

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
(10889-U)
(Incorporated in Malaysia)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

The Board of Directors of Shangri-La Hotels (Malaysia) Berhad wishes to announce the following :-

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended		6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	9,947	119,850	98,416	257,208
Operating (loss)/profit	(44,341)	12,666	(44,358)	41,991
Interest expense	(1,056)	(1,476)	(2,311)	(2,905)
Interest income	1,713	2,376	3,991	4,575
Share of results of associated companies	689	237	2,210	1,063
(Loss)/Profit before tax	(42,995)	13,803	(40,468)	44,724
Tax income/(expense)	10,443	(3,094)	9,660	(9,648)
(Loss)/Profit for the period	(32,552)	10,709	(30,808)	35,076
<u>Attributable to:</u>				
Shareholders of the Company	(29,084)	9,560	(27,053)	31,675
Non-controlling interests	(3,468)	1,149	(3,755)	3,401
	(32,552)	10,709	(30,808)	35,076
Basic (Loss)/Earnings per Ordinary Share (sen)	(6.61)	2.17	(6.15)	7.20
Diluted (Loss)/Earnings per Ordinary Share (sen)	NA	NA	NA	NA

(The unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019)

NA - not applicable

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ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period	(32,552)	10,709	(30,808)	35,076
<u>Other comprehensive (expense)/income</u>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	(370)	439	2,066	(103)
Total comprehensive (expense)/income for the period	(32,922)	11,148	(28,742)	34,973
<u>Attributable to:</u>				
Shareholders of the Company	(29,454)	9,999	(24,987)	31,572
Non-controlling interests	(3,468)	1,149	(3,755)	3,401
	(32,922)	11,148	(28,742)	34,973

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019)

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ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.6.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	635,448	656,252
Right-of-use assets	17,353	17,461
Investment properties	288,530	288,530
Interests in associates	218,529	206,603
Property development expenditure	12,286	12,286
Deferred tax assets	19,868	11,359
	<u>1,192,014</u>	<u>1,192,491</u>
Current assets		
Inventories	3,601	3,733
Trade and other receivables, prepayments and deposits	24,075	37,485
Tax recoverable	5,352	2,862
Short-term fund placements	212,441	254,968
Cash and bank balances	6,998	21,105
	<u>252,467</u>	<u>320,153</u>
Total assets	<u>1,444,481</u>	<u>1,512,644</u>
EQUITY		
Capital and reserves		
Share capital	544,501	544,501
Reserves	433,688	511,475
Total equity attributable to shareholders of the Company	<u>978,189</u>	<u>1,055,976</u>
Non-controlling interests	135,849	139,604
Total equity	<u>1,114,038</u>	<u>1,195,580</u>
LIABILITIES		
Non-current liabilities		
Retirement benefits	28,036	27,141
Lease liabilities	527	441
Deferred tax liabilities	17,699	20,665
	<u>46,262</u>	<u>48,247</u>
Current liabilities		
Trade and other payables and accruals	47,343	86,983
Contract liabilities	11,626	18,996
Lease liabilities	781	836
Short-term borrowings	171,351	161,413
Current tax liabilities	280	589
Dividend payable	52,800	-
	<u>284,181</u>	<u>268,817</u>
Total liabilities	<u>330,443</u>	<u>317,064</u>
Total equity and liabilities	<u>1,444,481</u>	<u>1,512,644</u>
Net Assets per Ordinary Share (RM)	2.22	2.40
Attributable to Shareholders of the Company		

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019)

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**ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 June 2020

