

Chairman's Statement



I am pleased to report that Tanjong has been able to deliver record earnings for the financial year ended 31 January 2010 despite the challenges of a notably difficult global economic environment. All our business segments turned in improved top-line results and this has enabled the Group to achieve revenue growth for the fourteenth consecutive year.



Operating Environment

The Malaysian economy experienced a 1.7% contraction in 2009 against a 4.6% GDP growth in the previous year.

The widespread economic turbulence also adversely affected the other geographies in which the Group operates. Egypt registered a moderate decline in GDP growth, posting a growth of 4.7% against 7.2% in 2008. Bangladesh likewise saw a lower GDP growth of 5.9% against a 6.2% growth in the previous year. Germany's export-dependent economy recorded a 4.8% contraction, its deepest downturn to date in modern history, in comparison to a 1.2% growth in 2008.

Financial Performance

The Group was able to maintain its growth momentum during the period under review, demonstrating its underlying strength and resilience in the face of very challenging economic conditions. Group revenue rose by 6% or RM204 million from RM3,694 million to RM3,898 million for the financial year ended 31 January 2010 ("the current year"). Operating profit similarly increased by 10% or RM108 million from RM1,119 million to RM1,227 million in the current year.

The Group continues to derive significant returns from the strength of its portfolio of power generation assets. Revenue for the Power Generation segment increased by 3% from RM2,718 million to RM2,812 million in the current year, mainly due to improved contributions from Malaysian and Egyptian power plants. The operating profit for this segment grew by 25% from RM804 million previously to RM1,006 million on the back of increased revenue, lower plant maintenance, corporate and business development costs totalling RM114 million and the non-recurring RM85 million contribution (in lieu of the windfall profit levy), that was made in the previous year.

For Gaming, gross sales proceeds from the Numbers Forecast Totalisator ("NFO") business increased slightly by 3% from RM1,990 million to RM2,053 million due to sixteen additional draws conducted in the current year. However, operating profit for the Gaming segment reduced by RM41 million from RM210 million to RM169 million, principally due to escalating Racing Totalisator ("RTO") operating expenses.

The Leisure segment continues to strengthen and is delivering improved results. As a result of higher visitor

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arrivals and average spend at Tropical Islands, and with inclusion of the full year's contribution from TGV Cinemas Sdn Bhd; the Leisure segment posted a 48% or RM100 million increase in revenue from RM208 million to RM308 million. The segment's operating losses reduced significantly by 72% from RM29 million to RM8 million in the current year.

Property Investment posted an 8% increase in revenue from RM53 million to RM57 million mainly on the back of higher average rental yields from renewed tenancies. Segmental operating profit, at RM70 million, was however significantly lower than the RM142 million operating profit previously, due to the recording of a lower fair value gain of RM22 million from the revaluation of Menara Maxis in the current year as compared to the RM100 million fair value gain reported in the previous year.

These encouraging developments culminated in the Group reporting a 16% increase in operating cash flows to RM1,481 million and an increase in cash and cash equivalents from RM1,203 million to RM1,536 million in the current year.

Earnings Per Share and Dividends

In line with the stronger overall performance, Tanjong's net earnings per share rose by 46% from 115.0 sen to 167.8 sen in the current year.

Tanjong's dividend policy continues to seek a balance between providing immediate cash returns to shareholders and conserving funds critical to its long term growth. The Board has declared four gross interim dividends totalling 70 sen in the current year, and is recommending a final gross dividend of 30 sen per share before Malaysian income tax at 25%. This will result in a total gross dividend of RM1.00 per share, an 11% increase over the previous year's gross dividend of 90 sen per share, and representing a gross payout ratio of 60%. The increased dividend quantum represents an improvement in the gross dividend yield from 6.3% to 6.8% in the current year.

Corporate Governance

We consider our efforts in promoting good corporate governance as a source of competitive advantage as this enhances long term shareholder value and underscores the Group's standing and credibility in its dealings with its shareholders, government authorities and business partners. The Group's Statement on Corporate Governance (set out in pages 32 to 37) outlines the underlying governance framework and practices which are in place.

The Group continues to be acknowledged for its dedication to good governance by institutional investors, investment research houses and the media. *Asiamoney* in its Best Corporate Governance Poll 2009, once again ranked Tanjong No. 1 in Malaysia for Best Investor Relations. Tanjong was ranked No. 2 in Malaysia for Overall Best Corporate Governance. Tanjong has also been recognised as one of Asia's leading corporates by virtue of its inclusion in the *Corporate Governance Best of Asia 2010* awards. We are honoured by the recognition given and will strive to maintain the high standards that are expected of us.

Corporate Responsibility

The Group's obligation to ensure the sustainability of its businesses also extends to it implementing responsible and sustainable practices that impact positively on the environment and communities it operates in.

In the current year, Tanjong continued to focus its efforts on elevating the standards of living and well-being of communities by donating nearly RM30 million for educational, welfare, sports, health and various other pursuits. The Group also continued to implement measures to ensure healthy and safe working conditions throughout the breadth of its operations, while undertaking activities that provided its employees a favourable work environment. On top of this, continuing measures have been taken to ensure Tanjong's power plants operate in a socially responsible and environmentally-friendly manner; even as other responsible environmental practices have been adopted throughout the organisation. Further details of the Group's corporate responsibility initiatives are outlined in pages 30 and 31 of the Group's Corporate Responsibility Statement.

Outlook

Although timely intervention by governments have averted a collapse of the global economy, economic recovery remains fragile and uneven. The Group thus recognises that it must tread forward carefully and be mindful of the need to assiduously make the most of emerging opportunities. It is imperative that we continue adapting our business strategies to the current environment and make every effort towards value creation by positioning our core businesses for both organic and opportunistic growth.

For Power Generation, improving economic conditions will make it more conducive for this segment's future growth. Having taken the opportunity to consolidate our position

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in uncertain times, the Group is now well positioned to leverage on its strong growth track record. It will do so by judiciously pursuing development opportunities in the Middle East and North Africa, South Asia and Southeast Asia regions. On the Malaysian front, the Group supports the Malaysian Government's efforts to restructure the domestic power sector and looks forward to engaging with the relevant parties for our mutual benefit.

In the Gaming segment, the Group will seek to widen its product offering consistent with its intention to compete more effectively on a level playing field. We are also actively engaging with the relevant parties to reduce, to more acceptable levels, totalisator expenses in the RTO business which continue to adversely affect the results of the Gaming segment.

In Leisure, Tropical Islands is making satisfactory progress operationally and our efforts to ensure adequate overnight accommodation to encourage longer stays, including overnight stays, and higher levels of spend at the resort will be critical to its long-term sustainability. There also is scope in broadening the reach of TGV's existing cinema network and efforts to significantly enhance its customer experience are currently under way.

Acknowledgements

On behalf of the Board, I would like to express my deepest appreciation to the dedicated and talented team of managers and employees who have been instrumental in addressing the challenges faced by the Group. I ask that they continue their commitment to perform to the best of their abilities. I also wish to thank our regulators, customers, business partners and investors for their unwavering support and cooperation. I am further indebted to my colleagues in the Board for their insights and counsel in steering Tanjong through the year's challenges. As we move on to a new decade, rest assured that your Board will leverage on the Group's resources and strengths to overcome all challenges and capitalise on the many opportunities that are gradually, but certainly, coming into view.

DATO' ROBERT CHEIM

Chairman
Kuala Lumpur
6 May 2010