SHANGRI-LA HOTELS (MALAYSIA) BERHAD

10889-U

ANNUAL REPORT – 2012

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

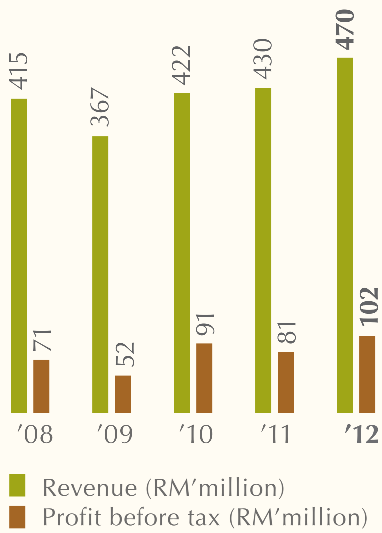
		2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
RESULTS						
Revenue		**469,572**	429,731	422,002	367,371	415,447
Exceptional items		**-**	-	-	-	-
Profit before tax		**102,390**	80,838	91,282	51,505	71,474
Profit attributable to shareholders		**67,329**	55,768	69,959	35,353	49,267
Dividend-net		**44,000**	29,700	29,700	26,400	26,268
KEY BALANCE SHEET DATA						
Issued capital		**440,000**	440,000	440,000	440,000	440,000
Total assets employed		**1,132,034**	1,088,721	1,098,485	1,135,110	1,074,039
Shareholders' equity		**868,956**	834,627	808,559	748,275	739,322
Net borrowings		**32,449**	47,543	89,010	168,970	154,319
PER SHARE DATA						
Net earnings per share	(sen)	**15.30**	12.67	15.90	8.03	11.20
Net assets per share	(RM)	**1.97**	1.90	1.84	1.70	1.68
Dividend-gross	(sen)	**10.0**	9.0	9.0	8.0	8.0
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**7.7**	6.7	8.7	4.7	6.7
Return on total assets	(%)	**5.9**	5.1	6.4	3.1	4.6
Net borrowings to shareholders' equity	(%)	**3.7**	5.7	11.0	22.6	20.9

NOTES

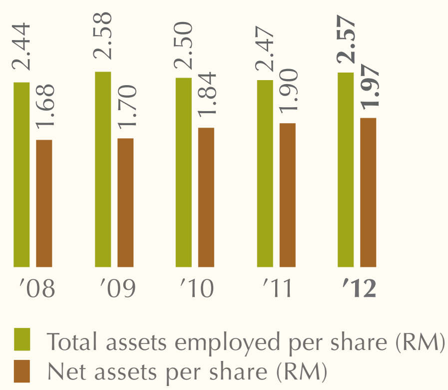
1. Certain comparative figures for years 2011 and 2010 have been adjusted due to the retrospective application of MFRS 112 - Income Taxes, which is effective from 1 January 2012.
2. Dividends of RM44.000 million for the financial year ended 31 December 2012 consist of (a) the interim single tier dividend of 3% per share paid on 14 November 2012 amounting to RM13.200 million and (b) the proposed final single tier dividend of 7% amounting to RM30.800 million. The proposed final single tier dividend of 7% for the financial year ended 31 December 2012 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 20 May 2013.

GROUP FINANCIAL HIGHLIGHTS

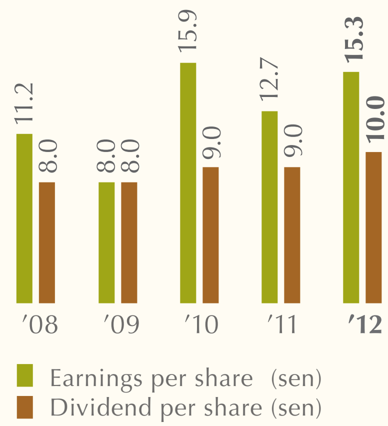
REVENUE & PROFIT BEFORE TAX



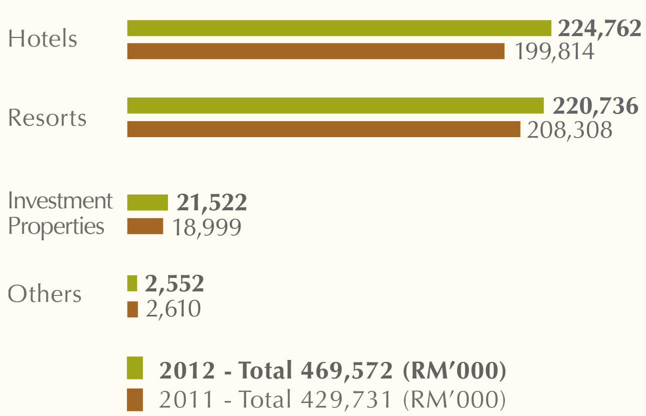
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



EARNINGS PER SHARE & DIVIDEND PER SHARE



REVENUE BY SEGMENT



REVENUE OF HOTELS & RESORTS BY DEPARTMENTS

CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to report that the Group delivered a strong performance in 2012, against the backdrop of an uncertain economic environment. Our Group financial results for the year were underpinned by a robust operating performance from Shangri-La Hotel Kuala Lumpur, as well as by a significantly higher contribution from Rasa Ria Resort following the completion of the major renovation of all its Garden Wing guestrooms in May 2012.

In addition, better performances by all our other hotels, coupled with increased contributions from our investment properties in Kuala Lumpur, had a positive impact on the overall 2012 results.

Throughout the year, our hotels as a whole benefitted from the continuing steady rebound in both business and leisure travel, especially within Asia, which allowed them to achieve healthy gains in occupancy and room rates.

GROUP RESULTS

In the twelve months to 31 December 2012, Group revenue increased by 9% to RM469.572 million from RM429.731 million in the year ended 31 December 2011. The Group's profit before tax for 2012 was RM102.390 million, up 27% from the RM80.838 million recorded in 2011.

Profit attributable to shareholders in 2012 consequently rose by 21% to RM67.329 million, compared with RM55.768 million the previous year. In tandem, earnings per share for the full year improved to 15.30 sen against 12.67 sen in 2011.

At the end of 2012, shareholders' equity was RM868.956 million, an increase of 4% from RM834.627 million at end-2011, attributable to retained profits for the year. With higher equity, our net asset value per share grew to RM1.97 at end-2012 as compared with RM1.90 at end-2011.

The Group's balance sheet and its financial flexibility were further enhanced over the year. Higher cash flows generated from operating activities during 2012 enabled us to reduce net borrowings from RM47.543 million at 31 December 2011 to RM32.449 million at 31 December 2012. Our net gearing level at the end of 2012 decreased to 4% from 6% at year-end 2011, putting the Group in a sound financial position.

DIVIDENDS

Reflecting the good set of results in 2012, your Directors are pleased to propose a final single tier dividend of 7%. Combined with the single tier interim dividend of 3% paid in November 2012, this will make a full-year single tier dividend of 10% for 2012 compared to a total dividend of 9% less tax for the financial year 2011.

The proposed final dividend, if approved by shareholders at the Annual General Meeting of the Company to be held on 20 May 2013, will be paid on 28 June 2013.

PERFORMANCE REVIEW

Shangri-La Hotel Kuala Lumpur achieved a record level of revenue in 2012, bolstered by strong growth in both rooms and food and beverage business. Revenue from the hotel's operations rose by 15% over 2011 to RM185.476 million, and pre-tax profit of RM42.309 million was 31% ahead of last year's profit of RM32.349 million. The hotel's occupancy was 77%, up from 71% the previous year.

Rasa Ria Resort

At Rasa Ria Resort, all of the Garden Wing guestrooms were brought back into operation in May 2012, following the completion of the final phase of the Garden Wing renovation programme. This helped the resort to raise its occupancy to 60% from 56% in 2011, resulting in a 9% increase in overall revenue to RM88.451 million. Meanwhile, pre-tax profit improved from RM10.511 million in 2011 to RM15.688 million.

Rasa Sayang Resort also performed better in 2012, benefiting from stronger leisure demand. Overall, the resort grew revenue by 5% in the year to RM73.925 million, and operating profit was RM16.261 million, 9% above that of RM14.857 million in 2011. Occupancy at the resort moved up to 64% from 60% in 2011.

There was also an improved result from Golden Sands Resorts, supported by a higher occupancy level of 73% in 2012 versus 69% last year. The resort saw revenue rise by 4% to RM54.049 million, with pre-tax profit up 9% to RM14.457 million, compared with RM13.238 million in the prior year.

Elsewhere, Traders Hotel Penang enjoyed healthy growth in business from the corporate sector, which boosted the hotel's occupancy to 86% for 2012. The hotel generated a 4% increase in revenue over 2011 to RM39.286 million, and pre-tax profit grew by 10% to RM7.571 million against RM6.896 million the previous year.

The combined rental revenue from our investment properties in Kuala Lumpur of RM21.522 million for the full year was up 13% on 2011, whilst their combined pre-tax profit rose to RM13.493 million from RM11.728 million last year. Growth reflected a stronger contribution from UBN Tower, largely as a result of higher occupancy levels.

For the year ended 31 December 2012, the Group's share of profits from Traders Hotel Yangon, its 23.53% associate hotel in Myanmar increased to RM1.186 million from RM0.558 million in 2011.

INITIATIVES AND STRATEGIC DEVELOPMENT

Against an increasingly competitive trading environment, we continue to reinforce our market leadership position by focusing on improving the returns and profitability of our existing assets and by investing in marketing, innovation and technology to build on our strong fundamentals, whilst keeping a firm control of operating costs.

Our commitment to enhancing the high standards and quality of our products and services lies at the heart of our strategy. We constantly seek innovative ways of creating quality facilities and services so that we can better meet the needs of our customers and deliver the best customer experience.

CHAIRMAN'S STATEMENT

In May 2012, we successfully completed the phased major renovation of the guestrooms in the Garden Wing at Rasa Ria Resort, which started in March 2011. The newly renovated guestrooms have been very well received and are already achieving higher room rates. We therefore expect the Garden Wing of Rasa Ria Resort to show a much stronger performance in 2013 as the benefits from the renovation programme are delivered.

We have plans underway to undertake a major renovation of the guestrooms at Traders Hotel Penang, as well as to conduct a comprehensive refurbishment of the Garden Wing guestrooms at Rasa Sayang Resort, with a view to providing both hotels with greater scope to maximise their revenue potential and to compete more effectively in their marketplaces. Currently, both the renovation projects are being planned to commence sometime during the second half of 2013.

In March 2013, taking advantage of the significant growth potential in the hotel market in Sabah, we began construction of an extension to the Ocean Wing at Rasa Ria Resort. Expected to complete in late 2014, the extension will feature two additional five-storey blocks of guestrooms with a total of 81 rooms, a spa and an all-day dining outlet. We believe that this major undertaking will greatly strengthen the resort's leadership position in the local market, whilst providing it with a solid foundation for further growth over the long term.

Concurrently, as part of the extension project, a number of improvement works will be carried out to refresh the look and feel of the existing guestrooms in the Ocean Wing, including a revamping of some public areas.


Rasa Ria Resort

CHAIRMAN'S STATEMENT

In 2012, we leveraged on our strong global sales and marketing platform and the strength of our brand both to drive higher market share and business volumes in our major source markets, and to increase market penetration primarily in the new emerging markets that offer attractive growth prospects such as China, India and Russia. At the same time, we worked hard to forge stronger relationships with our key customers and wholesale suppliers, and to nurture new commercial partnerships, while also investing in our sales force capabilities.

Throughout 2012, the combination of a strong marketing programme, a successful rate strategy and a strengthened sales team enabled our hotels to gain further market share, resulting in most of them maintaining or enhancing their leadership positions in their respective markets.

We continue to invest in the development of our workforce to build the capabilities we need for the successful delivery of our strategic objectives as well as to raise employee engagement and productivity. In addition to this, we support a proactive culture of safety among our employees, and endeavor to promote their health and wellbeing through a variety of ongoing wellness programmes and activities.

During the year, we focused on upgrading the quality of individual and organisational performance through our well established management and leadership development programmes, including a wide range of effective skills training and learning initiatives.

With increasing competition and sustained cost pressures, we look to achieve high levels of operating efficiency in all areas of operations by maintaining strong cost discipline and by pursuing cost reduction initiatives. During 2012, we paid close attention to our cost structures particularly in the areas of labour, procurement and in our food and beverage operations. Our ongoing cost-saving programmes and efficiency measures in these areas drove continued operating margin improvements in the majority of our businesses.

We rely extensively on information technology (IT) systems for our operations, and they are a key element of our strategy for sharpening our competitive edge. In the course of 2012, we invested in further upgrades and enhancements to our IT platform and operating systems with more robust technologies to support greater effectiveness and efficiency of our business capabilities and processes.

As we move forward, we are committed to further improving our operational and financial performance and to driving growth and value for our shareholders. Our focused portfolio of high quality assets and significant operational capabilities, supported by our strong balance sheet and brand leadership, place us in a good position to take advantage of opportunities for growth as they arise and to meet the challenges ahead effectively.

CORPORATE HIGHLIGHTS

On 20 March 2013, Standard Chartered Private Equity Limited (StandChart) sold its entire 22.28% stake comprising 98,014,500 shares in the Company to Kuok Brothers Sdn Berhad (KB), a company incorporated in Malaysia, resulting in KB emerging as a new substantial shareholder of the Company.

THE BOARD

Following the divestment by StandChart, Mr Ravinder Singh Grewal stood down as a Director in March 2013, and accordingly, Mr Joseph Patrick Stevens ceased as his alternate director.

We would like to take this opportunity to record our sincere thanks and appreciation to both of them for their contributions to the Group.

OUTLOOK

Though there is still considerable economic uncertainty, we are encouraged by the continuing positive momentum in both the business and leisure travel markets. Our hotel businesses are well positioned to benefit from these trends.

Inevitably, we expect the renovation of the existing Ocean Wing guestrooms together with the new extension project at Rasa Ria Resort, and the planned room enhancement programmes at Traders Hotel Penang and Rasa Sayang Resort to have a dampening effect on the overall business levels and operating performances of the three hotels in 2013.

For our investment properties in Kuala Lumpur, we anticipate that trading conditions in the prime office rental market in Kuala Lumpur will stay broadly steady, which should assist UBN Tower to see some further progress during 2013. However, the performance of UBN Apartments is expected to remain subdued in a lacklustre market.

APPRECIATION

On behalf of the Board, I wish to express my appreciation to all our shareholders for their continued support and encouragement during the year.

I should also like to offer my gratitude to my fellow Board colleagues for their unswerving commitment and guidance. Before I conclude, I want to give special thanks to each and every one of our employees across the Group for their outstanding efforts and for the contributions they made to the Group's success in the past year.

TAN SRI A. RAZAK BIN RAMLI
Chairman
12 April 2013

OPERATIONS REVIEW
Hotels

Shangri-La Hotel Kuala Lumpur *performed strongly in 2012 on the back of robust growth in both rooms and food and beverage business. Revenue improved by 15% to reach RM185.476 million compared to RM161.867 million in 2011, while pre-tax profit surged 31% to RM42.309 million from RM32.349 million the year before.*

In 2012, an effective marketing strategy enabled the hotel to grow its occupancy level from 71% to 77% and increase its average room rate by 9%. This led to an 18% advance in total room revenue to RM86.944 million as against RM73.547 million in 2011, while room profit was up 17% to RM66.730 million from RM56.888 million the previous year.

During the year, the hotel generated an 8% rise in total room night bookings, mainly from the corporate group and individual segments of Australia, the Middle East, the UK and Malaysia. In addition, there was stronger demand from convention business, particularly from the palm oil, pharmaceutical and financial sectors. In the leisure segment, the hotel secured higher room night bookings from Australia, Malaysia and Japan. Meanwhile, special rates packages offered to tour groups boosted business volume for the weekend and holiday seasons, especially from China and Taiwan.

A better average room rate was reported in most market segments, particularly the corporate group and corporate individual segments and the leisure individual segment. The hotel also clinched more high-yield corporate business for its Horizon rooms and premier suites, which helped to push up the average room rate.

The results achieved by the hotel's food and beverage operations were equally encouraging. Total food and beverage revenue climbed 11% to RM91.034 million from RM82.144 million in 2011 and profit advanced by 16% to RM37.082 million from RM31.910 million. The improved results were driven primarily by the hotel's banqueting business, which benefited from higher levels of corporate functions, conventions, weddings and social events. At the same time, attractive promotions together with creative food and beverage concepts successfully drove higher patronage at the outlets from both in-house guests and the local community. Most of the outlets, particularly *Lemon Garden Café, Shang Palace* and *Zipangu,* recorded higher covers and average checks.

In 2012, the hotel again won a series of prestigious awards in recognition of the excellence of its products and service. It was named the country winner in the *Luxury City Hotel (Malaysia)* category for the second consecutive year at the World Luxury Hotel Awards 2012. It was voted one of the *Top 25 Luxury Hotels in Malaysia* by TripAdvisor in its Travelers' Choice Awards 2013. And it was nominated the *Best City Hotel* by Expatriate Lifestyle in its Best of Malaysia Awards 2012.

The focus of the hotel in 2013 is to boost its market share mainly in its key corporate markets of Malaysia, Singapore, Japan and the UK. In addition, it will concentrate on growing the meeting and incentive segments from Malaysia, Singapore, the US and Australia. The hotel will also continue to develop new corporate accounts from Russia and China, and will work towards expanding its higher-yield business for the Horizon rooms and premier suites through tactical promotional packages and aggressive up-selling incentives. Besides this, emphasis will be placed on increasing convention business and meeting and incentive segments, targeting the oil and gas, financial and IT sectors.