<i>All figures in RM'000</i>	<u>Attributable to Shareholders of the Company</u>			Total equity		
	Share capital	Exchange Translation Reserve	Retained earnings	attributable to shareholders of the Company	Non-controlling interests	Total equity
	← Non-distributable →		← Distributable →			
As previously reported at 1 January 2019	544,501	(676)	521,261	1,065,086	132,105	1,197,191
Reclassification from retained earnings to exchange translation reserve:-						
- Exchange differences on translation of foreign currency loans forming part of net investment in foreign operations	-	37,957	(37,957)	-	-	-
Effects of adopting MFRS 16 - Leases	-	-	(5,511)	(5,511)	1	(5,510)
Balance at 1 January 2019 as restated	544,501	37,281	477,793	1,059,575	132,106	1,191,681
Net profit for the period	-	-	31,675	31,675	3,401	35,076
Exchange differences on translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	-	(103)	-	(103)	-	(103)
Total comprehensive income/(expense) for the period	-	(103)	31,675	31,572	3,401	34,973
Dividend:-						
- Final dividend for the financial year ended 31.12.2018 paid on 15.7.2019	-	-	(52,800)	(52,800)	-	(52,800)
Balance at 30 June 2019	544,501	37,178	456,668	1,038,347	135,507	1,173,854
Balance at 1 January 2020	544,501	36,662	474,813	1,055,976	139,604	1,195,580
Net loss for the period	-	-	(27,053)	(27,053)	(3,755)	(30,808)
Exchange differences on translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	-	2,066	-	2,066	-	2,066
Total comprehensive income/(expense) for the period	-	2,066	(27,053)	(24,987)	(3,755)	(28,742)
Dividend:-						
- Second interim dividend for the financial year ended 31.12.2019 payable on 16.7.2020	-	-	(52,800)	(52,800)	-	(52,800)
Balance at 30 June 2020	544,501	38,728	394,960	978,189	135,849	1,114,038

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019)

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ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2020

	30.6.2020	30.6.2019
	RM'000	RM'000
(Loss)/Profit before tax	(40,468)	44,724
Adjustments for non-cash flow:-		
Non-cash items	29,216	32,215
Non-operating items	(1,680)	(1,670)
Operating (loss)/profit before changes in working capital	(12,932)	75,269
Changes in working capital		
Net change in current assets	13,395	(1,878)
Net change in current liabilities	(46,510)	(14,016)
Cash (used in)/from operating activities	(46,047)	59,375
Income taxes paid	(4,614)	(13,490)
Retirement benefits paid	(352)	(526)
Net cash (outflow)/inflow from operating activities	(51,013)	45,359
Investing activities		
Interest income received	3,991	4,575
Purchase of property, plant and equipment	(8,580)	(17,942)
Net cash outflow from investing activities	(4,589)	(13,367)
Financing activities		
Dividend paid to a non-controlling shareholder of a subsidiary	(500)	(500)
Drawdown of borrowings	2,288	2,843
Interest element of lease rentals paid	(38)	(40)
Repayment of lease liabilities	(509)	(372)
Interest expense paid	(2,273)	(2,865)
Net cash outflow from financing activities	(1,032)	(934)
Net (decrease)/increase in cash & cash equivalents	(56,634)	31,058
Cash & cash equivalents at beginning of the year	276,073	233,712
Cash & cash equivalents at end of financial period	219,439	264,770

(The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019)

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ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
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NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

A1 Accounting Policies

The condensed consolidated interim financial statements of the Group for the current reporting period have been prepared in accordance with MFRS 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2019. These condensed consolidated interim financial statements also comply with IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2019, except for the adoption of amendments to Malaysian Financial Reporting Standards (“MFRS”) and interpretations that are relevant to its operations and effective for the financial period beginning 1 January 2020, which are set out below.

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations – <i>Definition of a Business</i>
Amendments to MFRS 7	Financial Instruments: Disclosures – <i>Interest Rate Benchmark Reform</i>
Amendments to MFRS 9	Financial Instruments – <i>Interest Rate Benchmark Reform</i>
Amendments to MFRS 101	Presentation of Financial Statements – <i>Definition of Material</i>
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – <i>Definition of Material</i>
Amendments to MFRS 134	Interim Financial Reporting – <i>Definition of Material</i>
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – <i>Definition of Material</i>
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – <i>Interest Rate Benchmark Reform</i>
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of these amendments to MFRSs and interpretations did not have a significant impact on the financial statements or position of the Group.

A1.1 Amendments Issued but not yet Effective

A number of amendments to existing MFRSs which are effective for accounting periods beginning after 2020, have been issued and will be adopted by the Group from their effective dates.

		Effective for annual periods beginning on or after
Amendments to MFRS 16	Leases	1 January 2021
Amendments to MFRS 3	Business Combinations	1 January 2022
Amendments to MFRS 9	Financial Instruments	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

The adoption of the above amendments to MFRSs are not expected to have a significant effect on the Group’s financial statements.

**ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020**

NOTES PURSUANT TO MFRS 134

A1.1 Amendments Issued but not yet Effective (cont'd)

In addition, MASB has also issued amendments to MFRS 10 – Consolidated Financial Statements and MFRS 128 – Investments in Associates and Joint Ventures, which are effective from annual periods beginning on or after 1 January 2016. Subsequently, in December 2015 MASB announced the deferment of the mandatory effective date of these amendments. The Group will apply these amendments when they become applicable.

A2 Revenue

The disaggregation of the Group's revenue by major goods and service lines is set out below.

For the period ended 30 June 2020 <i>(All figures in RM'000)</i>	Hotels & Resorts	Investment Properties	Others	Total
Major Goods/Service Lines				
Revenue from rooms	48,576	-	-	48,576
Food and beverage sales	32,861	-	-	32,861
Rendering of ancillary services	3,671	-	-	3,671
Golf operations	1,270	-	-	1,270
Property rentals	-	11,190	-	11,190
Laundry services	-	-	848	848
Total revenue	86,378	11,190	848	98,416

For the period ended 30 June 2019 <i>(All figures in RM'000)</i>	Hotels & Resorts	Investment Properties	Others	Total
Major Goods/Service Lines				
Revenue from rooms	137,218	-	-	137,218
Food and beverage sales	93,495	-	-	93,495
Rendering of ancillary services	9,810	-	-	9,810
Golf operations	1,931	-	-	1,931
Property rentals	-	13,019	-	13,019
Laundry services	-	-	1,735	1,735
Total revenue	242,454	13,019	1,735	257,208

A3 Seasonal or Cyclical Factors

The business operations of the Group have not been materially affected by seasonal or cyclical factors during the financial period ended 30 June 2020.

A4 Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 June 2020, except for the factors as disclosed under notes B1 and B2.

As at 30 June 2020, total current liabilities of RM284.181 million exceeded current assets of RM252.467 million, mainly attributed to a drop in the Group's cash reserves to fund the working capital requirements of the Group's hotel businesses during the first half of 2020 due to the impact of Covid-19 on their operations.

Group shareholders' equity reduced by 7.4% to RM978.189 million at 30 June 2020 due to the net loss recorded for the first six months ended 30 June 2020 and the second interim single-tier dividend of 12 sen per share payable in respect of the financial year 2019, partially offset by foreign exchange translation gains. Accordingly, Group net asset value per share declined in tandem by 7.4% to RM2.22 at 30 June 2020 from RM2.40 at the 2019 year-end.

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

NOTES PURSUANT TO MFRS 134

A5 Material Changes in Estimates

There were no changes in estimates of amounts reported in prior interim periods or changes in estimates of amounts reported in prior financial years, which have a material effect on the financial statements for the second quarter and financial period ended 30 June 2020.

A6 Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2020.

A7 Dividends Paid

There was no dividend paid during the financial period ended 30 June 2020.

A8 Segmental Reporting

The segmental analysis of the Group's results and assets are set out below.

For the period ended 30 June 2020 <i>(All figures in RM'000)</i>	Hotels & Resorts	Investment Properties	Others	Inter-segment Elimination	Consolidated Total
Segment Revenue					
Revenue from external customers	86,378	11,190	848	-	98,416
Inter-segment revenue	-	1,170	563	(1,733)	-
Total revenue	86,378	12,360	1,411	(1,733)	98,416
Segment Results					
Operating (loss)/profit	(43,950)	7,300	(1,918)	(5,790)	(44,358)
Interest expense	(2,254)	(112)	(2,307)	2,362	(2,311)
Interest income	5,293	228	71	(1,601)	3,991
Share of results of associated companies	(170)	2,380	-	-	2,210
(Loss)/profit before tax	(41,081)	9,796	(4,154)	(5,029)	(40,468)

As at 30 June 2020 <i>(All figures in RM'000)</i>	Hotels & Resorts	Investment Properties	Others	Inter-segment Elimination	Consolidated Total
Segment assets	1,012,100	353,128	14,500	(153,776)	1,225,952
Interest in associates	-	218,529	-	-	218,529
Total assets	1,012,100	571,657	14,500	(153,776)	1,444,481

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NOTES PURSUANT TO MFRS 134

A9 **Material Events Subsequent to the End of the Current Financial Period**

In the opinion of the Directors, there was no item or event of a material or unusual nature which has occurred between 30 June 2020 and the date of this report that would materially affect the results of the Group for the financial period ended 30 June 2020, except for the adverse impact of the Covid-19 pandemic and its economic consequences on the Group's hotel operations.

