

LEISURE & HOSPITALITY



The new Wet Park at Genting Theme Park

GENTING HIGHLANDS RESORT

Despite the economic downturn, the Leisure and Hospitality division contributed RM829.2 million or 91% to the Group's profit before tax in 1998. The year's performance was supported by a variety of international entertainment extravaganzas and new facilities at Genting Highlands Resort ("Resort") that lived up to its image of being the "City of Entertainment".

The constant entertainment attractions at the Resort brought in approximately 12.3 million visitors to the Resort in 1998. The average room occupancy rate at the Resort improved to 84% in 1998 compared to 79% in the previous year.

During the year under review, efforts were made to upgrade and refurbish the existing 3,400 hotel rooms at the Resort. At the Highlands Hotel, 180 Deluxe Twin rooms were upgraded to Premier Club rooms, which increased the total of Premier Club rooms to 360.

The *Galleria Observatory* was officially opened on 14 August 1998 by the Minister of Culture, Arts & Tourism, Dato' Sabbaruddin Chik. The observatory offers a breathtaking panoramic view of the highlands at 6,000 feet above sea level.

The Division has a total of 27 food and beverage outlets at the Resort in 1998, serving 8.0 million food covers compared to 6.9 million in the previous year. Three new dining venues with separate theme concepts were opened during the year under review.

The two main entertainment venues, the 6,000-seat *Arena of Stars* and the 1,800-seat *Genting International Showroom* hosted spectacular concerts and entertainment extravaganzas.

Popular international artistes like Anita Mui, The Wynners, Alex To, Roman Tam and local favourites such as Seha, Zainal Abidin and Elite performed to enthusiastic crowds at the *Arena of Stars*.

The *Arena of Stars* also hosted the Genting World Lion Dance Championship and the popular '3.2.1 Action' television musical's annual award presentation, bringing together superstars from Hong Kong and Taiwan like Andy Lau, Leon Lai, Jeff Chang and Coco Lee.

The highly successful "Magic Xscape" completed its run in August 1998 at the *Genting International Showroom*. In its place, another world-class production "Harary ImagineNation" was introduced, which features Franz Harary, one of the world's best illusionists.

The Mr. & Miss Chinatown '98 competition was also held at the Resort at the Genting Grand Ballroom.

Touch Screen Info kiosks were installed at all hotel lobbies in July 1998, to provide quick access information on the Resort's facilities and services and general public data to patrons.



Star Cruises jetty located beside Awana Porto Malai, Langkawi

During the year under review, the Leisure & Hospitality Division expanded its businesses, with the investment of a 27% equity interest in Star Cruises PLC, the opening of three new Genting World leisure centres and the commencement of Awana Timeshare Ownership Scheme.

AWANA HOTELS & RESORTS

Awana Porto Malai, Langkawi; Awana Kijal Golf and Beach Resort, Terengganu; and Awana Genting Highlands Golf & Country Resort continue to attract its niche market with its innovative packages, aggressive marketing and smart partnership with key players in the travel arena.

The Awana Dream Holidays is an example of an affordable package made possible by establishing a smart partnership with the national airline, Malaysia Airlines System.

AWANA TIMESHARE OWNERSHIP SCHEME

The Division launched the timeshare business under Awana Vacation Resorts Development Bhd ("AVRD") on 8 August 1998. AVRD operates and manages a Timeshare Ownership Scheme ("Scheme"), that allows the timeshare owners the right to use the rooms and apartments for an agreed period at a very affordable cost.

The existing holiday resorts under the Scheme are Awana Genting Highlands Golf & Country Resort, Awana Kijal Golf & Beach Resort and access to Resort Condominium International (RCI) exchanges that have more than 3,300 affiliated resorts over 85 countries around the world.

STAR CRUISES

Star Cruises PLC is the operator of Star Cruises, the leading cruise operator in Asia Pacific and one of the five largest cruise lines in the world. It also has one of the youngest cruise fleets in the world with an average age of less than 5 years by year 2002.

Star Cruises currently has a fleet of eight vessels namely SuperStar Leo, Star Aquarius, Star Pisces, SuperStar Gemini, MegaStar Aries, MegaStar Taurus, SuperStar Capricorn and the SuperStar Express. Ever since its official launch in November 1998, the 76,800-tonne SuperStar Leo has received overwhelming response from the public.

By the third quarter of 1999, SuperStar Virgo, another vessel of similar size and luxury to SuperStar Leo and SuperStar Europe will join Star Cruises fleet. By year 2002, two additional newbuildings, the SuperStar Libra and SuperStar Scorpio will be added to the Star Cruises Fleet.