In order to further improve and promote its leisure business, the hotel will introduce attractive value-added packages to drive volume from India, Hong Kong and Taiwan. It will also promote more weekend and holiday packages to the Malaysian and Singaporean markets. At the same time, it will concentrate on enhancing room yields through focused and effective rate management strategies.

For the food and beverage business, in 2013 the hotel will introduce new concepts and launch attractive food promotions for its outlets, as well as continuing its joint promotions with major credit card merchants. Meanwhile, it will increase its efforts to promote the Golden Circle Recognition and Frequent Traveller programmes to drive repeat business for the outlets. The hotel will also step up its sales and marketing initiatives to further build the hotel's banqueting and outdoor catering services by securing more high profile conventions, high-rated corporate events, government functions, weddings and social events.

OPERATIONS REVIEW
Hotels

Traders Hotel Penang *delivered better financial results in 2012, largely due to stronger corporate demand and higher average room rates. Total revenue rose by 4% to RM39.286 million compared with RM37.947 million in 2011, while pre-tax profit advanced by 10% to RM7.571 million from RM6.896 million the previous year.*


Rasa Sayang Resort & Spa

During the year, the hotel recorded higher room night bookings mainly from the corporate group segment of Japan, India and Malaysia, and continued to receive robust support from its long stay corporate segment primarily from Japan. At the same time, there was greater demand from the tour segment of Taiwan, China and Indonesia. As a result, the hotel achieved a high room occupancy rate of 86%. It also successfully grew its average room rate by 4% following a rate increase across almost all segments, especially the corporate group and corporate individual segments and the leisure group segment. Room revenue for 2012 was up by 4% to RM27.466 million from RM26.344 million in 2011, and rooms profit gained 5% to RM20.532 million from RM19.613 million.

The hotel's food and beverage revenue improved to RM9.675 million from RM9.573 million in 2011 driven by a strong contribution from the outlets. Most outlets recorded higher covers, particularly the coffee shop, *The Islander.* However, the revenue recorded by the hotel's banqueting business fell, with stiff pricing competition in the market leading to a drop in average checks. Despite this, the performance of the outlets combined with the highly effective cost-saving measures put in place in 2012 enabled the hotel to deliver a 14% increase in food and beverage profit to RM2.168 million from RM1.894 million in 2011.

In 2013, the hotel will maintain its focus on its key corporate markets of Japan, Malaysia and Singapore. In additional, it will seek to source new corporate accounts, especially in the electronics and IT sectors. For the leisure segment, Indonesia will continue to be the main market, though the hotel will also concentrate on promoting its weekend and holiday packages to the tour segment from China and Taiwan. Meanwhile, a more effective rate management strategy has been introduced to maximise room yield especially during periods of peak demand.

At the food and beverage outlets, new dining promotions will be launched to encourage higher patronage, and the hotel will introduce attractive new packages to secure more corporate events and social functions for its banqueting and outdoor catering business. Greater efforts will also be made to enhance customer service levels and streamline operating cost structures so as to boost food and beverage profit.

To stay ahead of competition, the hotel is planning a major renovation programme to upgrade all its guestrooms and some public areas, which is anticipated to begin sometime in the second half of 2013.

OPERATIONS REVIEW
Resorts

Rasa Ria Resort

Rasa Ria Resort *achieved healthy revenue and profit growth in 2012 following the major renovation of all the Garden Wing guestrooms which was completed in May 2012. Total revenue improved by 9% to RM88.451 million from RM81.101 million in 2011, while pre-tax profit surged by 49% to RM15.688 million as against the prior year's RM10.511 million.*

In 2012, the resort increased its occupancy rate to 60% from 56% in 2011 mainly on the back of higher demand from the leisure group and individual segments from the UK, China and Hong Kong. It also secured more room night bookings from the group tour segment of China and Hong Kong. The newly renovated rooms were well received in the market and helped drive the average room rate up by 5%. Higher average room rates were recorded in most market segments, especially the leisure group and the individual and packages segments. Total room revenue climbed 11% to RM50.705 million from RM45.525 million in 2011, and profit rose 12% from RM38.299 million to RM42.828 million.

The increased occupancy level at the resort spurred a better performance by the resort's food and beverage operations. Most of the outlets recorded a rise in covers and average checks, particularly the *Coffee Terrace, Tepi Laut* and *Sampan Bar.* This was partially offset by a decline in banqueting business where a fall in the number of corporate meetings and social events resulted in a drop in covers. Nevertheless, total food and beverage revenue gained 8% to RM28.304 million from RM26.263 million last year, and profit grew 7% to RM9.462 million from RM8.815 million.

Reflecting both its quality and popularity, the resort was voted the best of the *Top 5 Family Resorts in Malaysia* by the 2012 Readers' Choice Survey conducted by the leading Australian-based family travel magazine Holidays with Kids. It was also ranked one of the *Top 25 Hotels in Malaysia* by TripAdvisor in its Travelers' Choice Awards 2013.

To capitalise on growing demand in the Sabah hotel market, in March 2013 the resort embarked on the construction of an extension to the existing Ocean Wing. The extension, which is targeted to complete in late 2014, will provide two additional blocks with a total of 81 guestrooms, an all-day dining outlet and a spa. The project will also involve other enhancement and upgrading works including the refurbishment of the existing Ocean Wing guestrooms and some of its public areas. On completion, this initiative will reinforce the resort's leadership position and will significantly boost its competitiveness and growth prospects.

With the extension project and upgrading works in progress in 2013, the resort will intensify its sales and marketing efforts in order to drive business volumes, particularly for the newly renovated Garden Wing rooms. To this end, it will focus on its key leisure markets of Japan, Australia, Hong Kong and the UK, and will also seek to attract new customers from the emerging China market. At the same time, the resort will work on growing its share of the corporate meeting markets from Malaysia and Singapore, and will forge ahead with improving service levels and implementing cost containment measures across all its operations.

OPERATIONS REVIEW
Resorts

Rasa Sayang Resort *delivered improved results in 2012, driven by higher leisure demand and stronger food and beverage sales. Total revenue was up 5% to RM73.925 million from RM70.636 million in 2011, and operating profit gained 9% to RM16.261 million from the RM14.857 million reported the year before.*

Rasa Sayang Resort & Spa

The resort's occupancy rate advanced to 64% from 60% in 2011 mainly due to increased room night bookings from the leisure group and leisure individual segments of the UK, Australia and Hong Kong. Demand also rose from the meeting and incentive segments from Malaysia and the group tours segment from Japan. Total room revenue climbed 4% to RM45.969 million from RM44.134 million in 2011, while profit gained 2% to RM36.628 million versus RM35.830 million the previous year.

In line with increased occupancy, the resort's food and beverage operations performed well, with most of the outlets, especially the *Spice Market Café, Feringgi Grill* and *Pinang Bar,* recording higher covers and average checks. The resort's banqueting operations, however, saw a fall in covers due to a lower number of corporate meetings and social events. Overall, total food and beverage revenue rose by 5% to RM23.331 million compared to RM22.292 million in 2011, while profit climbed by 9% to RM8.771 million as against the prior year's RM8.074 million.

In 2012, the resort garnered further international accolades. It was voted one of the *Asia's Top 25 Leisure Hotels & Resorts* by the readers of Smart Travel Asia Magazine in its Best in Travel Poll 2012. Meanwhile, its western restaurant, *Feringgi Grill* was listed as one of the *101 Best Hotel Restaurants Around the World* by the Daily Meal, New York.

Moving forward, in 2013 the resort will boost its sales and marketing efforts to build business volumes from its key leisure markets of Australia, the Middle East, Malaysia and the UK. At the same time, it will focus on driving the meeting and incentives segments, particularly from Malaysia, Singapore and Hong Kong. It will also create attractive new deals to step up its share of the packages segment from Hong Kong and Singapore, and will concentrate on improving its market share in emerging markets such as India and China.

In order to grow its banqueting business, the resort will launch new packages with flexible pricing to secure more corporate meetings, weddings and local catering. Similarly, to generate higher business for its outlets, more innovative dining packages and festive food promotions will be introduced.

So as to further enhance its competitive edge, the resort is currently making plans to refurbish and upgrade all the guestrooms in the Garden Wing commencing sometime in the second half of 2013.

OPERATIONS REVIEW
Resorts

A rise in leisure demand in 2012 enabled **Golden Sands Resort** *to boost its total revenue by 4% to RM54.049 million compared with RM52.112 million in 2011. Coupled with improved cost efficiency, this contributed to a 9% rise in pre-tax profit to RM14.457 million from RM13.238 million the year before.*


Golden Sands Resort

Occupancy at the resort increased to 73% in 2012 from 69% the previous year, driven mainly by stronger demand from the leisure group segment of Australia, Hong Kong and Malaysia and higher room night bookings from the Middle Eastern leisure individual segment. The resort achieved a 4% advance in total room revenue to RM36.927 million from RM35.488 million in 2011, while profit also climbed 4% to RM30.262 million in 2012 versus RM29.183 million the prior year.

In tandem with higher occupancy levels, the resort's food and beverage operations reported better results, following an enhanced performance from the outlets on the back of higher covers especially from the coffee shop, *Garden Café* and *Sigi's Bar & Grill.* However, the resort's banqueting business recorded lower covers due to a decline in social events and corporate meetings. Overall, total food and beverage revenue rose 2% to RM14.608 million from RM14.308 million in 2011. With higher revenue and tight control over operating costs, food and beverage profits jumped 25% to RM3.578 million compared to RM2.862 million in 2011.

In 2012, the resort received a *Certificate of Excellence for the Year 2012* from TripAdvisor for achieving a 4-star rating in hospitality excellence. It was also voted the winner in the *Best Family Stay* category by Expatriate Lifestyle in its Best of Malaysia Awards 2012.

For 2013 the resort will focus on generating higher business from its key leisure markets of Australia, the Middle East, Malaysia and the UK, while greater efforts will be put into growing its meeting and incentives segments from Malaysia and Singapore. The resort will also concentrate on expanding its customer base in the emerging markets of India and China. In addition, a more dynamic rate strategy will be adopted to boost room yield, and efforts will be intensified to provide a higher level of service.

To spur further demand for its outlets, the resort will continue to introduce new food and beverage concepts and launch attractive food promotions, while maintaining its strategic partnership with credit card merchants to offer special dining packages for card members. Meanwhile, to drive banqueting business, marketing and promotional activities will seek to secure more high-yield corporate events, weddings and social functions.

OPERATIONS REVIEW
Investment Properties

In 2012, the Group's investment properties recorded improved results, underpinned by a stronger contribution from UBN Tower, which helped to offset lower results from UBN Apartments.

The total combined rental revenue advanced 13% to RM21.522 million compared to RM18.999 million in 2011, and the combined pre-tax profit rose 15% to RM13.493 million from RM11.728 million the previous year.

The leasing market for office space in Kuala Lumpur remained resilient in 2012 despite mounting pressures from newly completed office buildings. During the year, UBN Tower increased its occupancy level from 68% to 79%, due mainly to a new tenancy secured from the Kuok Group of companies which took up 37,953 square feet or 12% of the total lettable office space in April 2012. In addition, an aggressive marketing strategy enabled UBN Tower to secure new tenants for its office space mainly from the oil and gas and financial services sectors. A number of existing tenants also took up additional space needed for their expansion programmes. At the same time, UBN Tower managed to grow its average rental rate by 2%, with higher rates being achieved for both new tenancies and the renewal of existing tenancies. Overall, the total rental revenue at UBN Tower climbed 16% from RM16.459 million to RM19.123 million, while pre-tax profit rose 24% to RM10.500 million from RM8.480 million the year before.

The leasing activities in the high-end apartment market in the Golden Triangle remained challenging in 2012 given both the existing oversupply and the number of new apartments coming onto the market. The situation was further aggravated by weak demand from both expatriates and local residents, as well as increasing pressure on rental rates due to stiff competition. In these difficult conditions, UBN Apartments reported a lower occupancy of 68% compared to 72% in 2011. As a result, total rental revenue declined by 6% to RM2.399 million from RM2.540 million in 2011 and pre-tax profit dropped by 8% to RM2.993 million from RM3.248 million.

To maintain its high quality image and enhance its competitive edge, the food court located on the second floor of UBN Tower was completely upgraded during 2012 and the response from tenants was encouraging. The two year programme which started in December 2012 to upgrade and modernise all the 19 lifts in UBN Tower is progressing well. By the end of 2013, 17 out of the 19 lifts are expected to have been completed, and full completion is anticipated by January 2014.

Trading conditions in the office rental market in Kuala Lumpur are likely to remain stable in 2013, which should enable UBN Tower to deliver further progress. However, trading conditions in the leasing market for high-end apartments will remain weak, with occupancy and rental rates facing continued downward pressure as more new apartments enter the market, outpacing demand.

In 2013, strategic marketing initiatives will be stepped up to boost occupancy levels and rental yields, and strong relationships will be maintained with existing tenants. At the same time, the two properties will focus on enhancing operating efficiency, providing higher quality of service to tenants and improving building maintenance and security standards.

CORPORATE STRUCTURE

SHANGRI-LA HOTELS (MALAYSIA) BERHAD

Hotels & Resorts

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

Investment Properties

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

Investment Holding & Others

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

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

FINANCIAL CALENDAR

Year 2013

27 February
Announcement of Audited Consolidated Results for the 4th Quarter and Financial Year ended 31.12.2012

26 April
Issue of 2012 Annual Report

20 May
2013 Annual General Meeting to be held

20 May
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2013

3 June
Entitlement Date for the proposed 2012 Final Dividend

28 June
Payment Date for the proposed 2012 Final Dividend

Year 2012

18 May
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2012

17 August
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2012

23 October
2012 Interim Dividend Entitlement Date

8 November
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2012

14 November
2012 Interim Dividend Payment Date

31 December
Financial Year End

CORPORATE DATA

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Datin Rozina Mohd Amin
Executive Director

Dato' Haris Onn bin Hussein*

Dato' Seri Ismail Farouk Abdullah*

Dato' Khoo Eng Min

Datuk Supperamaniam a/l Manickam*

Dato' Dr Tan Tat Wai*

Tan Yew Jin

*Independent Non-Executive Directors

AUDIT COMMITTEE

Dato' Seri Ismail Farouk Abdullah
Chairman

Datuk Supperamaniam a/l Manickam

Tan Yew Jin

POLICY IMPLEMENTATION COMMITTEE - *HOTELS & RESORTS*

Kuok Oon Kwong
Chairman

Datin Rozina Mohd Amin

NOMINATION & REMUNERATION COMMITTEE

Dato' Dr Tan Tat Wai
Chairman

Dato' Seri Ismail Farouk Abdullah

Datuk Supperamaniam a/l Manickam

COMPANY SECRETARY

Datin Rozina Mohd Amin

REGISTERED OFFICE

13th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur
Tel : (+60-3) 2026 1018
Fax : (+60-3) 2026 1068
Website : www.shangri-la.com

AUDITORS

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

SHARE REGISTRAR

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

SOLICITORS

Puthucheary
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 and Lafarge Malayan Cement Berhad. He is also a board member of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong MSIG 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 four Board meetings held in 2012. Age 64.

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, Chairman/President of Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc., 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 and previously served as a non-executive Director of Shangri-La Asia Limited, Hong Kong. Madam Kuok is an Advocate and Solicitor (Barrister-at-Law) of Gray's Inn, London.

Madam Kuok has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all four Board meetings held in 2012. Age 66.

PROFILE OF BOARD OF DIRECTORS

DATIN ROZINA MOHD AMIN

Executive Director

MALAYSIAN, NON-INDEPENDENT EXECUTIVE DIRECTOR

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

Datin Rozina Mohd Amin has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all four Board meetings held in 2012. Age 53.

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.

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 three out of four Board meetings held in 2012. Age 46.

PROFILE OF BOARD OF DIRECTORS

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 four Board meetings held in 2012. Age 67.

DATO' KHOO ENG MIN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' 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.

Dato' 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 three out of four Board meetings held in 2012. Age 71.

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, Fellow member of the Certified Public Accountants, Australia as well as a Fellow member 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 four Board meetings held in 2012. Age 71.

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 now serves as a resource person and consultant to meetings, workshops and conferences organised by United Nations Agencies, regional and international organisations and foreign governments. He has also been appointed to serve as a member on several committees of the Government on Globalisation issues especially those relating to trade policy and negotiations. Currently, he is a Distinguished Fellow at the Institute of Strategic and International Studies (ISIS) Malaysia, a Visiting Professor of Macao University of Science and Technology (Faculty of Law) and also serves as an Adjunct Professor to the International Islamic University of Malaysia and Management & Science University (MSU) Kuala Lumpur. He was also the Advisor to the Federation of Malaysian Manufacturers on Trade Policy, WTO and Free Trade Agreement (FTA) Negotiations. He also sits on the board of Panasonic Manufacturing Malaysia Berhad.

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all four Board meetings held in 2012. Age 68.

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 Malaysia, 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 represented Malaysia as a member of the APEC Business Advisory Council (ABAC) and the Council of Wawasan Open University. He is the President of Hospital Lam Wah Ee, Penang. Dato' Dr Tan is currently the Group Managing Director of Southern Steel Berhad and also sits on the boards of Malayan Banking Berhad, Mayban Trustees Berhad and NSL 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 four Board meetings held in 2012. Age 66.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

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

THE BOARD

Board Structure and Effectiveness

The Board of Directors is currently made up of nine members, comprising seven non-executive directors and two executive directors.