In light of the unprecedented uncertainty and evolving situation of the Covid-19 pandemic, it remains difficult for the Group to reliably quantify the full financial impact of the crisis on the Group's business for the financial year 2020 at this point in time.

The Group has assessed the potential key impacts of Covid-19 on its future financial performance, cash flows and liquidity position under several stressed scenarios, and took into account the Group's overall financial position and exposure to principal risks. The Group's balance sheet and cash liquidity position are still considered to remain healthy, and that the Group has access to considerable debt financing if required. Consequently, having considered the outcome of these assessments and after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to meet its obligations and to continue its operations for a period of at least twelve months from 30 June 2020.

A10 **Changes in the Composition of the Group**

There were no changes in the composition of the Group during the financial period ended 30 June 2020.

A11 **Changes in Contingent Liabilities or Contingent Assets**

Similar to many Unionised hotels in Malaysia, the Group's hotels, namely Rasa Sayang Resort, Shangri-La Hotel Kuala Lumpur, Hotel Jen Penang and Golden Sands Resort Penang ("the Group hotels") are involved in litigation proceedings at various stages with the National Union of Hotel, Bar and Restaurant Workers Peninsular Malaysia ("Union") arising from the minimum wage order, which first came into effect for the hotel industry on 1 October 2013.

The subject matter of the litigation essentially concerns the Top-Up Structure implemented by the Group hotels, whereby part of the service charge is converted to form part of the minimum wage. This is being disputed by the Union and the matter is currently pending in the Court of Appeal.

The Group companies are subject to claims and litigation from time to time arising in the ordinary course of business, and provisions are made if, based on available information and professional advice, liabilities are considered likely to arise.

At this juncture, the Group has made no provision for the potential financial liability of the pending litigation of the minimum wage issue as it cannot predict with any certainty the final outcome of the on-going litigation. This is because the legislation on the minimum wage is as yet untested in the Federal Court and the hotel industry in general is awaiting a landmark decision of the apex court to give clarity on the law on whether service charge can be used to form part of the minimum wage. The Group may incur financial liabilities depending on the final outcome of the on-going minimum wage litigation.

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NOTES PURSUANT TO MFRS 134

A12 Capital Commitments

Capital commitments for property, plant and equipment and investment properties not provided for as at 30 June 2020 are as follows:-

	RM'000
Authorised and contracted for	6,630
Authorised but not contracted for	86,563
	93,193

A13 Related Party Transactions

6 months ended 30.6.2020

RM'000

Transactions with subsidiaries of the ultimate holding company

Management, marketing and reservation fees to Shangri-La International Hotel Management Pte Ltd and Shangri-La Hotel Management (MY) Pte Ltd., including rental deposit from Family Heritage Gourment Sdn Bhd.	3,580
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Transactions with a major shareholder of the Company

Office rental income from Kuok Brothers Sdn Berhad, PPB Group Berhad and Chemquest Sdn Bhd.	1,006
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**ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS
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NOTES REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B

B1 Review of Group Results 1st Half 2020 vs 1st Half 2019

Amid the unprecedented Covid-19 crisis, Group revenue in the six months to 30 June 2020 declined markedly by 62% to RM98.416 million from RM257.208 million for the same period in 2019. In consequence, the Group registered a net loss attributable to shareholders of RM27.053 million for the first six months, compared to a net profit of RM31.675 million achieved in the previous year.

During the first half, the Group's hotel operations were significantly disrupted by the outbreak of Covid-19 as travel restrictions and lockdown measures implemented by governments globally, along with the nationwide Movement Control Order applied by the Malaysian government to slow the spread of the disease prompted a collapse in leisure and business travel demand. Against this challenging backdrop, the Group's hotels and resorts experienced material reductions in business levels in both rooms and food and beverage operations.

