

## Chairman's Statement

I am pleased to report another year of encouraging results for the Tanjong Group. Despite a sharp deterioration in global economic conditions in the latter part of 2008, the Group remained profitable due to the strong performance of its core business segments during the financial year ended 31 January 2009 ("the current year").

### Operating Environment

The Malaysian economy weakened in 2008 with real gross domestic product ("GDP") growth dropping to 4.6% from 6.3% in 2007 as a result of lower exports and a slowdown in the manufacturing sector.

The economic turmoil also affected most of the other regions in which the Group operates. Germany registered a 1.3% growth in 2008 against 2.5% in the preceding year, signalling the extent to which the Eurozone had been impacted. Bangladesh experienced a decline in GDP growth, posting 6.2% against 6.6% in 2007. Egypt saw a modest 0.1% increase in GDP growth to 7.2%.

### Financial Performance

The current year marks the thirteenth consecutive year in which Tanjong's revenue has grown. I am pleased to report that Group revenue rose by 36% to RM3,694 million from RM2,722 million the year before. Group operating profit also increased, rising by 14% to RM1,119 million against RM978 million the year before. Improved contributions from our Power Generation, Leisure and Property Investment segments, all led to the increase in Group operating profit.

In the Power Generation segment, the successful integration of Globeleq's power plant assets resulted in a substantial 47% increase in revenue to RM2,718 million from RM1,844 million. A RM604 million contribution from the Globeleq plants and increased energy billings from the Malaysian power plants contributed to this enhanced performance.

However, despite the higher revenue contribution, Power Generation's operating profit increased by only RM19 million to RM794 million. This is due to the accrual of a one-off RM85 million contribution to the Malaysian Government (in lieu of the windfall profit levy on Malaysian power plants) and RM51 million relating to business and corporate development costs.

In the Gaming segment, Numbers Forecast Totalisator ("NFO") gross sales proceeds decreased marginally by 2% to RM1,990 million from RM2,026 million despite six less draws being conducted. As a result of the reduced number of draws as well as higher losses recorded by the Racing Totalisator ("RTO") business, operating profit dropped by RM19 million to RM210 million from RM229 million previously.

The Leisure segment reported an improved performance with Tropical Islands continuing to show good progress. Leisure registered a 102% increase in revenue from RM103 million to RM208 million, which led to a 51% reduction in operating losses from RM59 million to RM29 million. Higher visitor arrivals and average spend at Tropical Islands, as well as the inclusion of the results of TGV Cinemas Sdn Bhd (which became a wholly-owned subsidiary of the Group on 31 July 2008) were the main contributors to the improved results.

The Property Investment segment registered a 6% increase in revenue to RM53 million due to higher average rental yields from renewed tenancies. Operating profit rose from RM43 million to RM142 million, due mainly to the inclusion of a RM100 million fair value gain arising from an independent valuation of Menara Maxis in accordance with International Accounting Standard ("IAS") 40 - Investment Property.

Included in Group finance costs of RM534 million are debt refinancing costs of RM141 million relating to the refinancing of the Group's debt in respect of its two Egyptian power subsidiaries. The refinancing costs have been expensed in compliance with IAS 39 - Financial Instruments: Recognition and Measurement. The refinancing is expected to yield a net financial benefit with an estimated present value of RM163 million, over the tenure of the loan.

## Chairman's Statement (continued)

### Earnings Per Share & Dividends

Despite a decrease in Tanjong's net earnings per share from 137.5 sen in the preceding year to 115.0 sen this year, your Board has maintained the dividend payout for the current year. This is a reflection of the Group's confidence in the strength of its underlying cash flows.

Your Board declared four gross interim dividends of 17.5 sen each, totalling 70 sen in the current year, and is recommending a final gross dividend of 20 sen per share less Malaysian income tax at 25%; resulting in a total gross dividend of 90 sen per share for the year. If approved by shareholders at the forthcoming Annual General Meeting, the total net dividend for the year will amount to 67.5 sen per share compared to 66.8 sen per share in the previous year.

The Group has adopted a progressive dividend policy that seeks to achieve a balance between long-term capital growth and immediate cash returns to shareholders. As such, it will maintain an attractive payout ratio, while conserving adequate funds to enable us to pursue new investment opportunities vital to our long-term growth.

