SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

ANNUAL REPORT
–
2011

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

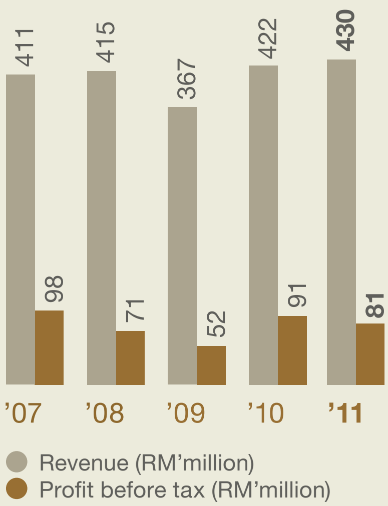
		2011	2010	2009	2008	2007
		RM'000	RM'000	RM'000	RM'000	RM'000
RESULTS						
Revenue		**429,731**	422,002	367,371	415,447	410,725
Exceptional items		**-**	-	-	-	-
Profit before tax		**80,838**	91,282	51,505	71,474	98,406
Profit attributable to shareholders		**60,564**	69,959	35,353	49,267	77,242
Dividend-net		**29,700**	29,700	26,400	26,268	32,428
KEY BALANCE SHEET DATA						
Issued capital		**440,000**	440,000	440,000	440,000	440,000
Total assets employed		**1,083,134**	1,088,724	1,135,110	1,074,039	1,041,826
Shareholders' equity		**822,698**	791,834	748,275	739,322	722,615
Net borrowings		**47,543**	89,010	168,970	154,319	140,596
PER SHARE DATA						
Net earnings per share	(sen)	**13.76**	15.90	8.03	11.20	17.56
Net assets per share	(RM)	**1.87**	1.80	1.70	1.68	1.64
Dividend-gross	(sen)	**9.0**	9.0	8.0	8.0	10.0
FINANCIAL RATIOS						
Return on shareholders' equity	(%)	**7.4**	8.8	4.7	6.7	10.7
Return on total assets	(%)	**5.6**	6.4	3.1	4.6	7.4
Net borrowings to shareholders' equity	(%)	**5.8**	11.2	22.6	20.9	19.4

NOTE

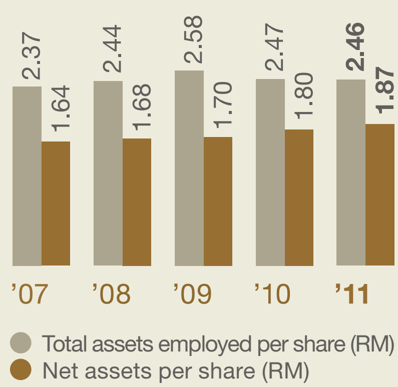
Dividends of RM29.700 million for the financial year ended 31 December 2011 consist of (a) the interim dividend of 3% per share less tax at 25% paid on 23 November 2011 amounting to RM9.900 million and (b) the proposed final dividend of 6% less tax at 25% amounting to RM19.800 million. The proposed final dividend of 6% less tax at 25% for the financial year ended 31 December 2011 is subject to shareholders' approval at the Annual General Meeting of the Company to be held on 18 May 2012.

GROUP FINANCIAL HIGHLIGHTS

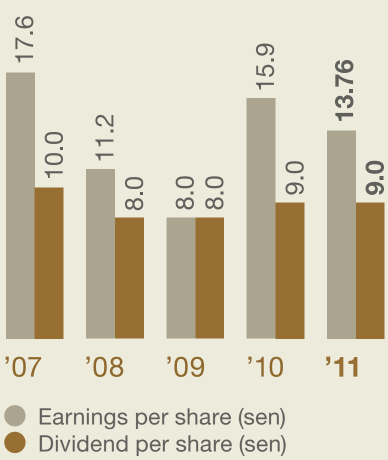
REVENUE & PROFIT BEFORE TAX



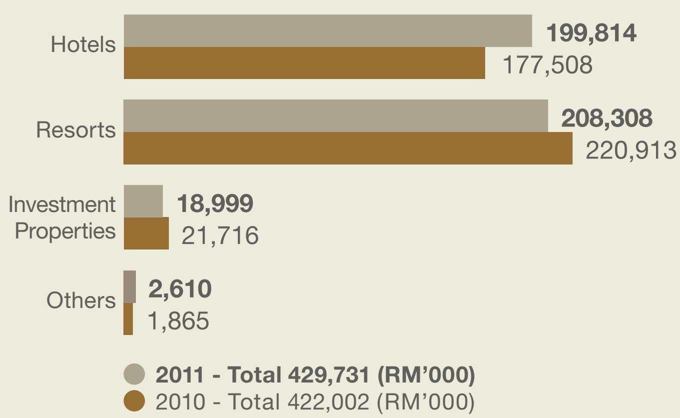
TOTAL ASSETS EMPLOYED PER SHARE & NET ASSETS PER SHARE



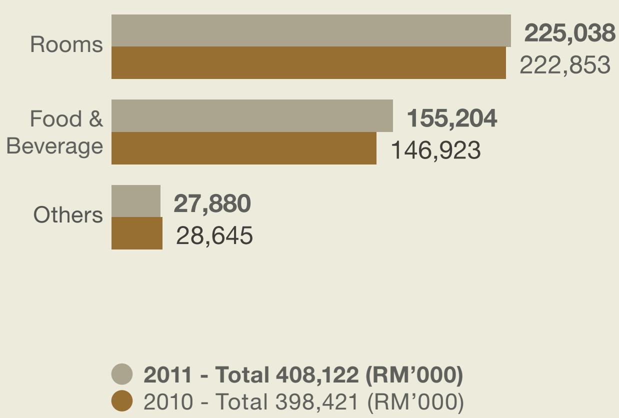
EARNINGS PER SHARE & DIVIDEND PER SHARE



REVENUE BY SEGMENT



REVENUE OF HOTELS & RESORTS BY DEPARTMENTS



CHAIRMAN'S STATEMENT

Dear Shareholders

In 2011, an improved market environment led to good performances across most of the Group's hotel operations.

Our hotels and resorts on the whole benefited from a steady recovery in demand from both the corporate and leisure travel markets through the year, though there was little growth in their key long haul markets of Europe, notably the UK, as a result of continued economic weakness in much of that region.

Main Lobby, RASA RIA RESORT

Increased contributions, in particular from Shangri-La Hotel Kuala Lumpur and Traders Hotel Penang, helped to partially mitigate the impact of a substantial decline in the operating results of Rasa Ria Resort, due to major renovations to all its Garden Wing guestrooms for most of 2011.

GROUP RESULTS

For the full year 2011, Group revenue rose by 2% to RM429.731 million from RM422.002 million in 2010. The majority of the increase came from Shangri-La Hotel Kuala Lumpur and Traders Hotel Penang, which helped to offset the large fall in revenue at Rasa Ria Resort.

The Group's profit before tax for the full year was RM80.838 million, 11% below that of RM91.282 million in 2010, mainly reflecting the combined impact of a significantly lower profit contribution from Rasa Ria Resort, and a charge of RM5.906 million for asset write-offs associated with its major renovation programme.

Consequently, Group profit attributable to shareholders for 2011 fell by 13% to RM60.564 million compared with RM69.959 million in 2010. Earnings per share for 2011 were 13.76 sen, down from 15.90 sen the previous year.

The Group's shareholders' equity at end-2011 was RM822.698 million, an increase of 4% from RM791.834 million at end-2010 due to the profits retained for the year. Correspondingly, the net asset value per share of the Group increased from RM1.80 at end-2010 to RM1.87 at end-2011.

The Group strengthened its balance sheet and financial capacity during the year, with net debt reducing from RM89.010 million at 31 December 2010 to RM47.543 million at 31 December 2011, as bank borrowings were paid down through strong operating cash flows mainly from Shangri-La Hotel Kuala Lumpur and Golden Sands Resort. As a result, the net gearing of the Group at the end of 2011 dropped to 6% from 11% as at the previous year-end.

DIVIDENDS

Your Board of Directors is recommending a final dividend of 6% less tax. This, taken together with the interim dividend of 3% less tax paid in November 2011, brings the total dividend for the financial year 2011 to 9% less tax, the same as in 2010.

The proposed final dividend, if approved by shareholders at the Annual General Meeting of the Company to be held on 18 May 2012, will be paid to shareholders on 28 June 2012.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW

For the year, Shangri-La Hotel Kuala Lumpur delivered revenue growth of 11% to RM161.867 million, with stronger performances from rooms and food and beverage operations. Occupancy increased to 71% in 2011 from 59% in 2010, and the hotel finished the year with a pre-tax profit of RM32.349 million, up 72% compared to RM18.769 million in 2010.

Buoyant corporate business enabled Traders Hotel Penang to achieve an overall occupancy of 85% for 2011 against 72% last year. Revenue from the hotel's operations rose by 17% over 2010 to RM37.947 million, with pre-tax profit rising by 62% from RM4.265 million the previous year to RM6.896 million in 2011.

Golden Sands Resort also grew well, producing an 8% increase in revenue for the year to RM52.112 million, and a pre-tax profit of RM13.238 million, 26% above that of RM10.477 million in 2010. On the back of higher leisure demand, the resort improved its occupancy from 65% in 2010 to 69% in 2011.

Revenue from Rasa Sayang Resort for 2011 of RM70.636 million was 4% ahead of last year, driven by good growth in food and beverage business. The resort's occupancy level for 2011 remained flat at 60%. Despite the higher revenue, the resort achieved a lower operating profit of RM14.857 million as compared to RM15.874 million in 2010. The result in 2010 had benefited from a reversal of cost provisions for property assessments in respect of prior years no longer required. Excluding this benefit, the resort's profit of RM14.857 million was up 6% versus RM13.973 million in 2010.

Business levels at Rasa Ria Resort were held back by the major renovation programme of all its guestrooms in the Garden Wing that began in March 2011. The resort suffered a sharp drop in occupancy from 74% in 2010 to 56%, with a consequent reduction of 19% in revenue to RM81.101 million. Its pre-tax profit fell by 69% in the year from RM34.421 million in 2010 to RM10.511 million, which included a charge of RM5.906 million to write-off certain fixed assets in relation to the renovation programme.

The combined rental revenue from the Group's investment properties in Kuala Lumpur for 2011 was down by 13% to RM18.999 million, whilst their pre-tax profit declined from RM14.582 million in 2010 to RM11.728 million. These reductions were due to lower contributions from UBN Tower as a result of weaker occupancy rates.

For the year to 31 December 2011, the Group's share of profits from Traders Hotel Yangon, its 23.53% associate hotel in Myanmar increased to RM0.558 million from RM0.451 million in 2010.

INITIATIVES AND STRATEGIC DEVELOPMENT

Over the course of 2011, we made good progress with our key initiatives to strengthen the business and to sharpen our competitive edge, against the highly challenging marketplace in which we compete.

RASA RIA RESORT

During the year, most of our hotels delivered market share growth and successfully enhanced or maintained their leading competitive positions in their individual markets, driven by strong marketing, increased sales focus and effective rate strategies.

As the market recovers, we are stepping up our marketing efforts and leveraging our strong global sales and marketing network to generate increased business volumes and higher levels of brand awareness, especially in the fast-growing and emerging markets within Asia. In addition to this, we are enhancing and widening our key relationships with corporate customers and wholesale suppliers, and driving further improvements to our sales force structure.

CHAIRMAN'S STATEMENT

In response to continued cost pressures, we are putting more focus on improving cost efficiencies in all areas of operations to help optimise margin. We aim to achieve this through our ongoing cost optimisation programmes and efficiency measures, particularly in labour, food and beverage operations and procurement activities. During the year, most of the businesses within the Group saw good margin improvements, reflecting continued cost discipline and efficiency gains.

At the same time, we are also placing greater emphasis on cash flow management and working capital efficiency, whilst maintaining control over capital expenditure. In 2011, the revenue growth of the business was leveraged into strong cash generation, allowing the Group to continue to reduce its debt and to invest for future growth.

As part of our drive towards more efficient operations, we are continuing to invest in further upgrades to our IT platform and supporting operating systems with leading technologies to enable us to manage our business operations more efficiently, and to improve the effectiveness of our sales and reservation capabilities.

To support the delivery of our business goals, we are focused on building a strong performance culture, and on developing a highly engaged, well trained and motivated workforce. Through our various training, learning and development programmes, we encourage our employees at all levels to develop their capabilities and competency skills, and to fulfil their full potential. We are also working continuously to improve our customer service capabilities across all of our business activities so we can deliver the highest standards of service to our guests and customers and be even more responsive to their needs.

At the heart of our strategy is our strong commitment to maintaining and enhancing the high standards and quality of our products and facilities, supported by a substantial level of innovation and creativity to keep us at the forefront of the industry.

