# ANNUAL REPORT 2010

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

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# GROUP FINANCIAL HIGHLIGHTS

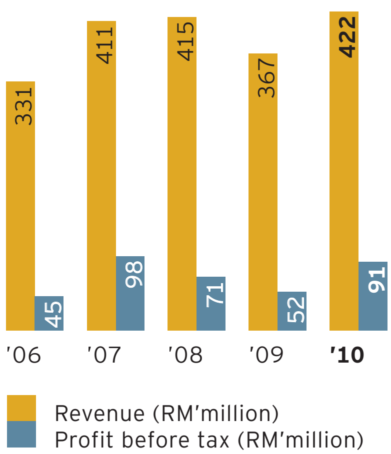
| | | 2010 RM'000 | 2009 RM'000 | 2008 RM'000 | 2007 RM'000 | 2006 RM'000 |
|---|---|---|---|---|---|---|
| **RESULTS** | | | | | | |
| Revenue | | **422,002** | 367,371 | 415,447 | 410,725 | 330,520 |
| Exceptional items | | **–** | – | – | – | – |
| Profit before tax | | **91,282** | 51,505 | 71,474 | 98,406 | 45,208 |
| Profit attributable to shareholders | | **69,959** | 35,353 | 49,267 | 77,242 | 35,679 |
| Dividend-net | | **29,700** | 26,400 | 26,268 | 32,428 | 25,564 |
| **KEY BALANCE SHEET DATA** | | | | | | |
| Issued capital | | **440,000** | 440,000 | 440,000 | 440,000 | 440,000 |
| Total assets employed | | **1,088,724** | 1,135,110 | 1,074,039 | 1,041,826 | 1,010,791 |
| Shareholders' equity | | **791,834** | 748,275 | 739,322 | 722,615 | 671,069 |
| Net borrowings | | **89,010** | 168,970 | 154,319 | 140,596 | 184,348 |
| **PER SHARE DATA** | | | | | | |
| Net earnings per share | (sen) | **15.90** | 8.03 | 11.20 | 17.56 | 8.11 |
| Net assets per share | (RM) | **1.80** | 1.70 | 1.68 | 1.64 | 1.53 |
| Dividend-gross | (sen) | **9.0** | 8.0 | 8.0 | 10.0 | 8.0 |
| **FINANCIAL RATIOS** | | | | | | |
| Return on shareholders' equity | (%) | **8.8** | 4.7 | 6.7 | 10.7 | 5.3 |
| Return on total assets | (%) | **6.4** | 3.1 | 4.6 | 7.4 | 3.5 |
| Net borrowings to shareholders' equity | (%) | **11.2** | 22.6 | 20.9 | 19.4 | 27.5 |

## NOTE

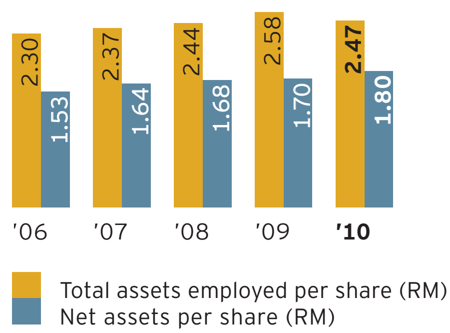
Dividends of RM29.700 million for the financial year ended 31 December 2010 consist of (a) the interim dividend of 3% per share less tax at 25% paid on 26 November 2010 amounting to RM9.900 million and (b) the proposed final dividend of 6% less tax at 25% amounting to RM19.800 million. The proposed final dividend of 6% less tax at 25% for the financial year ended 31 December 2010 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 20 May 2011.

# GROUP FINANCIAL HIGHLIGHTS

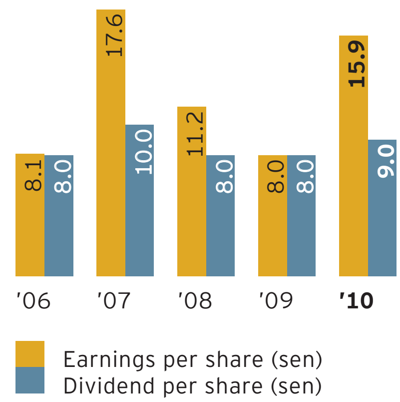
## REVENUE & PROFIT BEFORE TAX



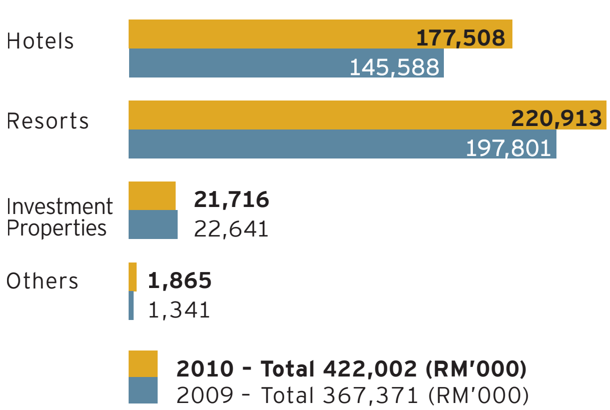

## TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



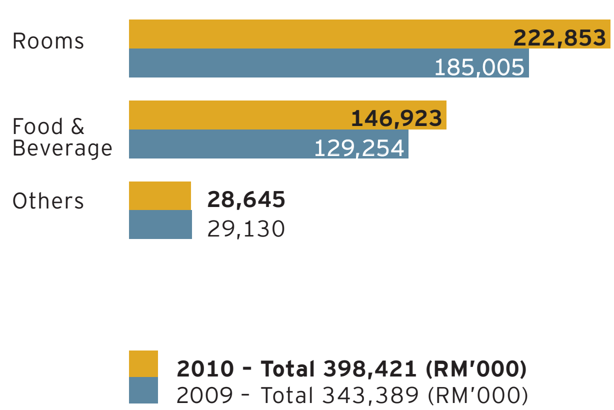

## EARNINGS PER SHARE & DIVIDEND PER SHARE




## REVENUE BY SEGMENT




## REVENUE OF HOTELS & RESORTS BY DEPARTMENTS



# CHAIRMAN'S STATEMENT

*Dear Shareholders,*

I AM PLEASED TO REPORT THAT THE GROUP DELIVERED A ROBUST FINANCIAL PERFORMANCE IN 2010, WITH STRONG REVENUE AND PROFIT GROWTH OVER 2009.

THE LARGE MAJORITY OF THIS GROWTH WAS GENERATED BY SHANGRI-LA HOTEL KUALA LUMPUR AND GOLDEN SANDS RESORT, FOLLOWING THE COMPLETION OF THEIR EXTENSIVE RENOVATION PROGRAMMES IN LATE 2009.

RASA RIA RESORT

Encouragingly, our hotels and resorts on the whole experienced a more positive operating environment during the year as the resumption of economic growth, particularly in Asia led to a steady rebound in both business and leisure travel. However, they saw a slower recovery in some of their major source markets in Europe, especially the UK, where ongoing economic weakness and fragile consumer confidence continued to hold back demand.

## GROUP RESULTS

For the twelve months ended 31 December 2010, the Group registered a 15% growth in revenue to RM422.002 million from RM367.371 million in 2009.

The Group's profit before tax for the full year 2010 was RM91.282 million, 77% above that of RM51.505 million recorded in 2009. Consequently, the Group closed the year with a profit attributable to shareholders of RM69.959 million, up 98% as compared to RM35.353 million achieved in 2009. Earnings per share for 2010 rose in tandem to 15.90 sen from 8.03 sen the previous year.

At the end of December 2010, the Group had shareholders' equity of RM791.834 million, a 6% increase over RM748.275 million as at end-2009, attributable to retained profits for the year. The net asset value per share of the Group stood at RM1.80 as at end-December 2010 compared with RM1.70 at year-end 2009.

The Group's financial position remains healthy and its balance sheet has been significantly strengthened, with a much lower level of gearing at the year-end.

Net debt for the Group decreased substantially from RM168.970 million at the end of December 2009 to RM89.010 million at 31 December 2010 as higher operating cash flows mainly from Shangri-La Hotel Kuala Lumpur and Golden Sands Resort enabled the Group to make significant repayments of borrowings during the year. As a result, the Group's net gearing level at 31 December 2010 reduced to 11% from 23% as at the previous year-end.

## DIVIDENDS

Reflecting the strong financial results for 2010, your Board is pleased to propose a final dividend of 6% less tax, which when combined with the interim dividend of 3% less tax paid in November 2010, makes a total dividend of 9% less tax for the financial year 2010 compared to a total of 8% less tax for 2009.

The proposed final dividend, if approved by shareholders at the forthcoming Annual General Meeting of the Company to be held on 20 May 2011, will be payable on 30 June 2011.

## PERFORMANCE REVIEW

Shangri-La Hotel Kuala Lumpur performed strongly in the year, on the back of increased business levels both in rooms and in food and beverage operations. Overall, the hotel achieved a 26% increase in revenue over 2009 to RM145.209 million, and its pre-tax profit rose from RM2.245 million in the previous year to RM18.769 million in 2010. The hotel's occupancy for 2010 was 59% compared with 38% in 2009.

# CHAIRMAN'S STATEMENT

In 2010, Golden Sands Resort saw its revenue grow by 67% to RM48.334 million, boosted mainly by higher occupancy and average room rates. The resort raised its occupancy from 41% in 2009 to 65%, along with an 8% rise in the average room rate. The resort ended the year on a strong note with a pre-tax profit of RM10.477 million versus a loss of RM5.476 million for 2009.

In Sabah, Rasa Ria Resort also had a good year, producing revenue growth of 7% to RM100.600 million with pre-tax profit up 9% to RM34.421 million from RM31.704 million in 2009. The resort's occupancy for 2010 was slightly higher at 74% whilst the average room rate improved by 7% on the prior year.

Traders Hotel Penang benefited from a healthy growth in business from the corporate sector during the year. The hotel showed a 6% improvement in revenue to RM32.299 million, with pre-tax profit rising from RM3.407 million in 2009 to RM4.265 million. The hotel's occupancy for 2010 was 72%, up from 66% last year.

At Rasa Sayang Resort, a shortfall in long haul arrivals from its key markets resulted in a reduced occupancy level of 60% against 63% in 2009, with overall revenue for 2010 down by 4% to RM67.713 million from RM70.621 million the previous year. Despite this, the resort posted a higher operating profit of RM15.874 million for 2010 as compared to RM15.132 million in 2009, due to a reversal of cost provisions for property assessments in respect of prior years which are no longer required.

For 2010, the Group's investment properties in Kuala Lumpur recorded weaker operating results compared to 2009. In response to lower occupancy levels, the total combined rental revenue from UBN Tower and UBN Apartments dropped by 4% from 2009 to RM21.716 million, and their combined pre-tax profit decreased to RM14.582 million from RM15.272 million the previous year.

In the year to 31 December 2010, the Group's share of results from Traders Hotel Yangon, its 23.53% associate hotel in Myanmar was a profit of RM0.451 million compared with a loss of RM0.428 million for 2009. There was a considerably better operating performance by the hotel associate in line with a positive growth in visitor arrivals to Myanmar during 2010.

## INITIATIVES AND STRATEGIC DEVELOPMENT

Within the increasingly competitive business environment in which we operate, we have taken significant actions to build on our leading market position, and have increased our focus on improving our operational capabilities and the efficiency of our business.

Over the past year, we effectively leveraged on our strong sales and marketing platform and the strength of our brand to capture higher business volumes from both the corporate and leisure travel sectors. To optimise revenue opportunities and grow market share, our hotels employed more robust marketing strategies and launched innovative marketing campaigns, primarily targeting the short haul regional and domestic travel markets.

Marketing initiatives were also stepped up to bring in new and increased business from the fast-growing markets of China, India and Russia. Additionally, we broadened our relationship with our key corporate customers and forged closer links with our major wholesale suppliers, whilst investing in sales resource where needed. As a result of these actions, our hotels and resorts were successful in maintaining or enhancing their leadership positions in their respective marketplaces.

Our ongoing focus on operational efficiency combined with disciplined cost management in all areas of operations yielded good improvements in operating margins during the year. In 2010, considerable efforts were made to further improve the efficiency of our contracting and procurement processes, as well as to reduce costs and complexity through a number of continuous improvement programmes. We also continued to emphasise on cash flow enhancement and working capital efficiency, whilst keeping control over capital expenditure. At the same time, we invested in further upgrades to our IT infrastructure and critical systems with more advanced technologies to drive greater efficiency in the operation of our business processes.

RASA SAYANG RESORT & SPA

# CHAIRMAN'S STATEMENT

As a Group, we remain committed to developing a highly engaged, productive and motivated workforce to enable us to achieve our strategic ambitions. Throughout 2010, we worked hard on improving and developing the knowledge, capabilities and skills of our employees at every level through leading-edge management and leadership development programmes, and through a range of dedicated learning and training initiatives. In parallel, we are continually working to improve our customer service capabilities across all areas of our business activities so we can deliver the highest quality of service to our customers.

Our commitment to maintaining and enhancing the high standards and quality of our existing portfolio of assets continues to be at the core of our strategy in order to secure our position firmly at the forefront of the industry. We will continue to apply innovation and creativity in our product and service offerings to meet the needs and expectations of our customers.

It is particularly encouraging to see that the recent investments in significant product enhancements at Shangri-La Hotel Kuala Lumpur and Golden Sands Resort have produced good initial results, whilst at the same time providing them with considerable scope for further growth in the coming years.

We have begun work on a major renovation programme of the garden wing rooms at Rasa Ria Resort comprising a total of 330 rooms in eight guestroom blocks including a complete upgrade of some public areas. The programme, which commenced in March 2011, is scheduled for full completion during the first quarter of 2012. Work on this project will be completed in stages and the renovated guestrooms will become available progressively from the second half of 2011. When fully completed, the improved room product and more modern facilities will greatly strengthen the resort's leadership position in the local market and provide it with a solid base for future growth.

As part of our strategy to further develop and expand our foothold in Malaysia, we announced in December 2010 that the Company had signed a Heads of Agreement with Teluk Datai Resorts Sdn Bhd (TDR) to form a joint venture company which will jointly develop a luxury resort at Teluk Datai in Langkawi Island, Kedah. TDR is 70% indirectly owned by Khazanah Nasional Berhad, the investment holding arm of the Government of Malaysia.

The Company will hold 49% of the equity in the joint venture company, whilst TDR will hold the remaining 51%. The resort in Langkawi would be managed by Shangri-La International Hotel Management Limited under the Shangri-La brand.

The proposed resort development in Langkawi under the joint venture is conditional upon the Company participating in the Puteri Harbour hotel development project in Iskandar Malaysia, Johor in which the Company would have a 20% equity stake with the remaining 80% to be held by a Khazanah investment vehicle. The hotel will also be managed by Shangri-La International Hotel Management Limited under the Traders brand.

We believe that both the Langkawi and Puteri Harbour hotel developments will significantly raise the Group's profile in Malaysia as well as offering an attractive growth opportunity for the Group over the longer term. In particular, the Langkawi hotel joint venture will enable us to gain a presence in this strategically important and growing leisure destination with a strong partner.

We expect to sign the definitive agreements for the two proposed joint venture investments by the end of May 2011 and will make the appropriate announcements at the relevant juncture upon execution of such definitive agreements.

## OUTLOOK

Though there is still some uncertainty about the global economic recovery, the overall outlook for our hotel business and the industry as a whole in 2011 appears encouraging.

In tandem with the continuing healthy revival in business and leisure travel, our hotels and resorts should benefit from better occupancy levels, although they continue to see a sluggish pace of recovery in their major long haul travel markets in Europe, particularly the UK, as the economic environment in much of that region remains challenging.

The major renovation programme of the garden wing guestrooms at Rasa Ria Resort will weigh on the business levels and operating performance of the resort in 2011, owing to a reduction in available rooms for sale through most of the year. The renovation programme, which started in March 2011, is due to complete during the first quarter of 2012.

We expect the overall demand trends in the property rental market in Kuala Lumpur to stay relatively stable through 2011. However, the occupancy and rental rates of our investment properties are likely to come under increasing competitive pressure given the prevailing large oversupply.

Going forward, we will continue to sharpen our focus on strengthening the business further, enhancing our core competencies and competitiveness and maintaining cost discipline. We are intent on making further progress in the current year and delivering good value to our shareholders.

Our market-leading brand, strategic portfolio of assets and firm operating fundamentals, leave us well positioned to take advantage of the growth opportunities as markets recover. Furthermore, the financial wellbeing of the Group remains strong and this, combined with a healthy gearing level, will help support its growth initiatives and expansion plans.

## THE BOARD

Mr Kuok Khoon Ho stepped down from the Board last May. We would like to record our thanks and appreciation to him for his significant contribution to the Group.

## THANKS

Our success in 2010 is in large part due to the strong dedication and commitment of our employees across the Group. On behalf of the Board, I would like to express my gratitude and thanks to all of them for their hard work and achievements over the past year.

I should also like to thank my Board colleagues for their invaluable contributions and strong support.

To all our shareholders, thank you for your continuous support.

**TAN SRI A. RAZAK BIN RAMLI**
Chairman
**8 APRIL 2011**

# OPERATIONS REVIEW
## HOTELS

2010 WAS A GOOD YEAR FOR SHANGRI-LA HOTEL KUALA LUMPUR. FOLLOWING THE COMPLETION OF ITS EXTENSIVE GUESTROOM RENOVATION PROGRAMME IN LATE 2009, THE HOTEL CONSIDERABLY ENHANCED ITS FINANCIAL PERFORMANCE IN 2010 ON THE BACK OF STRONG GROWTH IN BOTH ITS ROOMS AND FOOD AND BEVERAGE BUSINESS.

