investment Properties.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of consolidation

i SUBSIDIARIES

Subsidiaries are entities, including unincorporated entities, if any, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Subsidiaries are consolidated using the purchase method of accounting except for UBN Holdings Sdn Bhd, which was acquired prior to 1 January 2006, is consolidated using the merger method of accounting.

Under the purchase 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 consolidated 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. Negative goodwill is recognised immediately in the income statement.

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).

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

ii ASSOCIATES

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

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Interests in associates are stated in the Company's balance sheet at cost less impairment losses.

iii MINORITY INTEREST

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

iv TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

b. Foreign currency

i FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

ii OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA

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

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

iii NET INVESTMENT IN FOREIGN OPERATIONS

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

c. Property, plant and equipment

i RECOGNITION AND MEASUREMENT

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expense" respectively in the income statements.

ii SUBSEQUENT COSTS

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

iii DEPRECIATION

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Renovation and contract in-progress are not depreciated until the assets are ready for their intended use.

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

• Hotel buildings and other buildings	Lower of underlying land lease period or 50 years
• Integral plant and machinery	6.67% (15 years)
• Golf course and its related buildings	1.67% (60 years)
• Furniture, fixtures and equipment	5% to 25% (4 to 20 years)
• Motor vehicles	20% (5 years)

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

Depreciation method, useful lives and residual values are reassessed at the balance sheet date.

d. Leased assets

OPERATING LEASE

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

e. Investment properties

i INVESTMENT PROPERTIES

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently underdetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with changes therein recognised in the income statement.

ii RECLASSIFICATION TO / FROM INVESTMENT PROPERTY

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

iii DETERMINATION OF FAIR VALUE

An external independent firm of professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment properties portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

g. Trade and other receivables, prepayments and deposits

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

h. 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.

i. Impairment of assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

i. Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

j. Borrowings

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

k. Employee benefits

i SHORT-TERM EMPLOYEE BENEFITS

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

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

ii DEFINED BENEFIT PLANS

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

The Group's net obligation in respect of defined benefit retirement plans 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. 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. The calculation is performed by an independent qualified actuary using the projected unit credit method at least once in every three (3) years. The latest actuarial valuation was carried out as at 31 December 2006.

When the benefits of a plan 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.

l. Provisions and contingent liabilities

i PROVISIONS
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

m. Trade and other payables and accruals

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or other financial asset to another entity.

n. Revenue recognition

i HOTEL AND GOLF OPERATIONS

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

ii LAUNDRY SERVICES

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

iii RENTAL INCOME

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

iv DIVIDEND INCOME

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

o. Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

p. Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Unutilised investment tax allowances are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

q. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

r. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery RM'000	Golf course and its related buildings RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
GROUP							
COST							
At 1 January 2007	39,026	552,913	106,219	48,817	251,066	9,749	1,007,790
Additions	–	1,114	975	39	9,184	61,497	72,809
Disposals	–	(601)	(250)	–	(2,751)	–	(3,602)
Write off	–	(633)	(1,659)	–	(3,476)	–	(5,768)
Transfer	–	48,898	5,421	–	13,563	(67,882)	–
At 31 December 2007/ 1 January 2008	**39,026**	**601,691**	**110,706**	**48,856**	**267,586**	**3,364**	**1,071,229**
Additions	**5,854**	**518**	**620**	**–**	**14,510**	**83,855**	**105,357**
Disposals	**–**	**(470)**	**(3)**	**–**	**(10,228)**	**–**	**(10,701)**
Write off*	**–**	**(30,866)**	**(8,076)**	**–**	**(12,442)**	**(1,072)**	**(52,456)**
Transfer	**–**	**47,138**	**7,203**	**–**	**25,097**	**(79,438)**	**–**
Reclassification	**–**	**–**	**–**	**–**	**(1,151)**	**1,151**	**–**
At 31 December 2008	**44,880**	**618,011**	**110,450**	**48,856**	**283,372**	**7,860**	**1,113,429**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Freehold land RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery RM'000	Golf course and its related buildings RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
GROUP							
DEPRECIATION AND IMPAIRMENT LOSS							
At 1 January 2007							
Accumulated depreciation	–	155,950	77,160	7,798	135,057	–	375,965
Accumulated impairment loss	–	–	–	5,882	–	–	5,882
	–	155,950	77,160	13,680	135,057	–	381,847
Depreciation for the year	–	12,198	2,365	718	24,006	–	39,287
Disposals	–	(121)	(246)	–	(2,421)	–	(2,788)
Write off	–	(142)	(1,646)	–	(2,914)	–	(4,702)
At 31 December 2007/ 1 January 2008							
Accumulated depreciation	**–**	**167,885**	**77,633**	**8,516**	**153,728**	**–**	**407,762**
Accumulated impairment loss	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**167,885**	**77,633**	**14,398**	**153,728**	**–**	**413,644**
Depreciation for the year	**–**	**12,308**	**3,265**	**717**	**25,225**	**–**	**41,515**
Disposals	**–**	**(72)**	**(3)**	**–**	**(8,389)**	**–**	**(8,464)**
Write off*	**–**	**(7,539)**	**(7,808)**	**–**	**(11,430)**	**–**	**(26,777)**
At 31 December 2008							
Accumulated depreciation	**–**	**172,582**	**73,087**	**9,233**	**159,134**	**–**	**414,036**
Accumulated impairment loss	**–**	**–**	**–**	**5,882**	**–**	**–**	**5,882**
	–	**172,582**	**73,087**	**15,115**	**159,134**	**–**	**419,918**
CARRYING AMOUNTS							
At 1 January 2007	39,026	396,963	29,059	35,137	116,009	9,749	625,943
At 31 December 2007/ 1 January 2008	39,026	433,806	33,073	34,458	113,858	3,364	657,585
At 31 December 2008	**44,880**	**445,429**	**37,363**	**33,741**	**124,238**	**7,860**	**693,511**

* The carrying amount of property, plant and equipment written off for the Group in 2008 includes asset write-offs amounting to RM24,147,000 associated with the major renovation programme at Shangri-La Hotel Kuala Lumpur.