The Company announced that Mr Ravinder Singh Grewal stepped down from the Board on 25 March 2013 following the sale by Standard Chartered Private Equity Limited of its entire 22.28% shareholding in the Company. Accordingly, Mr Joseph Patrick Stevens ceased to be his alternate director on the same date. The names and biographical details of each director in office at the date of this statement appear on pages 25 to 28.

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

The Board comprises a diverse membership providing the necessary range of capabilities and perspectives to take the Company forward. In addition, there are currently two women on the Board, who make up 22% of the Board, reflecting the Company's commitment to gender diversity not only within its Board of Directors but at all levels throughout the Group.

Every year, the Board undertakes an assessment of its own performance and that of its committees and individual directors, with a view to enhancing the effectiveness and performance of the Board and its members. In 2012, the review process indicated that the Board and its committees are fulfilling their roles effectively, with good engagement, performance, contribution and time commitment from all members.

Board Independence

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

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

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

The NRC and the Board have conducted their annual assessment of the independence of the four non-executive directors and have determined that each of them remains independent in character and judgement and that all are free of any relationship that might compromise their ability to exercise independent judgement. Further, the Company continues to benefit significantly from the expertise and skills they bring to their roles.

Specifically, the NRC and the Board considered that Dato' Dr Tan Tat Wai and Dato' Seri Ismail Farouk Abdullah who have both served on the Board for more than nine years continue to demonstrate impartiality and objective judgement in the Board's deliberations in the best interests of the Company and its shareholders.

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

STATEMENT ON CORPORATE GOVERNANCE

Re-election of Directors

Under the Company's Articles of Association, all directors seek re-election at the first annual general meeting (AGM) following their appointment. The Articles also require one-third of the directors to retire by rotation each year and each director to seek re-election by the shareholders at the AGM at least once every three years. In accordance with section 129(6) of the Companies Act, 1965, directors of the Company over the age of 70 must submit themselves for re-appointment on an annual basis.

The names of the directors of the Company who are seeking re-election or re-appointment at the 42nd AGM of the Company to be held on 20 May 2013 are set out in the Notice of AGM.

Board Meetings

The Board meets on a quarterly basis, and supplementary meetings are held as and when necessary. A total of four Board meetings were held in 2012 and the attendance of the directors for each meeting is shown in the table below. There are a number of committee meetings between Board meetings and these are normally fully attended.

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

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

MEETING ATTENDANCE AT BOARD MEETINGS DURING THE YEAR ENDED 31 DECEMBER 2012

NAME	BOARD ATTENDANCE
Tan Sri A. Razak bin Ramli	4/4
Kuok Oon Kwong	4/4
Datin Rozina Mohd Amin	4/4
Dato' Haris Onn bin Hussein[1]	3/4
Dato' Seri Ismail Farouk Abdullah	4/4
Dato' Khoo Eng Min[2]	3/4
Datuk Supperamaniam a/l Manickam	4/4
Dato' Dr Tan Tat Wai	4/4
Tan Yew Jin	4/4
Ravinder Singh Grewal Sarbjit S[3]	4/4

[1] Due to a prior business commitment which could not be re-scheduled, Dato' Haris Onn bin Hussein was unable to attend one Board meeting.

[2] Due to circumstances beyond his control, Dato' Khoo Eng Min was unable to attend one Board meeting.

[3] Ravinder Singh Grewal resigned as a Director with effect from 25 March 2013.

STATEMENT ON CORPORATE GOVERNANCE

Board Support and Information

The Company seeks to ensure that the Board is supplied with complete, accurate and timely information to enable it to discharge its responsibilities fully and efficiently. Directors are kept informed of progress on matters between Board meetings and of the latest issues affecting the Group. The Board is also updated regularly on relevant legislative and regulatory developments, as well as changes to accounting and corporate governance standards. The Group has a comprehensive system for reporting financial results to the Board.

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

Board Development and Induction for new Directors

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

In 2012, a full day in-house training programme was organised for the directors covering a broad range of topics including an outline of the key recommendations of the 2012 Code on governance structure and processes, together with an overview of the impact of new legislation concerning minimum wages and minimum retirement age.

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

Board Committees

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

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

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

2. POLICY IMPLEMENTATION COMMITTEE (PIC)
   The PIC consists of the two executive directors under the chairmanship of the Managing Director and met on 15 occasions during 2012. The Committee oversees the overall strategic development and operational management and activities of the Group's hotel businesses. The respective general managers together with senior management attend the meetings to report on business performance, operational issues and project developments.

STATEMENT ON CORPORATE GOVERNANCE

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

   The NRC is responsible for reviewing the balance, size and composition of the Board and its committees, having regard to the required blend of skills, experience, independence and diversity to ensure they operate effectively.

   It makes recommendations to the Board concerning all appointments to the Board and Board committees, and is also responsible for considering and recommending the overall remuneration framework for the executive directors.

Board Remuneration

The Company's general policy on the remuneration of executive directors is to offer competitive remuneration packages, which are designed to attract and retain high calibre executives, and to motivate the highest performance. The NRC advises the Board on the overall remuneration policy for the executive directors.

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

The non-executive directors of the Company are paid an annual fixed fee for serving on the Board, which is determined by the Board as a whole, subject to shareholders' approval at the AGM. No director is involved in deciding his or her own remuneration. The aggregate remuneration of the directors of the Company categorised into the appropriate components and analysed into bands of RM50,000 for the year ended 31 December 2012 is set out below.

CATEGORY	FEES & ALLOWANCES (RM)	SALARIES & BONUS (RM)	BENEFITS-IN-KIND (RM)
Executive directors	-	1,793,750	27,550
Non-executive directors	338,000	-	-
Total	**338,000**	**1,793,750**	**27,550**

AMOUNT OF REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Below RM50,000	-	7
RM50,001 to RM100,000	-	1
RM100,001 to RM800,000	-	-
RM800,001 to RM850,000	1	-
RM850,001 to RM900,000	-	-
RM900,001 to RM950,000	-	-
RM950,001 to RM1,000,000	1	-

STATEMENT ON CORPORATE GOVERNANCE

RELATIONS WITH SHAREHOLDERS

The Board is committed to ensuring the accurate and timely disclosure of information to all shareholders. The Company keeps shareholders abreast of the overall financial performance and the future developments of the Group by way of the annual report and accounts, quarterly announcements of results made through Bursa Malaysia, press releases and circulars to shareholders.

It also holds meetings with institutional investors and financial analysts on a regular basis each year to discuss matters relating to the Group's performance, business activities and growth plans and to respond to any queries they may have.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of results, the Board seeks to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit Committee assists the Board in ensuring the reliability and integrity of the accounting and financial reporting process of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval. A statement of the directors' responsibilities for preparing the financial statements is set out on page 49.

Risk Management and Internal Control

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

It has established an ongoing process for identifying, evaluating and managing the significant business risks of the Group. The Group's system of risk management and internal control is described in more detail in the statement on risk management and internal control on pages 35 to 37.

Relationship with Auditors

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

This statement is made in accordance with a resolution of the Board of Directors dated 10 April 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

Each of the Group's operating business units is accountable for identifying and documenting its major risks, and assessing their potential impact and likelihood of occurrence, together with the mitigating controls that would need to be implemented to manage those risks. Action plans are developed and monitored continuously to ensure compliance, and these plans are regularly reviewed by the Audit Committee and the Board. The Group's risk profile is updated periodically to reflect the changing business environment and to enable the implementation of control strategies to manage new risks on a timely basis.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

- **Organisation structure with clearly defined lines of responsibility and delegated authority**
  The Group has in place an organisation structure with key responsibilities clearly defined for the Board, the Board committees and the executive management of the Group's major operating units.

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

- **Documented internal policies and procedures**
  Key policies and control procedures regulating financial and operating activities are clearly documented in manuals for the hotel operating units. Compliance with the controls set out in the manuals is monitored by monthly self assessment reports from the finance heads of each operating unit and by a rolling programme of internal audit reviews. These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve any operational deficiencies.

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Employee competency**
  To enhance employee competencies and proficiencies, the Group undertakes continuous training and development. The Group also places great emphasis on communicating information relating to business plans and performance to employees so as to encourage participation and to create awareness of the financial and economic factors affecting the Group. This is achieved through established communication channels between executive management and employees, ad-hoc briefings and periodic in-house publications.

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

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

  The Audit Committee of the Board is assisted by the IAD of the Company's ultimate holding company. The role of the IAD is to perform independent reviews and to monitor and ensure compliance with the Group's policies, procedures and systems of internal control.

  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.

In 2012, no material losses requiring mention in the Annual Report were incurred arising from weaknesses in internal control identified during the year.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

This statement is made in accordance with a resolution of the Board of Directors dated 10 April 2013.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

The Board has delegated to the Audit Committee (AC) responsibility for overseeing financial reporting, for the internal risk management and control functions, and for making recommendations to the Board in relation to the appointment of the Company's internal and external auditors. In line with its terms of reference, the duties and responsibilities of the AC include:

- Monitoring the integrity of the Group's financial statements and any announcements relating to the Group's financial results, and reviewing significant financial reporting judgments and accounting policies before they are submitted to the Board for approval;
- Reviewing the Group's internal financial controls and risk management system;
- Monitoring and reviewing the role and effectiveness of the Group's internal audit function; and
- Overseeing the Company's relationship with the external auditor, including reviewing and monitoring its objectivity and independence.

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

COMPOSITION OF THE COMMITTEE

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

The AC held four meetings in 2012 and there was full attendance at all four meetings. The executive directors, the Group Regional Financial Controller, the Group Finance Manager, the Director of Corporate Internal Audit and representatives of the external auditor are normally invited to attend meetings. The Chairman of the AC reports the outcome of the meetings together with its recommendations to the full Board on a quarterly basis.

The attendance of each member at the AC meetings held in the year ended 31 December 2012 is shown in the table below.

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

AUDIT COMMITTEE REPORT

ACTIVITIES DURING THE YEAR

The main activities of the AC in 2012 are set out below. The AC:

- Reviewed the quarterly and annual results announcements;
- Considered the critical accounting policies and practices, and reviewed the significant accounting issues and key areas of judgement in connection with the preparation of the Group's financial statements;
- Reviewed the external auditor's audit strategy plan and its report on its review and audit of the Group's annual financial statements;
- Reviewed the terms of engagement of the external auditor and its effectiveness at the end of the audit process, including the objectivity and independence of the external auditor;
- Assessed the scope and effectiveness of the systems established to identify, evaluate, manage and monitor key financial and non-financial risks;
- Monitored the integrity of the Group's internal financial controls with reference to regular detailed reports from the Director of Corporate Internal Audit on the management of key risks and control issues across all business areas; and
- Monitored and reviewed the plans, work and effectiveness of the internal audit function, including actions taken to address any weaknesses or failures in internal controls.

EXTERNAL AUDITOR

In reviewing the independence of the external auditor, the AC considered a number of factors, including, the experience and tenure of the external auditor; the nature and level of the services provided by the external auditor; and the external auditor's written confirmation that it has remained independent in accordance with relevant professional and regulatory requirements. The AC has established a policy on the engagement of the external auditor to supply non-audit services, the implementation of which it monitors.

Based on the review process conducted in 2012, the AC recommended to the Board that the external auditor be re-appointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2013 the re-appointment of the external auditor for a period of one year.

INTERNAL AUDIT FUNCTION

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

For the financial year ended 31 December 2012, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM59,300.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE OF THE COMMITTEE

1. Membership

1.1 The members of the AC shall be appointed by the Board and shall consist of not less than three members, the majority of whom shall be independent non-executive directors in accordance with the definition provided under Paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). If membership for any reason falls below three members, the Board of Directors shall, within one month of that event, appoint such number of new members as may be required to fulfil the minimum requirement.

1.2 No alternate directors shall be appointed to the AC.

1.3 At least one member of the AC must be a member of the Malaysian Institute of Accountants or a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

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

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

2. Meetings

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

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

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

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

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

3. Authority

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

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

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

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

d. Have direct communication with the external auditors and members of the IAD who carry out the internal audit function of the Group; and

e. Be able to engage independent professional advisers or to secure the attendance of outsiders with relevant experience and expertise at the Company's expense, if the AC considers this necessary.

AUDIT COMMITTEE REPORT

4. Functions & Duties

The AC shall carry out the following functions and duties:

a. Review the external audit plan and scope of work before the audit commences.

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

c. Review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review will focus primarily on:

- Any changes in or implementation of major accounting policies and practices;
- Significant and unusual events;
- Significant adjustments arising from the audit;
- Going concern assumptions; and
- Compliance with accounting standards and regulatory requirements.

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

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

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

g. Review appraisals or assessments of the performance of the staff members of the internal audit function.

h. Approve the appointment and/or termination of the 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 members with an opportunity to submit their reasons for resigning.

j. Direct any special investigations to be carried out by the IAD.

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

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

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

n. Review any related party transactions and conflicts of interest that may arise within the Company or the Group including any transactions, procedures or conduct that raise questions of management integrity.

o. Where the AC is of the view that a matter it has reported to the Board of Directors has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia, to promptly report the matter to Bursa Malaysia.

p. Perform other duties as directed by the Board of Directors.

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 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. Each of our hotel properties follows an Environmental Management System (EMS) Manual, which helps to identify and address the immediate and long-term impact of the hotel's operations on its local environment.

ISO 14001 Environmental Management System

Our hotels have made considerable strides over the past years in 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.

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 the use of LPG to natural gas for all boilers and 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.

To further enhance energy efficiencies, all of our hotels have installed guestroom electronic control systems, as well as high efficiency lighting in guestrooms and certain public areas.

Several measures have been introduced to reduce water usage such as the installation of water-saving flush systems and other 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 improvement.

CORPORATE SOCIAL RESPONSIBILITY

Shangri-La Hotel Kuala Lumpur and Rasa Sayang Resort were honoured with the ASEAN Green Hotel Award for 2012. This award is given to hotels that are environmentally friendly and adopt energy conservation measures based on the 11 criteria and 25 requirements of the ASEAN Green Hotel Standard. The criteria are:

- Environmental policy and hotel operation activities
- Use of green products
- Cooperation with local community and organisations
- Human resources development
- Solid waste management
- Energy efficiency
- Water efficiency
- Indoor and outdoor air quality management
- Noise pollution control
- Waste water treatment and management
- Management of toxic and chemical waste disposal

Rasa Sayang Resort was recently named winner in the “Best Sustainable Hotel for Malaysia” category of the Asia Pacific Hotel Awards 2013-2014 at the International Hotel Awards, UK for its environmental and sustainability practices.

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 via a number of segregation and recycling programmes with various partners. Increased efforts are also being made to ensure that the majority of cleaning materials used by our hotels are biodegradable. In addition, all our hotels use recycled paper for the printing of guestroom collaterals.

In 2011, Rasa Sayang Resort and Golden Sands Resort in Penang and Rasa Ria Resort in Sabah installed a water purification system, which now enables the three resorts to bottle their own drinking water in recyclable glass bottles. This is more sustainable and reduces plastic bottle waste while creating a more eco-friendly environment.

The group’s 18-hole Dalit Bay golf course in Pantai Dalit, Sabah is fully irrigated by recycled treated waste water from the sewage treatment plant at the property.

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 2012, another orangutan was 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 38 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. Complementing these, a treetop canopy walkway was completed in 2009 and has been well received by visitors and the local community.

CORPORATE SOCIAL RESPONSIBILITY

Conservation and Biodiversity (cont'd)
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, local communities and students from all around Sabah. In 2012, there were 43,486 visitors, bringing the total number to 326,247 visitors since the nature reserve opened in 1996.

Golden Sands Resort continued with its *Save the River Campaign in Batu Feringgi,* with school students visiting the resort's in-house research and development centre to learn more about EM (Effective Microorganism) biotechnology, more commonly known as mud balls.

In support of the Turtle Conservation Centre managed by the Penang State Fisheries Department, Rasa Sayang Resort's *Turtle Conservation Programme* raises funds for the Centre through the sale of specially designed merchandise to hotel guests and the local community. The merchandise includes t-shirts, fridge magnets and soft toys using a turtle motif.

The proceeds 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 embraces diversity and 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 potential and capabilities within the organisation. The Group supports and encourages internal promotion.

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 four core development programmes for managerial employees with high potential, namely the corporate service executive trainee programme, the corporate executive trainee programme, the corporate management trainee programme and the corporate trainee programme.

CORPORATE SOCIAL RESPONSIBILITY

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 2012, a total of 50 employees from the Group's hotels and resorts attended the Academy.

To increase the employment opportunities of people with disabilities (PWDs), the Group helps PWDs to cultivate specialised skills during their employment. The Group's target is for 2% of each hotel's staff to be PWDs, working in various divisions. In 2011, Rasa Ria Resort received a Gold Award from the Social Security Organisation (SOCSO) for its initiative in employing PWDs under the Return to Work programme.

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 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 on managing food safety risks under the stringent Shangri-La Food Safety Management System (SFSMS).

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

More significantly, four 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, Rasa Ria Resort in January 2009, and Golden Sands Resort in December 2010. HACCP is a global food safety standard system and is one of the most sought-after accreditations in the hospitality industry. Rasa Sayang Resort was the first hotel in Penang to attain this certification and Traders Hotel Penang is working towards obtaining HACCP certification.