Revenue from Shangri-La Hotel Kuala Lumpur dropped by 70% over the first six months of 2019 to RM25.522 million. The hotel ended the first half 2020 with a pre-tax loss of RM18.238 million, compared to a profit of RM13.564 million for the corresponding period in 2019. Occupancy for the hotel was 18%, down from 65% the previous year.

At Rasa Sayang Resort, revenue fell by 55% from the first half 2019 to RM18.734 million, in line with a reduction in occupancy from 71% in the prior year period to 32%. For the first six months of 2020, the resort reported a pre-tax loss of RM4.963 million, compared to a profit of RM6.946 million for the half year 2019.

Likewise, occupancy at Golden Sands Resort weakened to 32% from 69% in the first half last year, leading to a 56% fall in revenue to RM11.313 million. Consequently, the resort incurred a pre-tax loss of RM3.971 million, versus a profit of RM3.558 million in the first six months of 2019.

Reflecting a sharp drop in visitor arrivals, Rasa Ria Resort saw occupancy slip to 20% from 69% in the first half 2019, with revenue falling by 69% to RM21.446 million. The resort made a pre-tax loss of RM9.212 million in the half year 2020, as against a profit of RM18.390 million the previous year.

Overall revenue at Hotel Jen Penang was down by 59% to RM7.745 million, on account of a fall in occupancy from 71% in the first six months of 2019 to 29%. As a result, the hotel posted a higher pre-tax loss of RM6.161 million, compared with RM0.325 million for the six-month period in 2019.

The combined rental revenue for the Group's investment properties in Kuala Lumpur decreased by 13% to RM12.360 million in the first half 2020, while their combined pre-tax profit fell by 14% on the half year 2019 to RM7.416 million.

In the first six months ended 30 June 2020, the Group's share of profits from its associates in Myanmar was RM2.210 million, compared with RM1.063 million in the same period last year. The Group's share of losses in Traders Yangon Company Ltd, its 23.5% associate which owns Sule Shangri-La Yangon amounted to RM3.160 million, of which RM2.990 million was not recognised in line with the requirements of MFRS 128.

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NOTES REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B

B2 Comparison of Group Results 2nd Quarter 2020 vs 1st Quarter 2020

For the second quarter to 30 June 2020, Group revenue reduced by 89% to RM9.947 million from RM88.469 million in the first quarter ended 31 March 2020. The Group's net loss attributable to shareholders for the second quarter 2020 was RM29.084 million, compared with a net profit of RM2.031 million in the first quarter 2020.

The Group's financial results for the second quarter were negatively affected by the substantially weaker performances from its hotel businesses in adverse market conditions. The Group saw a dramatic fall in revenue contributions from its hotel businesses reflecting the impact of widespread travel restrictions and containment measures taken to protect public health, along with mandatory closure of non-essential businesses, which were in place for the most part of the second quarter. Under these circumstances, all of the Group's hotels and resorts reported single-digit percentage occupancy levels during the second quarter of 2020.

Overall revenue from Shangri-La Hotel Kuala Lumpur fell by 95% against the first quarter 2020 to RM1.322 million, while revenue at Rasa Ria Resort declined by 97% to RM0.623 million. Similarly, revenue levels for Rasa Sayang Resort and Golden Sands Resort were both sharply lower by 94% when compared to the first quarter of 2020. Additionally, Hotel Jen Penang also recorded a steep decline in revenue to RM0.556 million, compared with RM7.189 million for the first quarter 2020.

In the three months to 30 June 2020, the combined rental revenue from the Group's investment properties in Kuala Lumpur was RM5.661 million, a reduction of 15% from the first quarter 2020.

B3 Prospects for 2020

Market conditions for the Group's hotel operations remain very weak and highly uncertain. The ongoing profound impact of the Covid-19 pandemic on the travel and hotel industry, combined with the unprecedented uncertainties presented by the crisis will continue to weigh heavily on the operating performances of the Group's hotels. Therefore, the Group expects its results to record a further significant loss over the second half of 2020.

Since the onset of the Covid-19 outbreak, the Group has put in place comprehensive measures to drive cost savings across the business, while taking proactive actions to conserve cash as well as to strengthen the operational and financial resilience of the Group to cope through the downturn. Alongside these efforts, the Group's hotels are intensifying their marketing activities to maximise revenue opportunities in the domestic travel market.