In March 2011, we embarked on a comprehensive renovation programme of the guestrooms in the Garden Wing at Rasa Ria Resort covering a total of 330 rooms in eight guestroom blocks. The first phase of the programme was successfully completed in July 2011, with the remaining guestrooms under the second and final phase scheduled for completion by end-May 2012.

Concurrently, significant enhancements were also carried out to the resort's banqueting and meeting facilities including the main lobby and some other public areas. We are very encouraged to see that the rooms which have been renovated so far have been well received in the market and are already delivering higher room rates. When fully completed, the improved room product and superior facilities will further enhance the resort's leadership position in the local market providing it with a solid platform for future growth.

As we move into 2012, our priorities are to optimise the performance of our existing assets, improve operational execution and grow market share, whilst driving stronger efficiency benefits across all our businesses. We will strive to build on our strengths and focus on creating greater value for our shareholders.

OUTLOOK

The overall economic outlook for 2012 remains uncertain, and this may have a broader impact on the hotel and travel industry as the year progresses.

Nonetheless, our hotels and resorts should be able to make some further progress in 2012 as they are in a good position to take advantage of the encouraging trends in both business and leisure travel, particularly in their key regional markets. However, they are likely to continue to see limited demand growth from their major long haul markets of the UK and Europe for some time, given the ongoing economic challenges facing that region.

The final phase of the major renovation work currently in progress at Rasa Ria Resort is due to complete by end-May 2012. We expect the benefits of this programme to make a positive impact on the overall operating results of the resort for 2012.

As for the Group's investment properties in Kuala Lumpur, market conditions in the prime office rental market are expected to stay broadly stable, and this should enable UBN Tower to see some improvement in occupancy levels through 2012. UBN Apartments, however, will continue to face more competitive pressures on occupancy and rental rates due to growing supply.

THE BOARD

In November 2011, Tan Sri Dato' Mohd Amin bin Osman stepped down from the Board and we would like to take this opportunity to record our deepest thanks and appreciation to him for his contribution to the Group.

APPRECIATION

Through the year, our employees across the Group worked with great determination and diligence. Their hard work and enterprise are central to our success and, on behalf of the Board, I thank them all for their efforts. My thanks also go to my fellow Directors for their strong guidance and dedication.

It remains for me to thank all our shareholders for your continued support.

TAN SRI A. RAZAK BIN RAMLI
Chairman
9 APRIL 2012

OPERATIONS REVIEW
Hotels

Shangri-La Hotel Kuala Lumpur *delivered a strong performance in 2011 spurred by robust growth in both its rooms and food and beverage operations. Revenue was up by 11% reaching RM161.867 million compared to RM145.209 million in 2010, while pre-tax profit grew to RM32.349 million from RM18.769 million in 2010, a gain of 72% year on year.*

During 2011, the hotel successfully boosted its occupancy rate from 59% to 71%. However, average room rate declined by 7% as the hotel adopted a flexible rate strategy and introduced competitive packages and special deals to drive business volumes in a highly competitive market.

This enabled the hotel to secure higher room night bookings mainly from the corporate group and corporate individual segments of Singapore, Japan, Malaysia and Australia. The hotel also managed to capture more high-rated business for its Horizon rooms and premier suites.


Main Lobby, RASA RIA RESORT

Meanwhile, leisure business increased, underpinned by a rise in demand from the packages and promotions markets mainly from Singapore and Malaysia, and from the leisure individual segment of Australia, Japan and Singapore. Consequently, total room revenue climbed 12% to RM73.547 million from RM65.380 million in 2010, and profit stood at RM56.888 million, 14% up on the previous year's RM49.905 million.

The hotel's food and beverage operations performed well during the year, with outlets and banqueting recording higher sales. Successful promotions and creative concepts introduced at the outlets enabled the hotel to attract increased patronage from both hotel guests and the local community. Almost all outlets achieved a rise in covers, particularly *Lemon Garden Café*, *Arthur's Bar & Grill* and *Shang Palace*. Banqueting also improved its covers and average checks on the back of a healthy expansion in corporate events, conventions, government functions, weddings and outdoor catering. Total food and beverage revenue advanced 12% to RM82.144 million from RM73.388 million in 2010 and profit improved by 16% to RM31.910 million from RM27.451 million the prior year.

In 2011, the hotel again won a number of major international awards for its exceptional products and service. The hotel was named global winner in the *Best Luxury Business Hotel (Malaysia)* category and the country winner in the *Luxury City Hotel (Malaysia)* category at the World Luxury Hotel Awards 2011. It was also recognised as the *Best Luxury Hotel in Malaysia* by TripAdvisor in its 2012 Travelers' Choice Awards.

Sales and marketing efforts in 2012 will concentrate on developing new corporate accounts from China, India, Hong Kong and Russia, while sustaining corporate business from the existing key markets of Singapore, Malaysia and Japan. At the same time, higher yield business for the Horizon rooms and premier suites will be driven via tactical promotional packages and partnerships with travel trade partners. Besides this, the hotel aims to expand its meeting and incentive business, targeting in particular the Middle East and UK markets.

Meanwhile, attractive packages will be implemented to strengthen demand from the leisure markets of China and Hong Kong, and the hotel will continue to promote its weekend and holiday packages, especially to the Singaporean and Malaysian markets. A more refined rate strategy is also in place to improve room rate through more effective yield management and aggressive up-selling incentives.

To promote its food and beverage business in 2012, the hotel will focus on attracting new customers and encouraging repeat business at the outlets through new food and beverage concepts and attractive food promotions. It will also be proactive in selling its food and beverage loyalty programme and will launch new joint promotions with major credit card merchants. In addition, to grow its banqueting and outside catering business, the hotel will intensify its sales and marketing activities so as to secure more high-rated corporate events, government functions, weddings and social events.

OPERATIONS REVIEW
Hotels

Traders Hotel Penang *reported a healthy growth in both revenue and profit for 2011. This performance was largely attributable to a higher occupancy level boosted by strong corporate demand. Total revenue increased by 17% to RM37.947 million compared with RM32.299 million in 2010, while pre-tax profit advanced 62% to RM6.896 million from RM4.265 million the previous year.*

During the year, total room night bookings improved by 18% to 137,219, underpinned by strong demand from the long stay corporate segment of Japan and Germany, and the leisure group segment of Singapore, Malaysia and Australia. Room occupancy rose from 72% to 85% while average room rate was maintained at the 2010 level. Room revenue for 2011 was up by 18% to RM26.344 million from RM22.379 million in 2010, and rooms profit gained 17% to RM19.613 million from RM16.695 million.

Lobby Lounge, RASA RIA RESORT


Ocean Wing Pool, RASA RIA RESORT

Food and beverage revenue rose by 12% to RM9.573 million from RM8.568 million in 2010 due to a higher contribution from banqueting business. The hotel's banqueting facilities saw a 15% increase in covers, driven by a healthy growth in the number of corporate events, wedding functions and outdoor catering. On the other hand, the hotel's food and beverage outlets continued to face tough market conditions. As a result, the increase in food and beverage revenue was unable to offset the impact of rising cost pressures, leading to an erosion of profit margin for the year. Consequently, food and beverage profit declined to RM1.894 million from RM1.896 million in 2010.

In 2012, the hotel will redouble its efforts to grow business volume from its key corporate markets of Japan, Malaysia and Singapore, and to expand its corporate customer base especially in the manufacturing and government sectors. In addition, the hotel will continue to introduce attractive packages to drive higher leisure business from Australia, Malaysia and Singapore. A more effective and aggressive rate management strategy is also in place to further improve room yield.

To step up the performance of the hotel's food and beverage business, more appealing dining promotions will be launched at the outlets. The hotel will also roll out new packages to secure more corporate events and social functions for its banqueting and outdoor catering business. Meanwhile, efforts will be made to streamline operating cost structures to improve food and beverage profit.

At the same time, the hotel will focus on further enhancing customer service levels and achieving greater efficiency in all areas of operations.

OPERATIONS REVIEW
Hotels

In 2011, **Rasa Sayang Resort** *recorded a rise in revenue, driven by stronger food and beverage sales. Total revenue was up 4% to RM70.636 million compared with RM67.713 million in 2010.*

However, the resort's operating profit declined by 6% to RM14.857 million against RM15.874 million the previous year. The 2010 operating profit included a write-back of the prior years' cost provisions for property assessments that are no longer required. Excluding this write-back, the operating profit in 2011 was RM14.857 million, higher by 6% compared with RM13.973 million in 2010.


Garden Wing Deluxe Room, RASA RIA RESORT

The resort's room occupancy in 2011 was level with the previous year at 60%. During the year, there was an increase in room night bookings coming mainly from the packages and the meeting and incentive segments of Malaysia, Singapore and Hong Kong. However, this was offset by softer demand, especially from the leisure group and leisure individual segments of the UK and Middle East. Overall, total room revenue for 2011 at RM44.134 million was broadly the same as the previous year.

The hotel's food and beverage operations delivered a 17% growth in revenue to RM22.292 million from RM19.077 million in 2010, supported by a higher contribution from banqueting business. The resort's banqueting operations achieved a 33% gain in covers and an 11% increase in average checks due to a higher number of corporate functions and social events. Attractive dining promotions at the food and beverage outlets also led to higher covers at *Spice Market Café* and *Feringgi Grill.*

The resort received several awards during the year and was named one of the *Top 20 Hotels for Service in Malaysia* by TripAdvisor in its 2012 Travelers' Choice Awards. In addition, the resort's Chi Spa won the *Best Spa Experience* award at the Malaysia Spa and Wellness Awards 2010.

In 2012, the resort will pursue a more focused sales and marketing strategy to generate higher business volumes from its key leisure markets of Australia, the Middle East, Malaysia and the UK. It will also concentrate on improving its market share in the emerging markets of India and China. In addition, the resort will work towards increasing its customer base for

the meeting and incentive segments of Singapore, Malaysia and Hong Kong, and at the same time introduce additional attractive new offers to grow its packages market from the Middle East and Australia.

Meanwhile, to further enhance its food and beverage performance, the resort will intensify its efforts to secure more corporate meetings and functions to boost its banqueting business. Innovative dining packages and promotions will also be introduced to capture higher covers at the outlets.

OPERATIONS REVIEW
Resorts

At **Rasa Ria Resort***, a major renovation programme of its Garden Wing guestrooms resulted in a significant reduction in the number of rooms available for sale for most of 2011. Inevitably, the renovation, which started in March 2011, had an adverse impact on the financial performance of the resort.*

Total revenue declined by 19% to RM81.101 million compared with RM100.600 million in 2010, and pre-tax profit fell 69% from RM34.421 million to RM10.511 million. The 2011 pre-tax profit included a charge of RM5.906 million for assets write-offs related to the renovation.

Internet Lounge, RASA RIA RESORT

With the reduced availability of rooms, room occupancy decreased from 74% in 2010 to 56% in 2011. The resort recorded a reduction in room night bookings in almost all its market segments, particularly in the leisure group and tours segments of the UK, Taiwan, Korea and Japan, and in the meeting and incentive segments of China, Hong Kong and Singapore. As a result, total room revenue reduced by 20% to RM45.525 million from RM57.135 million in 2010 and profit was down by 23% from RM49.732 million to RM38.299 million.

The resort's food and beverage operations also delivered weaker results in line with the lower occupancy level. Almost all outlets recorded a drop in covers, particularly *Coffee Terrace*, the beachside restaurant *Tepi Laut* and *Lobby Lounge*. Banqueting business also moderated due to a decline in the number of corporate meetings and social events. Total food and beverage revenue fell 19% to RM26.263 million from RM32.571 million the year before, while profit decreased 26% to RM8.815 million from RM11.905 million in 2010.

The renovation programme, covering all 330 guestrooms in the Garden Wing, is progressing well. Phase 1 was completed in July 2011 and the newly refurbished rooms were well received by the market. The second and final phase started in September 2011 and is scheduled for completion by the end of May 2012. The resort's banqueting and meeting facilities including the main lobby and various public areas have also been significantly upgraded. On completion, the new room product and improved facilities will further strengthen the resort's leadership position and enhance its competitiveness and growth prospects.

In 2011, the resort garnered the award for the *Best Hotel Services* in the 5-Star Resort category at the Malaysia Tourism Awards 2010/2011, and was also recognised for its *Excellence in Hotel Services* in the 5-Star category at the Sabah Tourism Award 2011. In addition, the resort was ranked first in the *Top 5 Family Resorts in Malaysia* category in the Readers' Choice Awards 2011 by Holiday With Kids, a leading Australian-based family travel magazine.

Looking ahead, in 2012 the resort will focus its sales and marketing initiatives on boosting business volumes from its key leisure markets of Japan, Australia and the UK, and sourcing new business from the emerging market of China. Increased efforts will also be made to grow corporate meetings business from Malaysia, Singapore and Hong Kong.