OHSAS 18001 Occupational Health and Safety Management System

Following the lead of Shangri-La Hotel Kuala Lumpur in achieving OHSAS 18001 certification in 2006, Rasa Ria Resort, Rasa Sayang Resort and Golden Sands Resort successfully obtained OHSAS 18001 certification in 2011, reflecting their commitment to maintaining and improving a safe and healthy work environment. OHSAS 18001 is an international occupational health and safety management system which helps organisations to control and manage the health and safety risks associated with their business activities.

CORPORATE SOCIAL RESPONSIBILITY

THE COMMUNITY

We are conscious of our responsibility to act as a good corporate citizen and encourage our hotels to engage with local communities in their areas of operation. Shangri-La's *Care for People Project "Embrace"* aims to build, strengthen and sustain local communities through various specific education and health projects.

Our hotels provide not only positive economic benefits through employment opportunities but also significant training support for developing the capabilities of many locals so as to groom them for senior roles.

All the Group hotels provide practical training 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 supports the *Young Enterprise Programme,* a joint initiative with the American Chamber of Commerce to assist 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 local communities through the active involvement of our employees in beach-cleaning, visits to hospitals, orphanages, homes for old folk 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.

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 are sold by the hotel as part of its *Turtle Conservation Programme.*

For many years, Shangri-La Hotel Kuala Lumpur's annual fundraising initiative, the *Save-A-Life-Charity Project* has benefited many less fortunate children from all over Malaysia who are in urgent need of critical life-saving medical treatments and artificial limbs.

Our hotels in Penang, namely Rasa Sayang Resort, Golden Sands Resort and Traders Hotel Penang, continued the meal sponsorship programme initiated in 2009 for the Lighthouse Community Service Centre on a monthly basis, and have also committed to carry on the sponsorship in 2013. The three hotels take turns to prepare the meals. The Lighthouse Centre is a charitable organisation which is dependent on public donations and sponsorship to provide meals in addition to basic bathroom and laundry facilities for the poor and homeless. The Lighthouse Centre currently feeds an average of 120 people a day.

In addition, Traders Hotel Penang is extending its support to the Learning Centre of the Lighthouse, where underprivileged children and young adults seeking shelter at the Lighthouse are provided with guidance on their school work, as well as some vocational skills training.

CORPORATE SOCIAL RESPONSIBILITY

In 2012, Rasa Ria Resort adopted SMK Sri Nangka, a secondary school in Tuaran with about 800 students living mainly in fishing villages within the Tuaran District, and SMK Tamparuli Pendidikan Khas, a secondary school for students with learning disabilities established in 2005. A comprehensive programme has been drawn up for the underprivileged students of both schools, aimed at creating a more conducive and healthy learning environment.

In respect of SMK Sri Nangka, for 2012 Rasa Ria Resort sponsored 20 underprivileged students for a daily meal during their recess break. 77 students benefited from books sponsorship, 15 students were rewarded with book vouchers for excelling in their school examinations and four students received scholarships to pursue a college education relating to the hospitality industry in Kota Kinabalu. Meanwhile, in 2012, two students from SMK Tamparuli Pendidikan Khas were selected to participate in training at the resort during a term break.

In addition to these initiatives, the Group makes corporate donations to national fundraising campaigns for emergency relief for the victims of natural disasters.

SUPPLY CHAIN

We acknowledge that many social and environmental impacts derive 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. Adherence to CSR guidelines is monitored through both 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.

CORPORATE SOCIAL RESPONSIBILITY

EXTERNAL RECOGNITION

SHANGRI-LA HOTEL KUALA LUMPUR
- ASEAN Green Hotel Award 2012
- Human Resources Development (Service Sector) 2011 Human Resources Minister Award
- ASEAN Green Hotel Award 2010
- Prime Minister's CSR Awards 2009 (Environment Category)
- ASEAN Green Hotel Award 2008-2009
- Human Resources Development (Service Sector) 2004 Human Resources Minister 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
- Best Sustainable Hotel for Malaysia, Asia Pacific Hotel Awards 2013-2014, International Hotel Awards, UK
- ASEAN Green Hotel Award 2012
- ASEAN Green Hotel Award 2010
- ASEAN Green Hotel Award 2008-2009
- 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
- ASEAN Green Hotel Award 2010
- Prime Minister's Hibiscus Award 2000/2001 for Notable Achievement in Environmental Performance

TRADERS HOTEL PENANG
- Human Resource Development (Service Sector) 2008 Human Resources Minister 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 2012 amounted to RM181,171. The majority of the payment was made to KPMG Tax Services Sdn Bhd for the filing of tax returns for the Company and its subsidiaries, including services rendered for the application process in respect of obtaining approval from the Malaysian Investment Development Authority (MIDA) for Investment Tax Allowance for a subsidiary of the Group.

	RM
KPMG	**27,000**
KPMG Tax Services Sdn Bhd	**154,171**
Total	**181,171**

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 2012, 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 2012

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 2012 on pages 61 to 116, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

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

FINANCIAL STATEMENTS
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DIRECTORS' REPORT
for the year ended 31 December 2012

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 2012.

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	67,329	41,361
Minority interests	4,708	-
	72,037	41,361

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 6% less tax at 25% totalling RM19,800,000 in respect of the year ended 31 December 2011 on 28 June 2012; and
ii) an interim single tier dividend of 3% per ordinary share totalling RM13,200,000 in respect of the year ended 31 December 2012 on 14 November 2012.

The Board has proposed a final single tier dividend of 7% per ordinary share totalling RM30,800,000 for the financial year ended 31 December 2012. 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 20 May 2013. 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 2013.

DIRECTORS' REPORT
for the year ended 31 December 2012

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
Datin Rozina Mohd Amin	Executive Director
Dato' Haris Onn bin Hussein	
Dato' Seri Ismail Farouk Abdullah	
Dato' Khoo Eng Min	
Ravinder Singh Grewal Sarbjit S	
Datuk Supperamaniam a/l Manickam	
Dato' Dr Tan Tat Wai	
Tan Yew Jin	

ALTERNATE DIRECTOR

Joseph Patrick Stevens	Alternate Director to Ravinder Singh Grewal Sarbjit S

In accordance with Article 95 of the Company's Articles of Association, Tan Sri A. Razak bin Ramli, Datuk Supperamaniam a/l Manickam and Mr Ravinder Singh Grewal Sarbjit S retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Dato' Khoo Eng Min and Mr Tan Yew Jin, who have attained the age of seventy (70) years, retire in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves 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 2012

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 interests 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:

	As at 1.1.2012	Acquired	(Disposed)	As at 31.12.2012
THE COMPANY	Number of Ordinary Shares of RM1.00 each			
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	-	-	-	-
Kuok Oon Kwong	-	-	-	-
Datin Rozina Mohd Amin	-	-	-	-
Dato' Haris Onn bin Hussein	-	-	-	-
Dato' Seri Ismail Farouk Abdullah	200,000	-	-	200,000
Dato' Khoo Eng Min - own	5,000	-	-	5,000
- others	9,000(1)	-	-	9,000(1)
Ravinder Singh Grewal Sarbjit S	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato' Dr Tan Tat Wai	-	-	-	-
Tan Yew Jin	5,000	-	-	5,000
Joseph Patrick Stevens	-	-	-	-
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	-	-	10,000
Tan Yew Jin	20,000	-	-	20,000
RELATED CORPORATION				
SHANGRI-LA ASIA LIMITED ("SAL") - ULTIMATE HOLDING COMPANY	Number of Ordinary Shares of HKD1.00 each			
DIRECT INTERESTS IN SAL				
Tan Sri A. Razak bin Ramli	-	-	-	-
Kuok Oon Kwong - own	182,938	-	-	182,938
- others	231,124(1)	-	-	231,124(1)
Datin Rozina Mohd Amin	-	-	-	-
Dato' Haris Onn bin Hussein	-	-	-	-
Dato' Seri Ismail Farouk Abdullah	-	-	-	-
Dato' Khoo Eng Min	-	-	-	-
Ravinder Singh Grewal Sarbjit S	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato' Dr Tan Tat Wai	-	-	-	-
Tan Yew Jin	120,856	-	-	120,856
Joseph Patrick Stevens	-	-	-	-
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	170,768	-	-	170,768

NOTE(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 2012

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 1.1.2012	Granted	Exercised	As at 31.12.2012
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
Datin 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 2012, 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 2012

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 financial effects of transition to Malaysian Financial Reporting Standards as disclosed in Note 29 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

DIRECTORS' REPORT
for the year ended 31 December 2012

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,
27 February 2013

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 61 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The Company has provided an additional information of the breakdown on Realised and Unrealised Profits/Losses in Note 30 to the financial statements for the year ended 31 December 2012 in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
27 February 2013

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 61 to 116 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 27 February 2013.

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 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 61 to 115.

Directors' Responsibility for the Financial Statements

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

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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Chong Dee Shiang
Approval Number: 2782/09/14(J)
Chartered Accountant

Petaling Jaya, Selangor
27 February 2013

BALANCE SHEETS
as at 31 December 2012

	Note	GROUP			COMPANY		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	3	**730,885**	731,059	745,351	**100,594**	106,278	112,383
Investment properties	4	**269,280**	266,899	266,846	**-**	-	-
Investments in subsidiaries	5	**-**	-	-	**459,188**	459,188	459,188
Interests in associates	6	**50,726**	16,723	10,291	**-**	-	-
Property development expenditure	7	**12,286**	12,286	12,240	**-**	-	-
Deferred tax assets	14	**2,142**	5,587	9,761	**2,142**	5,368	7,553
		1,065,319	1,032,554	1,044,489	**561,924**	570,834	579,124
Current assets							
Inventories	8	**8,911**	8,809	8,754	**1,077**	989	1,061
Trade and other receivables, prepayments and deposits	9	**29,138**	23,938	24,796	**215,260**	205,044	191,943
Tax recoverable	9	**1,061**	1,765	3,246	**1,027**	1,027	913
Cash and cash equivalents	10	**27,605**	21,655	17,200	**10,749**	9,626	4,323
		66,715	56,167	53,996	**228,113**	216,686	198,240
Total assets		**1,132,034**	1,088,721	1,098,485	**790,037**	787,520	777,364
EQUITY							
Share capital	11	**440,000**	440,000	440,000	**440,000**	440,000	440,000
Reserves		**428,956**	394,627	368,559	**271,714**	263,353	262,783
Total equity attributable to shareholders of the Company		**868,956**	834,627	808,559	**711,714**	703,353	702,783
Minority interests		**86,563**	82,855	79,932	**-**	-	-
Total equity		**955,519**	917,482	888,491	**711,714**	703,353	702,783
LIABILITIES							
Non-current liabilities							
Long-term borrowings	12	**-**	5,306	46,258	**-**	-	-
Retirement benefits	13	**14,694**	13,404	12,878	**471**	380	304
Deferred tax liabilities	14	**15,646**	11,997	8,559	**-**	-	-
		30,340	30,707	67,695	**471**	380	304
Current liabilities							
Trade and other payables	15	**83,042**	75,887	81,414	**70,652**	77,487	70,277
Short-term borrowings	12	**60,054**	63,892	59,952	**7,200**	6,300	4,000
Current tax liabilities		**3,079**	753	933	**-**	-	-
		146,175	140,532	142,299	**77,852**	83,787	74,277
Total liabilities		**176,515**	171,239	209,994	**78,323**	84,167	74,581
Total equity and liabilities		**1,132,034**	1,088,721	1,098,485	**790,037**	787,520	777,364

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

INCOME STATEMENTS
for the year ended 31 December 2012

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Revenue	16	**469,572**	429,731	**112,795**	95,058
Operating profit	16	**102,680**	82,890	**51,077**	35,732
Interest income	17	**444**	408	**302**	307
Interest expense	18	**(1,920)**	(3,018)	**(1,667)**	(2,050)
Share of results of an associated company		**1,186**	558	**-**	-
Profit before tax		**102,390**	80,838	**49,712**	33,989
Tax expense	20	**(30,353)**	(21,307)	**(8,351)**	(3,719)
Profit for the year		**72,037**	59,531	**41,361**	30,270
Attributable to:					
Shareholders of the Company		**67,329**	55,768	**41,361**	30,270
Minority interests		**4,708**	3,763	**-**	-
Profit for the year		**72,037**	59,531	**41,361**	30,270
Basic earnings per ordinary share (sen):	21	**15.30**	12.67		

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Profit for the year	**72,037**	59,531	**41,361**	30,270
Other comprehensive income for the year	**-**	-	**-**	-
Total comprehensive income for the year	**72,037**	59,531	**41,361**	30,270
Attributable to:				
Shareholders of the Company	**67,329**	55,768	**41,361**	30,270
Minority interests	**4,708**	3,763	**-**	-
Total comprehensive income for the year	**72,037**	59,531	**41,361**	30,270

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Note	Attributable to shareholders of the Company: Non-distributable: Share capital RM'000	Non-distributable: Share premium RM'000	Distributable: 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 2011		440,000	104,501	264,058	808,559	79,932	888,491
Profit for the year		-	-	55,768	55,768	3,763	59,531
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	55,768	55,768	3,763	59,531
Dividends to shareholders	22	-	-	(29,700)	(29,700)	-	(29,700)
Dividend to minority shareholder of a subsidiary		-	-	-	-	(840)	(840)
At 31 December 2011/1 January 2012		**440,000**	**104,501**	**290,126**	**834,627**	**82,855**	**917,482**
Profit for the year		**-**	**-**	**67,329**	**67,329**	**4,708**	**72,037**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**67,329**	**67,329**	**4,708**	**72,037**
Dividends to shareholders	22	**-**	**-**	**(33,000)**	**(33,000)**	**-**	**(33,000)**
Dividend to minority shareholder of a subsidiary		**-**	**-**	**-**	**-**	**(1,000)**	**(1,000)**
At 31 December 2012		**440,000**	**104,501**	**324,455**	**868,956**	**86,563**	**955,519**
		Note 11					

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Note	Attributable to shareholders of the Company: Non-distributable: Share capital RM'000	Non-distributable: Share premium RM'000	Distributable: Retained earnings RM'000	Total equity RM'000
COMPANY					
At 1 January 2011		440,000	104,501	158,282	702,783
Profit for the year		-	-	30,270	30,270
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	30,270	30,270
Dividends to shareholders	22	-	-	(29,700)	(29,700)
At 31 December 2011/1 January 2012		**440,000**	**104,501**	**158,852**	**703,353**
Profit for the year		**-**	**-**	**41,361**	**41,361**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**41,361**	**41,361**
Dividends to shareholders	22	**-**	**-**	**(33,000)**	**(33,000)**
At 31 December 2012		**440,000**	**104,501**	**167,213**	**711,714**
		Note 11			

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

CASH FLOW STATEMENTS

for the year ended 31 December 2012

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Cash flows from operating activities				
Profit before tax	**102,390**	80,838	**49,712**	33,989
Adjustments for:				
(Write back)/Allowance for impairment loss on				
- trade receivables	**(51)**	(87)	**(21)**	(24)
- amount due from a subsidiary	**-**	-	**(2,912)**	2,211
- loans to associates	**(3,825)**	2,560	**-**	-
Depreciation on property, plant and equipment	**53,220**	48,325	**8,072**	9,767
Interest expense	**1,920**	3,018	**1,667**	2,050
Interest income	**(444)**	(408)	**(302)**	(307)
(Gain)/Loss on disposal of property, plant and equipment	**(14)**	1,045	**2**	48
Retirement benefits charged	**2,578**	1,831	**96**	76
Property, plant and equipment written off	**1,118**	6,547	**264**	99
Share of results of an associated company	**(1,186)**	(558)	**-**	-
Unrealised loss/(gain) on foreign exchange	**2,761**	(2,056)	**2,879**	(2,233)
Operating profit before changes in working capital	**158,467**	141,055	**59,457**	45,676
Change in inventories	**(102)**	(55)	**(88)**	72
Change in trade and other receivables, prepayments and deposits	**(5,149)**	945	**(10,994)**	(1,920)
Change in trade and other payables	**6,995**	(1,874)	**297**	827
Cash generated from operations	**160,211**	140,071	**48,672**	44,655
Tax paid	**(20,229)**	(12,394)	**(5,125)**	(1,648)
Retirement benefits paid	**(1,288)**	(1,305)	**(5)**	-
Net cash generated from operating activities	**138,694**	126,372	**43,542**	43,007

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

CASH FLOW STATEMENTS

for the year ended 31 December 2012

		GROUP		COMPANY	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(54,240)**	(46,585)	**(2,656)**	(3,160)
Acquisition of investment properties		**(2,381)**	(53)	**-**	-
Acquisition of property development expenditure		**-**	(46)	**-**	-
Interest received		**444**	408	**302**	307
Proceeds from disposal of property, plant and equipment		**90**	467	**2**	14
Net cash used in investing activities		**(56,087)**	(45,809)	**(2,352)**	(2,839)
Cash flows from financing activities					
Dividend paid to shareholders of the Company		**(33,000)**	(29,700)	**(33,000)**	(29,700)
Dividend paid to a minority shareholder of a subsidiary		**(840)**	-	**-**	-
Loans to associates		**(32,817)**	(5,874)	**-**	-
Advances to subsidiaries		**-**	-	**(6,300)**	(5,415)
Interest paid		**(1,920)**	(3,018)	**(1,667)**	(2,050)
Net drawndown of revolving credits		**34,178**	11,036	**900**	6,300
Net repayments of term loans		**(42,258)**	(48,552)	**-**	(4,000)
Net cash used in financing activities		**(76,657)**	(76,108)	**(40,067)**	(34,865)
Net increase in cash and cash equivalents		**5,950**	4,455	**1,123**	5,303
Cash and cash equivalents at 1 January		**21,655**	17,200	**9,626**	4,323
Cash and cash equivalents at 31 December		**27,605**	21,655	**10,749**	9,626

Cash and cash equivalents

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

Cash and bank balances	10	**19,601**	15,282	**4,679**	4,096
Deposits with licensed banks	10	**8,004**	6,373	**6,070**	5,530
		27,605	21,655	**10,749**	9,626

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

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 2012 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The Group is engaged in the operation of hotels and beach resorts, a golf course and clubhouse, property management and investment and commercial laundry. The principal activities of the Company are investment holding and the operation of a beach resort, namely Rasa Sayang Resort.