GENTING WORLD

There are currently four Genting World leisure centres, of which three centres were opened during the year under review. The four centres are located at strategic populated regions in Peninsular Malaysia - i.e. at Awana Porto Malai, Langkawi and Bukit Mertajam, Penang (north region); Ipoh Parade, Ipoh (central region) and the Summit USJ (Klang Valley).

The Genting World leisure centres are fast becoming popular attractions that offer the latest and high-tech bowling lanes, snooker tables and cafés.

PLANTATION STATISTICS FOR 1998

	Oil Palm		Rubber		Durian & Others		Titled Area	
	1998	1997	1998	1997	1998	1997	1998	1997
Area (Hectares)								
Mature	29,095	26,166	1,830	2,304	0	0	30,925	28,470
Immature	6,581	9,483	–	32	34	34	6,615	9,549
Total Planted Area	35,676	35,649	1,830	2,336	34	34	37,540	38,019
As a percentage (%)	95.0	93.8	4.9	6.1	0.1	0.1	100	100
Unplanted Jungle Area	–	–	–	–	1,558	1,208	1,558	1,208
Labour Lines, Buildings & Infrastructure etc.	–	–	–	–	1,786	1,735	1,786	1,735
Total Area	35,676	35,649	1,830	2,336	3,378	2,977	40,884	40,962
Percentage Over Titled Area (%)	87.2	87.0	4.5	5.7	8.3	7.3	100	100
Production (mt)	472,962	481,696	1,826	2,141	–	–	–	–
Average Yield Per Mature Hectare (mt)(kg)	16.8	18.8	1,201	1,171	–	–	–	–
AVERAGE SELLING PRICE								
Rubber (sen/kg)	–	–	250	246	–	–	–	–
CPO (RM/mt)	2,321	1,370	–	–	–	–	–	–
Palm Kernel (RM/mt)	1,103	770	–	–	–	–	–	–



Oil palm harvest with in-field mechanisation



Shop offices in Permaipura, Kedah

PLANTATIONS

The Plantations Division posted a strong 100% growth in profit before tax to RM142.4 million, mainly due to higher selling prices of crude palm oil ("CPO") and palm kernel achieved during the year. The achieved average selling price for CPO increased by 69% to RM2,321 per metric tonne ("MT").

During the year under review, the lagged El-Nino effect of prolonged dry weather and the haze experienced had caused considerable stress on the palms. As a result, although the harvesting area increased by about 11% in 1998, the Division's output of fresh fruit bunches ("FFB") during the same period was slightly lower at 472,962 MT, compared to 481,696 MT in 1997. As such, its yield per hectare declined to 16.8 MT per hectare, against 18.8 MT per hectare in 1997.

The Huka Lift System, for FFB evacuation, was introduced during the year in one of the Group's estates. This is in line with the Group's continuous efforts to implement various mechanisation process, wherever feasible, to reduce labour dependency.

Rehabilitation works on the flood-damaged areas in Tenegang estates commenced in August 1998. As at end 1998, planted area in the Tenegang project amounted to 15,605 hectares, of which 81% have matured.

The Serian Palm Oil Mill, a 40%-owned joint venture with the Sarawak Land Consolidation and Rehabilitation Authority (SALCRA) in Sarawak, achieved commendable results and higher than average oil extraction rates despite poor FFB harvest from supplying estates.

PROPERTIES

1998 has been a very tough year for the property development industry, as the sector continued to feel the brunt of the economic downturn. Despite the odds, the Properties Division has performed satisfactorily in the areas of construction progress and collection of progressive payments. As such, the Division managed to post profit before tax of RM32.0 million in 1998.

The Indahpura Project in Kulai, Johor continues to be the main profit contributor. In October 1998, the four-storey shop offices were relaunched on strata basis and this scheme received encouraging response. During the year under review, 62% of the 1,040 units of the "Rumah Rakyat" scheme launched were sold.

There were no new sales launch for the earlier Desa Cheng Perdana project in Melaka and the Permaipura Project in Bedong, Kedah.

The Permaipura Golf & Country Club was officially launched by His Royal Highness Tuanku Sultan of Kedah on 11 April 1998.

Kijal Golf & Beach Resort, an integrated tourist-cum-housing resort project on the east coast of Peninsular Malaysia continued to be a popular resort amongst the locals and expatriates, during the year under review. Strategic marketing efforts have been planned to improve the sales of Kijal Beach Resort Apartments and land parcels in 1999.