### Significant Corporate Developments

#### Acquisition of TGV Cinemas Sdn Bhd ("TGV")

At the end of July 2008, the Group completed the acquisition of the remaining 50% stake in TGV from Golden Harvest Cinemas Holding Limited for approximately RM40 million, thus making TGV a wholly-owned subsidiary of Tanjong. With full corporate and management control, we are now well-positioned to execute our plans to improve TGV's service quality and operational efficiency as well as explore expansion opportunities in the cinema business.

#### Divestment of Broadcasting Assets

In March 2008, the Group made a timely disposal of its investment in Macquarie UK Broadcast Holdings Ltd and Macquarie UK Broadcast Services Plc for £37 million (RM231.9 million). The sale realised a net gain of some RM62 million.

#### Corporate Governance

Tanjong remains committed to upholding the highest standards of corporate governance in all our business undertakings. By acting responsibly we are increasing shareholder value over the long-term. The Group's Statement on Corporate Governance (set out in pages 30 to 35) outlines the underlying governance framework and best practices that are in place to help enhance long-term shareholder value.

In its 2008 Corporate Governance Polls, Asiamoney ranked Tanjong No. 1 in Malaysia for Best Investor Relations, while Tanjong was ranked No. 2 in Malaysia for Overall Best Corporate Governance. Tanjong was also cited by the IR Magazine as being one of the top three Malaysian companies carrying out good investor relations practices in Singapore.

#### Corporate Responsibility

The Group recognises the importance of fulfilling its obligations towards its stakeholders in order to ensure the sustainability of its businesses. In addition, Tanjong remains committed to adopting responsible and sustainable practices that impact positively upon its shareholders and employees, as well as the environment and the communities it operates in.

In the current year, Tanjong undertook various corporate responsibility programmes in the areas of the community, workplace and the environment. We elevated standards of living and the quality of life of communities by donating some RM22.3 million for educational, social welfare, sports, health and cultural pursuits. We promoted healthy and safe working conditions in the workplace, implemented initiatives to ensure the well-being of our employees as well as adopted responsible environmental practices. More details on Tanjong's initiatives in these areas are provided in the Group's Corporate Responsibility Statement in pages 28 and 29.

## Chairman's Statement (continued)

### Outlook

The various countries in which the Group operates are expected to be affected by the current global recession. Recognising the attendant uncertainties, the Group will adopt a cautious view of opportunities that may arise. It will be mindful of the significant change in traditional business models when executing its growth strategies over the next few years.

In the Power Generation segment, the Group will benefit from a reduction in borrowing costs from the debt refinancing exercise that was completed last year. Future investments in this sector will depend on the availability of funding on acceptable terms. In Malaysia, our business will depend on the outcome of measures taken by the Malaysian Government to restructure the Power sector.

The prospects of the Gaming segment will depend on the impact of prevailing economic conditions upon discretionary spending on gaming products and services. The Group will continue to invest in branding and technology to enhance the appeal of its products, while taking steps to improve operating efficiencies.

In the Leisure segment, Tropical Islands which has made significant improvements to its operations, faces the challenge of providing sufficient overnight accommodation to encourage even longer stays at the resort. Consequently, the Group had, in April 2009, entered into agreements with developers who will independently finance and construct accommodation that will enable additional visitors all year round. The current global financial turmoil has nevertheless made it difficult to assess with absolute certainty the outcome of the developers' efforts to finance, construct and sell vacation homes. The Group will therefore continually evaluate the appropriateness of the carrying value of its investment in Tropical Islands in the light of the aforesaid uncertainties.

The ongoing crisis in the financial markets and dramatically changed economic outlook also requires that we refine our business strategies and incorporate measures that will allow us to focus on our strengths. We will also make every effort to further increase operational efficiency while positioning our core businesses for opportunistic growth.

### Acknowledgements

Tanjong owes much of its success to its dedicated and talented team of managers and employees. On behalf of the Board, I wish to convey my utmost gratitude to these individuals and ask that they continue giving their best in all that they do. I also wish to extend my deepest appreciation to our regulators, customers, business partners and investors for their steadfast support.

My sincere appreciation to my colleagues on the Board for their valuable insights and counsel in taking Tanjong forward this past one year. While the new financial year will undoubtedly bring with it many new challenges and opportunities, rest assured that your Board will make every effort to mitigate risks and embrace opportunities, while creating and building shareholder value.

DATO' ROBERT CHEIM  
Chairman  
Kuala Lumpur  
6 May 2009