REVENUE WAS UP BY 26%, REACHING RM145.209 MILLION COMPARED TO RM115.204 MILLION IN 2009, WHILE PRE-TAX PROFIT SURGED TO RM18.769 MILLION AS AGAINST RM2.245 MILLION IN 2009.

Malaysian Suite, SHANGRI-LA HOTEL KUALA LUMPUR

With an improved room product and effective marketing strategy, the hotel grew its occupancy rate from 38% to 59% in 2010. However, average room rate declined by 8% as the hotel exercised a more flexible rate strategy to drive business volumes in a fiercely competitive market. The increase in demand came mainly from the corporate group segments of Singapore, Malaysia and Japan. In addition, there were higher room night bookings from the meeting and incentive markets of India and Hong Kong, and the conventions markets of Malaysia and Australia. The hotel also secured more high-rated corporate business for its Horizon rooms and premier suites. At the same time, the hotel generated higher leisure demand from the packages and promotions markets of the Middle East and Australia as well as growing its weekend leisure business primarily from Malaysia and Singapore. Total room revenue rose 42% to RM65.380 million compared to RM45.892 million and profit stood at RM49.905 million versus RM34.001 million, an increase of 47%.

The results achieved by the hotel's food and beverage operations were equally encouraging, with major growth coming mainly from stronger banqueting business. Banqueting operations showed a 26% increase in covers mainly due to an increase in corporate functions, conventions, government functions and weddings. The hotel's food and beverage outlets also recorded higher covers, mainly at *Lemon Garden Café* and *Lobby Lounge*. Total food and beverage revenue advanced by 18% to RM73.388 million from RM62.147 million in 2009, while profit climbed 32% to RM27.451 million compared to RM20.862 million in 2009.

In 2010, the hotel once again garnered an array of prestigious international awards in recognition of the outstanding quality of its products and service excellence. Amongst others, these awards included the Conde Nast Traveler (USA) Readers' Choice Awards 2010, which named the hotel one of the *Top 100 Asia Hotels*; and the Expedia Insiders' Select List 2010, which named the hotel one of the *World's Best Hotels*.

During the year, the hotel carried out renovations to its food and beverage outlet, *The Pub* which reopened as *Arthur's Bar & Grill*. The hotel also renovated its *Health Club* and upgraded it with the latest state-of-the-art gym equipment. Both the outlet and *Health Club* have received a positive response from guests since reopening.

The focus of the hotel in 2011 is to boost market share in its key corporate markets of Malaysia, Singapore, Australia and Japan, and in the important markets of China and India. More efforts will also be made to enlarge its high-yield corporate customer base so as to generate higher demand for its Horizon rooms and premier suites. At the same time, the hotel aims to capture a larger share of the meeting and incentive markets, particularly from Australia. 2011 will also see the hotel drive higher leisure business from the Middle East, Hong Kong, Taiwan and Korea. It will continue to focus as well on promoting its weekend packages, targeting the Singapore and Malaysia markets, and on expanding its partnerships with airlines and travel trade partners, offering promotional packages to generate a higher volume of business. Additionally, the hotel will seek to improve room rates through more effective yield management and greater up-selling initiatives.

For the food and beverage business, the focus for 2011 is to step up its sales and marketing activities to promote the hotel's banqueting and outdoor catering facilities in order to secure more high-rated corporate events, government functions, weddings and social events. To generate further business for its outlets, it will also continue to introduce new food and beverage concepts and launch attractive food promotions, while actively selling its food and beverage loyalty programme and continuing its joint promotions with credit card merchants.

Health Club, SHANGRI-LA HOTEL KUALA LUMPUR

# OPERATIONS REVIEW
## HOTELS

A RISE IN CORPORATE DEMAND IN 2010 ENABLED TRADERS HOTEL PENANG TO GROW ITS TOTAL REVENUE BY 6% TO RM32.299 MILLION FROM RM30.384 MILLION THE PREVIOUS YEAR.

COMBINED WITH IMPROVED COST EFFICIENCIES, THE GROWTH IN REVENUE DROVE PRE-TAX PROFIT UP BY 25% TO RM4.265 MILLION COMPARED TO RM3.407 MILLION IN 2009.

Arthur's Bar & Grill, SHANGRI-LA HOTEL KUALA LUMPUR

Horizon Club Lounge, SHANGRI-LA HOTEL KUALA LUMPUR

The hotel recorded a significant increase in room night bookings mainly from the corporate group segments of Japan, India and Malaysia, complemented by higher demand from the leisure group segment of Indonesia and Australia. As a result, occupancy levels climbed to 72% in 2010 from 66% in 2009. In addition, in a highly competitive market, the hotel managed to raise its average room rate slightly over 2009. Overall, total room revenue advanced 10% to RM22.379 million from RM20.276 million in 2009, while rooms profit grew 14% to reach RM16.695 million from RM14.672 million the year before.

For 2010, the hotel's food and beverage revenue declined by 2% to RM8.568 million compared to RM8.738 million in 2009, mainly owing to a lower contribution from the banqueting business. Despite the dip in revenue, profit improved by 9% to RM1.896 million from RM1.742 million in 2009 as a result of a tight control of operating costs. The hotel's banqueting facilities saw a drop in covers in 2009 due to intense competition and a reduction in the number of corporate meetings and wedding functions. The hotel's food and beverage outlets, on the other hand, did better, benefiting from higher covers, particularly at the coffee shop, *Islander* and *Lobby Lounge*.

In 2011, the hotel will continue to focus on increasing corporate demand from its key markets of Malaysia, Japan and Hong Kong. At the same time, it will keep up its efforts to expand its corporate customer base, particularly in the manufacturing, oil and gas and government sectors. The hotel will also form additional strategic alliances with major airlines to secure more leisure business. To maximise room yield, it will further enhance its rate management strategies and up-selling efforts.

In order to grow its banqueting and outdoor catering business, attractive value added packages will be introduced to attract more corporate functions and social events. Similarly, new and creative dining promotions will be introduced to stimulate increased demand for the food and beverage outlets.

Meanwhile, the hotel will further enhance its service standards and operating efficiency.

# OPERATIONS REVIEW
## RESORTS

RASA SAYANG RESORT EXPERIENCED SOFTER LEISURE DEMAND IN 2010, RESULTING IN A 4% DROP IN TOTAL REVENUE TO RM67.713 MILLION FROM RM70.621 MILLION IN 2009.

HOWEVER, DUE TO A WRITE-BACK OF PRIOR YEARS' COST PROVISIONS FOR PROPERTY ASSESSMENTS THAT ARE NO LONGER REQUIRED, THE RESORT'S OPERATING PROFIT INCREASED BY 5% TO RM15.874 MILLION FROM RM15.132 MILLION.

RASA SAYANG RESORT & SPA

The resort's room occupancy rate declined to 60% from 63% in 2009 owing mainly to lower room night bookings from its key long-haul leisure markets, in particular the UK. There was also lower leisure demand from Malaysia, the Middle East and Singapore. Although demand fell, the resort managed to grow its average room rate by 3%, mainly from the leisure group and individual segments, and the packages and promotions segments. Overall, total room revenue was down by 3% to RM44.451 million against RM46.031 million in 2009, while profit decreased by 2% to RM36.655 million from RM37.546 million.

In line with lower occupancy levels and increasing competition, the resort's food and beverage operations also showed a decline in performance. Most outlets recorded lower covers, especially *Spice Market Cafe* and the *Lobby Lounge*. However, the resort's banqueting business grew its covers due mainly to an increase in corporate meetings. Overall, total food and beverage revenue for the year dropped by 4% to RM19.077 million from RM19.826 million in 2009, while profit dipped to RM6.057 million in 2010 compared to RM6.136 million in 2009.

The resort received several major awards during the year, including being named *Malaysia's Leading Spa Resort* for the second consecutive year at the 17th World Travel Awards 2010. It was also voted one of *Asia's Top 25 Leisure Hotels & Resorts*, as well as one of *Asia's Top 25 Spa Hotels & Resorts* by the readers of Smart Travel Magazine in its Best Travel Poll 2010.

In 2011, the resort will aggressively pursue a more focused sales and marketing strategy to build business volumes in its key leisure markets of the Middle East, Malaysia, Australia and the UK. It will also make concerted efforts to generate greater demand from the corporate meetings and incentive segments of Malaysia, Singapore and Australia. In addition, the resort aims to capture a bigger share of the high growth markets of China, India and Russia. To further maximise room yield, the resort will continue to improve its yield management strategy and increase its up-selling efforts, while maintaining an excellent standard of customer service.

# OPERATIONS REVIEW
## RESORTS

IN 2010, RASA RIA RESORT DELIVERED GOOD RESULTS, DRIVEN BY HEALTHY GROWTH IN BOTH ITS ROOMS AND FOOD AND BEVERAGE OPERATIONS.

THE RESORT REPORTED A 7% INCREASE IN TOTAL REVENUE TO RM100.600 MILLION IN 2010 COMPARED WITH RM94.343 MILLION IN 2009, WHILE PRE-TAX PROFIT ROSE BY 9% TO RM34.421 MILLION FROM RM31.704 MILLION IN 2009.

RASA RIA RESORT

Occupancy improved from 73% to 74%, mainly due to higher room night bookings in the leisure group segments of Korea, Australia and Taiwan, and in the meeting and incentive segments of Hong Kong and Singapore. An effective rate strategy combined with aggressive up-selling efforts enabled the resort to grow its average room rate by 7% over 2009. Higher average room rates were reported in almost all market segments, particularly in the leisure group and leisure individual segments. The resort achieved an 8% increase in total room revenue to RM57.135 million from RM53.096 million in 2009 and profit climbed correspondingly by 8% from RM46.208 million to RM49.732 million in 2010.

Total food and beverage revenue was up by 8% to RM32.571 million from the RM30.187 million registered the year before, while profit rose 10% to RM11.905 million from RM10.819 million in 2009. This was mainly due to an enhanced performance by the resort's banqueting business, which achieved higher covers and average checks on the back of a rise in corporate meetings. The food and beverage outlets also recorded higher covers, especially at the *Coffee Terrace*, the beachside bar *Sampan Bar* and *Kozan Teppan-yaki*.

To further enhance its competitive advantage the resort embarked on a renovation programme in mid-March 2011, which will see all its 330 guestrooms in the *Garden Wing* significantly upgraded. The renovation work will be carried out in two phases, with full completion targeted by end-February 2012. At the same time, enhancement works will be carried out at the *Garden Wing lobby*, reception and other public areas, as well as at the *Lobby Lounge*. Unavoidably, the renovation work will have a negative impact on the financial performance of the resort in 2011 due to the reduced number of available rooms. However, on completion, the new room product and facilities will considerably strengthen the resort's leadership position and provide it with a strong platform for future growth.

With the renovations of the *Garden Wing* rooms ongoing through a significant part of 2011, the resort will increase its efforts to boost business volumes for its *Ocean Wing* rooms. The resort will also launch an aggressive sales campaign and introduce attractive packages and tactical offers to generate demand from its key leisure markets of Taiwan, China, Hong Kong, Australia and the UK for both the *Ocean Wing* and *Garden Wing* rooms. Besides this, the resort plans to drive business from the higher-rated corporate meeting markets of Singapore and Malaysia. At the same time, the resort will continue to focus on cost containment measures and on optimising efficiency throughout its operations.

# OPERATIONS REVIEW
## RESORTS

GOLDEN SANDS RESORT ACHIEVED A STRONG PERFORMANCE IN 2010 AFTER COMPLETING MAJOR RENOVATION WORKS TO ALL ITS GUESTROOMS, MAIN LOBBY, RECEPTION AND OTHER PUBLIC AREAS IN NOVEMBER 2009.

TOTAL REVENUE INCREASED BY 67% TO RM48.334 MILLION FROM RM28.980 MILLION IN 2009, AND THE RESORT RECORDED A PRE-TAX PROFIT OF RM10.477 MILLION VERSUS A LOSS OF RM5.476 MILLION IN 2009.


Garden Café, GOLDEN SANDS RESORT

GOLDEN SANDS RESORT

In 2010, the resort's occupancy level advanced to 65% from 41% in 2009, driven by higher demand from its key leisure markets, especially from the Middle East and Australia. In addition, there were higher room night bookings from the meeting and incentive segments of Malaysia and Singapore, and the packages and promotion segments of Malaysia and the Middle East. The resort's average room rate was 8% up on 2009, with rate rises recorded in almost all market segments, especially in the leisure group and individual segments. As a result, total room revenue grew by 70% to RM33.508 million from RM19.710 million, while profit surged by 86% to RM28.185 million as against RM15.186 million in 2009.

Meanwhile, spurred by improved occupancy, the resort's food and beverage operations performed well. All outlets recorded higher covers and average checks, especially the coffee shop, *Garden Café* and *Sigi's Bar & Grill*. The resort's banqueting business also did better, reflecting an increase in corporate events and meetings during the year. Total food and beverage revenue climbed 63% to RM12.793 million from RM7.841 million in 2009, and the resort's food and beverage operations generated a profit of RM2.134 million compared with a loss of RM0.570 million in the year before.

In July 2010, the resort was named one of *Asia's Top 10 Family Resorts 2010* by the readers of Holiday With Kids, a leading, Australian-based family travel magazine.

In 2011, the resort will boost its sales and marketing efforts to broaden its leisure customer base particularly from Australia, the Middle East, Japan, Malaysia and the UK. The resort will also expand its business from the corporate meetings and incentive markets from Malaysia, Singapore and Australia. Further penetration of the new markets of China, India and Russia will be another focus in 2011. Simultaneously, the resort will adopt a vigorous rate strategy to drive higher room rates.

To generate higher business for the resort's food and beverage outlets, more attractive food promotions will be introduced. In addition, innovative dining packages will continue to be offered through partnerships with travel agents and credit card merchants. Marketing initiatives will also be intensified to grow the banqueting business, primarily targeting corporate meetings and wedding functions.

# OPERATIONS REVIEW
## INVESTMENT PROPERTIES

THE GROUP'S INVESTMENT PROPERTIES IN KUALA LUMPUR REPORTED LOWER OPERATING RESULTS FOR 2010 LARGELY DUE TO A REDUCED CONTRIBUTION FROM UBN TOWER.

TOTAL COMBINED RENTAL REVENUE DROPPED BY 4% TO RM21.716 MILLION COMPARED WITH RM22.641 MILLION IN 2009, WHILE COMBINED PRE-TAX PROFIT DECLINED TO RM14.582 MILLION AS AGAINST RM15.272 MILLION THE PREVIOUS YEAR.

Throughout 2010, trading conditions were soft in the office sector of the property rental market in the Kuala Lumpur Golden Triangle. This led to stiff competition in the market as landlords competed aggressively to retain existing tenants and secure new ones. During 2010, occupancy rates at UBN Tower slipped from 86% to 82% due to limited new demand compounded by non-renewal of tenancy by a number of existing tenants as they continued to rationalise their operations and relocate to more affordable locations outside the city centre. As a result, total rental revenue fell by 4% to RM19.335 million from RM20.136 million in 2009, whilst pre-tax profit decreased by 5% to RM11.662 million versus RM12.267 million in 2009.

The existing oversupply of high-end apartments in the Golden Triangle coupled with reduced demand levels from expatriates pushed down the occupancy rate at UBN Apartments from 70% in 2009 to 64% in 2010. Total rental revenue declined by 5% to RM2.381 million from RM2.505 million in 2009 and pre-tax profit dipped by 3% to RM2.920 million from RM3.005 million in 2009.

Trading conditions in the property rental market for prime office space in Kuala Lumpur are expected to be broadly stable in 2011 in line with the more favourable economic environment. However, trading conditions in the leasing market for high-end apartments will continue to be highly competitive as a large number of new high-end apartments will be coming on stream during the year, adding to the existing oversupply. This situation will exert further downward pressure on the overall occupancy and rental rates for UBN Apartments.

In 2011, marketing efforts will be intensified to improve occupancy levels and rental rates at both properties through a more effective and creative marketing strategy. At the same time, strong relationships with existing tenants will be maintained and greater emphasis will be placed on providing a high standard of maintenance and security services. Refurbishment works will also be carried out at the food court located on the second floor of UBN Tower to give it a fresh new look.

# 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 2011

**25 FEBRUARY**
Announcement of Audited Consolidated Results for the 4th Quarter and Financial Year ended 31.12.2010

**28 APRIL**
Issue of 2010 Annual Report

**20 MAY**
2011 Annual General Meeting to be held

**20 MAY**
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2011

**2 JUNE**
Entitlement Date for the proposed 2010 Final Dividend

**30 JUNE**
Payment Date for the proposed 2010 Final Dividend

## YEAR 2010

**20 MAY**
Announcement of Unaudited Consolidated Results for the 1st Quarter ended 31.3.2010

**25 AUGUST**
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2010

**2 NOVEMBER**
2010 Interim Dividend Entitlement Date

**9 NOVEMBER**
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2010

**26 NOVEMBER**
2010 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*

Khoo Eng Min

Tan Sri Dato' Mohd Amin bin Osman

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)

*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

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## REGISTERED OFFICE

13th Floor, UBN Tower
10 Jalan P. Ramlee
50250 Kuala Lumpur
Tel : (+60-3) 2026 1018
Fax : (+60-3) 2026 1068
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
17th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (+60-3) 2117 0888
Fax : (+60-3) 2117 0999

## 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, Lafarge Malayan Cement Berhad and Transmile Group Berhad. He is also a board member of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Tokio Marine Takaful Berhad and Hong Leong Investment Bank Berhad.