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

The financial statements were approved by the Board of Directors on 27 February 2013.

1. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impact on transition to MFRSs are disclosed in Note 29.

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB"), which are relevant to the Group's operations, but are not effective for the financial year ended 31 December 2012:

Amendments effective for annual periods beginning on or after 1 July 2012
Amendments to MFRS 101, *Presentation of Items of Other Comprehensive Income*

NOTES TO THE FINANCIAL STATEMENTS
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MFRSs effective for annual periods beginning on or after 1 January 2013
MFRS 10, *Consolidated Financial Statements*
MFRS 12, *Disclosure of Interests in Other Entities*
MFRS 13, *Fair Value Measurement*
MFRS 119, *Employee Benefits (2011)*
MFRS 127, *Separate Financial Statements (2011)*
MFRS 128, *Investments in Associates and Joint Ventures (2011)*

Amendments effective for annual periods beginning on or after 1 January 2013
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*
Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

Amendments effective for annual periods beginning on or after 1 January 2014
Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

MFRSs effective for annual periods beginning on or after 1 January 2015
MFRS 9, *Financial Instruments (2009 and 2010)*

Amendments effective for annual periods beginning on or after 1 January 2015
Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company will apply the abovementioned standards and amendments:

- from the annual period beginning on 1 January 2013 for those standards and amendments that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013;
- from the annual period beginning on 1 January 2014 for those amendments that are effective for annual periods beginning on or after 1 January 2014; and
- from the annual period beginning on 1 January 2015 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the above standards and amendments are not expected to have a material impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than those disclosed in Note 4 - Valuation of Investment Properties and Note 13 - Retirement Benefits.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS balance sheet of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

a) Basis of consolidation

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

Investments in subsidiaries are measured in the Company's balance sheet at cost less any impairment loss. The cost of investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

ii) BUSINESS COMBINATIONS

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

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in the income statements.

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011.

iii) ACQUISITIONS OF MINORITY INTERESTS

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

iv) LOSS OF CONTROL

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

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v) ASSOCIATES

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

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

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to 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 associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

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

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

vi) MINORITY INTERESTS

Minority interests 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 interests 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 interests and the shareholders of the Company.

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

vii) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

b) Foreign currency

i) FOREIGN CURRENCY TRANSACTIONS
Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the 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 not retranslated at the balance sheet date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in 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 other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. When a foreign operation is disposed of such that control, significant influence or joint-control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to income statement as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to minority interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income statement.

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

c) Financial instruments

i) INITIAL RECOGNITION AND MEASUREMENT
A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

i) INITIAL RECOGNITION AND MEASUREMENT (cont'd)

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

ii) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

iii) FINANCIAL GUARANTEE CONTRACTS

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

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

iv) DERECOGNITION

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

d) Property, plant and equipment

i) RECOGNITION AND MEASUREMENT
Items of property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses.

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of acquisition 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. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

The gain or loss on disposal of an item of property, plant and equipment 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 to the income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

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

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each component 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. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

iii) DEPRECIATION (cont'd)

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

• Leasehold land	30 to 99 years
• Hotel buildings and other buildings	Lower of underlying land lease period or 50 years
• Integral plant and machinery	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)

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

e) 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. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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 in the income statements as an integral part of the total lease expense, over the term of the lease.

f) Investment properties

i) INVESTMENT PROPERTIES CARRIED AT FAIR VALUE

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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.

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

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.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

g) Inventories

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

The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

i) Impairment of assets

i) FINANCIAL ASSETS

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

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

ii) OTHER ASSETS

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as "cash-generating unit").

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 or cash-generating unit.

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

Impairment losses are recognised in 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 cash-generating unit (or the group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating 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 balance sheet 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 since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

j) Employee benefits

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

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

The Group's contributions to statutory pension funds are charged to 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 balance sheet 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 statements 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 valuation was carried out as at 31 December 2012.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statements 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 statements.

k) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

l) Revenue recognition and other income

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

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

iii) RENTAL INCOME
Rental income from investment properties is recognised in the income statements 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.

v) INTEREST INCOME
Interest income is recognised as it accrues, using the effective interest method.

m) Borrowing costs

All borrowing costs are recognised in the income statements 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.

n) Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

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

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

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

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

o) 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.

p) Operating segments

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

q) Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM '000	Leasehold land unexpired period more than 50 years RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery RM'000	Golf course and its related buildings RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COST									
At 1 January 2011	44,880	4,123	19,454	664,983	134,093	48,856	328,303	3,106	1,247,798
Additions	-	-	227	281	1,227	-	12,315	32,535	46,585
Disposals	-	-	-	(996)	(23)	-	(6,705)	-	(7,724)
Write off	-	-	-	(4,922)	(568)	-	(10,217)	-	(15,707)
Transfer	-	-	-	115	-	-	9,818	(9,933)	-
Reclassification	-	-	-	(31,304)	4,526	-	28,271	(1,493)	-
Adjustment	-	-	-	(4,181)	(85)	-	(227)	-	(4,493)
At 31 December 2011/ 1 January 2012	**44,880**	**4,123**	**19,681**	**623,976**	**139,170**	**48,856**	**361,558**	**24,215**	**1,266,459**
Additions	**-**	**-**	**-**	**435**	**2,035**	**-**	**13,313**	**38,457**	**54,240**
Disposals	**-**	**-**	**-**	**(16)**	**-**	**-**	**(1,701)**	**-**	**(1,717)**
Write off	**-**	**-**	**-**	**(17)**	**(415)**	**-**	**(4,057)**	**-**	**(4,489)**
Transfer	**-**	**-**	**-**	**2,012**	**216**	**-**	**55,264**	**(57,492)**	**-**
Reclassification	**-**	**-**	**-**	**(108)**	**(5,773)**	**-**	**5,881**	**-**	**-**
At 31 December 2012	**44,880**	**4,123**	**19,681**	**626,282**	**135,233**	**48,856**	**430,258**	**5,180**	**1,314,493**

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GROUP	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Leasehold land unexpired period more than 50 years RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery RM'000	Golf course and its related buildings RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
DEPRECIATION AND IMPAIRMENT LOSS									
At 1 January 2011									
Accumulated depreciation	-	849	3,851	196,732	85,442	10,671	199,020	-	496,565
Accumulated impairment loss	-	-	-	-	-	5,882	-	-	5,882
	-	849	3,851	196,732	85,442	16,553	199,020	-	502,447
Depreciation for the year	-	125	203	12,320	4,934	720	30,023	-	48,325
Disposals	-	-	-	(293)	(23)	-	(5,896)	-	(6,212)
Write off	-	-	-	(693)	(534)	-	(7,933)	-	(9,160)
At 31 December 2011/ 1 January 2012									
Accumulated depreciation	**-**	**974**	**4,054**	**208,066**	**89,819**	**11,391**	**215,214**	**-**	**529,518**
Accumulated impairment loss	**-**	**-**	**-**	**-**	**-**	**5,882**	**-**	**-**	**5,882**
	-	**974**	**4,054**	**208,066**	**89,819**	**17,273**	**215,214**	**-**	**535,400**
Depreciation for the year	**-**	**125**	**204**	**12,975**	**5,431**	**720**	**33,765**	**-**	**53,220**
Disposals	**-**	**-**	**-**	**(6)**	**-**	**-**	**(1,635)**	**-**	**(1,641)**
Write off	**-**	**-**	**-**	**(5)**	**(413)**	**-**	**(2,953)**	**-**	**(3,371)**
Reclassification	**-**	**-**	**-**	**1,384**	**(1,542)**	**-**	**158**	**-**	**-**
At 31 December 2012									
Accumulated depreciation	**-**	**1,099**	**4,258**	**222,414**	**93,295**	**12,111**	**244,549**	**-**	**577,726**
Accumulated impairment loss	**-**	**-**	**-**	**-**	**-**	**5,882**	**-**	**-**	**5,882**
	-	**1,099**	**4,258**	**222,414**	**93,295**	**17,993**	**244,549**	**-**	**583,608**
CARRYING AMOUNTS									
At 1 January 2011	44,880	3,274	15,603	468,251	48,651	32,303	129,283	3,106	745,351
At 31 December 2011/ 1 January 2012	**44,880**	**3,149**	**15,627**	**415,910**	**49,351**	**31,583**	**146,344**	**24,215**	**731,059**
At 31 December 2012	**44,880**	**3,024**	**15,423**	**403,868**	**41,938**	**30,863**	**185,709**	**5,180**	**730,885**

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

COMPANY	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Hotel buildings RM'000	Integral plant and machinery RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COST							
At 1 January 2011	1,012	3,938	103,339	20,922	43,372	924	173,507
Additions	-	-	167	420	1,892	681	3,160
Disposals	-	-	-	-	(230)	-	(230)
Write off	-	-	-	(58)	(267)	-	(325)
Transfer	-	-	-	1,493	-	(1,493)	-
Adjustment	-	-	-	663	-	-	663
At 31 December 2011/ 1 January 2012	**1,012**	**3,938**	**103,506**	**23,440**	**44,767**	**112**	**176,775**
Additions	**-**	**-**	**156**	**473**	**1,510**	**517**	**2,656**
Disposals	**-**	**-**	**-**	**-**	**(23)**	**-**	**(23)**
Write off	**-**	**-**	**-**	**(4)**	**(1,378)**	**-**	**(1,382)**
Transfer	**-**	**-**	**-**	**216**	**409**	**(625)**	**-**
At 31 December 2012	**1,012**	**3,938**	**103,662**	**24,125**	**45,285**	**4**	**178,026**
DEPRECIATION							
At 1 January 2011	-	783	22,466	9,387	28,488	-	61,124
Depreciation for the year	-	122	2,067	2,147	5,431	-	9,767
Disposals	-	-	-	-	(168)	-	(168)
Write off	-	-	-	(28)	(198)	-	(226)
At 31 December 2011/ 1 January 2012	**-**	**905**	**24,533**	**11,506**	**33,553**	**-**	**70,497**
Depreciation for the year	**-**	**122**	**2,079**	**1,896**	**3,975**	**-**	**8,072**
Disposals	**-**	**-**	**-**	**-**	**(19)**	**-**	**(19)**
Write off	**-**	**-**	**-**	**(2)**	**(1,116)**	**-**	**(1,118)**
At 31 December 2012	**-**	**1,027**	**26,612**	**13,400**	**36,393**	**-**	**77,432**
CARRYING AMOUNTS							
At 1 January 2011	1,012	3,155	80,873	11,535	14,884	924	112,383
At 31 December 2011/ 1 January 2012	**1,012**	**3,033**	**78,973**	**11,934**	**11,214**	**112**	**106,278**
At 31 December 2012	**1,012**	**2,911**	**77,050**	**10,725**	**8,892**	**4**	**100,594**

NOTES TO THE FINANCIAL STATEMENTS
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GROUP

Hotel properties at 31 December 2012 are all located in Malaysia and comprised the following:

Property	Location	Usage	Title
Rasa Sayang Resort & Spa	Batu Feringgi Beach, Penang	304 room resort	Freehold
Shangri-La Hotel Kuala Lumpur	Jalan Sultan Ismail, Kuala Lumpur	662 room hotel	Freehold
Traders Hotel Penang	Magazine Road, Penang	444 room hotel	Leasehold
Golden Sands Resort	Batu Feringgi Beach, Penang	387 room resort	Freehold
Palm Beach Resort	Batu Feringgi Beach, Penang	Vacant land	Freehold
Rasa Ria Resort	Tuaran, Sabah	417 room resort	Leasehold

4. INVESTMENT PROPERTIES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	**266,899**	266,846	266,600
Additions	**2,381**	53	-
Transfer from property, plant and equipment	**-**	-	246
At 31 December	**269,280**	266,899	266,846
At fair value:			
Freehold land	**35,000**	35,000	35,000
Buildings	**234,280**	231,899	231,846
	269,280	266,899	266,846

On 31 December 2012, the Group's investment properties were valued 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 their carrying amounts.

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

	GROUP	
	2012 RM'000	2011 RM'000
Rental income	**21,522**	18,999
Direct operating expenses:		
- income generating investment properties	**(9,713)**	(8,978)

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENTS IN SUBSIDIARIES

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	**459,188**	459,188	459,188

Details of the subsidiaries are as follows:

		Effective ownership interest		
Name of subsidiary	**Principal activities**	**31.12.2012 %**	31.12.2011 %	1.1.2011 %
Shangri-La Hotel (KL) Sdn Bhd	Operation of a city hotel	**100**	100	100
Komtar Hotel Sdn Bhd	Operation of a city hotel	**60**	60	60
Golden Sands Beach Resort Sdn Bhd	Operation of a beach resort	**100**	100	100
UBN Holdings Sdn Bhd	Investment holding and property investment	**100**	100	100
UBN Tower Sdn Bhd	Property investment and office management	**100**	100	100
Pantai Emas Sdn Bhd	Operation of a commercial laundry	**100**	100	100
Madarac Corporation	Investment holding	**100**	100	100
Palm Beach Hotel Sdn Bhd (Note a)	Operation of a beach resort	**100**	100	100
Wisegain Sdn Bhd	Investment holding*	**100**	100	100
Hasil-Usaha Sdn Bhd	Dormant	**100**	100	100
Pantai Dalit Beach Resort Sdn Bhd	Operation of a beach resort	**75**	75	75
Dalit Bay Golf & Country Club Berhad	Operation of a golf course together with clubhouse and related facilities	**75**	75	75
Pantai Dalit Development Sdn Bhd	Property development*	**75**	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.
* The subsidiaries remain dormant during the year.

6. INTERESTS IN ASSOCIATES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	**3,557**	3,557	3,557
Loans to associates	**129,236**	100,244	91,810
	132,793	103,801	95,367
Share of post-acquisition results of an associated company	**(52,323)**	(53,509)	(54,067)
Allowance for impairment losses on unquoted shares and loans to associates	**(29,744)**	(33,569)	(31,009)
	50,726	16,723	10,291

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Summary of financial information on associates:

	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Profit (100%) RM'000	Total Assets (100%) RM'000	Total Liabilities (100%) RM'000
GROUP						
31 December 2012						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	**23.53**	**48,382**	**5,042**	**239,129**	**411,054**
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	**22.22**	**-**	**-**	**215,193**	**209,199**
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	**23.56**	**-**	**-**	**33,325**	**33,051**
			48,382	**5,042**	**487,647**	**653,304**
31 December 2011						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	23.53	33,467	2,371	180,819	364,133
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	22.22	-	-	126,073	119,863
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	23.56	-	-	18,536	18,252
			33,467	2,371	325,428	502,248
1 January 2011						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	23.53	-	-	146,289	327,198
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	22.22	-	-	122,631	116,583
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	23.56	-	-	18,051	17,774
			-	-	286,971	461,555

* The results of these companies are based on unaudited financial statements for the years ended 31 December 2012, 31 December 2011 and 1 January 2011.

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 2012, balances of RM58,472,000 (31.12.2011 - RM60,585,000; 1.1.2011 - RM58,998,000) of the loans to associates are interest-free and the remaining balances bear interest ranging between 0.78% to 1.05% (31.12.2011 - 0.78% to 0.92%; 1.1.2011 - 0.92% to 1.97%) 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.

The loans to associates form part of the Group's net interest in associates and are stated at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

7. PROPERTY DEVELOPMENT EXPENDITURE

The property development expenditure of the Group represents development expenditure incurred by certain subsidiaries. Included in property development expenditure is interest capitalised amounting to RM4,142,000 (31.12.2011 - RM4,142,000; 1.1.2011 - RM4,142,000).