In addition, a major advertising and marketing programme is in place to promote the upgraded Garden Wing rooms and facilities so as to increase awareness and expand market share in the resort's key markets. Besides this, the resort aims to drive a higher room yield for the new Garden Wing rooms mainly in the leisure group and leisure individual segments.

Meanwhile, to uplift operating cost efficiency, ongoing initiatives will continue to improve cost structures and operating processes.

OPERATIONS REVIEW
Resorts

At* Golden Sands Resort*, stronger demand from its key leisure markets combined with improved food and beverage business delivered an 8% increase in total revenue, which rose from RM48.334 million in 2010 to RM52.112 million in 2011. In line with the growth in revenue, the resort's pre-tax profit advanced 26% to RM13.238 million compared with RM10.477 million the year before.

Occupancy at the resort increased to 69% in 2011 from 65% the previous year on the back of higher room night bookings from the leisure group segment of the Middle East, Malaysia and Hong Kong and greater demand from the packages and promotions markets of Malaysia and Singapore. The resort achieved a 6% gain in total room revenue to RM35.488 million from RM33.508 million 2010, and profit rose 4% to RM29.183 million in 2011 as against RM28.185 million the prior year.


Internet Lounge, RASA RIA RESORT

RASA RIA RESORT

The higher occupancy level also boosted the performance of the resort's food and beverage operations. An increase in covers was recorded at most of the outlets, especially the coffee shop, *Garden Café* and *Sigi's Bar & Grill*. In addition, there was a rise in the contribution from the banqueting operations driven by higher average checks as the resort secured more high yield corporate events and meetings. As a result, total food and beverage revenue was up 12% to RM14.308 million from RM12.793 million in 2010. The higher revenue, coupled with tight control over operating costs, enabled the food and beverage profit to increase by 34% to RM2.862 million from RM2.134 million in 2010.

In 2011, the resort won the *Best Hotel Services* award in the 4-Star Resort category at the Malaysia Tourism Award 2010/2011, and the resort was also voted one of the *Top 25 Relaxation/Spa Hotels in Malaysia* by TripAdvisor in its 2012 Travelers' Choice Awards.

Sales and marketing initiatives in 2012 will focus on broadening the resort's customer base in its important leisure markets of Malaysia, Australia, the Middle East and the UK, while increased efforts will be channelled into growing business from its meeting and incentive segments from Singapore and Malaysia. The resort will also work towards expanding its market share in the emerging markets of India and China. In addition, it will adopt a more dynamic pricing strategy to grow its room yield.

To further strengthen the resort's food and beverage business in 2012, innovative food and beverage concepts and attractive food promotions will continue to be introduced to draw higher patronage at the outlets. Besides this, the resort will maintain its dining promotions in partnership with major credit card merchants to stimulate demand from the local community. More aggressive marketing and promotion activities will also be carried out to secure more corporate events, weddings and social functions for its banqueting business. At the same time, greater efforts will be made to provide customers with an ever higher level of service.

OPERATIONS REVIEW

Investment Properties

The Group's investment properties in Kuala Lumpur delivered weaker operating results in 2011 due to a lower contribution from UBN Tower. The total combined rental revenue declined by 13% from RM21.716 million to RM18.999 million, and the combined pre-tax profit fell by 20% to RM11.728 million from RM14.582 million the previous year.

For 2011, UBN Tower registered a lower occupancy rate of 68% as against 82% the year before. This was mainly because the anchor tenant, EXIM Bank, which occupied 56,000 square feet or 17% of the total lettable office space, moved to its own building in January 2011. Nevertheless, aggressive marketing efforts enabled UBN Tower to secure a number of new tenancies to take up some of the space vacated by EXIM Bank.

Meanwhile, UBN Tower successfully negotiated higher rates for both new tenancies and the renewal of existing tenancies, which led to a 3% increase in its average rental rate. Overall, total rental revenue at UBN Tower declined by 15% to RM16.459 million from RM19.335 million in 2010, while pre-tax profit was down by 27% to RM8.480 million from RM11.662 million the previous year.

Leasing activities in the high-end apartment market in the Golden Triangle remained competitive in 2011, with a growing number of new condominiums adding to the existing oversupply. Despite this, UBN Apartments managed to achieve a higher average occupancy rate of 72%, compared with 64% in 2010, due mainly to higher demand from expatriates in the oil and gas sector combined with continued support from existing tenants. Total rental revenue at UBN Apartments increased by 7% from RM2.381 million to RM2.540 million in 2011 and pre-tax profit rose by 11% from RM2.920 million to RM3.248 million.

Trading conditions in the office rental market in Kuala Lumpur are expected to remain stable in 2012, which should help UBN Tower to improve its occupancy levels. However, trading conditions in the leasing market for high-end apartments are likely to remain weak, with supply continuing to outstrip demand. This will put further pressure on occupancy and rental rates at UBN Apartments.

In the face of such a highly competitive environment, the focus will be on retaining existing tenants and intensifying sales and marketing efforts to improve occupancy levels. Greater emphasis will also be placed on providing a still higher standard of maintenance and security at both properties, as well as on nurturing strong relationships with tenants.

In 2012, UBN Tower will embark on a two-year lift modernisation programme to upgrade and modernise all of the 19 lifts in its office building. At the same time, the food court on second floor of UBN Tower will be refurbished 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 2012

27 FEBRUARY
Announcement of Audited Consolidated Results for the 4th Quarter and Financial Year ended 31.12.2011

26 APRIL
Issue of 2011 Annual Report

18 MAY
2012 Annual General Meeting to be held

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

30 MAY
Entitlement Date for the proposed 2011 Final Dividend

28 JUNE
Payment Date for the proposed 2011 Final Dividend

YEAR 2011

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

25 AUGUST
Announcement of Unaudited Consolidated Results for the 2nd Quarter ended 30.6.2011

2 NOVEMBER
2011 Interim Dividend Entitlement Date

10 NOVEMBER
Announcement of Unaudited Consolidated Results for the 3rd Quarter ended 30.9.2011

23 NOVEMBER
2011 Interim Dividend Payment Date

31 DECEMBER
Financial Year End

CORPORATE DATA

BOARD OF DIRECTORS

Tan Sri A. Razak bin Ramli
Chairman

Kuok Oon Kwong
Managing Director

Datin Rozina Mohd Amin
Executive Director

Dato' Haris Onn bin Hussein*

Dato' Seri Ismail Farouk Abdullah*

Dato' Khoo Eng Min

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

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 ACE 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 and Lafarge Malayan Cement Berhad. He is also a board member of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong MSIG Takaful Berhad and Hong Leong Investment Bank Berhad.

Tan Sri A. Razak has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended three out of four Board meetings held in 2011. Age 63.

KUOK OON KWONG

Managing Director

SINGAPOREAN, NON-INDEPENDENT EXECUTIVE DIRECTOR

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

Madam Kuok joined Shangri-La Hotel Limited, Singapore in 1986 where she gained extensive practical and business experience in hotel operations through her various senior management positions. She is also Executive Chairman of Shangri-La Hotel Limited, Singapore, Chairman/President of Makati Shangri-La Hotel & Resort, Inc., Edsa Shangri-La Hotel & Resort, Inc., Mactan Shangri-La Hotel & Resort, Inc. and Managing Director of Shangri-La Hotel Public Company Limited, Thailand. In addition, she also sits on the board of Allgreen Properties Limited, Singapore and previously served as a non-executive Director of Shangri-La Asia Limited, Hong Kong. Madam Kuok is an Advocate and Solicitor (Barrister-at-Law) of Gray’s Inn, London.

Madam Kuok has no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all four Board meetings held in 2011. Age 65.

PROFILE OF BOARD OF DIRECTORS

DATIN ROZINA MOHD AMIN

Executive Director

MALAYSIAN, NON-INDEPENDENT EXECUTIVE DIRECTOR

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

Datin Rozina Mohd Amin has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. She attended all four Board meetings held in 2011. Age 52.

DATO' HARIS ONN BIN HUSSEIN

MALAYSIAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dato' Haris Onn has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended three out of four Board meetings held in 2011. Age 45.

PROFILE OF BOARD OF DIRECTORS

DATO' SERI ISMAIL FAROUK ABDULLAH

MALAYSIAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dato' Seri Ismail Farouk has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended three out of four Board meetings held in 2011. Age 66.

DATO' KHOO ENG MIN

MALAYSIAN, NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dato' Khoo Eng Min has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all four Board meetings held in 2011. Age 70.

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 19 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 four Board meetings held in 2011. Age 42.

PROFILE OF BOARD OF DIRECTORS

DATUK SUPPERAMANIAM A/L MANICKAM

MALAYSIAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

Datuk Supperamaniam has no family relationship with any Director and/or major shareholder of SHMB, no conflict of interest with SHMB and no convictions for any offences within the past ten years. He attended all four Board meetings held in 2011. Age 67.

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, Titan Chemicals Corp. Sdn Bhd 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 three out of four Board meetings held in 2011. Age 65.

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 four Board meetings held in 2011. Age 70.

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 50.

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 2011.

THE BOARD

Board Structure and Procedures

The Board currently consists of eight 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 2011 except for Tan Sri Dato' Mohd Amin bin Osman who stepped down from the Board on 1 November 2011. The brief profiles of the current members of the Board are given on pages 25 to 29 of this annual report.

Of the eight 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 ten-member board represent the interests of Shangri-La Asia Limited, the largest shareholder of the Company holding 52.78% equity interest.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

Re-election of Directors

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

The directors of the Company who are seeking re-election or re-appointment at the Forty-First AGM of the Company to be held on 18 May 2012 are set out in the Notice of AGM.

Board meetings

Normally, 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. In 2011, however, only four board meetings were required, 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 2011 and generally, these meetings correspond with major phases of the financial reporting cycles.

NAME OF DIRECTOR	TOTAL ATTENDANCE
Tan Sri A. Razak bin Ramli	3/4
Kuok Oon Kwong	4/4
Datin Rozina Mohd Amin	4/4
Dato' Haris Onn bin Hussein	3/4
Dato' Seri Ismail Farouk Abdullah	3/4
Dato' Khoo Eng Min	4/4
Ravinder Singh Grewal Sarbjit S	4/4
Datuk Supperamaniam a/l Manickam	4/4
Dato' Dr Tan Tat Wai	3/4
Tan Yew Jin	4/4
Tan Sri Dato' Mohd Amin bin Osman (resigned on 1 November 2011)	2/3

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information and Access to Advice

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

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

Board Committees

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

a. AUDIT COMMITTEE ("AC")

The AC currently consists of three non-executive directors, two of whom are independent including the Chairman, and meets at least four times a year. 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 2011 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 October 2011, an in-house training seminar was organised for Directors to provide guidance on the International Financial Reporting Standards (IFRSs) in view of the planned convergence of the Financial Reporting Standards with the IFRSs issued by the International Accounting Standards Board.

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 2011 is set out below.

CATEGORY	FEES & ALLOWANCES (RM)	SALARIES & BONUS (RM)	BENEFITS-IN-KIND (RM)
Executive directors	-	1,510,200	27,550
Non-executive directors	366,667	-	-
Total	**366,667**	**1,510,200**	**27,550**

AMOUNT OF REMUNERATION	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
Below RM50,000	-	8
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 49 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 35 to 37 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 9 April 2012.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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

STATEMENT ON INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

STATEMENT ON INTERNAL CONTROL

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

  The Group's hotel operating units have in place a Code of Conduct, to which all employees are signatories, governing the standards of ethical behaviour in dealing with customers, suppliers and fellow employees. The Shangri-La's Strategic Plan 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 9 April 2012.

AUDIT COMMITTEE REPORT
for the year ended 31 December 2011

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 2011. Detailed written agendas are prepared and distributed to committee members in advance of each meeting to allow proper consideration of enclosed reports. While the executive directors and senior management are normally invited to attend the meetings, the external and internal auditors may have private discussions with the members of the committee. The committee reports its conclusions and recommendations to the Board on a quarterly basis and the minutes of the committee meetings are made available to the full Board. The record of attendance of each member at the committee meetings is set out in the table below.

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

SUMMARY OF ACTIVITIES OF THE COMMITTEE

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

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

AUDIT COMMITTEE REPORT
for the year ended 31 December 2011

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 2011

TERMS OF REFERENCE OF THE COMMITTEE (cont'd)

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 2011

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 2011, the total cost of the internal audit services rendered by the IAD of the Company's ultimate holding company amounted to RM56,100.

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.

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

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

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

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 installed a water purification system, which now enables the resorts to bottle their own drinking water in recyclable glass bottles. This is more sustainable and reduces plastic bottle waste while creating a more eco-friendly environment.

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 2011, two 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 37 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 2011, there were 35,268 visitors, bringing the total number to 282,761 visitors since the nature reserve opened in 1996.

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

EMPLOYEES

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

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

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

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

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

Each of the Group hotels has dedicated training facilities to conduct internal training courses for its employees, and employees also participate in a range of external training and development programmes. The Group has in place 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 programme.