Tan Sri A. Razak has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 62.

## 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. and Mactan Shangri-La Hotel & Resort, Inc. and Managing Director of Shangri-La Hotel Public Company Limited, Thailand. In addition, she also sits on the board of Allgreen Properties Limited, Singapore 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 five Board meetings held in 2010. Age 64.

# 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.

Her father, Tan Sri Dato' Mohd Amin bin Osman is also a member of the Board. She does not have any family relationship with any major shareholder of SHMB. She has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all five Board meetings held in 2010. Age 51.

## 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 all five Board meetings held in 2010. Age 44.

## DATO' SERI ISMAIL FAROUK ABDULLAH

MALAYSIAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dato' Seri Ismail Farouk has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 65.

# PROFILE OF BOARD OF DIRECTORS

## KHOO ENG MIN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Khoo Eng Min has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 69.

## TAN SRI DATO' MOHD AMIN BIN OSMAN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

His daughter, Datin Rozina Mohd Amin is also a member of the Board. He does not have any family relationship with any major shareholder of SHMB. He has no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended four out of five Board meetings held in 2010. Age 83.

## RAVINDER SINGH GREWAL SARBJIT S

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ravinder Singh Grewal was appointed to the Board on 1 November 2007. He holds a Bachelor of Commerce from the University of New South Wales, Australia and is also a member of the Certified Public Accountants, Australia. He has 18 years of experience in corporate finance and private equity. His corporate finance deals have included IPOs and bond issues in Singapore, merger & acquisition transactions in South-East Asia as well as debt restructuring transactions in Malaysia and Indonesia. His private equity deals have included buy-out and development capital investments in South-East Asia and Australia. He previously worked for Standard Chartered Merchant Bank and also DBS Bank in Singapore. Currently, he is a Managing Director of Standard Chartered Private Equity Limited. He does not sit on the board of any other public listed company in Malaysia.

Mr Ravinder has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 41.

# 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 four out of five Board meetings held in 2010. Age 66.

## 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, Maybank Investment Bank Berhad, Titan Chemicals Corp. Berhad and NSL Ltd, Singapore (formerly known as NatSteel Ltd).

Dato' Dr Tan has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 64.

# PROFILE OF BOARD OF DIRECTORS

## TAN YEW JIN
MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr Tan has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all five Board meetings held in 2010. Age 69.

## JOSEPH PATRICK STEVENS
AMERICAN, ALTERNATE DIRECTOR

Mr Joseph Patrick Stevens was appointed as alternate director to Mr Ravinder Singh Grewal on 26 August 2009. He was previously alternate director to Mr Richard Anthony Johnson who has resigned from the Board. He holds a Juris Doctorate degree from Georgetown University, Washington (United States) and a Bachelor of Science in Political Science from Alfred University (United States). He spent 13 years at Goldman Sachs in the Investment Banking Division, where he held various leadership positions throughout Asia (Hong Kong, Singapore, Tokyo, Beijing), including Chief Executive and Managing Director of Goldman Sachs' China joint venture, Goldman Sachs Gao Hua Securities Limited. His investment banking experience includes several successful principal investments, mergers and acquisitions, acquisition financings and capital markets transactions. Prior to joining Goldman, he was an attorney with a US law firm, Cravath, Swaine & Moore (in New York and London) for 6 years, focusing primarily on mergers & acquisitions and securities transactions.

Currently, he is the Global Head of Principal Finance at Standard Chartered Bank and also serves as a member of the Wholesale Bank Management Group of Standard Chartered Bank, and is based in Singapore. He does not sit on the board of any other public listed company in Malaysia.

Mr Joseph Stevens has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. Age 49.

# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

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

The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), requires listed companies to publish each year in the annual report, a disclosure statement describing the manner in which the principles of the Code have been applied and the extent of compliance with its best practices during the financial year. In the opinion of the Directors, this statement reflects the way in which the Company has applied the principles in Part 1 and, save where otherwise identified, its compliance with the best practices set out in Part 2 of the Code for the year ended 31 December 2010.

## THE BOARD

**Board Structure and Procedures**

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

All the members of the Board served throughout 2010 save for Mr Kuok Khoon Ho who stepped down from the board on 10 May 2010.

The brief profiles of the current members of the Board are given on pages 25 to 29 of this annual report.

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

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

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

# STATEMENT ON CORPORATE GOVERNANCE

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

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

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

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

**Re-election of directors**

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

The directors of the Company who are seeking re-election or re-appointment at the Fortieth AGM of the Company to be held on 20 May 2011 are set out in the Notice of AGM.

# STATEMENT ON CORPORATE GOVERNANCE

**Board meetings**

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

The Board met five times during 2010 and the record of attendance of each director at the board meetings is shown in the table below. Several meetings of board committees were also held during 2010 and generally, these meetings correspond with major phases of the financial reporting cycles.

| NAME OF DIRECTOR | TOTAL ATTENDANCE |
|---|---|
| Tan Sri A. Razak bin Ramli | 5/5 |
| Kuok Oon Kwong | 5/5 |
| Datin Rozina Mohd Amin | 5/5 |
| Dato' Haris Onn bin Hussein | 5/5 |
| Dato' Seri Ismail Farouk Abdullah | 5/5 |
| Khoo Eng Min | 5/5 |
| Tan Sri Dato' Mohd Amin bin Osman | 4/5 |
| Ravinder Singh Grewal Sarbjit S | 5/5 |
| Datuk Supperamaniam a/l Manickam | 4/5 |
| Dato' Dr Tan Tat Wai | 5/5 |
| Tan Yew Jin | 5/5 |
| Kuok Khoon Ho (resigned on 10 May 2010) | 0/1 |

**Supply of information and Access to Advice**

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

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

# STATEMENT ON CORPORATE GOVERNANCE

**Board Committees**

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

a. AUDIT COMMITTEE ("AC")

The AC currently consists of three non-executive directors, two of whom are independent including the Chairman, and meets at least four times a year. Dato' Seri Ismail Farouk Abdullah chairs the AC and the other members are Datuk M. Supperamaniam and Mr Tan Yew Jin. The primary functions of the AC include the review of the effectiveness of the internal control and risk management processes within the Group, overseeing the financial reporting process and the external audit process.

b. POLICY IMPLEMENTATION COMMITTEE ("PIC") – *Hotels & Resorts*

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

c. NOMINATION & REMUNERATION COMMITTEE ("NRC")

The NRC met in December 2010 and comprises three independent non-executive directors. The NRC is chaired by Dato' Dr Tan Tat Wai and the other members are Datuk M. Supperamaniam and Dato' Seri Ismail Farouk Abdullah. The key functions of the NRC are to make recommendations on all new appointments to the Board, and to recommend membership of board committees as well as the remuneration framework for executive directors. Its other responsibilities include the review of the structure, size and composition of the Board, including the ongoing effectiveness of the Board as a whole and the committees of the board, and the contributions of each director towards the effective functioning of the Board.

**Directors' Training**

The Board places the responsibility for training of directors on the NRC. To ensure that the Directors are competent in carrying out their expected roles and responsibilities, they are provided with the opportunity for training on an ongoing basis so as to update them on relevant new legislation, regulations and changing commercial risks.

In September 2010, an in-house training seminar was organised for Directors focusing on Malaysia's new Competition Act 2010, which comes into force on 1 January 2012 with the aim of promoting a competitive environment and enhancing foreign investors' confidence in the country's business practices. Additionally, the training covered an overview of the forthcoming Goods & Services Tax ("GST"), and the main implications of the new tax system on businesses. The seminar also provided an approach for the development of implementation plans to prepare for the transition to GST.

# STATEMENT ON CORPORATE GOVERNANCE

**Directors' Remuneration**

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

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

The non-executive directors of the Company are paid an annual fixed fee for serving on the Board, which is determined by the Board as a whole, subject to shareholders approval at the Annual General Meeting. No director is involved in deciding his or her own remuneration.

The aggregate remuneration of the directors of the Company categorised into the appropriate components and analysed into bands of RM50,000 for the financial year ended 31 December 2010 is set out below. The total fees payable for the non-executive directors of the Company in respect of the financial year ended 31 December 2010 is proposed to be increased by RM128,542 from RM236,000 to RM364,542, which is described in more detail in the Notice of AGM.

| CATEGORY | FEES & ALLOWANCES (RM) | SALARIES & BONUS (RM) | BENEFITS-IN-KIND (RM) |
|---|---|---|---|
| Executive directors | – | 1,521,500 | 27,550 |
| Non-executive directors | 391,042 | – | – |
| **Total** | **391,042** | **1,521,500** | **27,550** |

| AMOUNT OF REMUNERATION | EXECUTIVE DIRECTORS | NON-EXECUTIVE DIRECTORS |
|---|---|---|
| Below RM50,000 | – | 9 |
| RM50,001 to RM100,000 | – | 1 |
| RM100,001 to RM700,000 | – | – |
| RM700,001 to RM750,000 | 1 | – |
| RM750,001 to RM800,000 | 1 | – |

# STATEMENT ON CORPORATE GOVERNANCE

## RELATIONSHIP WITH SHAREHOLDERS

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

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

## ACCOUNTABILITY AND AUDIT

**Financial reporting**
In presenting the annual financial statements and quarterly announcement of results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's financial position and prospects. The Audit Committee of the Board assists the Board in ensuring the reliability and integrity of the accounting and financial reporting systems of the Company. In addition, it reviews the annual financial statements and quarterly financial reports before they are submitted to the Board for approval. A statement of the directors' responsibilities for preparing the financial statements is set out on page 50 of this annual report.

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 8 April 2011.

# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

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

## BOARD RESPONSIBILITY

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

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

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

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

## RISK MANAGEMENT FRAMEWORK

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

The process is supported by the Internal Audit Department of the Company's ultimate holding company, which monitors the continuing effectiveness of the risk management activities of the Group and reports to the Audit Committee of the Board on any control failings and corrective action.

# STATEMENT ON INTERNAL CONTROL

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

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

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

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

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

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

# STATEMENT ON INTERNAL CONTROL

## OTHER KEY ELEMENTS OF INTERNAL CONTROL (cont'd)

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

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

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

## INTERNAL AUDIT FUNCTION

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

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 8 April 2011.

# AUDIT COMMITTEE REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

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

## COMPOSITION AND ATTENDANCE AT MEETINGS

The committee currently consists of three non-executive directors, two of whom are independent including the Chairman. The committee is chaired by Dato' Seri Ismail Farouk Abdullah and the other members are Datuk M. Supperamaniam and Mr Tan Yew Jin.

The committee met four times in 2010. Detailed written agendas are prepared and distributed to committee members in advance of each meeting to allow proper consideration of enclosed reports. While the executive directors and senior management are normally invited to attend the meetings, the external and internal auditors may have private discussions with the members of the committee. The committee reports its conclusions and recommendations to the Board on a quarterly basis and the minutes of the committee meetings are made available to the full Board. The record of attendance of each member at the committee meetings is set out in the table below.

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

## SUMMARY OF ACTIVITIES OF THE COMMITTEE

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

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

# AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

## TERMS OF REFERENCE OF THE COMMITTEE

**1. Membership**

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

1.2 No alternate directors shall be appointed to the Audit Committee.

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

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

1.5 The term of office and performance of the committee and each of its members shall be reviewed by the Board at least once every three (3) years.

**2. Meetings**

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

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

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

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

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

# AUDIT COMMITTEE REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

3. **Authority**

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

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

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

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

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

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

4. **Functions & Duties**

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

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

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

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

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

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

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

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

# AUDIT COMMITTEE REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

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

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

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

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

o. where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia, the Audit Committee shall promptly report such matters to Bursa Malaysia.

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

## INTERNAL AUDIT FUNCTION

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

For the financial year 2010, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM55,800.

# 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.

**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. Meanwhile, both Rasa Ria Resort and Rasa Sayang Resort are looking into the viability of using solar energy mainly to power outdoor lighting.

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

In March 2010, Shangri-La Hotel Kuala Lumpur was honoured with an award under the Environment category at the Prime Minister's CSR Awards 2009. This award is the highest accolade for corporate organisations, and aims to recognise companies which have made a difference to the communities in which they operate through their CSR programmes. The Environment category recognises companies that have demonstrated leadership and commitment in the improvement, preservation and protection of the environment.

Our hotels continue to explore opportunities to improve their waste management programmes through the recycling of waste such as glass bottles, paper, plastics, metals and used cooking oil. Increased efforts are also being made to ensure that the majority of cleaning materials used by our hotels are biodegradable. 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 will be installing a water purification system, which will enable the resorts to bottle their own drinking water in recyclable glass bottles. This is more sustainable and will have the impact of reducing plastic bottle waste while creating a more eco-friendly environment.

**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 2010, six orangutans were successfully rehabilitated and moved to the next stage of the programme for eventual release into the wild, bringing the total number of rehabilitated orangutans to 35 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.

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 2010, there were 34,905 visitors, bringing the total number to 247,493 visitors since the nature reserve opened in 1996.

Golden Sands Resort *Save the River Campaign in Batu Feringgi* is ongoing and the resort's environmental conservation efforts have garnered interest from schools around Penang. Groups of students visit the resort's in-house research and development centre to learn more about EM (Effective Microorganism) biotechnology, more commonly known as *mud balls*. For 2011, Golden Sands Resort will continue to build on its efforts to clean up the nearby Sungai Emas.

In support of the Turtle Conservation Centre managed by the Penang State Fisheries Department, Rasa Sayang Resort's ongoing *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.

# CORPORATE SOCIAL RESPONSIBILITY

## 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 full 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 three core development programmes for managerial employees with high potential, namely the corporate management trainee programme, the corporate executive trainee programme and the corporate trainee program.

The Group also provides opportunities for select employees to attend training at the Shangri-La Academy in China through its certificate, diploma and management development programmes. In 2010, a total of 48 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.

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.

# CORPORATE SOCIAL RESPONSIBILITY

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

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

More significantly, 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. Traders Hotel Penang is working towards obtaining HACCP certification in 2012.

**OHSAS 18001 Occupational Health and Safety Management System**
In addition to the HACCP certification, Shangri-La Hotel Kuala Lumpur is also OHSAS 18001-certified, reflecting its commitment to maintaining and improving a healthy and safe work environment. OHSAS 18001 is an international occupational health and safety management system specification, which helps organisations to control and manage high potential occupational health and safety hazards and risks associated with their business activities. Rasa Ria Resort recently successfully obtained OHSAS 18001 certification, while Rasa Sayang is in the process of obtaining OHSAS 18001 with completion targeted for the second quarter of 2011.

# 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.

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

All the Group hotels provide practical training on various aspects of hotel operations for students from local Institutes of Higher Learning. In Sabah, Rasa Ria Resort works closely with the human resources department of the State Ministry of Human Resources to provide a hotel attachment training programme for both graduates and school leavers.

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 folks and the blind, and through annual blood donation campaigns. They also support local communities through fundraising and sponsorship activities for charities and make donations in kind such as blankets, towels, linen, used uniforms and furniture.

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

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 2011. 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.

# CORPORATE SOCIAL RESPONSIBILITY

## THE COMMUNITY (cont'd)

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.

In December 2009, Rasa Ria Resort adopted Sekolah Kebangsaan Laya Laya, a primary school with about 255 students located in the Laya Laya village about 2.5km away from the resort in Tuaran, Sabah. A comprehensive programme has been drawn up to be implemented in three phases of five years each, aimed at creating a more conducive and healthy learning environment.

Under the programme, Rasa Ria Resort undertakes to help improve, repair and maintain the school facilities; upgrade hygiene and sanitation standards; and sponsor teaching activities by engaging English and mathematics teachers to enhance competency levels amongst the students.

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

## SUPPLY CHAIN

We acknowledge that 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
- Prime Minister's CSR Awards 2009 (Environment Category)
- ASEAN Green Hotel Award 2010
- ASEAN Green Hotel Award 2008-2009
- Human Resource Development (Service Sector) 2004 Ministry of Human Resources Award
- Hospitality Asia Platinum Awards 2003/2004 (Malaysia Series) for the Best Human Resources Department
- National HR Excellence Awards 2003 (Main Award Category)
- Prime Minister's Quality Award 1997 for Management Excellence

RASA SAYANG RESORT
- ASEAN Green Hotel Award 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
- Prime Minister's Hibiscus Award 2000/2001 for Notable Achievement in Environmental Performance

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

# ADDITIONAL COMPLIANCE INFORMATION

## 1. NON-AUDIT FEES

Non-audit fees paid by the Company and its subsidiaries to the external Auditors, Messrs KPMG and its affiliated companies for the financial year ended 31 December 2010 amounted to RM133,650. This payment was mainly in respect of filing of tax returns for the Company and its subsidiaries.

| | RM |
|---|---|
| KPMG | 12,600 |
| KPMG Tax Services Sdn Bhd | 121,050 |
| Total | 133,650 |

## 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 2010, 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 2010

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 2010 on pages 61 to 110, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

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

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010.

## 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 | 69,959 | 19,615 |
| Minority interests | 9,538 | - |
| | 79,497 | 19,615 |

## 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 5% less tax at 25% totalling RM16,500,000 in respect of the year ended 31 December 2009 on 29 June 2010; and

ii) an interim dividend of 3% less tax at 25% totalling RM9,900,000 in respect of the year ended 31 December 2010 on 26 November 2010.

The Board has proposed a final dividend of 6% less tax at 25% totalling RM19,800,000 for the financial year ended 31 December 2010. 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 2011. 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 2011.

# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

## 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

Khoo Eng Min

Tan Sri Dato' Mohd Amin bin Osman

Ravinder Singh Grewal Sarbjit S

Datuk Supperamaniam a/l Manickam

Dato' Dr Tan Tat Wai

Tan Yew Jin

Kuok Khoon Ho — Resigned on 10.5.2010

### 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, Madam Kuok Oon Kwong, Datin Rozina Mohd Amin and Mr Khoo Eng Min retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

# DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2010

### 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 1.1.2010 | Acquired | (Disposed) | As at 31.12.2010 |
|---|---|---|---|---|
| **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 | 400,000 | - | (200,000) | 200,000 |
| Khoo Eng Min - own | 5,000 | - | - | 5,000 |
| - others | 9,000[1] | - | - | 9,000[1] |
| Tan Sri Dato' Mohd Amin bin Osman | 23,000[1] | - | - | 23,000[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 | 168,197 | - | - | 168,197 |
| - others | 213,345[1] | - | - | 213,345[1] |
| Datin Rozina Mohd Amin | - | - | - | - |
| Dato' Haris Onn bin Hussein | - | - | - | - |
| Dato' Seri Ismail Farouk Abdullah | - | - | - | - |
| Khoo Eng Min | - | - | - | - |
| Tan Sri Dato' Mohd Amin bin Osman | - | - | - | - |
| Ravinder Singh Grewal Sarbjit S | - | - | - | - |
| Datuk Supperamaniam a/l Manickam | - | - | - | - |
| Dato' Dr Tan Tat Wai | - | - | - | - |
| Tan Yew Jin | 111,560 | - | - | 111,560 |
| Joseph Patrick Stevens | - | - | - | - |
| DEEMED INTERESTS IN SAL | | | | |
| Kuok Oon Kwong | 157,633 | - | - | 157,633 |

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 2010

**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 1.1.2010 | Granted | Exercised | As at 31.12.2010 |
|---|---|---|---|---|---|---|
| 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 2010, 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 2010

### 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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 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 2010

### 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,
25 February 2011

# 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 110 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The Company has provided as additional information the breakdown on Realised and Unrealised Profits/Losses in Note 31 to the financial statements for the year ended 31 December 2010 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,
25 February 2011

# 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 110 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 25 February 2011.

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 2010 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 109.

**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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF SHANGRI-LA HOTELS (MALAYSIA) BERHAD

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

### OTHER 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 31 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 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

PETER HO KOK WAI
Approval Number: 1745/12/11(J)
Chartered Accountant

Petaling Jaya, Selangor
25 February 2011

# BALANCE SHEETS
## AS AT 31 DECEMBER 2010

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| | | **RM'000** | RM'000 | RM'000 | **RM'000** | RM'000 | RM'000 |
| | **Note** | | restated | restated | | restated | restated |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 3 | **745,351** | 778,187 | 713,045 | **112,383** | 121,812 | 127,647 |
| Investment properties | 4 | **266,846** | 266,600 | 262,500 | **-** | - | - |
| Investments in subsidiaries | 5 | **-** | - | - | **459,188** | 459,188 | 459,188 |
| Interests in associates | 6 | **10,291** | 8,888 | 10,376 | **-** | - | - |
| Property development expenditure | 7 | **12,240** | 12,215 | 12,187 | **-** | - | - |
| Deferred tax assets | 8 | **-** | - | 499 | **-** | - | 499 |
| | | **1,034,728** | 1,065,890 | 998,607 | **571,571** | 581,000 | 587,334 |
| **Current assets** | | | | | | | |
| Inventories | 9 | **8,754** | 9,230 | 11,592 | **1,061** | 1,235 | 1,822 |
| Trade and other receivables, prepayments and deposits | 10 | **24,796** | 29,420 | 31,094 | **191,943** | 206,826 | 217,462 |
| Tax recoverable | 10 | **3,246** | 11,194 | 10,287 | **913** | 7,422 | 6,787 |
| Cash and cash equivalents | 11 | **17,200** | 19,376 | 22,459 | **4,323** | 6,254 | 7,320 |
| | | **53,996** | 69,220 | 75,432 | **198,240** | 221,737 | 233,391 |
| **Total assets** | | **1,088,724** | 1,135,110 | 1,074,039 | **769, 811** | 802,737 | 820,725 |
| **EQUITY** | | | | | | | |
| Share capital | 12 | **440,000** | 440,000 | 440,000 | **440,000** | 440,000 | 440,000 |
| Reserves | | **351,834** | 308,275 | 299,322 | **250,023** | 256,808 | 267,356 |
| **Total equity attributable to shareholders of the Company** | | **791,834** | 748,275 | 739,322 | **690,023** | 696,808 | 707,356 |
| **Minority interests** | | **78,610** | 69,632 | 61,318 | **-** | - | - |
| **Total equity** | | **870,444** | 817,907 | 800,640 | **690,023** | 696,808 | 707,356 |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Long-term borrowings | 13 | **46,258** | 87,686 | 79,900 | **-** | 4,000 | 35,000 |
| Retirement benefits | 14 | **12,878** | 12,334 | 11,685 | **304** | 227 | 151 |
| Deferred tax liabilities | 8 | **16,845** | 14,474 | 11,726 | **5,207** | 2,845 | - |
| | | **75,981** | 114,494 | 103,311 | **5,511** | 7,072 | 35,151 |
| **Current liabilities** | | | | | | | |
| Trade and other payables and accruals | 15 | **81,414** | 101,663 | 72,449 | **70,277** | 32,257 | 27,818 |
| Short-term borrowings | 13 | **59,952** | 100,660 | 96,878 | **4,000** | 66,600 | 50,400 |
| Current tax liabilities | | **933** | 386 | 761 | **-** | - | - |
| | | **142,299** | 202,709 | 170,088 | **74,277** | 98,857 | 78,218 |
| **Total liabilities** | | **218,280** | 317,203 | 273,399 | **79,788** | 105,929 | 113,369 |
| **Total equity and liabilities** | | **1,088,724** | 1,135,110 | 1,074,039 | **769,811** | 802,737 | 820,725 |

The notes on pages 66 to 110 are an integral part of these financial statements.

# INCOME STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Revenue** | 16 | **422,002** | 367,371 | **91,973** | 82,286 |
| **Operating profit** | 16 | **95,626** | 56,748 | **27,590** | 23,399 |
| Interest income | 17 | **262** | 190 | **153** | 132 |
| Interest expense | 18 | **(5,057)** | (5,005) | **(2,274)** | (2,719) |
| Share of results of an associated company | | **451** | (428) | **-** | - |
| **Profit before tax** | | **91,282** | 51,505 | **25,469** | 20,812 |
| Tax expense | 20 | **(11,785)** | (7,278) | **(5,854)** | (4,960) |
| **Profit for the year** | | **79,497** | 44,227 | **19,615** | 15,852 |
| **Attributable to:** | | | | | |
| Shareholders of the Company | | **69,959** | 35,353 | **19,615** | 15,852 |
| Minority interests | | **9,538** | 8,874 | **-** | - |
| **Profit for the year** | | **79,497** | 44,227 | **19,615** | 15,852 |
| **Basic earnings per ordinary share (sen):** | 21 | **15.9** | 8.0 | | |

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| **Profit for the year** | **79,497** | 44,227 | **19,615** | 15,852 |
| **Other comprehensive income for the year** | **-** | - | **-** | - |
| **Total comprehensive income for the year** | **79,497** | 44,227 | **19,615** | 15,852 |
| **Attributable to:** | | | | |
| Shareholders of the Company | **69,959** | 35,353 | **19,615** | 15,852 |
| Minority interests | **9,538** | 8,874 | **-** | - |
| **Total comprehensive income for the year** | **79,497** | 44,227 | **19,615** | 15,852 |

The notes on pages 66 to 110 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | | Attributable to shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Non-distributable | | Distributable | | | |
| | Note | Share capital RM'000 | Share premium RM'000 | Retained earnings RM'000 | Total equity attributable to shareholders of the Company RM'000 | Minority interests RM'000 | Total equity RM'000 |
| **GROUP** | | | | | | | |
| **AT 1 JANUARY 2009** | | 440,000 | 104,501 | 194,821 | 739,322 | 61,318 | 800,640 |
| Profit for the year | | – | – | 35,353 | 35,353 | 8,874 | 44,227 |
| Other comprehensive income for the year | | – | – | – | – | – | – |
| Total comprehensive income for the year | | – | – | 35,353 | 35,353 | 8,874 | 44,227 |
| Dividends to shareholders | 22 | – | – | (26,400) | (26,400) | – | (26,400) |
| Dividend to minority shareholder of a subsidiary | | – | – | – | – | (560) | (560) |
| **At 31 December 2009/1 January 2010** | | **440,000** | **104,501** | **203,774** | **748,275** | **69,632** | **817,907** |
| Profit for the year | | **–** | **–** | **69,959** | **69,959** | **9,538** | **79,497** |
| Other comprehensive income for the year | | **–** | **–** | **–** | **–** | **–** | **–** |
| Total comprehensive income for the year | | **–** | **–** | **69,959** | **69,959** | **9,538** | **79,497** |
| Dividends to shareholders | 22 | **–** | **–** | **(26,400)** | **(26,400)** | **–** | **(26,400)** |
| Dividend to minority shareholder of a subsidiary | | **–** | **–** | **–** | **–** | **(560)** | **(560)** |
| **At 31 December 2010** | | **440,000** | **104,501** | **247,333** | **791,834** | **78,610** | **870,444** |
| | | Note 12 | | Note 12 | | | |

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | | Attributable to shareholders of the Company | | | |
|---|---|---|---|---|---|
| | | Non-distributable | | Distributable | |
| | Note | Share capital RM'000 | Share premium RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| **COMPANY** | | | | | |
| **AT 1 JANUARY 2009** | | 440,000 | 104,501 | 162,855 | 707,356 |
| Profit for the year | | – | – | 15,852 | 15,852 |
| Other comprehensive income for the year | | – | – | – | – |
| Total comprehensive income for the year | | – | – | 15,852 | 15,852 |
| Dividends to shareholders | 22 | – | – | (26,400) | (26,400) |
| **At 31 December 2009/1 January 2010** | | **440,000** | **104,501** | **152,307** | **696,808** |
| Profit for the year | | **–** | **–** | **19,615** | **19,615** |
| Other comprehensive income for the year | | **–** | **–** | **–** | **–** |
| Total comprehensive income for the year | | **–** | **–** | **19,615** | **19,615** |
| Dividends to shareholders | 22 | **–** | **–** | **(26,400)** | **(26,400)** |
| **At 31 December 2010** | | **440,000** | **104,501** | **145,522** | **690,023** |
| | | Note 12 | | Note 12 | |

The notes on pages 66 to 110 are an integral part of these financial statements.

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM'000** | 2009 RM'000 restated | **2010 RM'000** | 2009 RM'000 restated |
| **Cash flows from operating activities** | | | | |
| Profit before tax | **91,282** | 51,505 | **25,469** | 20,812 |
| Adjustments for: | | | | |
| Allowance for impairment loss on amount due from a subsidiary | **-** | - | **9,139** | - |
| Allowance for impairment loss on trade receivables | **228** | - | **47** | - |
| Allowance for impairment loss written back on amount due from subsidiaries | **-** | - | **(9,057)** | (1,079) |
| Allowance for impairment loss written back on loans to associates | **(10,090)** | (1,280) | **-** | - |
| Depreciation on property, plant and equipment | **53,492** | 47,824 | **9,802** | 9,765 |
| Interest expense | **5,057** | 5,005 | **2,274** | 2,719 |
| Interest income | **(262)** | (190) | **(153)** | (132) |
| (Gain)/Loss on disposal of property, plant and equipment | **(338)** | 889 | **(55)** | 33 |
| Property, plant and equipment written off | **849** | 4,187 | **400** | 826 |
| Retirement benefits charged | **1,388** | 1,586 | **78** | 77 |
| Share of (profits)/losses of associates | **(451)** | 428 | **-** | - |
| Unrealised loss on foreign exchange | **8,404** | 997 | **9,012** | 1,067 |
| **Operating profit before changes in working capital** | **149,559** | 110,951 | **46,956** | 34,088 |
| Changes in working capital: | | | | |
| Change in inventories | **476** | 2,362 | **174** | 587 |
| Change in trade and other payables and accruals | **(19,427)** | 29,214 | **(2,575)** | 1,156 |
| Change in trade and other receivables, prepayments and deposits | **4,396** | 1,746 | **(11,669)** | 14,356 |
| **Cash generated from operations** | **135,004** | 144,273 | **32,886** | 50,187 |
| Tax (paid)/refund | **(919)** | (5,313) | **3,017** | (2,251) |
| Retirement benefits paid | **(844)** | (937) | **(1)** | (1) |
| **Net cash generated from operating activities** | **133,241** | 138,023 | **35,902** | 47,935 |

The notes on pages 66 to 110 are an integral part of these financial statements.

# CASH FLOW STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2010

| | Note | GROUP 2010 RM'000 | GROUP 2009 RM'000 restated | COMPANY 2010 RM'000 | COMPANY 2009 RM'000 restated |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | **(22,867)** | (122,262) | **(1,599)** | (4,873) |
| Additions to property development expenditure | | **(25)** | (28) | **-** | - |
| Interest received | | **262** | 190 | **153** | 132 |
| Proceeds from disposal of property, plant and equipment | | **632** | 488 | **59** | 84 |
| **Net cash used in investing activities** | | **(21,998)** | (121,612) | **(1,387)** | (4,657) |
| **Cash flows from financing activities** | | | | | |
| Advances and payments made on behalf of subsidiaries | | **-** | - | **58,828** | (425) |
| Dividend paid to minority shareholder of a subsidiary | | **(560)** | (560) | **-** | - |
| Dividend paid to shareholders of the Company | | **(26,400)** | (26,400) | **(26,400)** | (26,400) |
| Interest paid | | **(5,057)** | (5,373) | **(2,274)** | (2,719) |
| (Loan to)/Repayment by an associate | | **(952)** | 1,060 | **-** | - |
| (Repayment)/Drawdown of revolving credits | | **(34,518)** | 13,504 | **(35,600)** | 27,200 |
| Net repayments of term loans | | **(45,690)** | (1,967) | **(31,000)** | (42,000) |
| **Net cash used in financing activities** | | **(113,177)** | (19,736) | **(36,446)** | (44,344) |
| **Net decrease in cash and cash equivalents** | | **(1,934)** | (3,325) | **(1,931)** | (1,066) |
| **Cash and cash equivalents at 1 January** | | **19,134** | 22,459 | **6,254** | 7,320 |
| **Cash and cash equivalents at 31 December** | | **17,200** | 19,134 | **4,323** | 6,254 |

**Cash and cash equivalents**

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

| | Note | GROUP 2010 RM'000 | GROUP 2009 RM'000 restated | COMPANY 2010 RM'000 | COMPANY 2009 RM'000 restated |
|---|---|---|---|---|---|
| Cash and bank balances | 11 | **13,908** | 13,921 | **2,933** | 2,049 |
| Deposits with licensed banks | 11 | **3,292** | 5,455 | **1,390** | 4,205 |
| Bank overdraft | 13 | **-** | (242) | **-** | - |
| | | **17,200** | 19,134 | **4,323** | 6,254 |

The notes on pages 66 to 110 are an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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 2010 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

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

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

The financial statements were approved by the Board of Directors on 25 February 2011.

## 1. BASIS OF PREPARATION

**a) Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

With effect from 1 January 2010, the Group has adopted a number of new or revised FRS, amendments and interpretations to existing standards that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The principal effects of the adoption of these new or revised FRS, amendments and interpretations to existing standards are set out in Note 29.

The Group has not applied the following revised FRS and amendments that have been issued by the Malaysian Accounting Standards Board (MASB) which are relevant to the Group's operations, but are not yet effective for the financial year ended 31 December 2010:

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

| **FRSs** | **Effective for annual period beginning on or after** |
|---|---|
| FRS 1, *First-time Adoption of Financial Reporting Standards* | 1 July 2010 |
| FRS 3, *Business Combinations* | 1 July 2010 |
| FRS 124, *Related Party Disclosures* | 1 January 2012 |
| FRS 127, *Consolidated and Separate Financial Statements* | 1 July 2010 |
| Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* | |
| – *Limited Exemption from Comparative* FRS 7 *Disclosures for First-time Adopters* | |
| – *Additional Exemptions for First-time Adopters* | 1 January 2011 |
| Amendments to FRS 3, *Business Combinations* | 1 January 2011 |
| Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* | 1 January 2011 |
| Amendments to FRS 101, *Presentation of Financial Statements* | 1 January 2011 |
| Amendments to FRS 121, *The Effects of Changes in Foreign Exchange Rates* | 1 January 2011 |
| Amendments to FRS 128, *Investments in Associates* | 1 January 2011 |
| Amendments to FRS 132, *Financial Instruments: Presentation* | 1 March 2010 & 1 January 2011 |
| Amendments to FRS 134, *Interim Financial Reporting* | 1 January 2011 |
| Amendments to FRS 139, *Financial Instruments: Recognition and Measurement* | 1 January 2011 |

The Group will apply the revised FRS and amendments from the annual period beginning 1 January 2011, except for revised FRS 124, where the Group will apply the standard from the annual period beginning 1 January 2012.

The application of the above revised FRS and amendments are not expected to have any material impact on the financial statements or any material change in accounting policy.