For the Group's investment properties in Kuala Lumpur, the performances of UBN Tower and UBN Apartments are expected to soften further through 2020, in tandem with weakening economic activity resulting from the Covid-19 pandemic.

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NOTES REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA – PART A OF APPENDIX 9B

B4 Variance on Profit Forecast/Profit Guarantee

Not applicable.

B5 Taxation

For the first six months ended 30 June 2020, the Group recorded a tax income of RM9.660 million versus a tax charge of RM9.648 million in the same period of 2019. The effective tax rate for the half year ended 30 June 2020 was 23.9%, which was broadly level with the statutory tax rate of 24%.

	3 months ended		6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Current taxation				
- Company and subsidiaries	204	3,563	1,792	10,128
Deferred taxation	(10,670)	(431)	(11,475)	(485)
(Over)/under provision in respect of prior years				
- Company and subsidiaries	23	(38)	23	5
	(10,443)	3,094	(9,660)	9,648

B6 Status of Corporate Proposals

There were no corporate proposals and unutilised proceeds raised from any corporate proposals as at the date of this report.

B7 Group Borrowings and Debt Securities

The Group's total borrowings as at 30 June 2020 were RM171.351 million, compared with RM160.349 million at 30 June 2019.

<i>(All figures in RM'000)</i>	As at 30 June 2020	As at 30 June 2019
<u>Secured</u>		
Short Term	-	-
Long Term	-	-
<u>Unsecured</u>		
Short Term	171,351 *	160,349 **
Long Term	-	-
Total	171,351	160,349

* Amounts drawdown as at 30 June 2020 comprised HKD42.800 million and USD16.980 million from two offshore banks in Labuan, and USD17.500 million from a local bank.

** Amounts drawdown as at 30 June 2019 comprised HKD42.800 million and USD15.810 million from two offshore banks in Labuan, and USD17.500 million from a local bank.

There were no debt securities in the financial period ended 30 June 2020.

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B8 Financial Instruments

Derivatives

There were no outstanding derivative financial instruments as at 30 June 2020.

Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities for the financial period ended 30 June 2020.

B9 Changes in Material Litigation

There was no material litigation pending as at the date of this report, except as disclosed in Note A11.

B10 Dividend

The Board recognises the importance of a dividend to shareholders. However, in view of the unprecedented economic uncertainties presented by the Covid-19 pandemic and their substantial adverse impact on the Group's hotel businesses, the Board has decided it would not be prudent to declare an interim dividend for the financial year ending 31 December 2020.

B11 (Loss)/Earnings per Share

The basic (loss)/earnings per ordinary share for the six (6) months ended 30 June 2020 have been calculated as follows:-

	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
(Loss)/Profit attributable to shareholders of the Company (<i>RM'000</i>)	(29,084)	9,560	(27,053)	31,675
No. of ordinary shares in issue (<i>'000</i>)	440,000	440,000	440,000	440,000
Basic (Loss)/Earnings Per Share (<i>sen</i>)	(6.61)	2.17	(6.15)	7.20

Diluted (Loss)/Earnings per Share

Not applicable.

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B12 Notes to the Statement of Comprehensive Income

	3 months ended		6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Net (loss)/profit for the period is arrived at after charging:-				
Interest expense	(1,056)	(1,476)	(2,311)	(2,905)
Depreciation	(14,952)	(15,832)	(30,037)	(31,687)
Foreign exchange loss	(56)	-	(258)	-
Allowance for doubtful debts - trade receivables	(176)	-	(220)	-
and after crediting:-				
Interest income	1,713	2,376	3,991	4,575
Foreign exchange gain	1	-	15	-
Write back of allowance for doubtful debts - trade receivables	12	30	73	26

Other than the above which have been included in the statement of comprehensive income, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investments or properties for the financial period ended 30 June 2020.

B13 Audit Report of the Group's Preceding Annual Financial Statements

There was no qualification in the audit report of the Group's financial statements for the year ended 31 December 2019.

By Order of the Board

Datin Rozina Mohd Amin
Company Secretary

Kuala Lumpur
26 August 2020