8. INVENTORIES

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Food, beverage and tobacco	**3,859**	3,945	4,296	**554**	560	621
Room supplies	**587**	586	432	**131**	156	108
Other supplies	**4,465**	4,278	4,026	**392**	273	332
	8,911	8,809	8,754	**1,077**	989	1,061

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		GROUP			COMPANY		
	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Trade							
Trade receivables		**21,968**	18,063	20,177	**3,994**	4,213	4,501
Less: Allowance for impairment loss		**(334)**	(389)	(476)	**(2)**	(23)	(47)
		21,634	17,674	19,701	**3,992**	4,190	4,454
Non-Trade							
Amount due from subsidiaries	a	**-**	-	-	**246,961**	250,705	237,359
Less: Allowance for impairment loss		**-**	-	-	**(70,776)**	(73,688)	(71,477)
		-	-	-	**176,185**	177,017	165,882
Other receivables		**1,815**	1,495	1,222	**544**	466	527
Deposits		**3,399**	3,283	2,287	**168**	360	244
Dividend receivables		**-**	-	-	**33,870**	22,835	20,530
		26,848	22,452	23,210	**214,759**	204,868	191,637
Prepayments		**2,290**	1,486	1,586	**501**	176	306
		29,138	23,938	24,796	**215,260**	205,044	191,943
Tax recoverable	b	**1,061**	1,765	3,246	**1,027**	1,027	913

NOTE

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

10. CASH AND CASH EQUIVALENTS

		GROUP			COMPANY		
	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Deposits placed with licensed banks		**8,004**	6,373	3,292	**6,070**	5,530	1,390
Cash and bank balances	a	**19,601**	15,282	13,908	**4,679**	4,096	2,933
		27,605	21,655	17,200	**10,749**	9,626	4,323

NOTE
a. Cash and bank balances of the Group and of the Company includes an amount of RM9,907,000 (31.12.2011 - RM7,760,000; 1.1.2011 - RM5,523,000) and RM2,268,000 (31.12.2011 - RM1,385,000; 1.1.2011 - RM640,000) respectively which earns interest.

11. CAPITAL AND RESERVES

Share capital

	GROUP AND COMPANY					
	Amount 31.12.2012 RM'000	**Number of shares 31.12.2012 '000**	**Amount** 31.12.2011 RM'000	**Number of shares** 31.12.2011 '000	**Amount** 1.1.2011 RM'000	**Number of shares** 1.1.2011 '000
Authorised:						
Ordinary shares of RM1 each	**500,000**	**500,000**	500,000	500,000	500,000	500,000
Issued and fully paid:						
Ordinary shares of RM1 each	**440,000**	**440,000**	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
In July 2012, pursuant to Section 50 of the Savings and Transitional Provisions Income Tax Act, 1967, the Company has exercised an irrevocable option not to deduct tax for dividend payment under Section 40 and disregarded the remaining available Section 108 balance of RM933,000. As such, the Company has distributed single tier dividend to its shareholders out of its retained earnings for the year ended 31 December 2012 (see Note 22).

NOTES TO THE FINANCIAL STATEMENTS
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12. BORROWINGS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Non-current						
Unsecured term loans	**-**	5,306	46,258	**-**	-	-
Current						
Unsecured term loans	**-**	36,952	44,552	**-**	-	4,000
Unsecured revolving credits	**60,054**	26,940	15,400	**7,200**	6,300	-
	60,054	63,892	59,952	**7,200**	6,300	4,000
	60,054	69,198	106,210	**7,200**	6,300	4,000

13. RETIREMENT BENEFITS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Present value of unfunded obligations	**14,694**	13,404	12,878	**471**	380	304
Recognised liability for defined benefit obligations	**14,694**	13,404	12,878	**471**	380	304

The Company and 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	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Defined benefit obligations at 1 January	**13,404**	12,878	**380**	304
Benefits paid	**(1,288)**	(1,305)	**(5)**	-
Expense recognised in the income statements	**2,578**	1,831	**96**	76
Defined benefit obligations at 31 December	**14,694**	13,404	**471**	380

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

Expense recognised in the income statements

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Current service costs	**862**	902	**78**	70
Past service costs	**855**	-	**-**	-
Interest on obligation	**781**	929	**18**	6
Amortisation of actuarial loss	**20**	-	**-**	-
Amortisation of past service cost	**60**	-	**-**	-
	2,578	1,831	**96**	76

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Cost of sales	**2,160**	1,509	**80**	63
Administrative expenses	**89**	138	**8**	6
Other operating expenses	**329**	184	**8**	7
	2,578	1,831	**96**	76

Actuarial assumptions

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

	GROUP		COMPANY	
	2012 %	2011 %	**2012 %**	2011 %
Discount rate at 31 December	**5.25**	6.70	**5.25**	6.70
Future salary increases	**4.00 - 7.00**	4.00 - 7.00	**7.00**	7.00

Historical information

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
GROUP					
Present value of the defined benefit obligations	**14,694**	13,404	12,878	12,334	11,685
Experience adjustments arising on plan liabilities	**241**	538	548	729	(538)
COMPANY					
Present value of the defined benefit obligations	**471**	380	304	227	151
Experience adjustments arising on plan liabilities	**60**	32	32	33	-

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14. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets	**2,142**	5,587	9,761	**2,142**	5,368	7,553
Deferred tax liabilities	**(15,646)**	(11,997)	(8,559)	**-**	-	-

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/(liabilities) are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
GROUP									
Property, plant and equipment	**-**	-	-	**(31,218)**	(28,992)	(28,884)	**(31,218)**	(28,992)	(28,884)
Provisions	**7,834**	5,969	5,213	**-**	-	-	**7,834**	5,969	5,213
Unabsorbed capital allowances	**-**	3,608	6,073	**-**	-	-	**-**	3,608	6,073
Unutilised tax losses	**1,139**	751	753	**-**	-	-	**1,139**	751	753
Unutilised investment tax allowances	**8,741**	12,254	18,047	**-**	-	-	**8,741**	12,254	18,047
Tax assets/(liabilities)	**17,714**	22,582	30,086	**(31,218)**	(28,992)	(28,884)	**(13,504)**	(6,410)	1,202
Set off	**(15,572)**	(16,995)	(20,325)	**15,572**	16,995	20,325	**-**	-	-
Net tax assets/(liabilities)	**2,142**	5,587	9,761	**(15,646)**	(11,997)	(8,559)	**(13,504)**	(6,410)	1,202
COMPANY									
Property, plant and equipment	**-**	-	-	**(7,368)**	(6,850)	(6,020)	**(7,368)**	(6,850)	(6,020)
Provisions	**769**	511	194	**-**	-	-	**769**	511	194
Unutilised tax losses	**-**	751	619	**-**	-	-	**-**	751	619
Unutilised investment tax allowances	**8,741**	10,956	12,760	**-**	-	-	**8,741**	10,956	12,760
Tax assets/(liabilities)	**9,510**	12,218	13,573	**(7,368)**	(6,850)	(6,020)	**2,142**	5,368	7,553
Set off	**(7,368)**	(6,850)	(6,020)	**7,368**	6,850	6,020	**-**	-	-
Net tax assets	**2,142**	5,368	7,553	**-**	-	-	**2,142**	5,368	7,553

NOTES TO THE FINANCIAL STATEMENTS
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Unrecognised deferred tax assets

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

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Taxable temporary differences	**(1,834)**	(2,263)	(2,221)
Unabsorbed capital allowances	**8,583**	8,980	8,656
Unutilised tax losses	**12,428**	12,428	12,428
	19,177	19,145	18,863
Deferred tax assets at 25% (2011 - 25%)	**4,794**	4,786	4,716

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.

15. TRADE AND OTHER PAYABLES

		GROUP			COMPANY		
	Note	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Trade							
Trade payables		**25,353**	25,278	19,573	**2,628**	3,045	2,380
Amount due to a subsidiary		**-**	-	-	**449**	299	246
		25,353	25,278	19,573	**3,077**	3,344	2,626
Non-trade							
Amount due to subsidiaries	a	**-**	-	-	**58,894**	66,026	60,359
Other payables		**35,277**	32,369	36,651	**6,869**	6,529	5,480
Accrued expenses		**22,412**	18,240	25,190	**1,812**	1,588	1,812
		83,042	75,887	81,414	**70,652**	77,487	70,277

NOTE

a. The amount due to subsidiaries represent advances received from subsidiaries which are unsecured, interest free and repayable on demand, except for an amount of RM52,272,000 (31.12.2011 - RM59,403,000; 1.1.2011 - RM53,733,000) which bears interest ranging between 2.50% to 3.15% (31.12.2011 - 2.50%; 1.1.2011 - 2.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
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16. OPERATING PROFIT

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Revenue					
Hotel and golf operations		**445,498**	408,122	**73,925**	70,636
Rental		**21,522**	18,999	**-**	-
Dividend income		**-**	-	**38,870**	24,422
Laundry services		**2,552**	2,610	**-**	-
		469,572	429,731	**112,795**	95,058
Cost of services		**(181,936)**	(169,224)	**(26,148)**	(24,531)
		287,636	260,507	**86,647**	70,527
Administrative expenses		**(64,472)**	(59,371)	**(11,402)**	(11,009)
Other operating expenses		**(125,992)**	(119,154)	**(24,168)**	(23,786)
Other operating income		**5,508**	908	**-**	-
Operating profit		**102,680**	82,890	**51,077**	35,732
Operating profit is arrived at after charging:					
Auditors' remuneration: - Audit fees		**260**	228	**68**	57
- Non-audit fees		**181**	152	**45**	53
Allowance for impairment loss on amount due from a subsidiary*		**-**	-	**-**	2,211
Allowance for impairment loss on loans to associates		**-**	2,560	**-**	-
Allowance for impairment loss on trade receivables		**51**	65	**5**	23
Bad debts written off		**26**	-	**-**	-
Depreciation on property, plant and equipment	3	**53,220**	48,325	**8,072**	9,767
Hire of motor vehicles		**360**	345	**-**	-
Hire of equipment		**139**	65	**-**	-
Loss on disposal of property, plant and equipment		**43**	1,045	**2**	48
Personnel expenses (including key management personnel):					
- contributions to Employee's Provident Fund		**8,420**	7,765	**1,423**	1,502
- retirement benefits charged	13	**2,578**	1,831	**96**	76
- wages, salaries and others		**99,491**	93,305	**15,036**	14,997
Property, plant and equipment written off		**1,118**	6,547	**264**	99
Rental of apartments		**1,001**	1,030	**-**	-
Realised loss on foreign exchange		**7**	53	**-**	-
Unrealised loss on foreign exchange		**3,825**	504	**2,879**	-
and after crediting:					
Allowance for impairment loss written back on amount due from a subsidiary*		**-**	-	**2,912**	-
Allowance for impairment loss written back on loans to associates		**3,825**	-	**-**	-
Allowance for impairment loss written back on trade receivables		**102**	152	**26**	47
Gain on disposal of property, plant and equipment		**57**	-	**-**	-
Gross dividends from unquoted subsidiaries		**-**	-	**38,870**	24,422
Rental receivable from: - subsidiary		**-**	-	**120**	120
- others		**800**	672	**-**	-
Realised gain on foreign exchange		**402**	190	**-**	-
Unrealised gain on foreign exchange		**1,064**	2,560	**-**	2,233

* Relates to impairment loss/write back against the carrying amounts of loans granted by the Company to Madarac Corporation, a wholly-owned subsidiary incorporated in the British Virgin Islands, which owns the Group's associates in Myanmar.

NOTES TO THE FINANCIAL STATEMENTS
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17. INTEREST INCOME

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Interest income on:				
Deposits placed with licensed banks	**444**	408	**266**	292
Subsidiaries	**-**	-	**36**	15
	444	408	**302**	307

18. INTEREST EXPENSE

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Interest expense on:				
Revolving credits	**931**	417	**341**	261
Term loans	**989**	2,601	**-**	22
Subsidiaries	**-**	-	**1,326**	1,767
	1,920	3,018	**1,667**	2,050

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Directors				
- Fees	**317**	346	**317**	346
- Remuneration and meeting allowances	**1,815**	1,531	**1,815**	1,531
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**28**	28	**28**	28
Total short-term employee benefits	**2,160**	1,905	**2,160**	1,905

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

20. TAX EXPENSE

Recognised in income statements:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Current tax expense				
Malaysian - current year	**22,977**	14,318	**5,035**	1,357
Malaysian - prior years	**282**	(623)	**90**	177
	23,259	13,695	**5,125**	1,534
Deferred tax expense				
Origination of temporary differences	**5,611**	8,206	**3,226**	3,114
Under/(Over) provision in prior years	**1,483**	(594)	**-**	(929)
	7,094	7,612	**3,226**	2,185
Total tax expense	**30,353**	21,307	**8,351**	3,719
Reconciliation of tax expense				
Profit before tax	**102,390**	80,838	**49,712**	33,989
Tax at Malaysian tax rate of 25% (2011: 25%)	**25,597**	20,210	**12,428**	8,497
Non-deductible expenses	**3,270**	3,111	**609**	543
Non-taxable income	**(386)**	(146)	**(4,718)**	(4,525)
Tax incentives	**(521)**	(393)	**(58)**	(44)
Deferred tax assets not recognised	**8**	70	**-**	-
Other items	**620**	(328)	**-**	-
	28,588	22,524	**8,261**	4,471
Under/(Over) provision in prior years - current tax expense	**282**	(623)	**90**	177
- deferred tax expense	**1,483**	(594)	**-**	(929)
	30,353	21,307	**8,351**	3,719

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	GROUP	
	2012	2011
Profit attributable to shareholders of the Company (RM'000)	**67,329**	55,768
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per share (sen)	**15.30**	12.67

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22. DIVIDENDS

Dividends recognised in the current year by the Company are:

		Total amount RM'000	Date of payment
2012			
Ordinary			
Interim 2012	- 3% single tier	**13,200**	**14 November 2012**
Final 2011	- 6% less tax at 25%	**19,800**	**28 June 2012**
Total amount		**33,000**	
2011			
Ordinary			
Interim 2011	- 3% less tax at 25%	9,900	23 November 2011
Final 2010	- 6% less tax at 25%	19,800	30 June 2011
Total amount		29,700	

The Board has proposed a final single tier dividend of 7% totalling RM30,800,000 for the financial year ended 31 December 2012. 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 20 May 2013. 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 2013.

23. OPERATING SEGMENT

Segment information is presented in respect of the Group's business segments which offer different services. The Group's chief operating decision maker reviews internal management reports on a regular basis. The Group's business activities are predominantly located in Malaysia.

Business segments
The Group comprises the following reportable segments:

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

The Group's other operations include commercial laundry services and investment holding. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

23. OPERATING SEGMENT (cont'd)

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

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

Major customers
There were no customers with revenue equal or more than 10% of the Group's total revenue for the year ended 31 December 2012 (2011 - Nil).

	Hotels, resorts and golf course		**Investment properties**		**Others**		**Total**		**Eliminations of inter-segment transactions**		**Consolidated**	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
BUSINESS SEGMENTS												
Revenue from external customers	**445,498**	408,122	**21,522**	18,999	**2,552**	2,610	**469,572**	429,731	**-**	-	**469,572**	429,731
Inter-segment revenue	**38,870**	24,422	**1,968**	1,966	**3,785**	3,643	**44,623**	30,031	**(44,623)**	(30,031)	**-**	-
Total segment revenue	**484,368**	432,544	**23,490**	20,965	**6,337**	6,253	**514,195**	459,762	**(44,623)**	(30,031)	**469,572**	429,731
Operating profit	**129,736**	98,546	**13,143**	11,439	**5,811**	(1,285)	**148,690**	108,700	**(46,010)**	(25,810)	**102,680**	82,890
Interest income	**1,315**	1,790	**350**	289	**117**	101	**1,782**	2,180	**(1,338)**	(1,772)	**444**	408
Interest expense	**(2,761)**	(4,637)	**-**	-	**(497)**	(153)	**(3,258)**	(4,790)	**1,338**	1,772	**(1,920)**	(3,018)
Share of results of an associated company	**1,186**	558	**-**	-	**-**	-	**1,186**	558	**-**	-	**1,186**	558
Profit before tax	**129,476**	96,257	**13,493**	11,728	**5,431**	(1,337)	**148,400**	106,648	**(46,010)**	(25,810)	**102,390**	80,838
Allowance for impairment loss on loans and receivables	**51**	4,836	**-**	-	**-**	-	**51**	4,836	**-**	(2,211)	**51**	2,625
Allowance for impairment loss written back on loans and receivables	**(8,025)**	(711)	**-**	-	**-**	-	**(8,025)**	(711)	**4,098**	559	**(3,927)**	(152)
Capital expenditure	**53,448**	44,828	**405**	1,341	**387**	416	**54,240**	46,585	**-**	-	**54,240**	46,585
Depreciation	**52,476**	47,669	**320**	237	**424**	419	**53,220**	48,325	**-**	-	**53,220**	48,325
Tax expense	**26,748**	18,130	**3,352**	2,909	**253**	268	**30,353**	21,307	**-**	-	**30,353**	21,307
Segment assets before interests in associates	**949,431**	940,863	**261,199**	257,334	**16,084**	15,275	**1,226,714**	1,213,472	**(145,406)**	(141,474)	**1,081,308**	1,071,998
Interests in associates	**50,726**	16,723	**-**	-	**-**	-	**50,726**	16,723	**-**	-	**50,726**	16,723
Total segment assets	**1,000,157**	957,586	**261,199**	257,334	**16,084**	15,275	**1,277,440**	1,230,195	**(145,406)**	(141,474)	**1,132,034**	1,088,721

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

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

a) Loans and receivables ("L&R");
b) Other financial liabilities measured at amortised cost ("OL").