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

	Freehold land RM'000	Hotel buildings RM'000	Integral plant and machinery RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COMPANY						
COST						
At 1 January 2007	1,012	71,040	16,068	56,908	–	145,028
Additions	–	6	88	1,074	19,527	20,695
Disposals	–	–	–	(371)	–	(371)
Write off	–	–	–	(11)	–	(11)
Transfer	–	27,838	(4,537)	(3,774)	(19,527)	–
At 31 December 2007/1 January 2008	**1,012**	**98,884**	**11,619**	**53,826**	**–**	**165,341**
Additions	**–**	**85**	**–**	**1,576**	**2,117**	**3,778**
Disposals	**–**	**(79)**	**–**	**(302)**	**–**	**(381)**
Write off	**–**	**–**	**–**	**(30)**	**(477)**	**(507)**
Transfer	**–**	**90**	**329**	**1,221**	**(1,640)**	**–**
At 31 December 2008	**1,012**	**98,980**	**11,948**	**56,291**	**–**	**168,231**
DEPRECIATION						
At 1 January 2007	–	14,139	3,557	7,411	–	25,107
Depreciation for the year	–	2,310	136	7,193	–	9,639
Disposals	–	–	–	(363)	–	(363)
Write off	–	–	–	(11)	–	(11)
At 31 December 2007/1 January 2008	**–**	**16,449**	**3,693**	**14,230**	**–**	**34,372**
Depreciation for the year	**–**	**2,084**	**246**	**7,534**	**–**	**9,864**
Disposals	**–**	**(2)**	**–**	**(238)**	**–**	**(240)**
Write off	**–**	**–**	**–**	**(13)**	**–**	**(13)**
At 31 December 2008	**–**	**18,531**	**3,939**	**21,513**	**–**	**43,983**
CARRYING AMOUNTS						
At 1 January 2007	1,012	56,901	12,511	49,497	–	119,921
At 31 December 2007/1 January 2008	1,012	82,435	7,926	39,596	–	130,969
At 31 December 2008	**1,012**	**80,449**	**8,009**	**34,778**	**–**	**124,248**

BORROWING COSTS

GROUP AND COMPANY

Included in renovation and contract in-progress of the Group is interest capitalised at rates ranging from 3.93% to 4.21% per annum (2007 - 4.19% to 4.30% per annum) of RM151,000 (2007 - RM813,000).

Hotel properties at 31 December 2008 are all located in Malaysia and comprised the following:

Property	Location	Usage	Title
Rasa Sayang Resort & Spa	Batu Feringgi Beach, Penang	304 room resort	Freehold
Shangri-La Hotel Kuala Lumpur	Jalan Sultan Ismail, Kuala Lumpur	701 room hotel	Freehold
Traders 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	420 room resort	Leasehold

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

4. PREPAID LEASE PAYMENTS

	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
GROUP			
COST			
At 1 January 2007/31 December 2007/ 31 December 2008	**4,123**	**19,454**	**23,577**
AMORTISATION			
At 1 January 2007	352	3,037	3,389
Amortisation for the year	123	203	326
At 31 December 2007/1 January 2008	**475**	**3,240**	**3,715**
Amortisation for the year	**124**	**204**	**328**
At 31 December 2008	**599**	**3,444**	**4,043**
CARRYING AMOUNTS			
At 1 January 2007	3,771	16,417	20,188
At 31 December 2007/1 January 2008	3,648	16,214	19,862
At 31 December 2008	**3,524**	**16,010**	**19,534**

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4. PREPAID LEASE PAYMENTS (cont'd)

	Unexpired period less than 50 years RM'000
COMPANY	
COST	
At 1 January 2007/31 December 2007/ 31 December 2008	**3,938**
AMORTISATION	
At 1 January 2007	297
Amortisation for the year	121
At 31 December 2007/1 January 2008	**418**
Amortisation for the year	**121**
At 31 December 2008	**539**
CARRYING AMOUNTS	
At 1 January 2007	3,641
At 31 December 2007/1 January 2008	3,520
At 31 December 2008	**3,399**

5. INVESTMENT PROPERTIES

	GROUP	
	2008 RM'000	2007 RM'000
At 1 January/31 December	**262,500**	262,500
Included in the above are:		
Freehold land	**35,000**	35,000
Buildings	**227,500**	227,500
	262,500	262,500

On 31 December 2008, the Group's investment properties were revalued by W.M. Malik & Kamaruzaman, an independent firm of professional valuers, based on open market value on an existing use basis. The market values of the investment properties approximate to their carrying amounts.

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

	GROUP	
	2008	2007
	RM'000	RM'000
Rental income	**21,411**	18,988
Direct operating expenses:		
- income generating investment properties	**8,206**	7,768

6. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	**459,188**	459,188

Details of the subsidiaries are as follows:

		Effective ownership Interest	
		2008	2007
Name of subsidiary	**Principal activities**	**%**	%
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.

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7. INTERESTS IN ASSOCIATES

	GROUP	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	**3,557**	3,557
Loans to associates	**103,216**	100,131
	106,773	103,688
Share of post-acquisition results of an associated company	**(54,090)**	(52,706)
Impairment losses on unquoted shares	**(3,557)**	(3,557)
Allowance for doubtful debts on loans to associates	**(38,750)**	(34,068)
	10,376	13,357

Summary financial information on associates:

	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Loss (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
GROUP						
2008						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	**23.53**	**24,613**	**(5,882)**	**169,308**	**372,902**
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	**22.22**	**–**	**–**	**137,371**	**130,574**
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	**23.56**	**–**	**–**	**20,285**	**19,975**
			24,613	**(5,882)**	**326,964**	**523,451**
2007						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	23.53	20,847	(11,468)	168,171	356,748
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	22.22	–	–	130,589	124,098
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	23.56	–	–	19,372	19,076
			20,847	(11,468)	318,132	499,922

* The results of these companies are based on unaudited financial statements for the years ended 31 December 2008 and 31 December 2007.

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

The loans to associates, namely TYCL, SYCL and TSCL are unsecured and repayable on demand, provided that such demand is made by shareholders holding not less than 51% interest in the respective associates. As at 31 December 2008, balances of RM66,302,000 (2007 – RM63,319,000) of the loans to associates are interest free and the remaining balances bear interest ranging between 2.49% to 5.22% (2007 – 2.50% to 5.43%) 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.