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 2011, a total of 31 employees from the Group's hotels and resorts attended the Academy.

CORPORATE SOCIAL RESPONSIBILITY

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

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

HEALTH AND SAFETY

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

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

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

Food Safety

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

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

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

OHSAS 18001 Occupational Health and Safety Management System

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

CORPORATE SOCIAL RESPONSIBILITY

THE COMMUNITY

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

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

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

Our hotels are involved in a wide range of initiatives for the benefit of local communities through the active involvement of our employees in beach-cleaning, visits to hospitals, orphanages, homes for old 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 from all over Malaysia who are in urgent need of critical life-saving medical treatments and artificial limbs.

Our hotels in Penang, namely Rasa Sayang Resort, Golden Sands Resort and Traders Hotel Penang, continued the meal sponsorship programme initiated in 2009 for the Lighthouse Community Service Centre on a monthly basis, and have also committed to carry on the sponsorship in 2012. The three hotels take turns to prepare the meals. The Lighthouse Centre is a charitable organisation, which is dependent on public donations and sponsorship to provide meals in addition to basic bathroom and laundry facilities for the poor and homeless. The Lighthouse Centre currently feeds an average of 120 people a day.

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

CORPORATE SOCIAL RESPONSIBILITY

In 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
- ASEAN Green Hotel Award 2012
- Human Resources Development (Service Sector) 2011 Human Resources Minister Award
- Prime Minister's CSR Awards 2009 (Environment Category)
- ASEAN Green Hotel Award 2010
- ASEAN Green Hotel Award 2008-2009
- Human Resources Development (Service Sector) 2004 Human Resources Minister Award
- Hospitality Asia Platinum Awards 2003/2004 (Malaysia Series) for the Best Human Resources Department
- National HR Excellence Awards 2003 (Main Award Category)
- Prime Minister's Quality Award 1997 for Management Excellence

RASA SAYANG RESORT
- ASEAN Green Hotel Award 2012
- ASEAN Green Hotel Award 2010
- ASEAN Green Hotel Award 2008-2009
- Prime Minister's Hibiscus Award 2000/2001 for Exceptional Achievement in Environmental Performance

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

RASA RIA RESORT
- ASEAN Green Hotel Award 2010
- Prime Minister's Hibiscus Award 2000/2001 for Notable Achievement in Environmental Performance

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

ADDITIONAL COMPLIANCE INFORMATION

1. NON-AUDIT FEES

Non-audit fees paid by the Company and its subsidiaries to the external Auditors, Messrs KPMG and its affiliated companies for the financial year ended 31 December 2011 amounted to RM147,956. This payment was mainly in respect of filing of tax returns for the Company and its subsidiaries and advisory services for the Group's taxation matters.

	RM
KPMG	12,600
KPMG Tax Services Sdn Bhd	135,356
Total	147,956

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 2011, 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 2011

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 2011 on pages 61 to 108, 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
Contents

DIRECTORS' REPORT
for the year ended 31 December 2011

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 2011.

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	60,564	32,074
Minority interests	4,760	-
	65,324	32,074

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

DIVIDENDS

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

i) a final dividend of 6% less tax at 25% totalling RM19,800,000 in respect of the year ended 31 December 2010 on 30 June 2011; and

ii) an interim dividend of 3% less tax at 25% totalling RM9,900,000 in respect of the year ended 31 December 2011 on 23 November 2011.

The Board has proposed a final dividend of 6% less tax at 25% totalling RM19,800,000 for the financial year ended 31 December 2011. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2012. 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 2012.

DIRECTORS' REPORT
for the year ended 31 December 2011

DIRECTORS OF THE COMPANY

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

DIRECTORS

Tan Sri A. Razak bin Ramli	Chairman
Kuok Oon Kwong	Managing Director
Datin Rozina Mohd Amin	Executive Director
Dato' Haris Onn bin Hussein	
Dato' Seri Ismail Farouk Abdullah	
Dato' Khoo Eng Min	
Ravinder Singh Grewal Sarbjit S	
Datuk Supperamaniam a/l Manickam	
Dato' Dr Tan Tat Wai	
Tan Yew Jin	
Tan Sri Dato' Mohd Amin bin Osman	Resigned on 1.11.2011

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, Dato' Haris Onn bin Hussein, Dato' Seri Ismail Farouk Abdullah and Dato' Dr Tan Tat Wai retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Dato' Khoo Eng Min and Mr Tan Yew Jin, who have attained the age of seventy (70) years, retire in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves for re-appointment in accordance with Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' REPORT
for the year ended 31 December 2011

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 1.1.2011	Acquired	(Disposed)	As at 31.12.2011
THE COMPANY	Number of Ordinary Shares of RM1.00 each			
DIRECT INTERESTS				
Tan Sri A. Razak bin Ramli	-	-	-	-
Kuok Oon Kwong	-	-	-	-
Datin Rozina Mohd Amin	-	-	-	-
Dato' Haris Onn bin Hussein	-	-	-	-
Dato' Seri Ismail Farouk Abdullah	200,000	-	-	200,000
Dato' Khoo Eng Min - own	5,000	-	-	5,000
- others	9,000[1]	-	-	9,000[1]
Ravinder Singh Grewal Sarbjit S	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato' Dr Tan Tat Wai	-	-	-	-
Tan Yew Jin	5,000	-	-	5,000
Joseph Patrick Stevens	-	-	-	-
DEEMED INTERESTS				
Kuok Oon Kwong	10,000	-	-	10,000
Tan Yew Jin	20,000	-	-	20,000

RELATED CORPORATION SHANGRI-LA ASIA LIMITED ("SAL") - ULTIMATE HOLDING COMPANY	Number of Ordinary Shares of HKD1.00 each			
DIRECT INTERESTS IN SAL				
Tan Sri A. Razak bin Ramli	-	-	-	-
Kuok Oon Kwong - own	168,197	14,741	-	182,938
- others	213,345[1]	17,779	-	231,124[1]
Datin Rozina Mohd Amin	-	-	-	-
Dato' Haris Onn bin Hussein	-	-	-	-
Dato' Seri Ismail Farouk Abdullah	-	-	-	-
Dato' Khoo Eng Min	-	-	-	-
Ravinder Singh Grewal Sarbjit S	-	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-	-
Dato' Dr Tan Tat Wai	-	-	-	-
Tan Yew Jin	111,560	9,296	-	120,856
Joseph Patrick Stevens	-	-	-	-
DEEMED INTERESTS IN SAL				
Kuok Oon Kwong	157,633	13,135	-	170,768

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

DIRECTORS' REPORT
for the year ended 31 December 2011

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 1.1.2011	Granted	Exercised	As at 31.12.2011
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 2011, 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 2011

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 2011 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 2011

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
27 February 2012

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 108 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 2011 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 29 to the financial statements for the year ended 31 December 2011 in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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

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

TAN SRI A. RAZAK BIN RAMLI
Chairman

KUOK OON KWONG
Managing Director

Kuala Lumpur,
27 February 2012

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 108 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TAY KENG HOCK at Kuala Lumpur in Wilayah Persekutuan on 27 February 2012.

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 2011 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 107.

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 2011 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 29 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

Chong Dee Shiang
Approval Number: 2782/09/12(J)
Chartered Accountant

Petaling Jaya, Selangor
27 February 2012

BALANCE SHEETS
as at 31 December 2011

		GROUP		COMPANY	
	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**731,059**	745,351	**106,278**	112,383
Investment properties	4	**266,899**	266,846	**-**	-
Investments in subsidiaries	5	**-**	-	**459,188**	459,188
Interests in associates	6	**16,723**	10,291	**-**	-
Property development expenditure	7	**12,286**	12,240	**-**	-
		1,026,967	1,034,728	**565,466**	571,571
Current assets					
Inventories	8	**8,809**	8,754	**989**	1,061
Trade and other receivables, prepayments and deposits	9	**23,938**	24,796	**205,044**	191,943
Tax recoverable	9	**1,765**	3,246	**1,027**	913
Cash and cash equivalents	10	**21,655**	17,200	**9,626**	4,323
		56,167	53,996	**216,686**	198,240
Total assets		**1,083,134**	1,088,724	**782,152**	769,811
Equity					
Share capital	11	**440,000**	440,000	**440,000**	440,000
Reserves		**382,698**	351,834	**252,397**	250,023
Total equity attributable to shareholders of the Company		**822,698**	791,834	**692,397**	690,023
Minority interests		**82,530**	78,610	**-**	-
Total equity		**905,228**	870,444	**692,397**	690,023
LIABILITIES					
Non-current liabilities					
Long-term borrowings	12	**5,306**	46,258	**-**	-
Retirement benefits	13	**13,404**	12,878	**380**	304
Deferred tax liabilities	14	**18,664**	16,845	**5,588**	5,207
		37,374	75,981	**5,968**	5,511
Current liabilities					
Trade and other payables and accruals	15	**75,887**	81,414	**77,487**	70,277
Short-term borrowings	12	**63,892**	59,952	**6,300**	4,000
Current tax liabilities		**753**	933	**-**	-
		140,532	142,299	**83,787**	74,277
Total liabilities		**177,906**	218,280	**89,755**	79,788
Total equity and liabilities		**1,083,134**	1,088,724	**782,152**	769,811

The notes on pages 66 to 108 are an integral part of these financial statements.

INCOME STATEMENTS
for the year ended 31 December 2011

		GROUP		COMPANY	
	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
Revenue	16	**429,731**	422,002	**95,058**	91,973
Operating profit	16	**82,890**	95,626	**35,732**	27,590
Interest income	17	**408**	262	**307**	153
Interest expense	18	**(3,018)**	(5,057)	**(2,050)**	(2,274)
Share of results of an associated company		**558**	451	**-**	-
Profit before tax		**80,838**	91,282	**33,989**	25,469
Tax expense	20	**(15,514)**	(11,785)	**(1,915)**	(5,854)
Profit for the year		**65,324**	79,497	**32,074**	19,615
Attributable to:					
Shareholders of the Company		**60,564**	69,959	**32,074**	19,615
Minority interests		**4,760**	9,538	**-**	-
Profit for the year		**65,324**	79,497	**32,074**	19,615
Basic earnings per ordinary share (sen):	21	**13.8**	15.9		

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Profit for the year	**65,324**	79,497	**32,074**	19,615
Other comprehensive income for the year	**-**	-	**-**	-
Total comprehensive income for the year	**65,324**	79,497	**32,074**	19,615
Attributable to:				
Shareholders of the Company	**60,564**	69,959	**32,074**	19,615
Minority interests	**4,760**	9,538	**-**	-
Total comprehensive income for the year	**65,324**	79,497	**32,074**	19,615

The notes on pages 66 to 108 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

		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 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 2010/1 January 2011		**440,000**	**104,501**	**247,333**	**791,834**	**78,610**	**870,444**
Profit for the year		**-**	**-**	**60,564**	**60,564**	**4,760**	**65,324**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**60,564**	**60,564**	**4,760**	**65,324**
Dividends to shareholders	22	**-**	**-**	**(29,700)**	**(29,700)**	**-**	**(29,700)**
Dividend to minority shareholder of a subsidiary		**-**	**-**	**-**	**-**	**(840)**	**(840)**
At 31 December 2011		**440,000**	**104,501**	**278,197**	**822,698**	**82,530**	**905,228**
		Note 11		Note 11			

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

		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 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 2010/1 January 2011		**440,000**	**104,501**	**145,522**	**690,023**
Profit for the year		**-**	**-**	**32,074**	**32,074**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**32,074**	**32,074**
Dividends to shareholders	22	**-**	**-**	**(29,700)**	**(29,700)**
At 31 December 2011		**440,000**	**104,501**	**147,896**	**692,397**
		Note 11		Note 11	

The notes on pages 66 to 108 are an integral part of these financial statements.

CASH FLOW STATEMENTS
for the year ended 31 December 2011

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Cash flows from operating activities				
Profit before tax	**80,838**	91,282	**33,989**	25,469
Adjustments for:				
Allowance for impairment loss on amount due from a subsidiary	**-**	-	**2,211**	9,139
(Write back)/Allowance for impairment loss on trade receivables	**(87)**	228	**(24)**	47
Allowance/(Write back) of impairment loss on				
- amount due from a subsidiary	**-**	-	**-**	(9,057)
- loans to associates	**2,560**	(10,090)	**-**	-
Depreciation on property, plant and equipment	**48,325**	53,492	**9,767**	9,802
Interest expense	**3,018**	5,057	**2,050**	2,274
Interest income	**(408)**	(262)	**(307)**	(153)
Loss/(Gain) on disposal of property, plant and equipment	**1,045**	(338)	**48**	(55)
Retirement benefits charged	**1,831**	1,388	**76**	78
Property, plant and equipment written off	**6,547**	849	**99**	400
Share of profits of associates	**(558)**	(451)	**-**	-
Unrealised (gain)/loss on foreign exchange	**(2,056)**	8,404	**(2,233)**	9,012
Operating profit before changes in working capital	**141,055**	149,559	**45,676**	46,956
Changes in working capital:				
Change in inventories	**(55)**	476	**72**	174
Change in trade and other payables and accruals	**(1,874)**	(19,427)	**827**	(2,575)
Change in trade and other receivables, prepayments and deposits	**945**	4,396	**(1,920)**	(11,669)
Cash generated from operations	**140,071**	135,004	**44,655**	32,886
Tax (paid)/refund	**(12,394)**	(919)	**(1,648)**	3,017
Retirement benefits paid	**(1,305)**	(844)	**-**	(1)
Net cash generated from operating activities	**126,372**	133,241	**43,007**	35,902

The notes on pages 66 to 108 are an integral part of these financial statements.