**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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**d) Use of estimates and judgements**

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements other than those disclosed in Note 4 – Valuation of Investment Properties and Note 14 – 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 have been applied consistently by Group entities, unless otherwise stated.

**a) Basis of consolidation**

i) SUBSIDIARIES

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

ii) ASSOCIATES

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

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The consolidated financial statements include the Group's share of profit and 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 equity accounted associate, the carrying amount of that interest (including any long-term investment and receivables) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investment in associates are stated in the balance sheet at cost less any impairment losses.

iii) MINORITY INTEREST

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

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

iv) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**b) Foreign currency**

i) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the balance sheet 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, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

ii) OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

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.

iii) NET INVESTMENT IN FOREIGN OPERATIONS

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

**c) 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 2010

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 loans to associates, trade and other receivables and cash and cash equivalents. 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(j)(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 the income statement using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in the income statement 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 2010

**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 and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

ii) SUBSEQUENT COSTS

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

iii) DEPRECIATION

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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) |

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

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.

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

**f) Investment properties**

i) INVESTMENT PROPERTIES

Investment properties are properties which are owned 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 or held under leasehold interest.

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

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 statement in the period in which the item is derecognised.

Investment property under construction is classified as investment property. 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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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 statement. 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 statement.

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 deemed 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, prudently and without compulsion.

**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 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) Trade and other receivables, prepayments and deposits**

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

**i) Cash and cash equivalents**

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2(c).

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**j) Impairment of assets**

i) FINANCIAL ASSETS

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

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) NON–FINANCIAL ASSETS

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**k) Borrowings**

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

**l) Employee benefits**

i) SHORT-TERM EMPLOYEE BENEFITS

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

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

ii) DEFINED BENEFIT PLANS

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

The Group's net obligation in respect of defined benefit retirement plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation, that portion is recognised in the income 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 actuarial valuation was carried out as at 31 December 2009, except for a valuation update of a subsidiary which was carried out as at 31 December 2010.

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**m) Provisions and contingent liabilities**

i) PROVISIONS

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

ii) CONTINGENT LIABILITIES

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

**n) Trade and other payables and accruals**

Payables are measured in accordance with Note 2(c).

**o) Revenue recognition**

i) HOTEL AND GOLF OPERATIONS

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

ii) LAUNDRY SERVICES

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

iii) RENTAL INCOME

Rental income from investment properties is recognised in the income 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.

**p) Interest income and borrowing costs**

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

All borrowing costs are recognised in the income 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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**q) Tax expense**

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

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

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

**r) 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.

**s) Segment reporting**

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. An 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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 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 2009, restated [Note 29 (iii)] | 44,880 | 4,123 | 19,454 | 618,011 | 110,450 | 48,856 | 283,372 | 7,860 | 1,137,006 |
| Additions | - | - | - | 2,459 | 1,918 | - | 16,144 | 102,109 | 122,630 |
| Disposals | - | - | - | (34) | (184) | - | (7,178) | - | (7,396) |
| Write off | - | - | - | (2,351) | (1,004) | - | (8,725) | (1,132) | (13,212) |
| Transfer | - | - | - | 41,140 | 13,107 | - | 48,157 | (106,504) | (4,100)# |
| Reclassification | - | - | - | 283 | - | - | (283) | - | - |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | **44,880** | **4,123** | **19,454** | **659,508** | **124,287** | **48,856** | **331,487** | **2,333** | **1,234,928** |
| Additions | **-** | **-** | **-** | **890** | **375** | **-** | **9,210** | **12,392** | **22,867** |
| Disposals | **-** | **-** | **-** | **(48)** | **(1,181)** | **-** | **(2,751)** | **-** | **(3,980)** |
| Write off | **-** | **-** | **-** | **(1,248)** | **(907)** | **-** | **(2,794)** | **-** | **(4,949)** |
| Transfer | **-** | **-** | **-** | **1,264** | **2,636** | **-** | **7,473** | **(11,619)** | **(246)#** |
| Reclassification | **-** | **-** | **-** | **5,392** | **8,883** | **-** | **(14,275)** | **-** | **-** |
| Adjustment | **-** | **-** | **-** | **(775)** | **-** | **-** | **(47)** | **-** | **(822)** |
| At 31 December 2010 | **44,880** | **4,123** | **19,454** | **664,983** | **134,093** | **48,856** | **328,303** | **3,106** | **1,247,798** |

# The amount of RM246,000 (2009: RM4,100,000) relates to transfer of completed renovation assets to investment properties (Note 4).

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

| GROUP | Freehold land RM'000 | Leasehold land unexpired period less than 50 years RM'000 | Leasehold land unexpired period more than 50 years RM'000 | Hotel buildings and other buildings RM'000 | Integral plant and machinery RM'000 | Golf course and its related buildings RM'000 | Furniture, fixtures, equipment and motor vehicles RM'000 | Renovation and contract in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| DEPRECIATION AND IMPAIRMENT LOSS | | | | | | | | | |
| At 1 January 2009, restated [Note 29 (iii)] | | | | | | | | | |
| Accumulated depreciation | - | 599 | 3,444 | 172,582 | 73,087 | 9,233 | 159,134 | - | 418,079 |
| Accumulated impairment loss | - | - | - | - | - | 5,882 | - | - | 5,882 |
| | - | 599 | 3,444 | 172,582 | 73,087 | 15,115 | 159,134 | - | 423,961 |
| Depreciation for the year | - | 125 | 203 | 13,248 | 4,197 | 719 | 29,332 | - | 47,824 |
| Disposals | - | - | - | (11) | (182) | - | (5,826) | - | (6,019) |
| Write off | - | - | - | (760) | (970) | - | (7,295) | - | (9,025) |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | | | | | | | | | |
| Accumulated depreciation | **-** | **724** | **3,647** | **185,059** | **76,132** | **9,952** | **175,345** | **-** | **450,859** |
| Accumulated impairment loss | **-** | **-** | **-** | **-** | **-** | **5,882** | **-** | **-** | **5,882** |
| | **-** | **724** | **3,647** | **185,059** | **76,132** | **15,834** | **175,345** | **-** | **456,741** |
| Depreciation for the year | **-** | **125** | **204** | **12,818** | **6,292** | **719** | **33,334** | **-** | **53,492** |
| Disposals | **-** | **-** | **-** | **(22)** | **(1,176)** | **-** | **(2,488)** | **-** | **(3,686)** |
| Write off | **-** | **-** | **-** | **(1,123)** | **(517)** | **-** | **(2,460)** | **-** | **(4,100)** |
| Reclassification | **-** | **-** | **-** | **-** | **4,711** | **-** | **(4,711)** | **-** | **-** |
| At 31 December 2010 | | | | | | | | | |
| 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** |
| CARRYING AMOUNTS | | | | | | | | | |
| At 1 January 2009, restated [Note 29 (iii)] | 44,880 | 3,524 | 16,010 | 445,429 | 37,363 | 33,741 | 124,238 | 7,860 | 713,045 |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | 44,880 | 3,399 | 15,807 | 474,449 | 48,155 | 33,022 | 156,142 | 2,333 | 778,187 |
| At 31 December 2010 | **44,880** | **3,274** | **15,603** | **468,251** | **48,651** | **32,303** | **129,283** | **3,106** | **745,351** |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

| 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 vechicles RM'000 | Renovation and contract in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 January 2009, restated [Note 29 (iii)] | 1,012 | 3,938 | 98,980 | 11,948 | 56,291 | - | 172,169 |
| Additions | - | - | - | - | 2,343 | 2,530 | 4,873 |
| Disposals | - | - | - | - | (312) | - | (312) |
| Write off | - | - | (610) | (817) | (1,585) | - | (3,012) |
| Transfer | - | - | - | 1,685 | 845 | (2,530) | - |
| Reclassification | - | - | 283 | - | (283) | - | - |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | **1,012** | **3,938** | **98,653** | **12,816** | **57,299** | **-** | **173,718** |
| Additions | **-** | **-** | **69** | **16** | **590** | **924** | **1,599** |
| Disposals | **-** | **-** | **-** | **-** | **(157)** | **-** | **(157)** |
| Write off | **-** | **-** | **-** | **(793)** | **(38)** | **-** | **(831)** |
| Reclassification | **-** | **-** | **5,392** | **8,883** | **(14,275)** | **-** | **-** |
| Adjustment | **-** | **-** | **(775)** | **-** | **(47)** | **-** | **(822)** |
| At 31 December 2010 | **1,012** | **3,938** | **103,339** | **20,922** | **43,372** | **924** | **173,507** |
| DEPRECIATION | | | | | | | |
| At 1 January 2009, restated [Note 29 (iii)] | - | 539 | 18,531 | 3,939 | 21,513 | - | 44,522 |
| Depreciation for the year | - | 122 | 2,108 | 220 | 7,315 | - | 9,765 |
| Disposals | - | - | - | - | (195) | - | (195) |
| Write off | - | - | (186) | (817) | (1,183) | - | (2,186) |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | **-** | **661** | **20,453** | **3,342** | **27,450** | **-** | **51,906** |
| Depreciation for the year | **-** | **122** | **2,013** | **1,746** | **5,921** | **-** | **9,802** |
| Disposals | **-** | **-** | **-** | **-** | **(153)** | **-** | **(153)** |
| Write off | **-** | **-** | **-** | **(412)** | **(19)** | **-** | **(431)** |
| Reclassification | **-** | **-** | **-** | **4,711** | **(4,711)** | **-** | **-** |
| At 31 December 2010 | **-** | **783** | **22,466** | **9,387** | **28,488** | **-** | **61,124** |
| CARRYING AMOUNTS | | | | | | | |
| At 1 January 2009, restated [Note 29 (iii)] | 1,012 | 3,399 | 80,449 | 8,009 | 34,778 | - | 127,647 |
| At 31 December 2009/ 1 January 2010, restated [Note 29 (iii)] | 1,012 | 3,277 | 78,200 | 9,474 | 29,849 | - | 121,812 |
| At 31 December 2010 | **1,012** | **3,155** | **80,873** | **11,535** | **14,884** | **924** | **112,383** |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

BORROWING COSTS

**GROUP**

Included in renovation and contract in-progress of the Group in 2009 was interest capitalised at rates ranging from 2.70% to 3.93% per annum of RM368,000.

Hotel properties at 31 December 2010 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 | 420 room resort | Leasehold |

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

## 4. INVESTMENT PROPERTIES

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| At 1 January | **266,600** | 262,500 |
| Transfer from property, plant and equipment (Note 3) | **246** | 4,100 |
| At 31 December | **266,846** | 266,600 |
| Included in the above are: | | |
| Freehold land | **35,000** | 35,000 |
| Buildings | **231,846** | 231,600 |
| | **266,846** | 266,600 |

On 31 December 2010, 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 statement in respect of investment properties:

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| Rental income | **21,716** | 22,641 |
| Direct operating expenses: | | |
| – income generating investment properties | **8,812** | 9,044 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 5. INVESTMENTS IN SUBSIDIARIES

| | COMPANY 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **459,188** | 459,188 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Effective ownership Interest 2010 % | 2009 % |
|---|---|---|---|
| Shangri-La Hotel (KL) Sdn Bhd | Operation of a city hotel | **100** | 100 |
| Komtar Hotel Sdn Bhd | Operation of a city hotel | **60** | 60 |
| Golden Sands Beach Resort Sdn Bhd | Operation of a beach resort | **100** | 100 |
| UBN Holdings Sdn Bhd | Investment holding and property investment | **100** | 100 |
| UBN Tower Sdn Bhd | Property investment and office management | **100** | 100 |
| Pantai Emas Sdn Bhd | Operation of a commercial laundry | **100** | 100 |
| Madarac Corporation | Investment holding | **100** | 100 |
| Palm Beach Hotel Sdn Bhd (Note a) | Operation of a beach resort | **100** | 100 |
| Wisegain Sdn Bhd | Investment holding* | **100** | 100 |
| Hasil-Usaha Sdn Bhd | Dormant | **100** | 100 |
| Pantai Dalit Beach Resort Sdn Bhd | Operation of a beach resort | **75** | 75 |
| Dalit Bay Golf & Country Club Berhad | Operation of a golf course together with club house and related facilities | **75** | 75 |
| Pantai Dalit Development Sdn Bhd | Property development* | **75** | 75 |

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

**Note**

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

* The subsidiaries remain dormant during the year.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 6. INTERESTS IN ASSOCIATES

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| Unquoted shares, at cost | **3,557** | 3,557 |
| Loans to associates | **91,810** | 100,948 |
| | **95,367** | 104,505 |
| Share of post-acquisition results of an associated company | **(54,067)** | (54,518) |
| Allowance for impairment losses on unquoted shares | **(3,557)** | (3,557) |
| Allowance for impairment losses on loans to associates | **(27,452)** | (37,542) |
| | **10,291** | 8,888 |

Summary financial information on associates:

| | Country of incorporation | Effective ownership interest % | Revenue (100%) RM'000 | Profit/ (Loss) (100%) RM'000 | Total Assets (100%) RM'000 | Total Liabilities (100%) RM'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2010** | | | | | | |
| Traders Yangon Company Ltd ("TYCL")* | Union of Myanmar | **23.53** | **30,593** | **1,917** | **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** |
| | | | **30,593** | **1,917** | **286,971** | **461,555** |
| **2009** | | | | | | |
| Traders Yangon Company Ltd ("TYCL")* | Union of Myanmar | 23.53 | 28,243 | (1,818) | 164,534 | 367,489 |
| Shangri-La Yangon Company Ltd ("SYCL")* | Union of Myanmar | 22.22 | - | - | 135,961 | 129,245 |
| Traders Square Company Ltd ("TSCL")* | Union of Myanmar | 23.56 | - | - | 20,045 | 19,738 |
| | | | 28,243 | (1,818) | 320,540 | 516,472 |

* The results of these companies are based on unaudited financial statements for the years ended 31 December 2010 and 31 December 2009.

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 2010, balances of RM58,998,005 (2009: RM65,518,284) of the loans to associates are interest free and the remaining balances bear interest ranging between 0.92% to 1.97% (2009: 1.97% to 2.49%) 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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 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 (2009: RM4,142,000).

## 8. DEFERRED TAX ASSETS AND LIABILITIES

**Recognised deferred tax assets and liabilities**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Deferred tax liabilities | **16,845** | 14,474 | **5,207** | 2,845 |

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

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **GROUP** | | | | | | |
| Property, plant and equipment | **-** | - | **(28,884)** | (28,449) | **(28,884)** | (28,449) |
| Provisions | **-** | - | **5,213** | 3,798 | **5,213** | 3,798 |
| Unabsorbed capital allowances | **-** | - | **6,073** | 8,000 | **6,073** | 8,000 |
| Unutilised tax losses | **-** | - | **753** | 2,177 | **753** | 2,177 |
| Net tax liabilities | **-** | - | **(16,845)** | (14,474) | **(16,845)** | (14,474) |
| **COMPANY** | | | | | | |
| Property, plant and equipment | **-** | - | **(6,020)** | (6,523) | **(6,020)** | (6,523) |
| Provisions | **-** | - | **194** | 200 | **194** | 200 |
| Unabsorbed capital allowances | **-** | - | **-** | 1,301 | **-** | 1,301 |
| Unutilised tax losses | **-** | - | **619** | 2,177 | **619** | 2,177 |
| Net tax liabilities | **-** | - | **(5,207)** | (2,845) | **(5,207)** | (2,845) |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 8. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

**Unrecognised deferred tax assets**

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

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| Taxable temporary differences | **(2,221)** | (1,505) |
| Unabsorbed capital allowances | **8,656** | 7,645 |
| Unutilised tax losses | **12,428** | 12,464 |
| | **18,863** | 18,604 |
| Deferred tax assets at 25% (2009: 25%) | **4,716** | 4,651 |

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

Subject to agreement by the Inland Revenue Board, the Group has unutilised investment tax allowances of approximately RM22,504,000 (2009: RM56,245,000), which are available to be offset against future taxable income. The unutilised investment tax allowances have not been recognised as deferred tax assets in the Group's financial statements.

## 9. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Food, beverage and tobacco | **4,296** | 4,538 | **621** | 668 |
| Room supplies | **432** | 337 | **108** | 69 |
| Other supplies | **4,026** | 4,355 | **332** | 498 |
| | **8,754** | 9,230 | **1,061** | 1,235 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| **Trade** | | | | | |
| Trade receivables | | **20,177** | 22,699 | **4,501** | 4,235 |
| Less: Allowance for impairment losses | | **(476)** | (248) | **(47)** | - |
| | | **19,701** | 22,451 | **4,454** | 4,235 |
| **Non-Trade** | | | | | |
| Amount due from subsidiaries | a | **-** | - | **237,359** | 263,782 |
| Less: Allowance for impairment losses | | **-** | - | **(71,477)** | (71,395) |
| | | **-** | - | **165,882** | 192,387 |
| Other receivables | | **1,222** | 2,969 | **527** | 579 |
| Deposits | | **2,287** | 2,750 | **244** | 212 |
| Prepayments | | **1,586** | 1,250 | **306** | 205 |
| Dividend receivables | | **-** | - | **20,530** | 9,208 |
| | | **24,796** | 29,420 | **191,943** | 206,826 |
| Tax recoverable | b | **3,246** | 11,194 | **913** | 7,422 |

**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. In the previous year, an amount of RM1,100,000 bore interest at 2.4% per annum.