On 1 May 2005, the Company completed the disposal of its entire 30% equity interest in Johdaya Karya Sdn Bhd ("Johdaya Karya") to Reco City Square JB Sdn Bhd for a total cash consideration of RM39,366,000. 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 have 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. In the current financial year ended 31 December 2008, the Company has recognised the third and final year gain of RM3,858,000 (2007 – RM1,286,000).

8. PROPERTY DEVELOPMENT EXPENDITURE

The property development expenditure of the Group represents development expenditure incurred by certain subsidiaries. Included in property development expenditure is interest capitalised amounting to RM4,142,000 (2007 - RM4,142,000).

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

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

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**499**	4,768	**499**	4,768
Deferred tax liabilities	**11,726**	12,350	**–**	–

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

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	**2008**	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
GROUP						
Property, plant and equipment	**(6,077)**	(7,481)	**(20,144)**	(16,279)	**(26,221)**	(23,760)
Provisions	**110**	160	**3,498**	3,929	**3,608**	4,089
Unabsorbed capital allowances	**4,289**	9,825	**4,920**	–	**9,209**	9,825
Unutilised tax losses	**2,177**	2,264	**–**	–	**2,177**	2,264
Net tax liabilities	**499**	4,768	**(11,726)**	(12,350)	**(11,227)**	(7,582)

9. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

	Assets		Liabilities		Net	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000	**2008 RM'000**	2007 RM'000
COMPANY						
Property, plant and equipment	**(6,077)**	(7,481)	**–**	–	**(6,077)**	(7,481)
Provisions	**110**	160	**–**	–	**110**	160
Unabsorbed capital allowances	**4,289**	9,825	**–**	–	**4,289**	9,825
Unutilised tax losses	**2,177**	2,264	**–**	–	**2,177**	2,264
Net tax assets	**499**	4,768	**–**	–	**499**	4,768

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2008 RM'000	2007 RM'000
(Taxable)/Deductible temporary differences	**(1,177)**	257
Unabsorbed capital allowances	**6,835**	5,290
Unutilised tax losses	**11,875**	11,832
	17,533	17,379
Deferred tax assets at 25% (2007 - 26%)	**4,383**	4,519

The taxable/deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it may not be probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Subject to agreement by the Inland Revenue Board, the Group has unutilised investment tax allowances of approximately RM85,162,000 (2007 - RM102,790,000), which are available to be offset against future taxable income. The unutilised investment tax allowances have not been recognised as deferred tax assets in the Group's financial statements.

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10. INVENTORIES

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Food, beverage and tobacco	**5,768**	5,596	**1,010**	1,195
Room supplies	**485**	441	**173**	83
Other supplies	**5,339**	4,923	**639**	547
	11,592	10,960	**1,822**	1,825

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Trade					
Trade receivables	a	**22,062**	24,137	**4,965**	4,965
Non-trade					
Amount due from subsidiaries	b	**–**	–	**261,141**	279,128
Less: Allowance for doubtful debts		**–**	–	**(72,474)**	(68,307)
		–	–	**188,667**	210,821
Other receivables		**2,668**	1,675	**455**	1,115
Deposits		**4,985**	3,561	**528**	502
Prepayments		**1,379**	1,036	**122**	205
Dividend receivables		**–**	–	**22,725**	1,200
		31,094	30,409	**217,462**	218,808
Tax recoverable	c	**10,287**	7,329	**6,787**	6,747

Notes

a. In the previous year, trade receivables of the Group denominated in currencies other than the functional currency comprised RM3,395,000 denominated in U.S. Dollar.

b. Amounts due from subsidiaries represents payments made on behalf, which are unsecured, interest-free and repayable on demand, except for an amount of RM1,500,000 (2007 – NIL) which bears interest at 3.80% (2007 – NIL) per annum.

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

12. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed banks	**4,202**	11,703	**4,002**	10,603
Cash and bank balances (Note a)	**18,257**	11,380	**3,318**	2,546
	22,459	23,083	**7,320**	13,149

Note

a. Cash and bank balances of the Group and the Company includes an amount of RM8,799,000 (2007 – NIL) and RM713,000 (2007 – NIL) respectively which earns interest at rates ranging from 2.2% to 2.4% (2007 – NIL) per annum.

13. CAPITAL AND RESERVES

Share capital

	Number of shares		Amount	
	2008	2007	**2008**	2007
GROUP AND COMPANY	**'000**	'000	**RM'000**	RM'000
Authorised:				
Ordinary shares of RM1 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January/31 December	**440,000**	440,000	**440,000**	440,000

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

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2008, if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

14. BORROWINGS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Non-current				
Unsecured term loans	**79,900**	75,867	**35,000**	66,900
Current				
Unsecured term loans	**58,567**	33,134	**42,000**	28,000
Unsecured revolving credits	**38,311**	54,678	**8,400**	9,750
	96,878	87,812	**50,400**	37,750
	176,778	163,679	**85,400**	104,650

Significant covenants

The revolving credits and term loan facilities of a subsidiary are subject to the following significant covenants:

i the substantial shareholder (at least 51% equity) of the subsidiary shall remain with the existing shareholder during the tenure of a revolving credit facility; and

ii dividends declared by the subsidiary shall not exceed 100% of the profit after tax for the year in respect of a revolving credit and term loan facilities.

Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
GROUP						
2008						
Unsecured term loans	2009-2011	**138,467**	**58,567**	**56,652**	**23,248**	**–**
Unsecured revolving credits	2009	**38,311**	**38,311**	**–**	**–**	**–**
		176,778	**96,878**	**56,652**	**23,248**	**–**
2007						
Unsecured term loans	2008-2010	109,001	33,134	50,967	24,900	–
Unsecured revolving credits	2008	54,678	54,678	–	–	–
		163,679	87,812	50,967	24,900	–
COMPANY						
2008						
Unsecured term loans	2009-2011	**77,000**	**42,000**	**31,000**	**4,000**	**–**
Unsecured revolving credits	2009	**8,400**	**8,400**	**–**	**–**	**–**
		85,400	**50,400**	**31,000**	**4,000**	**–**
2007						
Unsecured term loans	2008-2010	94,900	28,000	42,000	24,900	–
Unsecured revolving credits	2008	9,750	9,750	–	–	–
		104,650	37,750	42,000	24,900	–

15. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Present value of unfunded obligations	**11,685**	10,936	**151**	110
Recognised liability for defined benefit obligations	**11,685**	10,936	**151**	110

Certain companies in the Group make contributions to an unfunded defined benefit scheme in accordance with the Collective Union Agreement that provide pension benefits to employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits based on length of services and last drawn salary of the employees concerned.