	Note	Carrying amount 31.12.2012 RM'000	L&R/ (OL) 31.12.2012 RM'000	Carrying amount 31.12.2011 RM'000	L&R/ (OL) 31.12.2011 RM'000	Carrying amount 1.1.2011 RM'000	L&R/ (OL) 1.1.2011 RM'000
FINANCIAL ASSETS							
GROUP							
Trade and other receivables	9	**26,848**	**26,848**	22,452	22,452	23,210	23,210
Cash and cash equivalents	10	**27,605**	**27,605**	21,655	21,655	17,200	17,200
		54,453	**54,453**	44,107	44,107	40,410	40,410
COMPANY							
Trade and other receivables	9	**214,759**	**214,759**	204,868	204,868	191,637	191,637
Cash and cash equivalents	10	**10,749**	**10,749**	9,626	9,626	4,323	4,323
		225,508	**225,508**	214,494	214,494	195,960	195,960
FINANCIAL LIABILITIES							
GROUP							
Borrowings	12	**(60,054)**	**(60,054)**	(69,198)	(69,198)	(106,210)	(106,210)
Trade and other payables	15	**(83,042)**	**(83,042)**	(75,887)	(75,887)	(81,414)	(81,414)
		(143,096)	**(143,096)**	(145,085)	(145,085)	(187,624)	(187,624)
COMPANY							
Borrowings	12	**(7,200)**	**(7,200)**	(6,300)	(6,300)	(4,000)	(4,000)
Trade and other payables	15	**(70,652)**	**(70,652)**	(77,487)	(77,487)	(70,277)	(70,277)
		(77,852)	**(77,852)**	(83,787)	(83,787)	(74,277)	(74,277)

24.2 Net gains and losses arising from financial instruments

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Net gains/(losses) on:				
Loans and receivables	**495**	495	**323**	331
Financial liabilities measured at amortised cost	**(856)**	(3,522)	**(1,667)**	(2,050)
	(361)	(3,027)	**(1,344)**	(1,719)

There were no gains/(losses) arising from fair value changes of financial instruments for the year ended 31 December 2012 (2011 - Nil).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

24. FINANCIAL INSTRUMENTS

24.3 Financial risk management
Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Group's business.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

24. FINANCIAL INSTRUMENTS

The ageing of trade receivables as at the balance sheet date was:

	Note	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
GROUP					
31 December 2012					
Not past due		**17,688**	**-**	**-**	**17,688**
1-3 months past due		**3,304**	**-**	**-**	**3,304**
4-6 months past due		**626**	**-**	**-**	**626**
Over 6 months past due		**350**	**(334)**	**-**	**16**
	9	**21,968**	**(334)**	**-**	**21,634**
31 December 2011					
Not past due		14,351	-	-	14,351
1-3 months past due		3,217	(4)	-	3,213
4-6 months past due		131	(58)	-	73
Over 6 months past due		364	(327)	-	37
	9	18,063	(389)	-	17,674
1 January 2011					
Not past due		14,473	-	-	14,473
1-3 months past due		5,176	(110)	-	5,066
4-6 months past due		463	(306)	-	157
Over 6 months past due		65	(60)	-	5
	9	20,177	(476)	-	19,701
COMPANY					
31 December 2012					
Not past due		**3,064**	**-**	**-**	**3,064**
1-3 months past due		**883**	**-**	**-**	**883**
4-6 months past due		**45**	**-**	**-**	**45**
Over 6 months past due		**2**	**(2)**	**-**	**-**
	9	**3,994**	**(2)**	**-**	**3,992**
31 December 2011					
Not past due		3,754	-	-	3,754
1-3 months past due		436	-	-	436
4-6 months past due		23	(23)	-	-
Over 6 months past due		-	-	-	-
	9	4,213	(23)	-	4,190
1 January 2011					
Not past due		3,842	-	-	3,842
1-3 months past due		612	-	-	612
4-6 months past due		47	(47)	-	-
Over 6 months past due		-	-	-	-
	9	4,501	(47)	-	4,454

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

24. FINANCIAL INSTRUMENTS

24.4 Credit risk (cont'd)

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
At 1 January	**389**	476	**23**	47
Allowance for impairment loss recognised	**51**	65	**5**	23
Allowance for impairment loss written off against trade receivables	**(4)**	-	**-**	-
Allowance for impairment loss reversed	**(102)**	(152)	**(26)**	(47)
At 31 December	**334**	389	**2**	23

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

Financial guarantees

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

The maximum exposure to credit risk amounts to RM52,854,000 (31.12.2011: RM20,640,000; 1.1.2011: RM15,400,000) representing the outstanding banking facilities of the subsidiary as at balance sheet date. As at balance sheet date, there was no indication that the subsidiary would default on repayment.

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

Inter-company balances

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

As at balance sheet date, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

As at balance sheet date, there was no indication that the loans and advances to the subsidiaries are not recoverable, other than the allowance for impairment loss provided for a subsidiary as disclosed in Note 9.

The movement in the allowance for impairment losses provided for a wholly-owned subsidiary, Madarac Corporation (Note 9) during the year was:

	COMPANY	
	2012 RM'000	2011 RM'000
At 1 January	**73,688**	71,477
(Reversal)/Allowance for impairment losses recognised	**(2,912)**	2,211
At 31 December	**70,776**	73,688

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

24. FINANCIAL INSTRUMENTS

24.5 Interest rate risk

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

The borrowings of the Group 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.

The Company's advances from subsidiaries are charged at a fixed 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.

Exposure to interest rate risk

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate instruments						
Advances from subsidiaries	**-**	-	-	**(52,272)**	(59,403)	(53,733)
Advances to a subsidiary	**-**	-	-	**2,650**	-	-
Cash and cash equivalents	**17,911**	14,133	8,815	**8,338**	6,915	2,030
Floating rate instruments						
Unsecured revolving credits	**(60,054)**	(26,940)	(15,400)	**(7,200)**	(6,300)	-
Unsecured term loans	**-**	(42,258)	(90,810)	**-**	-	(4,000)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

24. FINANCIAL INSTRUMENTS

24.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis for fixed rate instruments

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

Interest rate risk sensitivity analysis for floating rate instruments

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

	Equity		Profit after tax	
	1% Increase RM'000	1% Decrease RM'000	1% Increase RM'000	1% Decrease RM'000
GROUP				
31 December 2012				
Floating rate instruments				
Unsecured revolving credits	-	-	**(450)**	**450**
Cash flow sensitivity (net)	-	-	**(450)**	**450**
31 December 2011				
Floating rate instruments				
Unsecured revolving credits	-	-	(202)	202
Unsecured term loans	-	-	(317)	317
Cash flow sensitivity (net)	-	-	(519)	519
1 January 2011				
Floating rate instruments				
Unsecured revolving credits	-	-	(116)	116
Unsecured term loans	-	-	(681)	681
Cash flow sensitivity (net)	-	-	(797)	797
COMPANY				
31 December 2012				
Floating rate instruments				
Unsecured revolving credits	-	-	**(54)**	**54**
Cash flow sensitivity (net)	-	-	**(54)**	**54**
31 December 2011				
Floating rate instruments				
Unsecured revolving credits	-	-	(47)	47
Cash flow sensitivity (net)	-	-	(47)	47
1 January 2011				
Floating rate instruments				
Unsecured term loans	-	-	(30)	30
Cash flow sensitivity (net)	-	-	(30)	30

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24. FINANCIAL INSTRUMENTS

24.6 Foreign currency risk
The Group and the Company incur minimal foreign currency risk on 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. The currencies giving rise to this risk are primarily *U.S. Dollar (USD)* and *Hong Kong Dollar (HKD)*.

Exposure to foreign currency risk
The Group's exposure to foreign currency risk, based on carrying amounts as at the balance sheet date was:

	31.12.2012 Denominated in		31.12.2011 **Denominated in**		1.1. 2011 **Denominated in**	
	USD RM'000	**HKD RM'000**	**USD** RM'000	**HKD** RM'000	**USD** RM'000	**HKD** RM'000
GROUP						
Unsecured revolving credit	**32,892**	**19,962**	-	20,640	-	15,400
COMPANY						
Amount due from a subsidiary	**10,709**	**961**	10,568	947	9,439	844

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

	Equity		**Profit after tax**	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
GROUP				
HKD	**-**	-	**998**	1,033
USD	**-**	-	**4,021**	2,888
	-	-	**5,019**	3,921
COMPANY				
HKD	**-**	-	**(250)**	(259)
USD	**-**	-	**(2,787)**	(2,887)
	-	-	**(3,037)**	(3,146)

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

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31 December 2012

24. FINANCIAL INSTRUMENTS

24.7 Liquidity risk

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

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

Maturity analysis

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

	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
GROUP								
31 December 2012								
Unsecured revolving credits	12	**(60,054)**	**1.7-3.8**	**(61,086)**	**(61,086)**	**-**	**-**	**-**
Trade and other payables	15	**(83,042)**	**-**	**(83,042)**	**(83,042)**	**-**	**-**	**-**
		(143,096)		**(144,128)**	**(144,128)**	**-**	**-**	**-**
31 December 2011								
Unsecured revolving credits	12	(26,940)	1.0-4.6	(27,438)	(27,438)	-	-	-
Unsecured term loans	12	(42,258)	3.8-4.5	(43,256)	(37,900)	(5,356)	-	-
Trade and other payables	15	(75,887)	-	(75,887)	(75,887)	-	-	-
		(145,085)		(146,581)	(141,225)	(5,356)	-	-
1 January 2011								
Unsecured revolving credits	12	(15,400)	1.0	(15,545)	(15,545)	-	-	-
Unsecured term loans	12	(90,810)	3.8-4.1	(94,385)	(47,079)	(41,554)	(5,752)	-
Trade and other payables	15	(81,414)	-	(81,414)	(81,414)	-	-	-
		(187,624)		(191,344)	(144,038)	(41,554)	(5,752)	-

NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS

	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
COMPANY								
31 December 2012								
Unsecured revolving credits	12	**(7,200)**	**3.8**	**(7,474)**	**(7,474)**	**-**	**-**	**-**
Trade and other payables	15	**(11,309)**	**-**	**(11,309)**	**(11,309)**	**-**	**-**	**-**
Amount due to subsidiaries	15	**(52,272)**	**2.5-3.2**	**(53,578)**	**(53,578)**	**-**	**-**	**-**
Amount due to subsidiaries	15	**(7,071)**	**-**	**(7,071)**	**(7,071)**	**-**	**-**	**-**
		(77,852)		**(79,432)**	**(79,432)**	**-**	**-**	**-**
31 December 2011								
Unsecured revolving credits	12	(6,300)	4.6	(6,590)	(6,590)	-	-	-
Trade and other payables	15	(11,162)	-	(11,162)	(11,162)	-	-	-
Amount due to subsidiaries	15	(59,403)	2.5	(60,888)	(60,888)	-	-	-
Amount due to subsidiaries	15	(6,922)	-	(6,922)	(6,922)	-	-	-
		(83,787)		(85,562)	(85,562)	-	-	-
1 January 2011								
Unsecured term loans	12	(4,000)	3.8	(4,025)	(4,025)	-	-	-
Trade and other payables	15	(9,672)	-	(9,672)	(9,672)	-	-	-
Amount due to subsidiaries	15	(53,733)	2.5	(56,420)	(56,420)	-	-	-
Amount due to subsidiaries	15	(6,872)	-	(6,872)	(6,872)	-	-	-
		(74,277)		(76,989)	(76,989)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

24. FINANCIAL INSTRUMENTS

24.7 Liquidity risk (cont'd)

Fair values

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

The Company provides corporate guarantees to banks for credit facilities extended to a subsidiary. The fair value of such corporate guarantees are not expected to be material as the probability of the subsidiary defaulting on the credit payment is remote.

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

		31.12.2012		31.12.2011		1.1.2011	
	Note	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount** RM'000	**Fair value** RM'000	**Carrying amount** RM'000	**Fair value** RM'000
GROUP							
Long-term unsecured term loans	12	-	-	(5,306)	(5,306)	(46,258)	(46,258)

Estimation of fair values

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

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

	GROUP			**COMPANY**		
	31.12.2012 %	31.12.2011 %	1.1.2011 %	**31.12.2012** %	31.12.2011 %	1.1.2011 %
Long-term unsecured term loans	-	3.8-4.5	3.8-4.1	-	-	-

25. CAPITAL MANAGEMENT

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

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

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

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26. CAPITAL COMMITMENTS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	**31.12.2012 RM'000**	31.12.2011 RM'000	1.1.2011 RM'000
CAPITAL EXPENDITURE COMMITMENTS						
Property, plant and equipment						
Contracted but not provided for	**5,757**	29,815	6,265	**121**	720	1,419
Authorised but not contracted for	**233,921**	38,916	68,368	**37,413**	4,817	3,514
Investment properties						
Contracted but not provided for	**5,645**	39	411	**-**	-	-
Authorised but not contracted for	**135**	4,153	1,040	**-**	-	-
	245,458	72,923	76,084	**37,534**	5,537	4,933

27. CONTINGENT LIABILITIES

COMPANY

Corporate Guarantees (unsecured)

In March 2012, the Company issued a Corporate Guarantee to Malayan Banking Berhad ("Maybank") for an amount up to USD8,000,000 in respect of a Short Term Revolving Credit ("STRC") facility of USD8,000,000 granted to Madarac Corporation ("Madarac"), the Company's wholly-owned subsidiary incorporated in the British Virgin Islands.

Subsequently, on 6 September 2012, the Company provided a Corporate Guarantee in favour of Maybank for an amount up to USD10,000,000 in respect of an additional STRC facility of USD10,000,000 granted to Madarac.

Prior to 2012, the Company had issued a Corporate Guarantee for an amount up to HKD50,600,000 (31.12.2011 - HKD50,600,000; 1.1.2011 - HKD50,600,000) to The Bank of Tokyo-Mitsubishi UFJ Ltd., Labuan ("UFJ Bank") for the STRC facility of HKD50,600,000 (31.12.2011 - HKD50,600,000; 1.1.2011 - HKD50,600,000) granted to Madarac.

28. RELATED PARTIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

28. RELATED PARTIES (cont'd)

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 RM'000	Gross balance outstanding RM'000	Net balance outstanding RM'000	Allowance for impairment loss RM'000	Impairment loss recognised/ (write back) for the year ended RM'000
GROUP					
31 December 2012					
Associated companies					
Loan amounts due from					
- Traders Yangon Company Ltd	**12,276**	**80,644**	**27,848#**	**473**	**(2,516)**
- Shangri-La Yangon Company Ltd	**17,815**	**41,824**	**20,152**	**21,672**	**(1,056)**
- Traders Square Company Ltd	**2,726**	**6,768**	**2,726**	**4,042**	**(253)**
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
- Management, marketing and reservation fees paid or payable	**11,900**	**1,484**	**1,484**	**-**	**-**
Shangri-La International Hotel Management Pte Ltd					
- Management fees paid or payable	**2,253**	**323**	**323**	**-**	**-**
Corporation in which Kuok Oon Kwong, Director of the Company, has direct or indirect financial interests					
PPB Hartabina Sdn Bhd					
- Project management fees paid or payable	**58**	**58**	**58**	**-**	**-**
Kuok Brothers Sdn Bhd, PPB Group Berhad, PPB Oil Palms Berhad, PGEO Marketing Sdn Bhd and Chemquest Sdn Bhd					
- Office rental received or receivable	**1,313**	**-**	**-**	**-**	**-**

Net balance outstanding for Traders Yangon Company Ltd is stated net of allowance for impairment loss and share of post-acquisition results of RM52,323,000 (Note 6).

	Transactions amount for the year ended RM'000	Gross balance outstanding RM'000	Net balance outstanding RM'000	Allowance for impairment loss RM'000	Impairment loss recognised/ (write back) for the year ended RM'000
31 December 2011					
Associated companies					
Loan amounts due from					
- Traders Yangon Company Ltd	5,874	70,884	14,386#	2,989	1,793
- Shangri-La Yangon Company Ltd	-	25,065	2,337	22,728	654
- Traders Square Company Ltd	-	4,295	-	4,295	113
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
- Management, marketing and reservation fees paid or payable	10,740	1,685	1,685	-	-
Shangri-La International Hotel Management Pte Ltd					
- Management fees paid or payable	2,021	316	316	-	-
Corporation in which Kuok Oon Kwong, Director of the Company, has direct or indirect financial interests					
PPB Hartabina Sdn Bhd					
- Project management fees paid or payable	192	-	-	-	-

Net balance outstanding for Traders Yangon Company Ltd is stated net of allowance for impairment loss and share of post-acquisition results of RM53,509,000 (Note 6).

NOTES TO THE FINANCIAL STATEMENTS
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	Transactions amount for the year ended RM'000	Gross balance outstanding RM'000	Net balance outstanding RM'000	Allowance for impairment loss RM'000	Impairment loss recognised/ (write back) for the year ended RM'000
COMPANY					
31 December 2012					
Subsidiaries					
Interest income received or receivable	**36**	**36**	**36**	**-**	**-**
Rental income received or receivable	**120**	**-**	**-**	**-**	**-**
Interest expense paid or payable	**1,326**	**127**	**127**	**-**	**-**
Laundry service fees paid or payable	**1,375**	**260**	**260**	**-**	**-**
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
- Management, marketing and reservation fees paid or payable	**1,919**	**267**	**267**	**-**	**-**
Shangri-La International Hotel Management Pte Ltd					
- Management fees paid or payable	**340**	**37**	**37**	**-**	**-**
31 December 2011					
Subsidiaries					
Interest income received or receivable	15	-	-	-	-
Rental income received or receivable	120	-	-	-	-
Interest expense paid or payable	1,767	-	-	-	-
Laundry service fees paid or payable	1,348	138	138	-	-
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
- Management, marketing and reservation fees paid or payable	1,867	486	486	-	-
Shangri-La International Hotel Management Pte Ltd					
- Management fees paid or payable	325	37	37	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

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29. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS balance sheets at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening balance sheets at 1 January 2011, the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs.