CASH FLOW STATEMENTS
for the year ended 31 December 2011

		GROUP		COMPANY	
	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(46,585)**	(22,867)	**(3,160)**	(1,599)
Additions to investment properties		**(53)**	-	**-**	-
Additions to property development expenditure		**(46)**	(25)	**-**	-
Interest received		**408**	262	**307**	153
Proceeds from disposal of property, plant and equipment		**467**	632	**14**	59
Net cash used in investing activities		**(45,809)**	(21,998)	**(2,839)**	(1,387)
Cash flows from financing activities					
Dividend paid to a minority shareholder of a subsidiary		**-**	(560)	**-**	-
(Advances to)/Repayments from subsidiaries		**-**	-	**(5,415)**	58,828
Dividend paid to shareholders of the Company		**(29,700)**	(26,400)	**(29,700)**	(26,400)
Interest paid		**(3,018)**	(5,057)	**(2,050)**	(2,274)
Loan to an associate		**(5,874)**	(952)	**-**	-
Drawndown/(Net repayment) of revolving credits		**11,036**	(34,518)	**6,300**	(35,600)
Net repayments of term loans		**(48,552)**	(45,690)	**(4,000)**	(31,000)
Net cash used in financing activities		**(76,108)**	(113,177)	**(34,865)**	(36,446)
Net increase/(decrease) in cash and cash equivalents		**4,455**	(1,934)	**5,303**	(1,931)
Cash and cash equivalents at 1 January		**17,200**	19,134	**4,323**	6,254
Cash and cash equivalents at 31 December		**21,655**	17,200	**9,626**	4,323

Cash and cash equivalents

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

	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
Cash and bank balances	10	**15,282**	13,908	**4,096**	2,933
Deposits with licensed banks	10	**6,373**	3,292	**5,530**	1,390
		21,655	17,200	**9,626**	4,323

The notes on pages 66 to 108 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

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 2011 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

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

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

The financial statements were approved by the Board of Directors on 27 February 2012.

1. BASIS OF PREPARATION

a) Statement of compliance

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

With effect from 1 January 2011, the Group adopted the following new or revised FRS and amendments to existing standards that are relevant to its operations. These FRS became effective for financial periods beginning on or after 1 March 2010 or later periods.

FRS	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 127, *Consolidated and Separate Financial Statements*	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

FRS	**Effective for annual period beginning on or after**
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 adoption of the above FRS and amendments to existing standards did not result in any material changes to the Group's accounting policies or have any significant impact on the financial statements of the Group.

The Group has not applied the following new or revised FRS and amendments to existing standards 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 2011.

FRS effective for annual periods beginning on or after 1 January 2012
FRS 124, *Related Party Disclosures*

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

FRS effective for annual periods beginning on or after 1 January 2013
FRS 9, *Financial Instruments (November 2009 and October 2010)*
FRS 10, *Consolidated Financial Statements*
FRS 13, *Fair Value Measurement*
FRS 119, *Employee Benefits (November 2011)*
FRS 127, *Separate Financial Statements (November 2011)*
FRS 128, *Investments in Associates and Joint Ventures (November 2011)*

However, the Group will not be required to adopt the above new and revised FRS and amendments to existing standards as it will be adopting the new Malaysian Financial Reporting Standards ("MFRS") accounting framework effective from 1 January 2012 as described below.

Convergence of the FRS with International Financial Reporting Standards
On 19 November 2011, the MASB issued a new MFRS accounting framework, consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). This MFRS accounting framework is effective for annual periods beginning on or after 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

i) SUBSIDIARIES

Subsidiaries are entities, including unincorporated entities, 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.

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

ii) ACCOUNTING FOR BUSINESS COMBINATIONS

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

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have any impact on the Group's income statements, earnings per share and net assets.

Acquisitions on or after 1 January 2011

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisition between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in income statements.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

ii) ACCOUNTING FOR BUSINESS COMBINATIONS (cont'd)

Acquisitions prior to 1 January 2006

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

iii) ACCOUNTING FOR ACQUISITIONS OF MINORITY INTERESTS

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

iv) LOSS OF CONTROL

The Group adopted FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have any impact on the Group's income statements, earnings per share and net assets. From 1 January 2011, upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any minority interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Prior to 1 January 2011, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount of the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

v) ASSOCIATES

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

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

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

Interests in associates are stated in the Company's balance sheet at cost less any impairment losses. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

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

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the minority interests in a subsidiary are allocated to the minority interests even if doing so causes the minority interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on the Group's income statements, earnings per share and net assets.

Prior to 1 January 2011, where losses applicable to the minority interests exceed their interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority interests, were charged against the Group's interest except to the extent that the minority interests 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 interests' share of losses previously absorbed by the Group has been recovered.

vii) TRANSACTIONS ELIMINATED ON CONSOLIDATION
Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

b) Foreign currency

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

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

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

Foreign currency differences arising on retranslation are recognised in the income statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

ii) OPERATIONS DENOMINATED IN FUNCTIONAL CURRENCIES OTHER THAN RINGGIT MALAYSIA

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

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

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

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

c) Financial instruments

i) INITIAL RECOGNITION AND MEASUREMENT

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

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

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(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

iii) FINANCIAL GUARANTEE CONTRACTS

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

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

iv) DERECOGNITION

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

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

d) Property, plant and equipment

i) RECOGNITION AND MEASUREMENT

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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.

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

• Leasehold land	30 to 99 years
• Hotel buildings and other buildings	Lower of underlying land lease period or 50 years
• Integral plant and machinery	6.67% (15 years)
• Golf course and its related buildings	1.67% (60 years)
• Furniture, fixtures and equipment	5% to 25% (4 to 20 years)
• Motor vehicles	20% (5 years)

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

e) Leased assets

OPERATING LEASE

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

f) Investment properties

i) INVESTMENT PROPERTIES CARRIED AT FAIR VALUE

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

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

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

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

ii) RECLASSIFICATION TO / FROM INVESTMENT PROPERTY

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

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

iii) DETERMINATION OF FAIR VALUE

An external, independent firm of professional valuers having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group’s investment properties portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

g) Inventories

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

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

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

h) Cash and cash equivalents

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

i) Impairment of assets

i) FINANCIAL ASSETS

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) are assessed at each 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) OTHER ASSETS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each 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 since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

j) Employee benefits

i) SHORT-TERM EMPLOYEE BENEFITS

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

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

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

ii) DEFINED BENEFIT PLANS

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

The Group's net obligation in respect of defined benefit retirement plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the 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 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 2011

k) 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.

l) 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.

m) 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 2011

n) Tax expense

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

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

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

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

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

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed.

o) Earnings per share

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

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

p) 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 2011

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 2010	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/ 1 January 2011	**44,880**	**4,123**	**19,454**	**664,983**	**134,093**	**48,856**	**328,303**	**3,106**	**1,247,798**
Additions	**-**	**-**	**227**	**281**	**1,227**	**-**	**12,315**	**32,535**	**46,585**
Disposals	**-**	**-**	**-**	**(996)**	**(23)**	**-**	**(6,705)**	**-**	**(7,724)**
Write off	**-**	**-**	**-**	**(4,922)**	**(568)**	**-**	**(10,217)**	**-**	**(15,707)**
Transfer	**-**	**-**	**-**	**115**	**-**	**-**	**9,818**	**(9,933)**	**-**
Reclassification	**-**	**-**	**-**	**(31,304)**	**4,526**	**-**	**28,271**	**(1,493)**	**-**
Adjustment	**-**	**-**	**-**	**(4,181)**	**(85)**	**-**	**(227)**	**-**	**(4,493)**
At 31 December 2011	**44,880**	**4,123**	**19,681**	**623,976**	**139,170**	**48,856**	**361,558**	**24,215**	**1,266,459**

The amount of RM246,000 in 2010 relates to transfer of completed renovation assets to investment properties (Note 4).

NOTES TO THE FINANCIAL STATEMENTS
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GROUP	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Leasehold land unexpired period more than 50 years RM'000	Hotel buildings and other buildings RM'000	Integral plant and machinery RM'000	Golf course and its related buildings RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
DEPRECIATION AND IMPAIRMENT LOSS									
At 1 January 2010									
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/ 1 January 2011									
Accumulated depreciation	**-**	**849**	**3,851**	**196,732**	**85,442**	**10,671**	**199,020**	**-**	**496,565**
Accumulated impairment loss	**-**	**-**	**-**	**-**	**-**	**5,882**	**-**	**-**	**5,882**
	-	**849**	**3,851**	**196,732**	**85,442**	**16,553**	**199,020**	**-**	**502,447**
Depreciation for the year	**-**	**125**	**203**	**12,320**	**4,934**	**720**	**30,023**	**-**	**48,325**
Disposals	**-**	**-**	**-**	**(293)**	**(23)**	**-**	**(5,896)**	**-**	**(6,212)**
Write off	**-**	**-**	**-**	**(693)**	**(534)**	**-**	**(7,933)**	**-**	**(9,160)**
At 31 December 2011									
Accumulated depreciation	**-**	**974**	**4,054**	**208,066**	**89,819**	**11,391**	**215,214**	**-**	**529,518**
Accumulated impairment loss	**-**	**-**	**-**	**-**	**-**	**5,882**	**-**	**-**	**5,882**
	-	**974**	**4,054**	**208,066**	**89,819**	**17,273**	**215,214**	**-**	**535,400**
CARRYING AMOUNTS									
At 1 January 2010	44,880	3,399	15,807	474,449	48,155	33,022	156,142	2,333	778,187
At 31 December 2010/ 1 January 2011	**44,880**	**3,274**	**15,603**	**468,251**	**48,651**	**32,303**	**129,283**	**3,106**	**745,351**
At 31 December 2011	**44,880**	**3,149**	**15,627**	**415,910**	**49,351**	**31,583**	**146,344**	**24,215**	**731,059**

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

COMPANY	Freehold land RM'000	Leasehold land unexpired period less than 50 years RM'000	Hotel buildings RM'000	Integral plant and machinery RM'000	Furniture, fixtures, equipment and motor vehicles RM'000	Renovation and contract in-progress RM'000	Total RM'000
COST							
At 1 January 2010	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 January 2011	**1,012**	**3,938**	**103,339**	**20,922**	**43,372**	**924**	**173,507**
Additions	**-**	**-**	**167**	**420**	**1,892**	**681**	**3,160**
Disposals	**-**	**-**	**-**	**-**	**(230)**	**-**	**(230)**
Write off	**-**	**-**	**-**	**(58)**	**(267)**	**-**	**(325)**
Reclassification	**-**	**-**	**-**	**1,493**	**-**	**(1,493)**	**-**
Adjustment	**-**	**-**	**-**	**663**	**-**	**-**	**663**
At 31 December 2011	**1,012**	**3,938**	**103,506**	**23,440**	**44,767**	**112**	**176,775**
DEPRECIATION							
At 1 January 2010	-	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/ 1 January 2011	**-**	**783**	**22,466**	**9,387**	**28,488**	**-**	**61,124**
Depreciation for the year	**-**	**122**	**2,067**	**2,147**	**5,431**	**-**	**9,767**
Disposals	**-**	**-**	**-**	**-**	**(168)**	**-**	**(168)**
Write off	**-**	**-**	**-**	**(28)**	**(198)**	**-**	**(226)**
At 31 December 2011	**-**	**905**	**24,533**	**11,506**	**33,553**	**-**	**70,497**
CARRYING AMOUNTS							
At 1 January 2010	1,012	3,277	78,200	9,474	29,849	-	121,812
At 31 December 2010/ 1 January 2011	**1,012**	**3,155**	**80,873**	**11,535**	**14,884**	**924**	**112,383**
At 31 December 2011	**1,012**	**3,033**	**78,973**	**11,934**	**11,214**	**112**	**106,278**

NOTES TO THE FINANCIAL STATEMENTS
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GROUP
Hotel properties at 31 December 2011 are all located in Malaysia and comprised the following:

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

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

4. INVESTMENT PROPERTIES

	GROUP	
	2011	2010
	RM'000	RM'000
At 1 January	**266,846**	266,600
Additions	**53**	-
Transfer from property, plant and equipment (Note 3)	**-**	246
At 31 December	**266,899**	266,846
At fair value:		
Freehold land	**35,000**	35,000
Buildings	**231,899**	231,846
	266,899	266,846

On 31 December 2011, the Group's investment properties were valued by W.M. Malik & Kamaruzaman, an independent firm of professional valuers, based on open market value on an existing use basis. The market values of the investment properties approximate their carrying amounts.