Movements in the present value of the defined benefit obligations

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Defined benefit obligations at 1 January	**10,936**	10,453	**110**	25
Benefits paid	**(832)**	(1,064)	**–**	–
Expense recognised in the income statement	**1,581**	1,547	**41**	85
Defined benefit obligations at 31 December	**11,685**	10,936	**151**	110

Expense recognised in the income statement

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Current service costs	**823**	849	**36**	84
Interest on obligation	**739**	679	**5**	1
Amortisation of actuarial loss	**19**	19	**–**	–
	1,581	1,547	**41**	85

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

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Cost of sales	**1,296**	1,253	**34**	68
Administrative expenses	**89**	95	**3**	7
Other operating expenses	**196**	199	**4**	10
	1,581	1,547	**41**	85

Actuarial assumptions

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

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	%	%	**%**	%
Discount rate at 31 December	**6.00**	6.00	**6.00**	6.00
Future salary increases	**6.38**	6.38	**7.00**	7.00

Historical information

	2008	2007	2006	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP					
Present value of the defined benefit obligations	**11,685**	10,936	10,453	9,654	8,889
Experience adjustments arising on plan liabilities	**1,154**	1,169	1,188	–	536
COMPANY					
Present value of the defined benefit obligations	**151**	110	25	–	–
Experience adjustments arising on plan liabilities	**–**	–	–	–	–

16. TRADE AND OTHER PAYABLES AND ACCRUALS

		GROUP		COMPANY	
		2008	2007	**2008**	2007
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Trade					
Trade payables		**22,232**	27,442	**2,689**	3,732
Amount due to a subsidiary		**–**	–	**180**	–
Non-trade					
Loan from a minority shareholder	a	**4,800**	4,800	**–**	–
Amount due to subsidiaries	b	**–**	–	**15,725**	13,656
Other payables		**28,611**	24,912	**5,882**	7,579
Accrued expenses		**16,806**	17,159	**3,342**	3,945
		72,449	74,313	**27,818**	28,912

Notes

a. The loan is from Petaling Garden Sdn Bhd, a minority shareholder of a subsidiary. The loan is unsecured, interest free and repayable on demand.

b. The amounts due to subsidiaries represent advances received from subsidiaries which are unsecured, interest free and repayable on demand, except for an amount of RM9,098,750 (2007 - RM7,028,750) which bears interest at 3.70% (2007 - 3.70%) per annum.

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17. OPERATING PROFIT

	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Revenue					
Hotel and golf operations		**392,893**	390,547	**76,222**	63,485
Rental		**21,411**	18,988	**–**	–
Dividend income		**–**	–	**24,925**	87,000
Laundry services		**1,143**	1,190	**–**	–
		415,447	410,725	**101,147**	150,485
Cost of sales		**(168,333)**	(158,244)	**(24,910)**	(20,763)
Cost of services		**(8,206)**	(7,768)	**–**	–
		238,908	244,713	**76,237**	129,722
Administrative expenses		**(54,978)**	(56,171)	**(10,822)**	(11,004)
Other operating expenses		**(108,887)**	(82,893)	**(24,184)**	(22,990)
Other operating income		**3,952**	2,543	**3,858**	1,286
Operating profit		**78,995**	108,192	**45,089**	97,014
Operating profit is arrived at after charging:					
Allowance for doubtful debts					
- subsidiary		**–**	–	**4,167**	–
- others		**9**	102	**–**	66
Auditors' remuneration					
- statutory audit		**207**	175	**49**	43
Amortisation of prepaid lease payments	4	**328**	326	**121**	121
Depreciation on property, plant and equipment	3	**41,515**	39,287	**9,864**	9,639
Hire of motor vehicles		**273**	240	**–**	–
Hire of equipment		**128**	114	**–**	–
Inventories written off		**13**	126	**–**	–
Loss on disposal of property, plant and equipment		**1,621**	677	**–**	–
Personnel expenses (including key management personnel):					
- contributions to Employee's Provident Fund		**7,195**	6,790	**1,337**	1,091
- retirement benefits charged	15	**1,581**	1,547	**41**	85
- wages, salaries and others		**87,468**	83,959	**15,954**	12,928
Property, plant and equipment written off*		**25,679**	1,066	**494**	–
Rental of apartments		**547**	571	**–**	–
Unrealised loss on foreign exchange		**859**	–	**–**	5,886
and after crediting:					
Allowance for doubtful debts written back					
- subsidiary		**–**	–	**–**	5,851
- others		**299**	65	**29**	–
Gain on disposal of investment in an associate	7	**3,858**	1,286	**3,858**	1,286
Gain on disposal of property, plant and equipment		**101**	98	**24**	74
Gross dividends from subsidiaries		**–**	–	**24,925**	87,000
Realised gain on foreign exchange		**384**	375	**–**	–
Unrealised gain on foreign exchange		**–**	1,166	**4,182**	–
Rental receivable from:					
- subsidiary		**–**	–	**120**	120
- others		**515**	408	**–**	–

* Property, plant and equipment written off for the Group in 2008 includes asset write-offs amounting to RM24,147,000 associated with the major renovation programme at Shangri-La Hotel Kuala Lumpur.