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

## 11. CASH AND CASH EQUIVALENTS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| Deposits placed with licensed banks | | **3,292** | 5,455 | **1,390** | 4,205 |
| Cash and bank balances | a | **13,908** | 13,921 | **2,933** | 2,049 |
| | | **17,200** | 19,376 | **4,323** | 6,254 |

**Note**

a. Cash and bank balances of the Group and the Company includes an amount of RM5,523,000 (2009: RM7,247,000) and RM640,000 (2009: RM674,000) respectively which earns interest at rates ranging from 0.6% to 2.7% (2009: 1.0% to 2.2%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 12. CAPITAL AND RESERVES

| **Share capital** | **Number of shares** | | **Amount** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **GROUP AND COMPANY** | **'000** | '000 | **RM'000** | RM'000 |
| Authorised: | | | | |
| Ordinary shares of RM1 each | **500,000** | 500,000 | **500,000** | 500,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1 each | **440,000** | 440,000 | **440,000** | 440,000 |

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

**Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2010, if paid out as dividends.

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 13. BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Non-current** | | | | |
| Unsecured term loans | **46,258** | 87,686 | **-** | 4,000 |
| **Current** | | | | |
| Unsecured term loans | **44,552** | 48,814 | **4,000** | 31,000 |
| Unsecured revolving credits | **15,400** | 51,604 | **-** | 35,600 |
| Unsecured bank overdraft | **-** | 242 | **-** | - |
| | **59,952** | 100,660 | **4,000** | 66,600 |
| | **106,210** | 188,346 | **4,000** | 70,600 |

**Terms and debt repayment schedule**

| | Year of maturity | Carrying amount RM'000 | Under 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2010** | | | | | | |
| Unsecured term loans | 2011–2013 | **90,810** | **44,552** | **40,552** | **5,706** | **-** |
| Unsecured revolving credits | 2011 | **15,400** | **15,400** | **-** | **-** | **-** |
| | | **106,210** | **59,952** | **40,552** | **5,706** | **-** |
| **2009** | | | | | | |
| Unsecured term loans | 2010–2013 | 136,500 | 48,814 | 44,552 | 43,134 | - |
| Unsecured revolving credits | 2010 | 51,604 | 51,604 | - | - | - |
| Unsecured bank overdraft | 2010 | 242 | 242 | - | - | - |
| | | 188,346 | 100,660 | 44,552 | 43,134 | - |
| **COMPANY** | | | | | | |
| **2010** | | | | | | |
| Unsecured term loans | 2011 | **4,000** | **4,000** | **-** | **-** | **-** |
| **2009** | | | | | | |
| Unsecured term loans | 2010–2011 | 35,000 | 31,000 | 4,000 | - | - |
| Unsecured revolving credits | 2010 | 35,600 | 35,600 | - | - | - |
| | | 70,600 | 66,600 | 4,000 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 14. RETIREMENT BENEFITS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Present value of unfunded obligations | **12,878** | 12,334 | **304** | 227 |
| Recognised liability for defined benefit obligations | **12,878** | 12,334 | **304** | 227 |

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 | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Defined benefit obligations at 1 January | **12,334** | 11,685 | **227** | 151 |
| Benefits paid | **(844)** | (937) | **(1)** | (1) |
| Expense recognised in the income statements | **1,388** | 1,586 | **78** | 77 |
| Defined benefit obligations at 31 December | **12,878** | 12,334 | **304** | 227 |

**Expense recognised in the income statements**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Current service costs | **752** | 865 | **66** | 69 |
| Interest on obligation | **636** | 706 | **12** | 8 |
| Amortisation of actuarial loss | **-** | 15 | **-** | - |
| | **1,388** | 1,586 | **78** | 77 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Cost of sales | **1,136** | 1,327 | **63** | 62 |
| Administrative expenses | **80** | 99 | **7** | 8 |
| Other operating expenses | **172** | 160 | **8** | 7 |
| | **1,388** | 1,586 | **78** | 77 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

### Actuarial assumptions

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **%** | % | **%** | % |
| Discount rate at 31 December | **6.70** | 6.70 | **6.70** | 6.70 |
| Future salary increases | **5.88** | 5.88 | **7.00** | 7.00 |

### Historical information

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | **RM'000** | RM'000 | RM'000 | RM'000 | RM'000 |
| **GROUP** | | | | | |
| Present value of the defined benefit obligations | **12,878** | 12,334 | 11,685 | 10,936 | 10,453 |
| Experience adjustments arising on plan liabilities | **904** | 1,084 | 1,154 | 1,169 | 1,188 |
| **COMPANY** | | | | | |
| Present value of the defined benefit obligations | **304** | 227 | 151 | 110 | 25 |
| Experience adjustments arising on plan liabilities | **-** | - | - | - | - |

## 15. TRADE AND OTHER PAYABLES AND ACCRUALS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| | **Note** | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Trade** | | | | | |
| Trade payables | | **19,573** | 21,401 | **2,380** | 2,588 |
| Amount due to a subsidiary | | **-** | - | **246** | 249 |
| **Non-trade** | | | | | |
| Amount due to subsidiaries | a | **-** | - | **60,359** | 18,939 |
| Other payables | | **36,651** | 45,175 | **5,480** | 6,782 |
| Accrued expenses | | **25,190** | 35,087 | **1,812** | 3,699 |
| | | **81,414** | 101,663 | **70,277** | 32,257 |

**Note**

a. The amounts due to subsidiaries represent advances received from subsidiaries which are unsecured, interest free and repayable on demand, except for an amount of RM53,732,750 (2009: RM12,313,750) which bears interest at 2.50% (2009: 2.40%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 16. OPERATING PROFIT

| | Note | GROUP 2010 RM'000 | GROUP 2009 RM'000 restated | COMPANY 2010 RM'000 | COMPANY 2009 RM'000 restated |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Hotel and golf operations | | **398,421** | 343,389 | **67,713** | 70,621 |
| Rental | | **21,716** | 22,641 | **-** | - |
| Dividend income | | **-** | - | **24,260** | 11,665 |
| Laundry services | | **1,865** | 1,341 | **-** | - |
| | | **422,002** | 367,371 | **91,973** | 82,286 |
| Cost of sales | | **(152,036)** | (139,106) | **(22,927)** | (24,425) |
| Cost of services | | **(8,812)** | (9,044) | **-** | - |
| | | **261,154** | 219,221 | **69,046** | 57,861 |
| Administrative expenses | | **(57,888)** | (50,602) | **(10,229)** | (10,127) |
| Other operating expenses | | **(110,229)** | (112,205) | **(31,227)** | (24,335) |
| Other operating income | | **2,589** | 334 | **-** | - |
| Operating profit | | **95,626** | 56,748 | **27,590** | 23,399 |
| **Operating profit is arrived at after charging:** | | | | | |
| Auditors' remuneration - statutory audit | | **228** | 207 | **57** | 49 |
| Allowance for impairment loss on amount due from a subsidiary | | **-** | - | **9,139*** | - |
| Allowance for impairment loss on trade receivables | | **246** | 165 | **47** | 8 |
| Depreciation on property, plant and equipment | 3 | **53,492** | 47,824 | **9,802** | 9,765 |
| Hire of motor vehicles | | **339** | 266 | **-** | - |
| Hire of equipment | | **128** | 127 | **-** | - |
| Inventories written off | | **28** | - | **-** | - |
| Loss on disposal of property, plant and equipment | | **47** | 967 | **-** | 43 |
| Personnel expenses (including key management personnel): | | | | | |
| - contributions to Employees Provident Fund | | **7,711** | 6,616 | **1,602** | 1,202 |
| - retirement benefits charged | 14 | **1,388** | 1,586 | **78** | 77 |
| - wages, salaries and others | | **91,802** | 85,475 | **15,668** | 15,349 |
| Property, plant and equipment written off | | **849** | 4,187 | **400** | 826 |
| Rental of apartments | | **922** | 691 | **-** | - |
| Unrealised loss on foreign exchange | | **10,090** | 997 | **9,057** | 1,079 |
| **and after crediting:** | | | | | |
| Allowance for impairment loss written back on amount due from a subsidiary | | **-** | - | **9,057** | 1,079 |
| Allowance for impairment loss written back on loans to associates | | **10,090** | 1,208 | **-** | - |
| Allowance for impairment loss written back on trade receivables | | **18** | 73 | **-** | 37 |
| Gain on disposal of property, plant and equipment | | **385** | 78 | **55** | 10 |
| Gross dividends from subsidiaries | | **-** | - | **24,260** | 11,665 |
| Realised gain on foreign exchange | | **252** | 246 | **-** | - |
| Rental receivable from: - subsidiary | | **-** | - | **120** | 120 |
| - others | | **611** | 336 | **-** | - |
| Unrealised gain on foreign exchange | | **1,686** | - | **45** | 12 |

* Relates to an impairment loss taken 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
31 DECEMBER 2010

## 17. INTEREST INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Interest income on: | | | | |
| Deposits placed with licensed banks | **262** | 190 | **138** | 85 |
| Subsidiaries | **-** | - | **15** | 47 |
| | **262** | 190 | **153** | 132 |

## 18. INTEREST EXPENSE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Interest expense on: | | | | |
| Revolving credits | **891** | 1,426 | **728** | 602 |
| Term loans | **4,166** | 3,579 | **608** | 1,813 |
| Subsidiaries | **-** | - | **938** | 304 |
| | **5,057** | 5,005 | **2,274** | 2,719 |

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Directors | | | | |
| - Fees | **365** | 236 | **365** | 236 |
| - Remuneration and meeting allowances | **1,548** | 1,307 | **1,548** | 1,307 |
| Other short term employee benefits (including estimated monetary value of benefits-in-kind) | **28** | 28 | **28** | 28 |
| Total short-term employee benefits | **1,941** | 1,571 | **1,941** | 1,571 |

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly, and comprise the executive directors and non-executive directors of the Group.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 20. TAX EXPENSE

**Major components of tax expense include:**

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| **Current tax expense** | | | | | |
| Malaysian | - Current year | **11,000** | 4,366 | **3,225** | 1,837 |
| | - Prior years | **(1,586)** | (335) | **267** | (221) |
| | | **9,414** | 4,031 | **3,492** | 1,616 |
| **Deferred tax expense** | | | | | |
| Origination of temporary differences | | **5,418** | 4,106 | **3,182** | 3,232 |
| (Over)/Under provision in prior years | | **(3,047)** | (859) | **(820)** | 112 |
| | | **2,371** | 3,247 | **2,362** | 3,344 |
| Total tax expense | | **11,785** | 7,278 | **5,854** | 4,960 |
| RECONCILIATION OF TAX EXPENSE | | | | | |
| Profit before tax | | **91,282** | 51,505 | **25,469** | 20,812 |
| Tax at Malaysian tax rate of 25% (2009: 25%) | | **22,821** | 12,876 | **6,367** | 5,203 |
| Non-deductible expenses | | **2,307** | 3,858 | **2,374** | 326 |
| Non-taxable income | | **(113)** | - | **(2,335)** | (460) |
| Tax incentives | | **(8,895)** | (8,291) | **-** | - |
| Deferred tax assets not recognised | | **65** | 159 | **-** | - |
| (Over)/Under provision in prior years | - current tax expense | **(1,586)** | (335) | **267** | (221) |
| | - deferred tax expense | **(3,047)** | (859) | **(820)** | 112 |
| Other items | | **233** | (130) | **1** | - |
| | | **11,785** | 7,278 | **5,854** | 4,960 |

## 21. EARNINGS PER ORDINARY SHARE

**Basic earnings per ordinary share**

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

| | GROUP | |
|---|---|---|
| | **2010** | 2009 |
| Profit attributable to shareholders of the Company (RM'000) | **69,959** | 35,353 |
| Weighted average number of ordinary shares outstanding during the year ('000) | **440,000** | 440,000 |
| Basic earnings per share (sen) | **15.9** | 8.0 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 22. DIVIDENDS

Dividends recognised in the current year by the Company are:

| | | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2010** | | | |
| Ordinary | | | |
| Interim 2010 | - 3% less tax at 25% | **9,900** | 26 November 2010 |
| Final 2009 | - 5% less tax at 25% | **16,500** | 29 June 2010 |
| Total amount | | **26,400** | |
| **2009** | | | |
| Ordinary | | | |
| Interim 2009 | - 3% less tax at 25% | 9,900 | 24 November 2009 |
| Final 2008 | - 5% less tax at 25% | 16,500 | 30 June 2009 |
| Total amount | | 26,400 | |

The Board has proposed a final dividend of 6% less tax at 25% totalling RM19,800,000 for the financial year ended 31 December 2010. 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 2011. 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 2011.

## 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 report 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 apartment 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 2010 or 2009.

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 2010

## 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 2010 (2009: nil).

| | Hotels, resorts and golf course | | Investment properties | | Others | | Total | | Eliminations of inter-segment transactions | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 |
| BUSINESS SEGMENTS | | | | | | | | | | | | |
| Revenue from external customers | **398,421** | 343,389 | **21,716** | 22,641 | **1,865** | 1,341 | **422,002** | 367,371 | **-** | - | **422,002** | 367,371 |
| Inter-segment revenue | **24,260** | 11,665 | **1,901** | 1,911 | **3,304** | 3,271 | **29,465** | 16,847 | **(29,465)** | (16,847) | **-** | - |
| **Total segment revenue** | **422,681** | 355,054 | **23,617** | 24,552 | **5,169** | 4,612 | **451,467** | 384,218 | **(29,465)** | (16,847) | **422,002** | 367,371 |
| **Operating profit** | **96,975** | 55,263 | **14,368** | 15,096 | **(6,097)** | 2,187 | **105,246** | 72,546 | **(9,620)** | (15,798) | **95,626** | 56,748 |
| Interest income | **931** | 775 | **214** | 176 | **80** | 72 | **1,225** | 1,023 | **(963)** | (833) | **262** | 190 |
| Interest expense | **(5,884)** | (5,394) | **-** | - | **(136)** | (444) | **(6,020)** | (5,838) | **963** | 833 | **(5,057)** | (5,005) |
| Share of results of an associated company | **451** | (428) | **-** | - | **-** | - | **451** | (428) | **-** | - | **451** | (428) |
| **Profit before tax** | **92,473** | 50,216 | **14,582** | 15,272 | **(6,153)** | 1,815 | **100,902** | 67,303 | **(9,620)** | (15,798) | **91,282** | 51,505 |
| Allowance for impairment loss on loans and receivables | **9,304** | 165 | **-** | - | **81** | - | **9,385** | 165 | **(9,139)** | - | **246** | 165 |
| Allowance for impairment loss written back on loans and receivables | **(19,165)** | (2,432) | **-** | - | **-** | - | **(19,165)** | (2,432) | **9,057** | 1,079 | **(10,108)** | (1,353) |
| Capital expenditure | **22,209** | 117,622 | **260** | 3,399 | **398** | 1,609 | **22,867** | 122,630 | **-** | - | **22,867** | 122,630 |
| Depreciation | **52,899** | 47,332 | **182** | 150 | **411** | 342 | **53,492** | 47,824 | **-** | - | **53,492** | 47,824 |
| Tax expense | **7,972** | 3,201 | **3,590** | 3,824 | **223** | 253 | **11,785** | 7,278 | **-** | - | **11,785** | 7,278 |
| **Segment assets before interests in associates** | **933,996** | 949,214 | **254,879** | 253,198 | **14,234** | 13,525 | **1,203,109** | 1,215,937 | **(124,676)** | (89,715) | **1,078,433** | 1,126,222 |
| Interests in associates | **10,291** | 8,888 | **-** | - | **-** | - | **10,291** | 8,888 | **-** | - | **10,291** | 8,888 |
| **Total segment assets** | **944,287** | 958,102 | **254,879** | 253,198 | **14,234** | 13,525 | **1,213,400** | 1,224,825 | **(124,676)** | (89,715) | **1,088,724** | 1,135,110 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 24. FINANCIAL INSTRUMENTS

**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 2010 RM'000** | **L&R/ (OL) 2010 RM'000** | Carrying amount 2009 RM'000 | L&R/ (OL) 2009 RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **GROUP** | | | | | |
| Loans to associates | 6 | **10,291#** | **10,291#** | 8,888# | 8,888# |
| Trade and other receivables, prepayments and deposits | 10 | **24,796** | **24,796** | 29,420 | 29,420 |
| Cash and cash equivalents | 11 | **17,200** | **17,200** | 19,376 | 19,376 |
| | | **52,287** | **52,287** | 57,684 | 57,684 |
| **COMPANY** | | | | | |
| Trade and other receivables, prepayments and deposits | 10 | **191,943** | **191,943** | 206,826 | 206,826 |
| Cash and cash equivalents | 11 | **4,323** | **4,323** | 6,254 | 6,254 |
| | | **196,266** | **196,266** | 213,080 | 213,080 |
| **Financial liabilities** | | | | | |
| **GROUP** | | | | | |
| Bank borrowings | 13 | **(106,210)** | **(106,210)** | (188,346) | (188,346) |
| Trade and other payables and accruals | 15 | **(81,414)** | **(81,414)** | (101,663) | (101,663) |
| | | **(187,624)** | **(187,624)** | (290,009) | (290,009) |
| **COMPANY** | | | | | |
| Bank borrowings | 13 | **(4,000)** | **(4,000)** | (70,600) | (70,600) |
| Trade and other payables and accruals | 15 | **(70,277)** | **(70,277)** | (32,257) | (32,257) |
| | | **(74,277)** | **(74,277)** | (102,857) | (102,857) |

# Loans to associates are stated net of allowance for impairment losses and share of post-acquisition results of an associated company.