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

	GROUP	
	2011	2010
	RM'000	RM'000
Rental income	**19,057**	21,716
Direct operating expenses:		
- income generating investment properties	**8,978**	8,812

NOTES TO THE FINANCIAL STATEMENTS
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5. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2011 **RM'000**	2010 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 2011 %	2010 %
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 clubhouse 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 2011

6. INTERESTS IN ASSOCIATES

	GROUP	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	**3,557**	3,557
Loans to associates	**100,244**	91,810
	103,801	95,367
Share of post-acquisition results of an associated company	**(53,509)**	(54,067)
Allowance for impairment losses on unquoted shares and loans to associates	**(33,569)**	(31,009)
	16,723	10,291

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						
2011						
Traders Yangon Company Ltd ("TYCL")*	Union of Myanmar	**23.53**	**33,467**	**2,371**	**180,819**	**364,133**
Shangri-La Yangon Company Ltd ("SYCL")*	Union of Myanmar	**22.22**	**-**	**-**	**126,073**	**119,863**
Traders Square Company Ltd ("TSCL")*	Union of Myanmar	**23.56**	**-**	**-**	**18,536**	**18,252**
			33,467	**2,371**	**325,428**	**502,248**
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

* The results of these companies are based on unaudited financial statements for the years ended 31 December 2011 and 31 December 2010.

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 2011, balances of RM60,585,053 (2010 - RM58,998,005) of the loans to associates are interest-free and the remaining balances bear interest ranging between 0.78% to 0.92% (2010 - 0.92% to 1.97%) per annum. The loan interest income has not been recognised in the financial statements as the recoverability of the loan interest income is remote and it is prudent to recognise the loan interest income on a cash basis.

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

NOTES TO THE FINANCIAL STATEMENTS

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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 (2010 - RM4,142,000).

8. INVENTORIES

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Food, beverage and tobacco	**3,945**	4,296	**560**	621
Room supplies	**586**	432	**156**	108
Other supplies	**4,278**	4,026	**273**	332
	8,809	8,754	**989**	1,061

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Trade					
Trade receivables		**18,063**	20,177	**4,213**	4,501
Less: Allowance for impairment loss		**(389)**	(476)	**(23)**	(47)
		17,674	19,701	**4,190**	4,454
Non-Trade					
Amount due from subsidiaries	a	**-**	-	**250,705**	237,359
Less: Allowance for impairment loss		**-**	-	**(73,688)**	(71,477)
		-	-	**177,017**	165,882
Other receivables		**1,495**	1,222	**466**	527
Deposits		**3,283**	2,287	**360**	244
Dividend receivables		**-**	-	**22,835**	20,530
		22,452	23,210	**204,868**	191,637
Prepayments		**1,486**	1,586	**176**	306
		23,938	**24,796**	**205,044**	**191,943**
Tax recoverable	b	**1,765**	**3,246**	**1,027**	**913**

NOTE

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

10. CASH AND CASH EQUIVALENTS

		GROUP		COMPANY	
	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
Deposits placed with licensed banks		**6,373**	3,292	**5,530**	1,390
Cash and bank balances	a	**15,282**	13,908	**4,096**	2,933
		21,655	17,200	**9,626**	4,323

NOTE

a. Cash and bank balances of the Group and of the Company includes an amount of RM7,760,000 (2010 - RM5,523,000) and RM1,385,000 (2010 - RM640,000) respectively which earns interest.

11. CAPITAL AND RESERVES

Share capital	Number of shares		Amount	
GROUP AND COMPANY	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 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 Section 108 tax credit (regross) and tax exempt income amounting to RM22,599,000 and RM89,097,000 respectively to frank up to RM111,696,000 of its distributable reserves at 31 December 2011, 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 remaining Section 108 tax credit as at 31 December 2011 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
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12. BORROWINGS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Non-current				
Unsecured term loans	**5,306**	46,258	**-**	-
Current				
Unsecured term loans	**36,952**	44,552	**-**	4,000
Unsecured revolving credits	**26,940**	15,400	**6,300**	-
	63,892	59,952	**6,300**	4,000
	69,198	106,210	**6,300**	4,000

13. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Present value of unfunded obligations	**13,404**	12,878	**380**	304
Recognised liability for defined benefit obligations	**13,404**	12,878	**380**	304

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

Movements in the present value of the defined benefit obligations

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Defined benefit obligations at 1 January	**12,878**	12,334	**304**	227
Benefits paid	**(1,305)**	(844)	**-**	(1)
Expense recognised in the income statements	**1,831**	1,388	**76**	78
Defined benefit obligations at 31 December	**13,404**	12,878	**380**	304

NOTES TO THE FINANCIAL STATEMENTS

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Expense recognised in the income statements

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Current service costs	**902**	752	**70**	66
Interest on obligation	**929**	636	**6**	12
	1,831	1,388	**76**	78

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Cost of sales	**1,509**	1,136	**63**	63
Administrative expenses	**138**	80	**6**	7
Other operating expenses	**184**	172	**7**	8
	1,831	1,388	**76**	78

Actuarial assumptions

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

	GROUP		COMPANY	
	2011 %	2010 %	**2011 %**	2010 %
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

	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000
GROUP					
Present value of the defined benefit obligations	**13,404**	12,878	12,334	11,685	10,936
Experience adjustments arising on plan liabilities	**538**	548	729	(538)	(553)
COMPANY					
Present value of the defined benefit obligations	**380**	304	227	151	110
Experience adjustments arising on plan liabilities	**32**	32	33	-	-

NOTES TO THE FINANCIAL STATEMENTS
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14. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Deferred tax liabilities	**18,664**	16,845	**5,588**	5,207

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 liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
GROUP						
Property, plant and equipment	**-**	-	**(28,992)**	(28,884)	**(28,992)**	(28,884)
Provisions	**5,969**	5,213	**-**	-	**5,969**	5,213
Unabsorbed capital allowances	**3,608**	6,073	**-**	-	**3,608**	6,073
Unutilised tax losses	**751**	753	**-**	-	**751**	753
Tax assets/(liabilities)	**10,328**	12,039	**(28,992)**	(28,884)	**(18,664)**	(16,845)
Set off	**(10,328)**	(12,039)	**10,328**	12,039	**-**	-
Net tax liabilities	**-**	-	**(18,664)**	(16,845)	**(18,664)**	(16,845)
COMPANY						
Property, plant and equipment	**-**	-	**(6,850)**	(6,020)	**(6,850)**	(6,020)
Provisions	**511**	194	**-**	-	**511**	194
Unutilised tax losses	**751**	619	**-**	-	**751**	619
Tax assets/(liabilities)	**1,262**	813	**(6,850)**	(6,020)	**(5,588)**	(5,207)
Set off	**(1,262)**	(813)	**1,262**	813	**-**	-
Net tax liabilities	**-**	-	**(5,588)**	(5,207)	**(5,588)**	(5,207)

NOTES TO THE FINANCIAL STATEMENTS
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Unrecognised deferred tax assets

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

	GROUP	
	2011 RM'000	2010 RM'000
Taxable temporary differences	**(2,263)**	(2,221)
Unabsorbed capital allowances	**8,980**	8,656
Unutilised tax losses	**12,428**	12,428
	19,145	18,863
Deferred tax assets at 25% (2010 - 25%)	**4,786**	4,716

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 and the Company have unutilised investment tax allowances of approximately RM49,015,000 (2010 - RM72,186,000) and RM43,823,000 (2010 - RM51,037,000) respectively, 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 and the Company's financial statements.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

		GROUP		COMPANY	
	Note	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
Trade					
Trade payables		**25,278**	19,573	**3,045**	2,380
Amount due to a subsidiary		**-**	-	**299**	246
		25,278	19,573	**3,344**	2,626
Non-trade					
Amount due to subsidiaries	a	**-**	-	**66,026**	60,359
Other payables		**32,369**	36,651	**6,529**	5,480
Accrued expenses		**18,240**	25,190	**1,588**	1,812
		75,887	81,414	**77,487**	70,277

NOTE

a. The amount due to subsidiaries represent advances received from subsidiaries which are unsecured, interest-free and repayable on demand, except for an amount of RM59,402,750 (2010 - RM53,732,750) which bears interest at 2.50% (2010 - 2.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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16. OPERATING PROFIT

	Note	GROUP 2011 RM'000	GROUP 2010 RM'000	COMPANY 2011 RM'000	COMPANY 2010 RM'000
Revenue					
Hotel and golf operations		**408,122**	398,421	**70,636**	67,713
Rental		**18,999**	21,716	**-**	-
Dividend income		**-**	-	**24,422**	24,260
Laundry services		**2,610**	1,865	**-**	-
		429,731	422,002	**95,058**	91,973
Cost of sales		**(160,252)**	(152,036)	**(24,531)**	(22,927)
Cost of services		**(8,972)**	(8,812)	**-**	-
		260,507	261,154	**70,527**	69,046
Administrative expenses		**(59,371)**	(57,888)	**(11,009)**	(10,229)
Other operating expenses		**(119,154)**	(110,229)	**(23,786)**	(31,227)
Other operating income		**908**	2,589	**-**	-
Operating profit		**82,890**	95,626	**35,732**	27,590
Operating profit is arrived at after charging:					
Auditors' remuneration: - Audit fees		**228**	228	**57**	57
- Non-audit fees		**148**	134	**53**	45
Allowance for impairment loss on amount due from a subsidiary*		**-**	-	**2,211**	9,139
Allowance for impairment loss on loans to associates		**2,560**	-	**-**	-
Allowance for impairment loss on trade receivables		**65**	246	**23**	47
Depreciation on property, plant and equipment	3	**48,325**	53,492	**9,767**	9,802
Hire of motor vehicles		**345**	339	**-**	-
Hire of equipment		**65**	128	**-**	-
Inventories written off		**-**	28	**-**	-
Loss on disposal of property, plant and equipment		**1,045**	-	**48**	-
Personnel expenses (including key management personnel):					
- contributions to Employee's Provident Fund		**7,765**	7,711	**1,502**	1,602
- retirement benefits charged	13	**1,831**	1,388	**76**	78
- wages, salaries and others		**93,305**	91,802	**14,997**	15,668
Property, plant and equipment written off		**6,547**	849	**99**	400
Rental of apartments		**1,030**	922	**-**	-
Realised loss on foreign exchange		**53**	-	**-**	-
Unrealised loss on foreign exchange		**504**	10,090	**-**	9,057
and after crediting:					
Gain on disposal of property, plant and equipment		**-**	338	**-**	55
Gross dividends from unquoted subsidiaries		**-**	-	**24,422**	24,260
Allowance for impairment loss written back on amount due from a subsidiary		**-**	-	**-**	9,057
Allowance for impairment loss written back on loans to associates		**-**	10,090	**-**	-
Allowance for impairment loss written back on trade receivables		**152**	18	**47**	-
Rental receivable from: - subsidiary		**-**	-	**120**	120
- others		**672**	611	**-**	-
Realised gain on foreign exchange		**190**	252	**-**	-
Unrealised gain on foreign exchange		**2,560**	1,686	**2,233**	45

* 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

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17. INTEREST INCOME

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Interest income on:				
Deposits placed with licensed banks	**408**	262	**292**	138
Subsidiaries	**-**	-	**15**	15
	408	262	**307**	153

18. INTEREST EXPENSE

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Interest expense on:				
Revolving credits	**417**	891	**261**	728
Term loans	**2,601**	4,166	**22**	608
Subsidiaries	**-**	-	**1,767**	938
	3,018	5,057	**2,050**	2,274

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Directors: - Fees	**346**	365	**346**	365
- Remuneration and meeting allowances	**1,531**	1,548	**1,531**	1,548
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**28**	28	**28**	28
Total short-term employee benefits	**1,905**	1,941	**1,905**	1,941

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

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20. TAX EXPENSE

Major components of tax expense include:

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Current tax expense				
Malaysian - Current year	**14,318**	11,000	**1,357**	3,225
Malaysian - Prior years	**(623)**	(1,586)	**177**	267
	13,695	9,414	**1,534**	3,492
Deferred tax expense				
Origination of temporary differences	**2,413**	5,418	**1,310**	3,182
Over provision in prior years	**(594)**	(3,047)	**(929)**	(820)
	1,819	2,371	**381**	2,362
Total tax expense	**15,514**	11,785	**1,915**	5,854
Reconciliation of effective tax expense				
Profit before tax	**80,838**	91,282	**33,989**	25,469
Tax at Malaysian tax rate of 25% (2010: 25%)	**20,210**	22,821	**8,497**	6,367
Non-deductible expenses	**3,111**	2,307	**543**	2,375
Non-taxable income	**(146)**	(113)	**(4,525)**	(2,335)
Tax incentives	**(6,186)**	(8,895)	**(1,848)**	-
Deferred tax assets not recognised	**70**	65	**-**	-
Other items	**(328)**	233	**-**	-
	16,731	16,418	**2,667**	6,407
(Over)/Under provision in prior years - current tax expense	**(623)**	(1,586)	**177**	267
- deferred tax expense	**(594)**	(3,047)	**(929)**	(820)
	15,514	11,785	**1,915**	5,854

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	GROUP	
	2011	2010
Profit attributable to shareholders of the Company (RM'000)	**60,564**	69,959
Weighted average number of ordinary shares outstanding during the year ('000)	**440,000**	440,000
Basic earnings per share (sen)	**13.8**	15.9

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22. DIVIDENDS

Dividends recognised in the current year by the Company are:

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

The Board has proposed a final dividend of 6% less tax at 25% totalling RM19,800,000 for the financial year ended 31 December 2011. The proposed final dividend has not been accounted for as it is pending shareholders' approval at the forthcoming Annual General Meeting, which is scheduled to be held on 18 May 2012. 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 2012.