18. INTEREST INCOME

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Interest income on:				
Deposits placed with licensed banks	**340**	227	**193**	134
Subsidiaries	**–**	–	**24**	14
	340	227	**217**	148

19. INTEREST EXPENSE

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Interest expense on:				
Revolving credits	**2,595**	2,857	**287**	1,339
Term loans	**3,882**	4,458	**3,692**	4,458
Subsidiaries	**–**	–	**284**	394
	6,477	7,315	**4,263**	6,191

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Directors				
- Fees	**225**	217	**225**	217
- Remuneration and meeting allowances	**1,470**	1,335	**1,470**	1,335
Other short term employee benefits				
(including estimated monetary value of benefits-in-kind)	**24**	25	**24**	25
Total short-term employee benefits	**1,719**	1,577	**1,719**	1,577

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

NOTES TO THE FINANCIAL STATEMENTS

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21. TAX EXPENSE

Major components of tax expense include:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense				
Malaysian - Current year	**10,214**	21,075	**2,271**	22,186
- Prior years	**(169)**	135	**(111)**	(388)
	10,045	21,210	**2,160**	21,798
Deferred tax expense				
Origination and reversal of temporary differences	**3,597**	(5,404)	**4,391**	(4,768)
Under/(Over) provision in prior years	**48**	(593)	**(122)**	–
	3,645	(5,997)	**4,269**	(4,768)
Total tax expense	**13,690**	15,213	**6,429**	17,030
RECONCILIATION OF EFFECTIVE TAX EXPENSE				
Profit before tax	**71,474**	98,406	**41,043**	90,971
Tax at Malaysian tax rate of 26% (2007: 27%)	**18,583**	26,570	**10,671**	24,562
Effect of lower tax rate for certain subsidiaries*	**(60)**	(35)	**–**	–
Effect of change in tax rate**	**(439)**	(245)	**(68)**	183
Non-deductible expenses	**5,184**	4,281	**1,254**	645
Non-taxable income	**(1,002)**	(347)	**(5,195)**	(671)
Tax incentives	**(7,945)**	(4,833)	**–**	–
Deferred tax assets not recognised	**11**	60	**–**	–
Recognition of previously unrecognised deferred tax assets	**–**	(7,301)	**–**	(7,301)
Reversal of deferred tax liabilities on investment properties	**–**	(2,373)	**–**	–
Under/(Over) provision in prior years				
- current tax expense	**(169)**	135	**(111)**	(388)
- deferred tax expense	**48**	(593)	**(122)**	–
Other items	**(521)**	(106)	**–**	–
	13,690	15,213	**6,429**	17,030

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate rates are 26% for year of assessment 2008 and 25% for subsequent years of assessment. Consequently deferred tax assets and liabilities as at 31 December 2008 are measured using 25%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share at 31 December 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	GROUP	
	2008	2007
Profit attributable to shareholders of the Company (RM'000)	**49,267**	77,242
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per share (sen)	**11.2**	17.6

23. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Total amount RM'000	Date of payment
2008		
Ordinary		
Interim 2008 – 3% less tax at 26%	**9,768**	26 November 2008
Final 2007 – 7% less tax at 26%	**22,792**	26 June 2008
Total amount	**32,560**	
2007		
Ordinary		
Interim 2007 – 3% less tax at 27%	9,636	23 November 2007
Final 2006 – 5% less tax at 27%	16,060	25 June 2007
Total amount	25,696	

The Board has proposed a final dividend of 5% less tax at 25% totalling RM16,500,000 for the financial year ended 31 December 2008. 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 21 May 2009. The final dividend, if approved by the shareholders shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2009.

24. SEGMENT REPORTING

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

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 comprise mainly investments (other than investment properties) and related revenue, loans, borrowings and related expenses, corporate assets (primarily the Company's corporate office) and corporate office expenses, and tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

24. SEGMENT REPORTING (cont'd)

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter–segment pricing is determined on negotiated terms.

Business segments

The Group comprises the following main business segments:

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

	Hotels, resorts and golf course		Investment properties		Others		Eliminations		Consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
BUSINESS SEGMENTS										
Total external revenue	392,893	390,547	21,411	18,988	1,143	1,190	–	–	415,447	410,725
Inter segment revenue	24,925	87,000	2,046	1,925	3,945	3,293	(30,916)	(92,218)	–	–
Total segment revenue	417,818	477,547	23,457	20,913	5,088	4,483	(30,916)	(92,218)	415,447	410,725
Operating profit	91,924	183,602	14,771	12,619	(3,900)	7,865	(23,800)	(95,894)	78,995	108,192
Interest income	338	596	198	391	114	100	(310)	(860)	340	227
Interest expense	(5,908)	(7,008)	–	–	(879)	(1,167)	310	860	(6,477)	(7,315)
Share of results of an associated company	(1,384)	(2,698)	–	–	–	–	–	–	(1,384)	(2,698)
Profit before tax									71,474	98,406
Tax expense									(13,690)	(15,213)
Profit for the year									57,784	83,193
Segment assets	883,596	848,507	249,368	245,644	13,397	11,833	(93,484)	(89,612)	1,052,877	1,016,372
Interests in associates	–	–	–	–	27,999	29,596	(17,623)	(16,239)	10,376	13,357
Unallocated assets	–	–	–	–	–	–	–	–	10,786	12,097
Total assets									1,074,039	1,041,826
Segment liabilities	374,839	368,620	75,930	69,904	110,658	105,922	(300,515)	(295,518)	260,912	248,928
Unallocated liabilities	–	–	–	–	–	–	–	–	12,487	16,682
Total liabilities									273,399	265,610
Capital expenditure	103,812	72,131	1,270	237	275	441	–	–	105,357	72,809
Depreciation	38,239	36,045	122	88	188	190	2,966	2,964	41,515	39,287
Non-cash expenses other than depreciation	28,828	3,196	–	(4)	(48)	–	–	–	28,780	3,192

25. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

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 7). The maximum exposure to credit risk for the Group and for the Company is represented by the carrying amount of each financial asset.

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 fixed 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 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.