**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** | |
|---|---|---|---|---|
| | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| Net gains/(losses) on: | | | | |
| Loans and receivables | **34** | 381 | **(8,988)** | 173 |
| Financial liabilities measured at amortised cost | **(3,371)** | (5,005) | **(2,274)** | (2,719) |
| | **(3,337)** | (4,624) | **(11,262)** | (2,546) |

There were no gains/(losses) arising from fair value changes of financial instruments for the year ended 31 December 2010 (2009: nil).

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management**

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

**Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and loans granted to associates in the Union of Myanmar (Note 6). The Company's exposure to credit risk arises principally from its receivables from customers, loans and advances to subsidiaries and a financial guarantee given to a bank for credit facility 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
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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** | | | | | |
| **2010** | | | | | |
| Not past due | | **14,473** | **-** | **-** | **14,473** |
| 0-3 months past due | | **5,176** | **(110)** | **-** | **5,066** |
| 4-6 months past due | | **463** | **(306)** | **-** | **157** |
| Over 6 months past due | | **65** | **(60)** | **-** | **5** |
| | 10 | **20,177** | **(476)** | **-** | **19,701** |
| **2009** | | | | | |
| Not past due | | 14,890 | - | - | 14,890 |
| 0-3 months past due | | 6,996 | - | - | 6,996 |
| 4-6 months past due | | 593 | (229) | - | 364 |
| Over 6 months past due | | 220 | (19) | - | 201 |
| | 10 | 22,699 | (248) | - | 22,451 |
| **COMPANY** | | | | | |
| **2010** | | | | | |
| Not past due | | **3,842** | **-** | **-** | **3,842** |
| 0-3 months past due | | **612** | **-** | **-** | **612** |
| 4-6 months past due | | **47** | **(47)** | **-** | **-** |
| Over 6 months past due | | **-** | **-** | **-** | **-** |
| | 10 | **4,501** | **(47)** | **-** | **4,454** |
| **2009** | | | | | |
| Not past due | | 2,353 | - | - | 2,353 |
| 0-3 months past due | | 1,859 | - | - | 1,859 |
| 4-6 months past due | | 23 | - | - | 23 |
| Over 6 months past due | | - | - | - | - |
| | 10 | 4,235 | - | - | 4,235 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| At 1 January | **248** | 156 | **-** | 29 |
| Allowance for impairment losses recognised | **246** | 165 | **47** | 8 |
| Allowance for impairment losses written back | **(18)** | (73) | **-** | (37) |
| At 31 December | **476** | 248 | **47** | - |

In respect of allowance for impairment loss for the Group's loans to associates, an amount of RM10,090,000 (2009: RM1,280,000) was reversed during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial guarantee**
The Company provides unsecured financial guarantee to a bank in respect of a banking facility 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 RM15.4 million (2009: RM16.0 million) representing the outstanding banking facility 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 guarantee has not been recognised since the fair value on initial recognition was 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 losses provided for a subsidiary as disclosed in Note 10.

The movement in the allowance for impairment losses provided for a wholly-owned subsidiary, Madarac Corporation (Note 10) during the year was:

| | **COMPANY** | |
|---|---|---|
| | **2010 RM'000** | 2009 RM'000 |
| At 1 January | **71,395** | 72,474 |
| Allowance for impairment losses recognised | **9,139** | - |
| Allowance for impairment losses written back | **(9,057)** | (1,079) |
| At 31 December | **71,477** | 71,395 |

**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 the ultimate holding company.

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**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 | |
|---|---|---|---|---|
| | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| **Fixed rate instrument** | | | | |
| Advances from subsidiaries | **-** | - | **(53,733)** | (12,314) |
| **Floating rate instruments** | | | | |
| Unsecured revolving credits | **(15,400)** | (51,604) | **-** | (35,600) |
| Unsecured term loans | **(90,810)** | (136,500) | **(4,000)** | (35,000) |
| Unsecured bank overdraft | **-** | (242) | **-** | - |

**Interest rate risk sensitivity analysis for fixed rate instruments**

The Company does not account for its advances from subsidiaries at fair value through profit or loss. Therefore, a change in interest rates at the 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** | | | | |
| **2010** | | | | |
| **Floating rate instruments** | | | | |
| Unsecured revolving credits | - | - | **(154)** | **154** |
| Unsecured term loans | - | - | **(908)** | **908** |
| Cash flow sensitivity (net) | - | - | **(1,062)** | **1,062** |
| **COMPANY** | | | | |
| **2010** | | | | |
| **Floating rate instruments** | | | | |
| Unsecured term loans | - | - | **(40)** | **40** |
| Cash flow sensitivity (net) | - | - | **(40)** | **40** |

**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 except for loans to associates of RM10.3 million (2009: RM8.9 million). 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).*

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 24. FINANCIAL INSTRUMENTS (cont'd)

### Exposure to foreign currency risk

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

| | **2010 Denominated in** | | 2009 Denominated in | |
|---|---|---|---|---|
| | **USD RM'000** | **HKD RM'000** | USD RM'000 | HKD RM'000 |
| **GROUP** | | | | |
| Unsecured revolving credits | **-** | **(15,400)** | - | (16,004) |
| Loans to associates | **10,291#** | **-** | 8,888# | - |
| | **10,291#** | **(15,400)** | 8,888# | (16,004) |
| **COMPANY** | | | | |
| Amount due from a subsidiary | **9,439** | **844** | 17,809 | 1,598 |

# Loans to associates are stated net of allowance for impairment losses and share of post-acquisition results of an associated company.

### 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.

| | **2010** | |
|---|---|---|
| | **Equity RM'000** | **Profit after tax RM'000** |
| **GROUP** | | |
| HKD | **-** | **769** |
| USD | **-** | **(4,591)** |
| | **-** | **(3,822)** |
| **COMPANY** | | |
| HKD | **-** | **(335)** |
| USD | **-** | **(3,751)** |
| | **-** | **(4,086)** |

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.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

**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, loans 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** | | | | | | | | |
| **2010** | | | | | | | | |
| Unsecured revolving credits | 13 | **15,400** | **1.0** | **15,545** | **15,545** | **-** | **-** | **-** |
| Unsecured term loans | 13 | **90,810** | **3.8** | **94,385** | **47,079** | **41,554** | **5,752** | **-** |
| Trade and other payables and accruals | 15 | **81,414** | **-** | **81,414** | **81,414** | **-** | **-** | **-** |
| | | **187,624** | | **191,344** | **144,038** | **41,554** | **5,752** | **-** |
| **2009** | | | | | | | | |
| Unsecured revolving credits | 13 | 51,604 | 1.9 | 52,868 | 52,868 | - | - | - |
| Unsecured term loans | 13 | 136,500 | 3.1 | 142,284 | 52,141 | 46,392 | 43,751 | - |
| Unsecured bank overdraft | 13 | 242 | 6.1 | 257 | 257 | - | - | - |
| Trade and other payables and accruals | 15 | 101,663 | - | 101,663 | 101,663 | - | - | - |
| | | 290,009 | | 297,072 | 206,929 | 46,392 | 43,751 | - |
| **COMPANY** | | | | | | | | |
| **2010** | | | | | | | | |
| Unsecured term loans | 13 | **4,000** | **3.8** | **4,025** | **4,025** | **-** | **-** | **-** |
| Trade and other payables and accruals | 15 | **16,544** | **-** | **16,544** | **16,544** | **-** | **-** | **-** |
| Amount due to subsidiaries | 15 | **53,733** | **2.5** | **56,420** | **56,420** | **-** | **-** | **-** |
| | | **74,277** | | **76,989** | **76,989** | **-** | **-** | **-** |
| **2009** | | | | | | | | |
| Unsecured revolving credits | 13 | 35,600 | 3.0 | 36,741 | 36,741 | - | - | - |
| Unsecured term loans | 13 | 35,000 | 2.9 | 35,533 | 31,513 | 4,020 | - | - |
| Trade and other payables and accruals | 15 | 19,943 | - | 19,943 | 19,943 | - | - | - |
| Amount due to subsidiaries | 15 | 12,314 | 2.4 | 12,610 | 12,610 | - | - | - |
| | | 102,857 | | 104,827 | 100,807 | 4,020 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Fair values**

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

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

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

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

| | | **2010** | | 2009 | |
|---|---|---|---|---|---|
| | **Note** | **Carrying amount RM'000** | **Fair value RM'000** | Carrying amount RM'000 | Fair value RM'000 |
| **GROUP** | | | | | |
| Loans to associates | 6 | **10,291#** | **10,291#** | 8,888# | 8,888# |
| Long-term unsecured term loans | 13 | **(46,258)** | **(46,258)** | (87,686) | (87,686) |
| **COMPANY** | | | | | |
| Long-term unsecured term loans | 13 | **-** | **-** | (4,000) | (4,000) |

**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** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Loans to associates | **3.0%** | 3.0% | **-** | - |
| Long-term unsecured term loans | **3.8%** | 3.1% | **3.8%** | 2.9% |

# Loans to associates are stated net of allowance for impairment losses and share of post-acquisition results of an associated company.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 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.

## 26. CAPITAL COMMITMENTS

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2010 RM'000** | 2009 RM'000 | **2010 RM'000** | 2009 RM'000 |
| **Capital expenditure commitments** | | | | | |
| **Property, plant and equipment and investment properties** | | | | | |
| Contracted but not provided for and payable: | - within one year | **6,676** | 4,955 | **1,419** | 78 |
| Authorised but not contracted for: | - within one year | **69,408** | 59,871 | **3,514** | 2,395 |
| | | **76,084** | 64,826 | **4,933** | 2,473 |

## 27. CONTINGENT LIABILITIES (UNSECURED)

### COMPANY

The Company had issued a Corporate Guarantee for an amount up to HKD50.6 million (2009: HKD50.6 million) to The Bank of Tokyo-Mitsubishi UFJ, Ltd., Labuan ("UFJ Bank") for the revolving credit facility of HKD50.6 million (2009: HKD50.6 million) granted to a subsidiary, Madarac Corporation.

## 28. RELATED PARTIES

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and comprises the executive directors and non-executive directors of the Group.

The Group has a related party relationship with its associates (Note 6), its holding company, subsidiaries of its holding company (Notes 10 and 15) and corporations in which certain Directors have direct or indirect financial interests.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 28. RELATED PARTIES (cont'd)

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

| | Transactions amount for the year ended 31 December RM'000 | Gross balance outstanding at 31 December RM'000 | Net balance outstanding at 31 December RM'000 | Allowance for impairment loss at 31 December RM'000 | Impairment loss recognised/ (write back) for the year ended 31 December RM'000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **2010** | | | | | |
| **Associated companies** | | | | | |
| Loan amounts due from | | | | | |
| - Traders Yangon Company Ltd | **952** | **63,217** | **7,954#** | **1,196** | **(6,931)** |
| - Shangri-La Yangon Company Ltd | **-** | **24,411** | **2,337** | **22,074** | **(2,697)** |
| - Traders Square Company Ltd | **-** | **4,182** | **-** | **4,182** | **(462)** |
| **Subsidiaries of Shangri-La Asia Limited** | | | | | |
| Shangri-La International Hotel Management Ltd | | | | | |
| - Management, marketing and reservation fees paid or payable | **10,815** | **1,522** | **1,522** | **-** | **-** |
| Shangri-La International Hotel Management Pte Ltd | | | | | |
| - Management fees paid or payable | **1,933** | **289** | **289** | **-** | **-** |
| **Corporations in which Kuok Oon Kwong, a Director of the Company, has direct or indirect financial interests** | | | | | |
| Jerneh Insurance Bhd | | | | | |
| - Insurance premium paid or payable | **2,444** | **26** | **26** | **-** | **-** |
| PPB Hartabina Sdn Bhd | | | | | |
| - Project management fees paid or payable | **213** | **213** | **213** | **-** | **-** |

# Net balance outstanding for Traders Yangon Company Ltd is stated net of allowance for impairment losses and share of post-acquisition results of RM54,067,000 (Note 6)

| | | | | | |
|---|---|---|---|---|---|
| 2009 | | | | | |
| **Associated companies** | | | | | |
| Loan amounts due from | | | | | |
| - Traders Yangon Company Ltd | - | 69,196 | 6,551# | 8,127 | (828) |
| - Shangri-La Yangon Company Ltd | - | 27,108 | 2,337 | 24,771 | (324) |
| - Traders Square Company Ltd | - | 4,644 | - | 4,644 | (56) |
| **Subsidiaries of Shangri-La Asia Limited** | | | | | |
| Shangri-La International Hotel Management Ltd | | | | | |
| - Management, marketing and reservation fees paid or payable | 9,133 | 1,389 | 1,389 | - | - |
| Shangri-La International Hotel Management Pte Ltd | | | | | |
| - Management fees paid or payable | 1,531 | 289 | 289 | - | - |
| **Corporations in which Kuok Oon Kwong, a Director of the Company, has direct or indirect financial interests** | | | | | |
| Jerneh Insurance Bhd | | | | | |
| - Insurance premium paid or payable | 2,227 | 10 | 10 | - | - |
| PPB Hartabina Sdn Bhd | | | | | |
| - Project management fees paid or payable | 1,183 | 460 | 460 | - | - |

# Net balance outstanding for Traders Yangon Company Ltd is stated net of allowance for impairment losses and share of post-acquisition results of RM54,518,000 (Note 6)

# NOTES TO THE FINANCIAL STATEMENTS
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| | Transactions amount for the year ended 31 December RM'000 | Gross balance outstanding at 31 December RM'000 | Net balance outstanding at 31 December RM'000 | Allowance for impairment loss at 31 December RM'000 | Impairment loss recognised/ (write back) for the year ended 31 December RM'000 |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| **2010** | | | | | |
| **Subsidiaries** | | | | | |
| Interest income received | **15** | **-** | **-** | **-** | **-** |
| Rental income received | **120** | **-** | **-** | **-** | **-** |
| Interest expense paid or payable | **938** | **110** | **110** | **-** | **-** |
| Laundry service fees paid or payable | **1,344** | **135** | **135** | **-** | **-** |
| **Subsidiaries of Shangri-La Asia Limited** | | | | | |
| Shangri-La International Hotel Management Ltd – Management, marketing and reservation fees paid or payable | **1,835** | **199** | **199** | **-** | **-** |
| Shangri-La International Hotel Management Pte Ltd – Management fees paid or payable | **311** | **33** | **33** | **-** | **-** |
| **Corporations in which Kuok Oon Kwong, a Director of the Company, has direct or indirect financial interests** | | | | | |
| Jerneh Insurance Bhd – Insurance premium paid or payable | **464** | **1** | **1** | **-** | **-** |
| 2009 | | | | | |
| **Subsidiaries** | | | | | |
| Interest income received or receivable | 47 | 3 | 3 | - | - |
| Rental income received | 120 | - | - | - | - |
| Interest expense paid or payable | 304 | 28 | 28 | - | - |
| Laundry service fees paid or payable | 1,533 | 130 | 130 | - | - |
| **Subsidiaries of Shangri-La Asia Limited** | | | | | |
| Shangri-La International Hotel Management Ltd – Management, marketing and reservation fees paid or payable | 1,967 | 220 | 220 | - | - |
| Shangri-La International Hotel Management Pte Ltd – Management fees paid or payable | 325 | 36 | 36 | - | - |
| **Corporations in which Kuok Oon Kwong, a Director of the Company, has direct or indirect financial interests** | | | | | |
| Jerneh Insurance Bhd – Insurance premium paid or payable | 433 | - | - | - | - |

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
31 DECEMBER 2010

## 29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2010, the Group adopted the following new or revised FRS, amendments and interpretations to existing standards that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

| | |
|---|---|
| FRS 7 including its consequential amendments | *Financial Instruments: Disclosures* |
| FRS 8 including its consequential amendments | *Operating Segments* |
| FRS 101 (revised) | *Presentation of Financial Statements* |
| FRS 123 (revised) including its consequential amendments | *Borrowing Costs* |
| FRS 139 including its consequential amendments | *Financial Instruments: Recognition and Measurement* |
| Amendments to FRS 1 | *First-time Adoption of Financial Reporting Standards* |
| Amendments to FRS 107 | *Statement of Cash Flows* |
| Amendments to FRS 108 | *Accounting Policies, Changes in Accounting Estimates and Errors* |
| Amendments to FRS 110 | *Events after the Reporting Period* |
| Amendments to FRS 116 | *Property, Plant and Equipment* |
| Amendments to FRS 117 | *Leases* |
| Amendments to FRS 118 | *Revenue* |
| Amendments to FRS 119 | *Employee Benefits* |
| Amendments to FRS 127 | *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* |
| Amendments to FRS 128 | *Investments in Associates* |
| Amendments to FRS 132 | *Financial Instruments: Presentation* |
| Amendments to FRS 134 | *Interim Financial Reporting* |
| Amendments to FRS 136 | *Impairment of Assets* |
| Amendments to FRS 140 | *Investment Property* |
| IC Interpretation 10 | *Interim Financial Reporting and Impairment* |

The adoption of the above new or revised FRS, amendments and interpretations to existing standards did not result in any substantial change to the Group's accounting policies nor any significant impact on the Group's financial statements. The principal effects of these changes are set out below.

i) FRS 8 – OPERATING SEGMENTS

FRS 8 supersedes FRS 114, *Segment Reporting* and requires disclosure of financial and descriptive information about an entity's reportable operating segments on the basis of internal reports that are regularly provided to the chief operating decision maker for the purposes of assessing segment performances and allocation of resources.