23. OPERATING SEGMENT

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

Business segments

The Group comprises the following reportable segments:

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

The Group's other operations include commercial laundry services and investment holding. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2011 or 2010.

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.

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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 2011 (2010 - nil).

	Hotels, resorts and golf course		Investment properties		Others		Total		Eliminations of inter-segment transactions		Consolidated	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000	**2011 RM'000**	2010 RM'000
BUSINESS SEGMENTS												
Revenue from external customers	**408,122**	398,421	**18,999**	21,716	**2,610**	1,865	**429,731**	422,002	**-**	-	**429,731**	422,002
Inter-segment revenue	**24,422**	24,260	**1,966**	1,901	**3,643**	3,304	**30,031**	29,465	**(30,031)**	(29,465)	**-**	-
Total segment revenue	**432,544**	422,681	**20,965**	23,617	**6,253**	5,169	**459,762**	451,467	**(30,031)**	(29,465)	**429,731**	422,002
Operating profit	**98,546**	96,975	**11,439**	14,368	**(1,285)**	(6,097)	**108,700**	105,246	**(25,810)**	(9,620)	**82,890**	95,626
Interest income	**1,790**	931	**289**	214	**101**	80	**2,180**	1,225	**(1,772)**	(963)	**408**	262
Interest expense	**(4,637)**	(5,884)	**-**	-	**(153)**	(136)	**(4,790)**	(6,020)	**1,772**	963	**(3,018)**	(5,057)
Share of results of an associated company	**558**	451	**-**	-	**-**	-	**558**	451	**-**	-	**558**	451
Profit before tax	**96,257**	92,473	**11,728**	14,582	**(1,337)**	(6,153)	**106,648**	100,902	**(25,810)**	(9,620)	**80,838**	91,282
Allowance for impairment loss on loans and receivables	**4,836**	9,304	**-**	-	**-**	81	**4,836**	9,385	**(2,211)**	(9,139)	**2,625**	246
Allowance for impairment loss written back on loans and receivables	**(711)**	(19,165)	**-**	-	**-**	-	**(711)**	(19,165)	**559**	9,057	**(152)**	(10,108)
Capital expenditure	**44,828**	22,209	**1,341**	260	**416**	398	**46,585**	22,867	**-**	-	**46,585**	22,867
Depreciation	**47,669**	52,899	**237**	182	**419**	411	**48,325**	53,492	**-**	-	**48,325**	53,492
Tax expense	**12,337**	7,972	**2,909**	3,590	**268**	223	**15,514**	11,785	**-**	-	**15,514**	11,785
Segment assets before interests in associates	**935,276**	933,996	**257,334**	254,879	**15,275**	14,234	**1,207,885**	1,203,109	**(141,474)**	(124,676)	**1,066,411**	1,078,433
Interests in associates	**16,723**	10,291	**-**	-	**-**	-	**16,723**	10,291	**-**	-	**16,723**	10,291
Total segment assets	**951,999**	944,287	**257,334**	254,879	**15,275**	14,234	**1,224,608**	1,213,400	**(141,474)**	(124,676)	**1,083,134**	1,088,724

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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 2011 RM'000**	**L&R/ (OL) 2011 RM'000**	Carrying amount 2010 RM'000	L&R/ (OL) 2010 RM'000
Financial assets					
GROUP					
Loans to associates	6	**16,723#**	**16,723#**	10,291#	10,291#
Trade and other receivables	9	**22,452**	**22,452**	23,210	23,210
Cash and cash equivalents	10	**21,655**	**21,655**	17,200	17,200
		60,830	**60,830**	50,701	50,701
COMPANY					
Trade and other receivables	9	**204,868**	**204,868**	191,637	191,637
Cash and cash equivalents	10	**9,626**	**9,626**	4,323	4,323
		214,494	**214,494**	195,960	195,960
Financial liabilities					
GROUP					
Bank borrowings	12	**(69,198)**	**(69,198)**	(106,210)	(106,210)
Trade and other payables and accruals	15	**(75,887)**	**(75,887)**	(81,414)	(81,414)
		(145,085)	**(145,085)**	(187,624)	(187,624)
COMPANY					
Bank borrowings	12	**(6,300)**	**(6,300)**	(4,000)	(4,000)
Trade and other payables and accruals	15	**(77,487)**	**(77,487)**	(70,277)	(70,277)
		(83,787)	**(83,787)**	(74,277)	(74,277)

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**	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Net gains/(losses) on:				
Loans and receivables	**(2,569)**	34	**(1,880)**	(8,988)
Financial liabilities measured at amortised cost	**(458)**	(3,371)	**(2,050)**	(2,274)
	(3,027)	(3,337)	**(3,930)**	(11,262)

There were no gains/(losses) arising from fair value changes of financial instruments for the year ended 31 December 2011 (2010 - nil).

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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.

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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					
2011					
Not past due		**14,351**	**-**	**-**	**14,351**
1-3 months past due		**3,217**	**(4)**	**-**	**3,213**
4-6 months past due		**131**	**(58)**	**-**	**73**
Over 6 months past due		**364**	**(327)**	**-**	**37**
	9	**18,063**	**(389)**	**-**	**17,674**
2010					
Not past due		14,473	-	-	14,473
1-3 months past due		5,176	(110)	-	5,066
4-6 months past due		463	(306)	-	157
Over 6 months past due		65	(60)	-	5
	9	20,177	(476)	-	19,701
COMPANY					
2011					
Not past due		**3,754**	**-**	**-**	**3,754**
1-3 months past due		**436**	**-**	**-**	**436**
4-6 months past due		**23**	**(23)**	**-**	**-**
Over 6 months past due		**-**	**-**	**-**	**-**
	9	**4,213**	**(23)**	**-**	**4,190**
2010					
Not past due		3,842	-	-	3,842
1-3 months past due		612	-	-	612
4-6 months past due		47	(47)	-	-
Over 6 months past due		-	-	-	-
	9	4,501	(47)	-	4,454

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

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
At 1 January	**476**	248	**47**	-
Allowance for impairment loss recognised	**65**	246	**23**	47
Allowance for impairment loss reversed	**(152)**	(18)	**(47)**	-
At 31 December	**389**	476	**23**	47

In respect of allowance for impairment loss for the Group's loans to associates, an amount of RM2,560,000 was recognised during the year (2010 - reversal of RM10,090,000).

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

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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 RM20,640,000 (2010: RM15,400,000) 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 loss provided for a subsidiary as disclosed in Note 9.

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

	COMPANY	
	2011 RM'000	2010 RM'000
At 1 January	**71,477**	71,395
Allowance for impairment losses recognised	**2,211**	9,139
Allowance for impairment losses written back	**-**	(9,057)
At 31 December	**73,688**	71,477

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

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

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

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

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

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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	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Fixed rate instruments				
Advances from subsidiaries	**-**	-	**(59,403)**	(53,733)
Cash and cash equivalents	**14,133**	8,815	**6,915**	2,030
Floating rate instruments				
Unsecured revolving credits	**(26,940)**	(15,400)	**(6,300)**	-
Unsecured term loans	**(42,258)**	(90,810)	**-**	(4,000)

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				
2011				
Floating rate instruments				
Unsecured revolving credits	**-**	**-**	**(202)**	**202**
Unsecured term loans	**-**	**-**	**(317)**	**317**
Cash flow sensitivity (net)	**-**	**-**	**(519)**	**519**
2010				
Floating rate instruments				
Unsecured revolving credits	-	-	(116)	116
Unsecured term loans	-	-	(681)	681
Cash flow sensitivity (net)	-	-	(797)	797
COMPANY				
2011				
Floating rate instruments				
Unsecured revolving credits	**-**	**-**	**(47)**	**47**
Cash flow sensitivity (net)	**-**	**-**	**(47)**	**47**
2010				
Floating rate instruments				
Unsecured term loans	-	-	(30)	30
Cash flow sensitivity (net)	-	-	(30)	30

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24. FINANCIAL INSTRUMENTS (cont'd)

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 RM16,723,000 (2010: RM10,291,000). As at balance sheet date, the Group and the Company have minimal foreign currency transactions. The currencies giving rise to this risk are primarily *U.S. Dollar (USD) and Hong Kong Dollar (HKD).*

Exposure to foreign currency risk

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

	2011 Denominated in		2010 Denominated in	
	USD RM'000	**HKD RM'000**	USD RM'000	HKD RM'000
GROUP				
Unsecured revolving credit	**-**	**20,640**	-	15,400
Loans to associates	**16,723#**	**-**	10,291#	-
	16,723	**20,640**	10,291	15,400
COMPANY				
Amount due from a subsidiary	**10,568**	**947**	9,439	844

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.

	Equity		**Profit after tax**	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
GROUP				
HKD	**-**	-	**1,033**	577
USD	**-**	-	**(871)**	(3,443)
	-	-	**162**	(2,866)
COMPANY				
HKD	**-**	-	**(259)**	(251)
USD	**-**	-	**(2,887)**	(2,813)
	-	-	**(3,146)**	(3,064)

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

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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								
2011								
Unsecured revolving credits	12	**(26,940)**	**1.0-4.6**	**(27,438)**	**(27,438)**	**-**	**-**	**-**
Unsecured term loans	12	**(42,258)**	**3.8-4.5**	**(43,256)**	**(37,900)**	**(5,356)**	**-**	**-**
Trade and other payables and accruals	15	**(75,887)**	**-**	**(75,887)**	**(75,887)**	**-**	**-**	**-**
		(145,085)		**(146,581)**	**(141,225)**	**(5,356)**	**-**	**-**
2010								
Unsecured revolving credits	12	(15,400)	1.0	(15,545)	(15,545)	-	-	-
Unsecured term loans	12	(90,810)	3.8-4.1	(94,385)	(47,079)	(41,554)	(5,752)	-
Trade and other payables and accruals	15	(81,414)	-	(81,414)	(81,414)	-	-	-
		(187,624)		(191,344)	(144,038)	(41,554)	(5,752)	-
COMPANY								
2011								
Unsecured revolving credits	12	**(6,300)**	**4.6**	**(6,590)**	**(6,590)**	**-**	**-**	**-**
Trade and other payables and accruals	15	**(11,162)**	**-**	**(11,162)**	**(11,162)**	**-**	**-**	**-**
Amount due to subsidiaries	15	**(59,403)**	**2.5**	**(60,888)**	**(60,888)**	**-**	**-**	**-**
Amount due to subsidiaries	15	**(6,922)**	**-**	**(6,922)**	**(6,922)**	**-**	**-**	**-**
		(83,787)		**(85,562)**	**(85,562)**	**-**	**-**	**-**
2010								
Unsecured term loans	12	(4,000)	3.8	(4,025)	(4,025)	-	-	-
Trade and other payables and accruals	15	(9,672)	-	(9,672)	(9,672)	-	-	-
Amount due to subsidiaries	15	(53,733)	2.5	(56,420)	(56,420)	-	-	-
Amount due to subsidiaries	15	(6,872)	-	(6,872)	(6,872)	-	-	-
		(74,277)		(76,989)	(76,989)	-	-	-

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24. FINANCIAL INSTRUMENTS (cont'd)

Fair values

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

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

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

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

		2011		2010	
	Note	**Carrying amount RM'000**	**Fair value RM'000**	Carrying amount RM'000	Fair value RM'000
GROUP					
Loans to associates	6	**16,723#**	**16,723#**	10,291#	10,291#
Long-term unsecured term loans	12	**(5,306)**	**(5,306)**	(46,258)	(46,258)