25. FINANCIAL INSTRUMENTS (cont'd)

EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

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

	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1–2 years RM'000	2–3 years RM'000	3–4 years RM'000	4–5 years RM'000	More than 5 years RM'000
GROUP									
2008									
FLOATING RATE INSTRUMENTS									
Bank balances	12	**2.2**	**8,799**	**8,799**	**–**	**–**	**–**	**–**	**–**
Deposits placed with licensed banks	12	**3.0**	**4,202**	**4,202**	**–**	**–**	**–**	**–**	**–**
Unsecured revolving credits	14	**4.5**	**(38,311)**	**(38,311)**	**–**	**–**	**–**	**–**	**–**
Unsecured term loans	14	**4.1**	**(138,467)**	**(138,467)**	**–**	**–**	**–**	**–**	**–**
			(163,777)	**(163,777)**	**–**	**–**	**–**	**–**	**–**
2007									
FLOATING RATE INSTRUMENTS									
Deposits placed with licensed banks	12	3.2	11,703	11,703	–	–	–	–	–
Unsecured revolving credits	14	4.9	(54,678)	(54,678)	–	–	–	–	–
Unsecured term loans	14	4.2	(109,001)	(109,001)	–	–	–	–	–
			(151,976)	(151,976)	–	–	–	–	–
COMPANY									
2008									
FIXED RATE INSTRUMENTS									
Advances to subsidiaries	11	**3.8**	**1,500**	**1,500**	**–**	**–**	**–**	**–**	**–**
Advances from subsidiaries	16	**3.7**	**(9,099)**	**(9,099)**	**–**	**–**	**–**	**–**	**–**
			(7,599)	**(7,599)**	**–**	**–**	**–**	**–**	**–**
FLOATING RATE INSTRUMENTS									
Bank balances	12	**2.2**	**713**	**713**	**–**	**–**	**–**	**–**	**–**
Deposits placed with licensed banks	12	**3.2**	**4,002**	**4,002**	**–**	**–**	**–**	**–**	**–**
Unsecured revolving credits	14	**4.1**	**(8,400)**	**(8,400)**	**–**	**–**	**–**	**–**	**–**
Unsecured term loans	14	**4.0**	**(77,000)**	**(77,000)**	**–**	**–**	**–**	**–**	**–**
			(80,685)	**(80,685)**	**–**	**–**	**–**	**–**	**–**
2007									
FIXED RATE INSTRUMENT									
Advances from subsidiaries	16	3.7	(7,029)	(7,029)	–	–	–	–	–
FLOATING RATE INSTRUMENTS									
Deposits placed with licensed banks	12	3.3	10,603	10,603	–	–	–	–	–
Unsecured revolving credits	14	4.2	(9,750)	(9,750)	–	–	–	–	–
Unsecured term loans	14	4.2	(94,900)	(94,900)	–	–	–	–	–
			(94,047)	(94,047)	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, prepayments and deposits, trade and other payables and accruals and short-term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides corporate guarantee to a bank for credit facility extended to a subsidiary. The fair value of such corporate guarantee is not expected to be material as the probability of the subsidiary defaulting on the credit payment is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

		2008		2007	
	Note	**Carrying amount RM'000**	**Fair value RM'000**	Carrying amount RM'000	Fair value RM'000
GROUP					
Loans to associates (net of allowance for doubtful debts)	7	**64,466**	**64,466**	66,063	66,063
Unsecured term loans	14	**79,900**	**79,900**	75,867	75,867
COMPANY					
Unsecured term loans	14	**35,000**	**35,000**	66,900	66,900

Estimation of fair values

Fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

The interest rate used to discount estimated cash flows are as follows:

	GROUP		**COMPANY**	
	2008	2007	**2008**	2007
Long-term borrowings	**4.1%**	4.2%	**4.0%**	4.2%

26. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure commitments				
Property, plant and equipment and investment properties				
Contracted but not provided for and payable:				
– within one year	**63,135**	24,076	**1,537**	99
Authorised but not contracted for:				
– within one year	**80,912**	149,358	**4,620**	2,050
	144,047	173,434	**6,157**	2,149

27. CONTINGENT LIABILITIES (UNSECURED)

COMPANY

The Company had issued a Corporate Guarantee for an amount up to HKD50.6 million (2007 – HKD50.6 million) to The Bank of Tokyo-Mitsubishi UFJ, Ltd, Labuan ("UFJ Bank") for the revolving credit facility of HKD50.6 million (2007 – HKD50.6 million) granted to a subsidiary, Madarac Corporation.

28. RELATED PARTIES

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors of the Group.

The Group has a related party relationship with its associates (Note 7), its holding company, subsidiaries of its holding company (Notes 11 and 16) and corporations in which certain Directors have indirect financial interests.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Transactions amount for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Net balance outstanding at 31 December RM'000	Allowance for doubtful receivables at 31 December RM'000	Bad or doubtful receivables recognised/ (write back) for the year ended 31 December RM'000
GROUP					
2008					
Associated companies					
Loan amounts due from					
– Traders Yangon Company Ltd	**–**	**71,084**	**62,129**	**8,955**	**3,237**
– Shangri-La Yangon Company Ltd	**–**	**27,432**	**2,337**	**25,095**	**1,234**
– Traders Square Company Ltd	**–**	**4,700**	**–**	**4,700**	**211**
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
– Management, marketing and reservation fees paid or payable	**10,518**	**1,141**	**1,141**	**–**	**–**
Shangri-La International Hotel Management Pte Ltd					
– Management fees paid or payable	**1,815**	**190**	**190**	**–**	**–**
Corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have direct or indirect financial interests					
Jerneh Insurance Bhd					
– Insurance premium paid or payable	**2,260**	**10**	**10**	**–**	**–**
PPB Hartabina Sdn Bhd					
– Project management fees paid or payable	**797**	**212**	**212**	**–**	**–**
2007					
Associated companies					
Loan amounts due from					
– Traders Yangon Company Ltd	–	69,444	63,726	5,718	(4,635)
– Shangri-La Yangon Company Ltd	–	26,198	2,337	23,861	(1,739)
– Traders Square Company Ltd	–	4,489	–	4,489	(298)
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
– Management, marketing and reservation fees paid or payable	10,506	1,398	1,398	–	–
Shangri-La International Hotel Management Pte Ltd					
– Management fees paid or payable	2,032	307	307	–	–
Corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have direct or indirect financial interests					
Jerneh Insurance Bhd					
– Insurance premium paid or payable	2,042	9	9	–	–
PPB Hartabina Sdn Bhd					
– Project management fees paid or payable	389	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

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28. RELATED PARTIES (cont'd)