The Group has determined that its reportable operating segments are the same as the business segments previously identified under FRS 114, and that they are consistent as that used for internal reporting purposes and provided to the Group's chief operating decision maker.

ii) FRS 101 – PRESENTATION OF FINANCIAL STATEMENTS

The revised FRS 101 separates owner and non-owner changes in equity. The statements of changes in equity shall include only the details of transactions with owners, with all non-owner changes in equity presented separately.

In addition, the standard introduces the statements of comprehensive income, which presents income and expense items recognised in the profit and loss, together with all other items of recognised income and expenses *(that is "non-owner changes in equity")*. An entity can either choose to present one statement of consolidated comprehensive income or two statements, namely the consolidated income statement and statement of comprehensive income. The Group has chosen to present two statements.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

This change in presentation of financial statements has no effect on reported profit or loss, total income and expense or net assets of the Group for any period presented. Comparative information has been re-presented so that it is in conformity with the revised standard.

iii) AMENDMENTS TO FRS 117 – LEASES
The Group has applied the amended FRS 117 retrospectively, which requires leasehold lands classified as finance leases and operating leases to be accounted for under property, plant and equipment (PP&E) and prepaid lease payments respectively.

In line with the requirements of the amended FRS 117, the Group has determined that its leasehold lands are finance leases and have therefore, reclassified its leasehold lands with a carrying amount of RM19,206,000 at 31 December 2009 from prepaid lease payments to PP&E. Consequently, the Group's PP&E as at 31 December 2009 has been restated from RM758,981,000 to RM778,187,000, an increase of RM19,206,000, whilst the Company's PP&E as at 31 December 2009 has been restated from RM118,535,000 to RM121,812,000, an increase of RM3,277,000.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

iv) FRS 139 – FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT
The new FRS 139 deals with the recognition and measurement of financial instruments covering both financial assets and liabilities. This change in accounting policy has been adopted prospectively on 1 January 2010. There has been no impact on the Group's financial statements on initial adoption of FRS 139.

Following the adoption of FRS 139, the Group's financial assets (namely shareholders' loans to associated companies and trade and other receivables) and financial liabilities (namely bank borrowings and trade and other payables) are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method. Prior to 1 January 2010, the Group's financial assets were stated at cost less allowance for doubtful debts, whilst financial liabilities were stated at cost.

The adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods and has no impact to the current year's basic and diluted earnings per share.

## 30. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of changes in accounting policies as stated in Note 29 (iii).

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | As restated RM'000 | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 |
| 2009 | | | | |
| **Balance Sheet** | | | | |
| Property, plant and equipment | 778,187 | 758,981 | 121,812 | 118,535 |
| Prepaid lease payments | – | 19,206 | – | 3,277 |
| 2008 | | | | |
| **Balance Sheet** | | | | |
| Property, plant and equipment | 713,045 | 693,511 | 127,647 | 124,248 |
| Prepaid lease payments | – | 19,534 | – | 3,399 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

## 31. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits/(losses).

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010, into realised and unrealised profits/(losses) based on the prescribed format from Bursa Malaysia is set out as follows:

| | RM'000 |
|---|---|
| **GROUP** | |
| **2010** | |
| Total retained profits of the Company and its subsidiaries | |
| – Realised | **178,455** |
| – Unrealised | **58,702** |
| | **237,157** |
| Total share of accumulated losses in an associated company | |
| – Realised | **(54,067)** |
| – Unrealised | **-** |
| | **183,090** |
| Add: Consolidated adjustments | **64,243** |
| Total Group retained profits | **247,333** |
| **COMPANY** | |
| **2010** | |
| Realised | **136,883** |
| Unrealised | **8,639** |
| Total Company retained profits | **145,522** |

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 2010

| Registered Owner | Description/Location | Tenure | Age of buildings (years) | Land area (sq. metres) | Net book value at 31.12.2010 (RM'000) |
|---|---|---|---|---|---|
| Shangri-La Hotel<br>(KL) Sdn Bhd | **Shangri-La Hotel Kuala Lumpur**<br>29-storey, 662 room hotel<br>located at 11 Jalan Sultan Ismail<br>50250 Kuala Lumpur | **Freehold** | **25** | **16,229** | **190,730** |
| Komtar Hotel<br>Sdn Bhd | **Traders Hotel Penang**<br>17-storey, 444 room hotel<br>located at Magazine Road<br>10300 Penang | **Leasehold**<br>(Expires 2082) | **24** | **4,800** | **31,624** |
| Shangri-La Hotels<br>(Malaysia) Berhad | **Shangri-La's**<br>**Rasa Sayang Resort & Spa**<br>304 room resort comprising<br>11 inter-connected blocks<br>not exceeding 8-storey<br>located at 10th Mile<br>Batu Feringgi, 11100 Penang | **Freehold** | **37** | **58,798** | **95,931** |
| | **Land**<br>Lot 402, Section 2<br>Town of Batu Feringgi<br>North East District, Penang | **Leasehold**<br>(Expires 2037) | **-** | **2,989** | |
| | Industrial land on which<br>the central laundry owned<br>by Pantai Emas Sdn Bhd is<br>situated on at No.6 (Plot 68)<br>Pesara Kampung Jawa<br>Bayan Lepas, 11900 Penang | **Leasehold**<br>(Expires 2047) | **-** | **3,737** | **644** |
| Palm Beach Hotel<br>Sdn Bhd | **Land**<br>Lots 9, 10, 13, 15, 93, 316, 420,<br>591 & 592, Section 2<br>Town of Batu Feringgi<br>North East District, Penang | **Freehold** | **-** | **33,097** | **9,658** |

# GROUP PROPERTIES
## AS AT 31 DECEMBER 2010

| Registered Owner | Description/Location | Tenure | Age of buildings (years) | Land area (sq. metres) | Net book value at 31.12.2010 (RM'000) |
|---|---|---|---|---|---|
| Golden Sands Beach Resort Sdn Bhd | **Golden Sands Resort**<br>8-storey, 387 room resort located at 10th Mile Batu Feringgi, 11100 Penang | **Freehold** | 32 | 19,359 | 47,572 |
| | **Land**<br>Lot 389, Section 2<br>Town of Batu Feringgi<br>North East District, Penang | **Leasehold**<br>(Expires 2050) | - | 424 | |
| Pantai Emas Sdn Bhd | **Penang Laundry Services**<br>A central laundry located at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang | **Leasehold**<br>(Expires 2047) | 20 | 3,737 | 452 |
| UBN Tower Sdn Bhd | **UBN Tower** *<br>36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur | **Freehold** | 25 | 3,696 | 189,346 |
| UBN Holdings Sdn Bhd | **UBN Apartments** *<br>24-storey apartment block comprising 126 units of apartments located at 1 Lorong P. Ramlee 50250 Kuala Lumpur<br>(# based on 58 units of unsold apartments) | **Freehold** | 25 | 3,120 | 42,500# |
| | Commercial land on which Shangri-La Hotel Kuala Lumpur is situated on at 11 Jalan Sultan Ismail 50250 Kuala Lumpur and UBN Tower at 10 Jalan P. Ramlee 50250 Kuala Lumpur | **Freehold** | - | 19,925 | 11,718 |

**Note**

* The last revaluation for the Group's investment properties was carried out by a firm of independent professional valuers as at 31.12.2010 on an open market basis for existing use. Please refer to Note 4 of the Financial Statements set out on page 82 for further details.

# GROUP PROPERTIES
## AS AT 31 DECEMBER 2010

| Registered Owner | Description/Location | Tenure | Age of buildings (years) | Land area (sq. metres) | Net book value at 31.12.2010 (RM'000) |
|---|---|---|---|---|---|
| Pantai Dalit Beach Resort Sdn Bhd | **Shangri-La's Rasa Ria Resort** 420 room resort located at Pantai Dalit 89208 Tuaran, Sabah comprising: | | | | |
| | Two 4-storey blocks of guestrooms plus six 6-storey blocks of guestrooms with a total of 330 rooms | **Leasehold** (Expires 2090) | **14** | **67,999** | **89,236** |
| | Two 5-storey blocks of guestrooms with a total of 90 rooms | **Leasehold** (Expires 2090) | **-** | **24,483** | |
| | **Land** Land on which Shangri-La's Rasa Ria Resort and Dalit Bay Golf & Country Club is situated on at Pantai Dalit 89208 Tuaran, Sabah | **Leasehold** (Expires 2090) | **-** | **761,467** | **3,711** |
| | 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) | **13** | **668,985** | **32,302** |

# SHAREHOLDING STATISTICS
## AS AT 31 MARCH 2011

**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 | 143 | 2.16 | 3,246 | 0.00 |
| 100 – 1,000 | 2,726 | 41.20 | 2,613,979 | 0.59 |
| 1,001 – 10,000 | 3,150 | 47.60 | 12,510,425 | 2.84 |
| 10,001 – 100,000 | 508 | 7.68 | 14,385,780 | 3.27 |
| 100,001 to less than 5% of issued shares | 88 | 1.33 | 80,234,229 | 18.24 |
| 5% and above of issued shares | 2 | 0.03 | 330,252,341 | 75.06 |
| | 6,617 | 100.00 | 440,000,000 | 100.00 |

### SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | Deemed Interest | |
|---|---|---|---|
| Name of Substantial Shareholders | No. of Shares | No. of Shares | % of Issued Capital |
| Hoopersville Limited | 232,237,841 | – | 52.78 |
| Shangri-La Asia Limited | – | 232,237,841 | 52.78 |
| Kerry Holdings Limited | – | 232,237,841 | 52.78 |
| Kerry Group Limited | – | 232,237,841 | 52.78 |
| Standard Chartered Private Equity Limited | 98,014,500 | – | 22.28 |
| Standard Chartered Asia Limited | – | 98,014,500 | 22.28 |
| Standard Chartered MB Holdings B.V. | – | 98,014,500 | 22.28 |
| Standard Chartered Holdings (International) B.V. | – | 98,014,500 | 22.28 |
| Standard Chartered PLC | – | 98,014,500 | 22.28 |
| Standard Chartered Bank | – | 98,014,500 | 22.28 |
| Standard Chartered Holdings Limited | – | 98,014,500 | 22.28 |
| SCMB Overseas Limited | – | 98,014,500 | 22.28 |
| Dover Investments Pte Ltd | – | 98,014,500 | 22.28 |
| Fullerton Management Pte Ltd | – | 98,014,500 | 22.28 |
| Temasek Holdings (Private) Limited | – | 98,014,500 | 22.28 |
| Aberdeen Asset Management PLC | – | 41,586,500 | 9.45 |
| Credit Suisse Group AG | – | 41,586,500 | 9.45 |
| Mitsubishi UFJ Financial Group, Inc. | – | 41,586,500 | 9.45 |
| Aberdeen Asset Management Asia Limited | – | 28,947,200 | 6.58 |

# SHAREHOLDING STATISTICS
## AS AT 31 MARCH 2011

### 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 2011 are as follows:

| | | Direct Interest | Deemed Interest | |
|---|---|---|---|---|
| (Ordinary Shares of RM1.00 each)<br>**The Company**<br>**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 |
| Khoo Eng Min | - own | 5,000 | - | negligible |
| | - others | 9,000[1] | - | negligible |
| Tan Sri Dato' Mohd Amin bin Osman | | 23,000[1] | - | 0.01 |
| Datuk Supperamaniam a/l Manickam | | - | - | - |
| Dato' Dr Tan Tat Wai | | - | - | - |
| Tan Yew Jin | | 5,000 | 20,000 | 0.01 |
| Ravinder Singh Grewal Sarbjit S | | - | - | - |
| Alternate Director | | | | |
| Joseph Patrick Stevens | | - | - | - |

| | | Direct Interest | Deemed Interest | |
|---|---|---|---|---|
| (Ordinary Shares of HKD1.00 each)<br>**Related Corporation**<br>**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 | | - | - | - |
| Khoo Eng Min | | - | - | - |
| Tan Sri Dato' Mohd Amin bin Osman | | - | - | - |
| Datuk Supperamaniam a/l Manickam | | - | - | - |
| Dato' Dr Tan Tat Wai | | - | - | - |
| Tan Yew Jin | | 120,856 | - | negligible |
| Ravinder Singh Grewal Sarbjit S | | - | - | - |
| Alternate Director | | | | |
| Joseph Patrick Stevens | | - | - | - |

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

| 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 2011

### THE THIRTY LARGEST SHAREHOLDERS (AS PER RECORD OF DEPOSITORS)

| Name of Shareholders | No. of Shares Held | % of Issued Capital |
|---|---|---|
| 1. Hoopersville Limited | 232,237,841 | 52.78 |
| 2. Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Standard Chartered Private Equity Limited | 98,014,500 | 22.28 |
| 3. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global | 18,867,200 | 4.29 |
| 4. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC | 7,250,000 | 1.65 |
| 5. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen) | 5,001,600 | 1.14 |
| 6. Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) | 4,403,900 | 1.00 |
| 7. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund | 3,368,668 | 0.77 |
| 8. Ophir Holdings Berhad | 3,298,400 | 0.75 |
| 9. Malaysia Nominees (Tempatan) Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 2) | 3,000,000 | 0.68 |
| 10. HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD) | 2,830,000 | 0.64 |
| 11. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (PHEIM) | 2,538,600 | 0.58 |
| 12. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen) | 1,521,200 | 0.35 |
| 13. Mayban Nominees (Tempatan) Sdn Bhd Avenue Invest Berhad for Kumpulan Wang Persaraan (Diperbadankan) | 1,260,000 | 0.29 |
| 14. Key Development Sdn Bhd | 1,156,400 | 0.26 |
| 15. Ying Holding Sdn Bhd | 1,076,500 | 0.24 |
| 16. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon | 1,051,000 | 0.24 |
| 17. Migan Sdn Bhd | 1,036,600 | 0.24 |
| 18. Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Endowment Fund) | 1,014,600 | 0.23 |
| 19. Leong Kok Tai | 947,200 | 0.21 |
| 20. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund | 738,000 | 0.17 |
| 21. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Berhad for HwangDBS Select Income Fund | 716,400 | 0.16 |
| 22. Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Operating Fund) | 698,000 | 0.16 |
| 23. Lim Kian Huat | 688,400 | 0.15 |
| 24. Gan Teng Siew Realty Sdn Bhd | 645,000 | 0.15 |
| 25. G.T.Y. Holdings Sdn Bhd | 606,000 | 0.14 |
| 26. Gemas Bahru Estates Sdn Bhd | 600,000 | 0.13 |
| 27. W. Gan Sdn Bhd | 587,000 | 0.13 |
| 28. Rengo Malay Estate Sdn Bhd | 571,000 | 0.13 |
| 29. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Berhad for MAAKL Progress Fund (4082) | 535,000 | 0.12 |
| 30. Gan Tee Kian | 526,000 | 0.12 |
| | 396,785,009 | 90.18 |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth 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 Friday, 20 May 2011 at 10.00 a.m. for the following purposes:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2010 and the Auditors' Report thereon. **Ordinary Resolution 1**
2. To approve the payment of a Final dividend of 6% less tax of 25% for the year ended 31 December 2010 as recommended by the Directors. **Ordinary Resolution 2**
3. To approve the proposed increase and payment of Directors' fees from RM236,000 to RM364,542 for the year ended 31 December 2010. **Ordinary Resolution 3**
4. To re-elect the following Directors, each of whom are retiring by rotation pursuant to Article 95 of the Company's Articles of Association.
   i) Kuok Oon Kwong **Ordinary Resolution 4**
   ii) Datin Rozina Mohd Amin **Ordinary Resolution 5**
   iii) Khoo Eng Min **Ordinary Resolution 6**
5. To re-appoint Tan Sri Dato' Mohd Amin bin Osman as a Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company. **Ordinary Resolution 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**
7. To transact any other business for which due notice shall have been given.

By Order of the Board

DATIN ROZINA MOHD AMIN
Company Secretary

Kuala Lumpur
28 April 2011

**Explanatory Note to Ordinary Resolution 3**

The annual fixed fees for the non-executive Directors were last revised in financial year 2003 and approved by shareholders in May 2004. The purpose of Ordinary Resolution 3 is to bring the fees more into line with the market. If passed, Ordinary Resolution 3 will effect an increase in the annual fixed fees payable to the non-executive Board Chairman from RM25,000 to RM50,000 and the annual fixed fees payable to each of the other non-executive Directors from RM20,000 to RM35,000. In addition, the Chairman of the Nomination & Remuneration Committee will be paid an annual fixed fee of RM4,000.

Arising from the above, the total fees payable to non-executive Directors of the Company for the year ended 31 December 2010 would increase by RM128,542 from RM236,000 to RM364,542. No Directors' fees are paid to executive Directors.

**Notes**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The Form of Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time set for the Meeting or any adjournment thereof.
3. The proposed Final dividend, if approved, will be paid on Thursday, 30 June 2011 to shareholders whose names appear in the Record of Depositors on Thursday, 2 June 2011.

# 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 Fortieth Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Friday, 20 May 2011 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 Proposed Increase and Payment of Directors' Fees | | |
| 4 | Re-election of Kuok Oon Kwong retiring pursuant to Article 95 | | |
| 5 | Re-election of Datin Rozina Mohd Amin retiring pursuant to Article 95 | | |
| 6 | Re-election of Khoo Eng Min retiring pursuant to Article 95 | | |
| 7 | Re-appointment of Tan Sri Dato' Mohd Amin bin Osman as a Director pursuant to Section 129(6) of the Companies Act, 1965 | | |
| 8 | Re-appointment of Messrs KPMG as Auditors | | |

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

Dated this __________ day of ____________________ 2011 Signature ____________________

**Notes**

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

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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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# DIRECTORY OF GROUP HOTELS & RESORTS

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## SABAH

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