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

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**	
	2011	2010	**2011**	2010
Loans to associates	**3.0%**	3.0%	**-**	-
Long-term unsecured term loans	**3.8-4.5%**	3.8-4.1%	**-**	3.8%

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

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	
		2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Capital expenditure commitments					
Property, plant and equipment					
Contracted but not provided for and payable:	- within one year	**29,815**	6,265	**720**	1,419
Authorised but not contracted for:	- within one year	**38,916**	68,368	**4,817**	3,514
Investment properties					
Contracted but not provided for and payable:	- within one year	**39**	411	**-**	-
Authorised but not contracted for:	- within one year	**4,153**	1,040	**-**	-
		72,923	76,084	**5,537**	4,933

27. CONTINGENT LIABILITIES (UNSECURED)

COMPANY

The Company had issued a Corporate Guarantee for an amount up to HKD50,600,000 (2010 - HKD50,600,000) to The Bank of Tokyo-Mitsubishi UFJ, Ltd., Labuan ("UFJ Bank") for the revolving credit facility of HKD50,600,000 (2010 - HKD50,600,000) 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, its holding company, subsidiaries of its holding company and corporations in which certain Directors have direct or indirect financial interests.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

28. RELATED PARTIES (cont'd)

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

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

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

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, 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 loss and share of post-acquisition results of RM54,067,000 (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

	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					
2011					
Subsidiaries					
Interest income received or receivable	**15**	**-**	**-**	**-**	**-**
Rental income received or receivable	**120**	**-**	**-**	**-**	**-**
Interest expense paid or payable	**1,767**	**-**	**-**	**-**	**-**
Laundry service fees paid or payable	**1,348**	**138**	**138**	**-**	**-**
Subsidiaries of Shangri-La Asia Limited					
Shangri-La International Hotel Management Ltd					
- Management, marketing and reservation fees paid or payable	**1,867**	**486**	**486**	**-**	**-**
Shangri-La International Hotel Management Pte Ltd					
- Management fees paid or payable	**325**	**37**	**37**	**-**	**-**
2010					
Subsidiaries					
Interest income received or receivable	15	-	-	-	-
Rental income received or receivable	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	-	-
Corporation in which Kuok Oon Kwong, Director of the Company, has direct or indirect financial interests					
Jerneh Insurance Bhd					
- Insurance premium paid or payable	464	1	1	-	-

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 2011

29. 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 2011, into realised and unrealised profits/(losses) based on the prescribed format from Bursa Malaysia is set out as follows:

	2011 **RM'000**	2010 RM'000
GROUP		
Total retained profits of the Company and its subsidiaries		
- Realised	**213,831**	178,455
- Unrealised	**58,940**	58,702
	272,771	237,157
Total share of accumulated losses of an associated company		
- Realised	**(53,509)**	(54,067)
- Unrealised	**-**	-
	219,262	183,090
Add: Consolidated adjustments	**58,935**	64,243
Total Group retained profits	**278,197**	247,333
COMPANY		
Realised	**137,425**	136,883
Unrealised	**10,471**	8,639
Total Company retained profits	**147,896**	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 2011

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2011 (RM'000)
Shangri-La Hotel (KL) Sdn Bhd	**Shangri-La Hotel Kuala Lumpur** 29-storey, 662 room hotel located at 11 Jalan Sultan Ismail 50250 Kuala Lumpur	**Freehold**	**26**	**16,229**	**155,950**
Komtar Hotel Sdn Bhd	**Traders Hotel Penang** 17-storey, 444 room hotel located at Magazine Road 10300 Penang	**Leasehold** (Expires 2082)	**25**	**4,800**	**30,868**
Shangri-La Hotels (Malaysia) Berhad	**Shangri-La's** **Rasa Sayang Resort & Spa** 304 room resort comprising 11 inter-connected blocks not exceeding 8-storey located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**38**	**58,798**	**94,325**
	Land Lot 402, Section 2 Town of Batu Feringgi North East District, Penang	**Leasehold** (Expires 2037)	**-**	**2,989**	
	Industrial land on which the central laundry owned by Pantai Emas Sdn Bhd is situated on at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	**Leasehold** (Expires 2047)	**-**	**3,737**	**627**
Palm Beach Hotel Sdn Bhd	**Land** Lots 9, 10, 13, 15, 93, 316, 420, 591 & 592, Section 2 Town of Batu Feringgi North East District, Penang	**Freehold**	**-**	**33,097**	**9,658**

GROUP PROPERTIES
as at 31 December 2011

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2011 (RM'000)
Golden Sands Beach Resort Sdn Bhd	**Golden Sands Resort** 8-storey, 387 room resort located at 10th Mile Batu Feringgi, 11100 Penang	**Freehold**	**33**	**19,359**	**43,808**
	Land Lot 389, Section 2 Town of Batu Feringgi North East District, Penang	**Leasehold** (Expires 2050)	**-**	**424**	
Pantai Emas Sdn Bhd	**Penang Laundry Services** A central laundry located at No.6 (Plot 68) Pesara Kampung Jawa Bayan Lepas, 11900 Penang	**Leasehold** (Expires 2047)	**21**	**3,737**	**513**
UBN Tower Sdn Bhd	**UBN Tower** 36-storey commercial/office complex located at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**26**	**3,696**	**189,399**
UBN Holdings Sdn Bhd	**UBN Apartments** 24-storey apartment block comprising 126 units of apartments located at 1 Lorong P. Ramlee 50250 Kuala Lumpur (# based on 58 units of unsold apartments)	**Freehold**	**26**	**3,120**	**42,500#**
	Commercial land on which Shangri-La Hotel Kuala Lumpur is situated on at 11 Jalan Sultan Ismail 50250 Kuala Lumpur and UBN Tower at 10 Jalan P. Ramlee 50250 Kuala Lumpur	**Freehold**	**-**	**19,925**	**11,718**

GROUP PROPERTIES
as at 31 December 2011

Registered Owner	Description/Location	Tenure	Age of buildings (years)	Land area (sq. metres)	Net book value at 31.12.2011 (RM'000)
Pantai Dalit Beach Resort Sdn Bhd	**Shangri-La's Rasa Ria Resort** 417 room resort comprising two 4-storey blocks, two 5-storey blocks and six 6-storey blocks of guestrooms located at Pantai Dalit 89208 Tuaran, Sabah	**Leasehold** (Expires 2090)	**15**	**92,482**	**81,441**
	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**	**3,664**
	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)	**14**	**668,985**	**31,583**

SHAREHOLDING STATISTICS
as at 31 March 2012

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	149	2.35	3,212	0.00
100 - 1,000	2,600	40.99	2,479,118	0.56
1,001 - 10,000	3,024	47.67	12,037,664	2.74
10,001 - 100,000	471	7.43	13,403,990	3.04
100,001 to less than 5% of issued shares	97	1.53	81,823,675	18.60
5% and above of issued shares	2	0.03	330,252,341	75.06
	6,343	100.00	440,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**No. of Shares**	**% of Issued Capital**
Hoopersville Limited	232,237,841	-	52.78
Shangri-La Asia Limited	-	232,237,841	52.78
Caninco Investments Limited	-	232,237,841	52.78
Kerry Holdings Limited	-	232,237,841	52.78
Kerry Group Limited	-	232,237,841	52.78
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	-	47,432,900	10.78
Mitsubishi UFJ Financial Group, Inc.	-	47,432,900	10.78
Aberdeen Asset Management Asia Limited	-	29,279,700	6.65

SHAREHOLDING STATISTICS
as at 31 March 2012

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 2012 are as follows:

	Direct Interest	Deemed Interest	
(Ordinary Shares of RM1.00 each) **The Company** **Shangri-La Hotels (Malaysia) Berhad**	**No. of Shares**	**No. of Shares**	**% of Issued Capital**
Tan Sri A. Razak bin Ramli	-	-	-
Kuok Oon Kwong	-	10,000	negligible
Datin Rozina Mohd Amin	-	-	-
Dato' Haris Onn bin Hussein	-	-	-
Dato' Seri Ismail Farouk Abdullah	200,000	-	0.05
Dato' Khoo Eng Min - own	5,000	-	negligible
- others	9,000[1]	-	negligible
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-
Tan Yew Jin	5,000	20,000	0.01
Ravinder Singh Grewal Sarbjit S	-	-	-
Alternate Director			
Joseph Patrick Stevens	-	-	-

(Ordinary Shares of HKD1.00 each) **Related Corporation** **Shangri-La Asia Limited** (Ultimate Holding Company)	**No. of Shares**	**No. of Shares**	**% of Issued Capital**
Tan Sri A. Razak bin Ramli	-	-	-
Kuok Oon Kwong - own	182,938	170,768	0.01
- others	231,124[1]	-	0.01
Datin Rozina Mohd Amin	-	-	-
Dato' Haris Onn bin Hussein	-	-	-
Dato' Seri Ismail Farouk Abdullah	-	-	-
Dato' Khoo Eng Min	-	-	-
Datuk Supperamaniam a/l Manickam	-	-	-
Dato' Dr Tan Tat Wai	-	-	-
Tan Yew Jin	120,856	-	negligible
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 2012

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	17,607,200	4.00
4. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	7,610,000	1.73
5. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	7,250,000	1.65
6. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (Aberdeen)	7,101,600	1.61
7. HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	3,910,000	0.89
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. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,971,200	0.45
11. Citigroup Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (Libra)	1,260,000	0.29
12. Key Development Sdn Bhd	1,156,400	0.26
13. Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (PHEIM)	1,115,400	0.25
14. Ying Holding Sdn Bhd	1,076,500	0.24
15. Migan Sdn Bhd	1,036,600	0.24
16. Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Endowment Fund)	922,400	0.21
17. Leong Kok Tai	895,100	0.20
18. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	738,000	0.17
19. Lim Kian Huat	688,400	0.16
20. AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	675,800	0.15
21. ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yu Kuan Chon	657,000	0.15
22. Gan Teng Siew Realty Sdn Bhd	645,000	0.15
23. G.T.Y. Holdings Sdn Bhd	606,000	0.14
24. Gemas Bahru Estates Sdn Bhd	600,000	0.14
25. W. Gan Sdn Bhd	587,000	0.13
26. Rengo Malay Estate Sdn Bhd	571,000	0.13
27. Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Malaysian Timber Council (Operating Fund)	548,000	0.12
28. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Berhad for MAAKL Progress Fund (4082)	535,000	0.12
29. Gan Tee Kian	526,000	0.12
30. Ang Beng Poh	520,900	0.12
	397,361,241	90.31

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-First 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, 18 May 2012 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 2011 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 2011 as recommended by the Directors. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2011. **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) Dato' Haris Onn bin Hussein **Ordinary Resolution 4**
   ii) Dato' Seri Ismail Farouk Abdullah **Ordinary Resolution 5**
   iii) Dato' Dr Tan Tat Wai **Ordinary Resolution 6**

5. To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 as Directors of the Company to hold office until the next Annual General Meeting of the Company:
   i) Dato' Khoo Eng Min **Ordinary Resolution 7**
   ii) Tan Yew Jin **Ordinary Resolution 8**

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 9**

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
26 April 2012

NOTES

1. With respect to deposited securities, only members whose names appear in the Record of Depositors on 10 May 2012 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The Form of Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time set for the Meeting or any adjournment thereof.
4. The proposed Final dividend, if approved, will be paid on Thursday, 28 June 2012 to shareholders whose names appear in the Record of Depositors on Wednesday, 30 May 2012.

NOTES

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
10889-U

FORM OF PROXY

No. of shares held:

I/We ______________________________ NRIC/Company No. ______________

of ____

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

appoint ______________________________ NRIC No. ______________

of ____

or failing him ______________________________ NRIC No. ______________

of ____

as my/our proxy, to vote for me/us on my/our behalf at the Forty-First Annual General Meeting of the Company to be held at Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur on Friday, 18 May 2012 at 10.00 a.m. and at any adjournment thereof in the following manner:

NO.	ORDINARY RESOLUTIONS	For	Against
1	Adoption of Reports and Financial Statements		
2	Approval of Final Dividend		
3	Approval of Directors' Fees		
4	Re-election of Dato' Haris Onn bin Hussein retiring pursuant to Article 95		
5	Re-election of Dato' Seri Ismail Farouk Abdullah retiring pursuant to Article 95		
6	Re-election of Dato' Dr Tan Tat Wai retiring pursuant to Article 95		
7	Re-appointment of Dato' Khoo Eng Min as a Director pursuant to Section 129(6) of the Companies Act, 1965		
8	Re-appointment of Tan Yew Jin as a Director pursuant to Section 129(6) of the Companies Act, 1965		
9	Re-appointment of Messrs KPMG as Auditors		

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

Dated this ____________ day of __________________ 2012

Signature ____________________

NOTES

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

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STAMP

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

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DIRECTORY OF GROUP HOTELS & RESORTS

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Sabah

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