	Transactions amount for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Net balance outstanding at 31 December RM'000	Allowance for doubtful receivables at 31 December RM'000	Bad or doubtful receivables recognised/ (write back) for the year ended 31 December RM'000
COMPANY					
2008					
Subsidiaries					
Interest income received or receivable	**24**	**5**	**5**	**–**	**–**
Rental income received or receivable	**120**	**–**	**–**	**–**	**–**
Interest expense paid or payable	**284**	**25**	**25**	**–**	**–**
Laundry service fees paid or payable	**1,735**	**196**	**196**	**–**	**–**
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
– Management, marketing and reservation fees paid or payable	**2,120**	**234**	**234**	**–**	**–**
Shangri-La International Hotel Management Pte Ltd					
– Management fees paid or payable	**351**	**39**	**39**	**–**	**–**
Corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have direct or indirect financial interests					
Jerneh Insurance Bhd					
– Insurance premium paid or payable	**475**	**–**	**–**	**–**	**–**
PPB Hartabina Sdn Bhd					
– Project management fees paid or payable	**212**	**212**	**212**	**–**	**–**
2007					
Subsidiaries					
Interest income received or receivable	14	–	–	–	–
Rental income received or receivable	120	–	–	–	–
Interest expense paid or payable	394	42	42	–	–
Laundry service fees paid or payable	1,288	111	111	–	–
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
– Management, marketing and reservation fees paid or payable	1,651	232	232	–	–
Shangri-La International Hotel Management Pte Ltd					
– Management fees paid or payable	292	37	37	–	–
Corporations in which Kuok Oon Kwong and Kuok Khoon Ho, Directors of the Company, have direct or indirect financial interests					
Jerneh Insurance Bhd					
– Insurance premium paid or payable	410	–	–	–	–
PPB Hartabina Sdn Bhd					
– Project management fees paid or payable	340	–	–	–	–

The terms and conditions for the above transactions are based on negotiated terms and all the amounts outstanding are unsecured.

GROUP PROPERTIES

AS AT 31 DECEMBER 2008

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2008 (RM'000)
Shangri-La Hotel (KL) Sdn Bhd	**Shangri-La Hotel Kuala Lumpur** 29-storey, 701 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	**Freehold**	**23**	**16,229**	**165,567**
Komtar Hotel Sdn Bhd	**Traders Hotel Penang** 17-storey, 444 room hotel located at Magazine Road 10300 Penang	**Leasehold** (Expires 2082)	**22**	**4,800**	**33,042**
Shangri-La Hotels (Malaysia) Berhad	**Shangri-La's Rasa Sayang Resort & Spa** 304 room resort comprising 11 inter-connected blocks not exceeding 8-storey located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**35**	**58,798**	**92,190**
	Land Lot 402, Section 2 Town of Batu Feringgi North East District, Penang	**Leasehold** (Expires 2037)	**–**	**2,989**	
	Industrial land on which the central laundry owned by Pantai Emas Sdn Bhd is situated on at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	**Leasehold** (Expires 2047)	**–**	**3,737**	**679**
Palm Beach Hotel Sdn Bhd	**Land** Lots 9, 10, 13, 15, 93, 316, 420, 591 & 592, Section 2 Town of Batu Feringgi North East District, Penang	**Freehold**	**–**	**33,097**	**9,658**

GROUP PROPERTIES

AS AT 31 DECEMBER 2008

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2008 (RM'000)
Golden Sands Beach Resort Sdn Bhd	**Golden Sands Resort** 8-storey, 395 room resort located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**30**	**19,359**	**29,830**
	Land Lot 389, Section 2 Town of Batu Feringgi North East District, Penang	**Leasehold** (Expires 2050)	**–**	**424**	
Pantai Emas Sdn Bhd	**Penang Laundry Services** A central laundry located at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	**Leasehold** (Expires 2047)	**18**	**3,737**	**416**
UBN Tower Sdn Bhd	**UBN Tower*** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**23**	**3,696**	**185,000**
UBN Holdings Sdn Bhd	**UBN Apartments*** 24-storey apartment block comprising 126 units of apartments located at 1 Lorong P. Ramlee 50250 Kuala Lumpur (# based on 58 units of unsold apartments)	**Freehold**	**23**	**3,120**	**42,500#**
	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**	**11,718**

Note

* The last revaluation for the Group's investment properties was carried out by a firm of independent professional valuers as at 31.12.2008 on an open market basis for existing use. Please refer to Note 5 of the Financial Statements set out on page 80 for further details.

GROUP PROPERTIES

AS AT 31 DECEMBER 2008

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2008 (RM'000)
Pantai Dalit Beach Resort Sdn Bhd	**Shangri-La's Rasa Ria Resort** 420 room resort located at Pantai Dalit 89208 Tuaran, Sabah comprising:				
	Two 4-storey blocks of guestrooms plus six 6-storey blocks of guestrooms with a total of 330 rooms	**Leasehold** (Expires 2090)	**12**	**67,999**	**94,834**
	Two 5-storey blocks of guestrooms with a total of 90 rooms	**Leasehold** (Expires 2090)	**–**	**24,483**	
	Land Land 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)	**–**	**761,467**	**3,804**
	Undeveloped land for future development located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**–**	**856,498**	
Dalit Bay Golf & Country Club Berhad	**Dalit Bay Golf & Country Club** An 18-hole golf course and clubhouse located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**11**	**668,985**	**33,741**

SHAREHOLDING STATISTICS

AS AT 31 MARCH 2009

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	118	1.61	3,065	0.00
100 – 1,000	2,971	40.66	2,865,892	0.65
1,001 – 10,000	3,549	48.58	14,190,020	3.22
10,001 – 100,000	563	7.71	15,573,768	3.54
100,001 to less than 5% of issued shares	103	1.41	77,114,914	17.53
5% and above of issued shares	2	0.03	330,252,341	75.06
	7,306	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
Standard Chartered Private Equity Limited	98,014,500	–	22.28
Standard Chartered Asia Limited	–	98,014,500	22.28
Standard Chartered MB Holdings B.V.	–	98,014,500	22.28
Standard Chartered Holdings (International) B.V.	–	98,014,500	22.28
Standard Chartered PLC	–	98,014,500	22.28
Standard Chartered Bank	–	98,014,500	22.28
Standard Chartered Holdings Limited	–	98,014,500	22.28
SCMB Overseas Limited	–	98,014,500	22.28
Aberdeen Asset Management PLC	–	24,873,800	5.65

SHAREHOLDING STATISTICS

AS AT 31 MARCH 2009

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 2009 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	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Dato' Seri Ismail Farouk Abdullah	400,000	–	0.09
Khoo Eng Min	5,000 [1]	–	negligible
Kuok Khoon Ho	–	10,000	negligible
Tan Sri Dato' Mohd Amin bin Osman	23,000[1]	–	0.01
Ravinder Singh Grewal Sarbjit S	–	–	–
Richard Anthony Johnson	–	–	–
Datuk Supperamaniam a/l Manickam	–	–	–
Dato' Dr Tan Tat Wai	–	–	–
Tan Yew Jin	5,000	20,000	0.01
Alternate Director			
Joseph Patrick Stevens	–	–	–