29.1 Significant Accounting Policies

The adoption of the MFRS framework did not result in any substantial change to the Group's accounting policies, nor any significant impact on the financial statements, as the accounting policies adopted by the Group under the previous FRS framework are consistent with the MFRS framework, except for the following:

MFRS 112 - Income Taxes

MFRS 112 - Income Taxes requires that the Group recognises any unutilised investment tax allowance ("ITA") incentive in respect of the Group's hotels as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unutilised ITA can be utilised. Prior to the adoption of MFRS 112 - Income Taxes, the Group's accounting policy was not to recognise any unutilised ITA as deferred tax assets.

In accordance with the transition provisions of MFRS 112, this change in accounting policy was applied retrospectively. Accordingly, 2011 comparative figures have been adjusted.

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's and the Company's balance sheets and income statements is set out below.

NOTES TO THE FINANCIAL STATEMENTS

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29. EXPLANATION OF TRANSITION TO MFRSs

29.2 Reconciliation of balance sheets

GROUP	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs (MFRS 112) RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs (MFRS 112) RM'000	31.12.2011 MFRSs RM'000
ASSETS							
Non-current assets							
Property, plant and equipment		745,351	-	745,351	731,059	-	731,059
Investment properties		266,846	-	266,846	266,899	-	266,899
Investments in associates		10,291	-	10,291	16,723	-	16,723
Property development expenditure		12,240	-	12,240	12,286	-	12,286
Deferred tax assets	a	-	9,761	9,761	-	5,587	5,587
		1,034,728	9,761	1,044,489	1,026,967	5,587	1,032,554
Current assets							
Inventories		8,754	-	8,754	8,809	-	8,809
Trade and other receivables, prepayments and deposits		24,796	-	24,796	23,938	-	23,938
Tax recoverable		3,246	-	3,246	1,765	-	1,765
Cash and cash equivalents		17,200	-	17,200	21,655	-	21,655
		53,996	-	53,996	56,167	-	56,167
Total assets		1,088,724	9,761	1,098,485	1,083,134	5,587	1,088,721
EQUITY							
Share capital		440,000	-	440,000	440,000	-	440,000
Share premium		104,501	-	104,501	104,501	-	104,501
Retained earnings	b	247,333	16,725	264,058	278,197	11,929	290,126
Total equity attributable to shareholders of the Company		791,834	16,725	808,559	822,698	11,929	834,627
Minority interests	c	78,610	1,322	79,932	82,530	325	82,855
Total equity		870,444	18,047	888,491	905,228	12,254	917,482
LIABILITIES							
Non-current liabilities							
Long-term borrowings		46,258	-	46,258	5,306	-	5,306
Retirement benefits		12,878	-	12,878	13,404	-	13,404
Deferred tax liabilities	a	16,845	(8,286)	8,559	18,664	(6,667)	11,997
		75,981	(8,286)	67,695	37,374	(6,667)	30,707
Current liabilities							
Trade and other payables		81,414	-	81,414	75,887	-	75,887
Short-term borrowings		59,952	-	59,952	63,892	-	63,892
Current tax liabilities		933	-	933	753	-	753
		142,299	-	142,299	140,532	-	140,532
Total liabilities		218,280	(8,286)	209,994	177,906	(6,667)	171,239
Total equity and liabilities		1,088,724	9,761	1,098,485	1,083,134	5,587	1,088,721

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

29. EXPLANATION OF TRANSITION TO MFRSs

29.3 Reconciliation of income statement for the year ended 31 December 2011

	Note	FRSs RM'000	Effect of transition to MFRSs (MFRS 112) RM'000	MFRSs RM'000
GROUP				
Revenue		429,731	-	429,731
Operating profit		82,890	-	82,890
Interest income		408	-	408
Interest expense		(3,018)	-	(3,018)
Share of results of an associated company		558	-	558
Profit before tax		80,838	-	80,838
Tax expense	d	(15,514)	(5,793)	(21,307)
Profit for the year		65,324	(5,793)	59,531
Attributable to:				
Shareholders of the Company	d	60,564	(4,796)	55,768
Minority interests	d	4,760	(997)	3,763
Profit for the year		65,324	(5,793)	59,531
Basic earnings per ordinary share (sen)		13.76	(1.09)	12.67

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

29. EXPLANATION OF TRANSITION TO MFRSs

29.4 Reconciliation of balance sheets

		1.1.2011			31.12.2011		
		FRSs	Effect of transition to MFRSs (MFRS 112)	MFRSs	FRSs	Effect of transition to MFRSs (MFRS 112)	MFRSs
COMPANY	**Note**	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Non-current assets							
Property, plant and equipment		112,383	-	112,383	106,278	-	106,278
Investments in subsidiaries		459,188	-	459,188	459,188	-	459,188
Deferred tax assets	a	-	7,553	7,553	-	5,368	5,368
		571,571	7,553	579,124	565,466	5,368	570,834
Current assets							
Inventories		1,061	-	1,061	989	-	989
Trade and other receivables, prepayments and deposits		191,943	-	191,943	205,044	-	205,044
Tax recoverable		913	-	913	1,027	-	1,027
Cash and cash equivalents		4,323	-	4,323	9,626	-	9,626
		198,240	-	198,240	216,686	-	216,686
Total assets		769,811	7,553	777,364	782,152	5,368	787,520
EQUITY							
Share capital		440,000	-	440,000	440,000	-	440,000
Share premium		104,501	-	104,501	104,501	-	104,501
Retained earnings	b	145,522	12,760	158,282	147,896	10,956	158,852
Total equity attributable to shareholders of the Company		690,023	12,760	702,783	692,397	10,956	703,353
LIABILITIES							
Non-current liabilities							
Retirement benefits		304	-	304	380	-	380
Deferred tax liabilities	a	5,207	(5,207)	-	5,588	(5,588)	-
		5,511	(5,207)	304	5,968	(5,588)	380
Current liabilities							
Trade and other payables		70,277	-	70,277	77,487	-	77,487
Short-term borrowings		4,000	-	4,000	6,300	-	6,300
		74,277	-	74,277	83,787	-	83,787
Total liabilities		79,788	(5,207)	74,581	89,755	(5,588)	84,167
Total equity and liabilities		769,811	7,553	777,364	782,152	5,368	787,520

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

29. EXPLANATION OF TRANSITION TO MFRSs

29.5 Reconciliation of income statement for the year ended 31 December 2011

	Note	FRSs RM'000	Effect of transition to MFRSs (MFRS 112) RM'000	MFRSs RM'000
COMPANY				
Revenue		95,058	-	95,058
Operating profit		35,732	-	35,732
Interest income		307	-	307
Interest expense		(2,050)	-	(2,050)
Profit before tax		33,989	-	33,989
Tax expense	d	(1,915)	(1,804)	(3,719)
Profit for the year		32,074	(1,804)	30,270

29.6 Adjustments to the statements of cash flows for 2011

Group and Company
There are no differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs for 2011.

29.7 Notes to reconciliations
The financial effects on the Group's and the Company's financial statements arising from the adoption of MFRS 112 are as follows:

a) Deferred tax
The changes that affected the deferred tax assets are as follows:

	GROUP		COMPANY	
	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000
Unutilised investment tax allowance	9,761	5,587	7,553	5,368
Increase in deferred tax assets	9,761	5,587	7,553	5,368

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

29. EXPLANATION OF TRANSITION TO MFRSs

The changes that affected the deferred tax liabilities are as follows:

	GROUP		COMPANY	
	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000
Unutilised investment tax allowance	8,286	6,667	5,207	5,588
Decrease in deferred tax liabilities	8,286	6,667	5,207	5,588

b) Retained earnings

The changes that affected the retained earnings are as follows:

	GROUP		COMPANY	
	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000
Deferred tax assets	9,209	5,532	7,553	5,368
Deferred tax liabilities	7,516	6,397	5,207	5,588
Increase in retained earnings	16,725	11,929	12,760	10,956

c) Minority Interests

The changes that affected the minority interests are as follows:

	GROUP		COMPANY	
	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000
Deferred tax assets	552	55	-	-
Deferred tax liabilities	770	270	-	-
Increase in minority interests	1,322	325	-	-

d) Income statements and statements of comprehensive income

The changes that affected the income statements and statements of comprehensive income are as follows:

	GROUP	COMPANY
	2011 RM'000	2011 RM'000
Increase in tax expense	5,793	1,804
Decrease in profit attributable to:		
Shareholders of the Company	4,796	1,804
Minority interests	997	-
	5,793	1,804

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

30. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits of the Group and of the Company as at 31 December 2012, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2012 RM'000	2011 RM'000
GROUP		
Total retained profits of the Company and its subsidiaries		
- Realised	**267,677**	213,831
- Unrealised	**61,339**	71,194
	329,016	285,025
Total share of results of an associated company		
- Realised	**(52,323)**	(53,509)
	276,693	231,516
Add: Consolidation adjustments	**47,762**	58,610
Total Group retained profits	**324,455**	290,126
COMPANY		
Realised	**151,925**	137,425
Unrealised	**15,288**	21,427
Total Company retained profits	**167,213**	158,852

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

GROUP PROPERTIES
as at 31 December 2012

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2012 (RM'000)
Shangri-La Hotel (KL) Sdn Bhd	**Shangri-La Hotel Kuala Lumpur** 29-storey, 662 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	**Freehold**	**27**	**16,229**	**153,064**
Komtar Hotel Sdn Bhd	**Traders Hotel Penang** 17-storey, 444 room hotel located at Magazine Road 10300 Penang	**Leasehold** (Expires 2082)	**26**	**4,800**	**29,838**
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**	**39**	**58,798**	**91,088**
	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**	**610**
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 2012

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2012 (RM'000)
Golden Sands Beach Resort Sdn Bhd	**Golden Sands Resort** 8-storey, 387 room resort located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**34**	**19,359**	**42,383**
	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)	**22**	**3,737**	**498**
UBN Tower Sdn Bhd	**UBN Tower** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**27**	**3,696**	**191,780**
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**	**27**	**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**

GROUP PROPERTIES
as at 31 December 2012

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2012 (RM'000)
Pantai Dalit Beach Resort Sdn Bhd	**Shangri-La's Rasa Ria Resort** 417 room resort comprising two 4-storey blocks, two 5-storey blocks and six 6-storey blocks of guestrooms located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**16**	**92,482**	**73,354**
	Land Land on which Shangri-La's Rasa Ria Resort and Dalit Bay Golf & Country Club are situated on at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**-**	**761,467**	**3,617**
	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)	**15**	**668,985**	**30,863**

SHAREHOLDING STATISTICS

as at 31 March 2013

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	162	2.98	3,249	0.00
100 - 1,000	2,268	41.75	2,131,050	0.48
1,001 - 10,000	2,504	46.10	9,963,947	2.27
10,001 - 100,000	411	7.57	12,369,238	2.81
100,001 to less than 5% of issued shares	84	1.55	60,382,675	13.72
5% and above of issued shares	3	0.05	355,149,841	80.72
	5,432	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
Caninco Investments Limited	-	232,237,841	52.78
Kerry Holdings Limited	-	232,237,841	52.78
Kerry Group Limited	-	232,237,841	52.78
Kuok Brothers Sdn Berhad	98,014,500	237,500	22.33
Aberdeen Asset Management PLC	-	51,025,100	11.60
Mitsubishi UFJ Financial Group, Inc.	-	51,025,100	11.60
Aberdeen Asset Management Asia Limited	-	37,926,300	8.62
Aberdeen International Fund Managers Limited	-	24,897,500	5.66

SHAREHOLDING STATISTICS
as at 31 March 2013

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 2013 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
Datin Rozina Mohd Amin	-	-	-
Dato' Haris Onn bin Hussein	-	-	-
Dato' Seri Ismail Farouk Abdullah	200,000	-	0.05
Dato' Khoo Eng Min - own	5,000	-	negligible
- others	9,000[1]	-	negligible
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-
Tan Yew Jin	5,000	20,000	0.01

(Ordinary Shares of HKD1.00 each) **Related Corporation** **Shangri-La Asia Limited** (Ultimate Holding Company)	**No. of Shares**	**No. of Shares**	**% of Issued Capital**
Tan Sri A. Razak bin Ramli	-	-	-
Kuok Oon Kwong - own	182,938	170,768	0.01
- others	231,124[1]	-	0.01
Datin Rozina Mohd Amin	-	-	-
Dato' Haris Onn bin Hussein	-	-	-
Dato' Seri Ismail Farouk Abdullah	-	-	-
Dato' Khoo Eng Min	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-
Tan Yew Jin	120,856	-	negligible

[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.

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

SHAREHOLDING STATISTICS

as at 31 March 2013

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. Kuok Brothers Sdn Berhad	98,014,500	22.28
3. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	24,897,500	5.66
4. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	9,720,900	2.21
5. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen)	9,277,300	2.11
6. Ophir Holdings Berhad	3,298,400	0.75
7. Malaysia Nominees (Tempatan) Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	2,880,000	0.65
8. HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	2,615,800	0.59
9. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	2,304,500	0.52
10. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,923,900	0.44
11. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,665,800	0.38
12. Key Development Sdn Bhd	1,156,400	0.26
13. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	1,078,500	0.24
14. Ying Holding Sdn Bhd	1,076,500	0.24
15. Migan Sdn Bhd	1,036,600	0.24
16. Maybank Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Endowment Fund)	864,000	0.20
17. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	784,800	0.18
18. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	739,100	0.17
19. Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sew Hoey (Tan Siew Hoey)	737,300	0.17
20. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Huat	699,000	0.16
21. Lim Kian Huat	686,400	0.16
22. Gan Teng Siew Realty Sdn Bhd	645,000	0.15
23. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	628,300	0.14
24. Maybank Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Operating Fund)	621,000	0.14
25. G.T.Y. Holdings Sdn Bhd	606,000	0.14
26. Gemas Bahru Estates Sdn Bhd	600,000	0.14
27. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Kenanga B)	593,000	0.13
28. W. Gan Sdn Bhd	587,000	0.13
29. Rengo Malay Estate Sdn Bhd	571,000	0.13
30. Gan Tee Kian	526,000	0.12
	403,072,341	91.61

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Second 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 Monday, 20 May 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2012 and the Auditors' Report thereon. **Ordinary Resolution 1**

2. To approve the payment of a Final single tier dividend of 7% for the year ended 31 December 2012 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2012. **Ordinary Resolution 3**

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

   i) Tan Sri A. Razak bin Ramli **Ordinary Resolution 4**
   ii) Datuk Supperamaniam a/l Manickam **Ordinary Resolution 5**

   Note: Mr Ravinder Singh Grewal who was also due to retire by rotation at this Annual General Meeting resigned as a Director of the Company with effect from 25 March 2013.

5. To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 as Directors of the Company to hold office until the next Annual General Meeting of the Company:

   i) Dato' Khoo Eng Min **Ordinary Resolution 6**
   ii) Tan Yew Jin **Ordinary Resolution 7**

6. 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 8**

AS SPECIAL BUSINESS

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

7. **Proposed Amendments to the Articles of Association of the Company**
   "THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix 1 on page 125 of the Company's 2012 Annual Report." **Special Resolution**

By Order of the Board

DATIN ROZINA MOHD AMIN
Company Secretary

Kuala Lumpur
26 April 2013

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. With respect to deposited securities, only members whose names appear in the Record of Depositors on 10 May 2013 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The 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.
4. The proposed Final dividend, if approved, will be paid on Friday, 28 June 2013 to shareholders whose names appear in the Record of Depositors on Monday, 3 June 2013.

EXPLANATORY NOTE ON SPECIAL BUSINESS

The proposed Special Resolution to amend the Articles of Association, if passed, will enable the Company to reflect the changes made in Paragraph 7.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, specifically to allow members who are exempt authorised nominees to appoint multiple proxies for each omnibus account it holds which is not provided for in the current Articles of Association of the Company.

APPENDIX 1

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The existing Articles of Association of the Company are proposed to be amended in the manner set out below. For ease of reference, the proposed amendments are shown in bold typeface.

1. ARTICLE 2 (Definitions)

   To insert the definition of **"Exempt Authorised Nominees"** as follows:

"Exempt Authorised Nominees"	**-**	**means Authorised Nominees which are exempted from the requirement to only hold deposited securities for one beneficial owner in respect of each securities account.**

2. ARTICLE 57 (Appointment of more than one proxy)

   By amending the short title of Article 57 to read as:

   "Appointment of multiple proxies by Exempt Authorised Nominees";

   By deleting the existing Article 57 in its entirety and that the amended Article 57 be read as follows:

   "ARTICLE 57 (Appointment of multiple proxies by Exempt Authorised Nominees)

   Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds."

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 Forty-Second Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Monday, 20 May 2013 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	Re-election of Tan Sri A. Razak bin Ramli retiring pursuant to Article 95		
5	Re-election of Datuk Supperamaniam a/l Manickam retiring pursuant to Article 95		
6	Re-appointment of Dato' Khoo Eng Min as a Director pursuant to Section 129(6) of the Companies Act, 1965		
7	Re-appointment of Tan Yew Jin as a Director pursuant to Section 129(6) of the Companies Act, 1965		
8	Re-appointment of Messrs KPMG as Auditors		
	SPECIAL RESOLUTION		
	Proposed Amendments to the Articles of Association of the Company		

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

Dated this ____________ day of __________________ 2013 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 appointor or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing.
3. The 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.

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STAMP

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

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fax : (+60-88) 792 128
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