	Direct Interest	Deemed Interest	
(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 – own	168,197	157,633	0.01
– others	213,345 [1]	–	0.01
Rozina Mohd Amin	–	–	–
Dato' Haris Onn bin Hussein	–	–	–
Dato' Seri Ismail Farouk Abdullah	–	–	–
Khoo Eng Min	–	–	–
Kuok Khoon Ho – own	707,520	257,633	0.03
– others	444,444[1]	–	0.02
Tan Sri Dato' Mohd Amin bin Osman	–	–	–
Ravinder Singh Grewal Sarbjit S	–	–	–
Richard Anthony Johnson	–	–	–
Datuk Supperamaniam a/l Manickam	–	–	–
Dato' Dr Tan Tat Wai	–	–	–
Tan Yew Jin	111,560	–	negligible
Alternate Director			
Joseph Patrick Stevens	–	–	–

[1] shares held directly by spouse/child. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of the spouse/child in the shares of the Company and its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of the Director.

Shares Options in Shangri-La Asia Limited	**No. of shares granted under the option**
Kuok Oon Kwong	420,000
Rozina Mohd Amin	70,000

SHAREHOLDING STATISTICS

AS AT 31 MARCH 2009

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.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Standard Chartered Private Equity Limited	98,014,500	22.28
3.	HSBC Nominees (Asing) Sdn Bhd BBH and Co. Boston for GMO Emerging Markets Fund	8,849,100	2.01
4.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund XCB9 for Aberdeen Asian Smaller Companies Investment Trust PLC	7,250,000	1.65
5.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Aberdeen Malaysia Equity Fund	4,148,000	0.94
6.	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Employees Provident Fund Board	3,838,000	0.87
7.	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan)	3,824,000	0.87
8.	HSBC Nominees (Asing) Sdn Bhd BBH and Co. Boston for GMO Emerging Illiquid Fund, L.P.	3,708,900	0.84
9.	Ophir Holdings Berhad	3,298,400	0.75
10.	Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	3,221,200	0.73
11.	Malaysia Nominees (Tempatan) Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	3,000,000	0.68
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund Board	2,538,600	0.58
13.	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Endowment Fund)	1,444,600	0.33
14.	Key Development Sdn Bhd	1,156,400	0.26
15.	Ying Holding Sdn Bhd	1,076,500	0.24
16.	Migan Sdn Bhd	1,036,600	0.24
17.	HSBC Nominees (Asing) Sdn Bhd TNTC for Teachers' Retirement System of the State of Illinois	1,001,000	0.23
18.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Mellon Bank (Mellon)	974,500	0.22
19.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kok Tai (JRC)	927,000	0.21
20.	Citigroup Nominees (Asing) Sdn Bhd CB S'pore GW for Lionglobal Malaysia Fund	900,900	0.20
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Netherlands)	814,100	0.19
22.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	738,000	0.17
23.	HSBC Nominees (Asing) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Income Fund	716,400	0.16
24.	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Operating Fund)	698,000	0.16
25.	Gan Teng Siew Realty Sdn Bhd	645,000	0.15
26.	Gan Tee Kian	626,000	0.14
27.	G.T.Y. Holdings Sdn Bhd	606,000	0.14
28.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SC7U for State of Connecticut Retirement Plans and Trust Funds	600,700	0.14
29.	Gemas Bahru Estates Sdn Bhd	600,000	0.14
30.	W. Gan Sdn Bhd	587,000	0.13
		389,077,241	88.43

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Eighth 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, 21 May 2009 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 2008 and the Auditors' Report thereon. **Ordinary Resolution 1**

2. To approve the payment of a Final dividend of 5% less tax of 25% for the year ended 31 December 2008 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2008. **Ordinary Resolution 3**

4. To elect the following Directors, each of whom are retiring pursuant to Article 76 of the Company's Articles of Association.
   i Khoo Eng Min **Ordinary Resolution 4**
   ii Kuok Khoon Ho **Ordinary Resolution 5**

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 Dato' Haris Onn bin Hussein **Ordinary Resolution 6**
   ii Dato' Seri Ismail Farouk Abdullah **Ordinary Resolution 7**
   iii Dato' Dr Tan Tat Wai **Ordinary Resolution 8**

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. **Ordinary Resolution 9**

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. **Ordinary Resolution 10**

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
29 April 2009

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 Tuesday, 30 June 2009 to shareholders whose names appear in the Record of Depositors on Tuesday, 2 June 2009.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Directors who are seeking election at the Thirty-Eighth Annual General Meeting of the Company

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

- Khoo Eng Min
- Kuok Khoon Ho

The profiles of the above Directors are set out on pages 25 to 30 of this annual report. Their shareholdings in the Company and its subsidiaries are shown on page 105.

NOTES

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

FORM OF PROXY

No. of shares held:

I/We ____________________ NRIC/Company No. ____________

of ____________________

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

appoint ____________________ NRIC No. ____________

of ____________________

or failing him ____________________ NRIC No. ____________

of ____________________

as my/our proxy, to vote for me/us on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Thursday, 21 May 2009 at 10.00 a.m. and at any adjournment thereof in the following manner:

NO.	ORDINARY RESOLUTIONS	For	Against
1	Adoption of Reports and Financial Statements		
2	Approval of Final Dividend		
3	Approval of Directors' Fees		
4	Election of Khoo Eng Min retiring pursuant to Article 76		
5	Election of Kuok Khoon Ho retiring pursuant to Article 76		
6	Re-election of Dato' Haris Onn bin Hussein retiring pursuant to Article 95		
7	Re-election of Dato' Seri Ismail Farouk Abdullah retiring pursuant to Article 95		
8	Re-election of Dato' Dr Tan Tat Wai retiring pursuant to Article 95		
9	Re-appointment of Tan Sri Dato' Mohd Amin bin Osman as a Director pursuant to Section 129(6) of the Companies Act, 1965		
10	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 ____________________ 2009 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

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DIRECTORY OF GROUP HOTELS & RESORTS

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E-Mail : dalitbay@tm.net.my

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