Corrugated paper boxes ready for distribution

PAPER & PACKAGING

During the year under review, the two industrial brown grade paper mills of the Group recorded a plant efficiency of 95%. Located at Kuala Langat, Selangor, the two mills produced a total output of 234,000 metric tonnes ("MT"). Despite the economic downturn, the Division achieved a total sales volume of 224,500 MT in 1998, slightly lower by 3% compared to 232,000 MT in 1997.

During the year, the Division capitalised on the opportunity arising from the economic downturn and entered into downstream packaging industry, by acquiring three corrugated carton box plants with a combined production capacity of 90,000 MT per annum.

These box plants are located in Prai (Penang), Shah Alam and Balakong (Selangor). The acquisition also included a converting plant in Kulim, Kedah. Since the takeover, these box plants have made significant inroads in promoting Genting Sanyen paper as substitutes for imported brown grade industrial paper.

The packaging business has proven to be viable and the Division will continue to explore the possibility of further business diversification and expansion into the paper and packaging industry.

The integration of paper manufacturing with corrugated carton box manufacturing is expected to generate positive synergies for the Division. In the longer term, the profitability of the Paper Division will be more stable as it will be less affected by the fluctuations prevailing in the cyclical paper market and the dumping activities of certain regional paper mills into the local market.



Power plant at Kuala Langat, Selangor

POWER

The Power Division contributed RM81.3million to the Group's profit before tax during the year under review.

The Division's performance is steered by the Group's 39.1% interest in Genting Sanyen Power Sdn Bhd ("GSP"). GSP owns the 720 MW combined cycle power plant at Kuala Langat, Selangor. The power plant entered into its third year of full commercial production in 1998, and has performed satisfactorily to-date. It has achieved output and high availability performance in accordance with expectations.

The ISO 9002-certified power plant is the first Independent Power Producer ("IPP") to be awarded the Malaysian Society for Occupational Safety & Health Gold Award in 1997 and the Grand Award in 1998.

During the year under review, a maintenance program and a major improvement exercise were carried out on the gas turbines of the power plant.

GSP like all other IPPs, contributes 1% of its revenue derived from the sale of electricity to Tenaga Nasional Berhad, to the Electricity Supply Industry Fund which was set up for the improvement and development of the power industry.

As part of its contribution to the society, GSP continued to support the University Tenaga Nasional scholarship scheme, which started in 1997. Scholarships were awarded to a second batch of five students in 1998.



Vorwata 11 - in the Muturi Block

OIL & GAS

The Group, through its wholly-owned subsidiary, Cairns Limited ("Cairns"), continued its highly successful exploration efforts on the Muturi Block throughout 1998. This block, located in northwest Irian Jaya, is held under a Production Sharing Contract (PSC) with Pertamina, the state oil company of Indonesia.

The drilling programme concluded in early May 1998, with Cairns having participated in eight wells on the Muturi PSC, seven of which were in, or in close proximity to, the Vorwata Field. These included six wells (Mogoi-Deep 1, Vorwata 4, 8, 9, 10 and 11) that were gas discoveries, one that was dry (Sakauni) due to the absence of reservoir and a final well (Nambumbi) that was suspended with gas shows following mechanical difficulties which prevented testing. No additional drilling is planned for 1999.

On 16 July 1998, Cairns together with BG Exploration and Production Limited ("BGEP"), operator of the Muturi PSC, acquired P.T. Saptra Patra Wisesa's 5% interest in the Muturi block. Following this transaction, Cairns has a 47.37% working interest and BGEP holds the remaining 52.63% interest in the block.

On 31 July 1998, DeGolyer and MacNaughton, an independent firm of petroleum engineers, certified that the proved and probable reserves dedicated to the Tangguh Project exceeded 18.3 trillion cubic feet (TCF) of gas. Cairns' net interest (excluding any provision for reserves found in the Mogoi-Deep gas discovery) is 1.79 TCF of certified proved and probable gas reserves, comparable to

approximately 300 million barrels of oil equivalent (BOE). In accordance with the Collaboration Agreement, Cairns will be entitled to supply 10.17% of all the gas to be supplied into the Tangguh LNG Project.

Efforts to market the gas from the Muturi PSC and the Tangguh LNG Project into established and emerging LNG markets have commenced and will continue throughout 1999. The project schedule calls for the first exportable LNG to be produced in 2004.

In Myanmar, the Group's 100%-owned subsidiary Roundhay Limited completed the acquisition of approximately 3,000-km 2D seismic and gravity survey in offshore Block M4 in February 1998. A large exploration prospect has been identified and work is continuing to mature this prospect to the drillable stage.

In Australia, the Group's 100%-owned subsidiary Coveyork Pty Limited ("Coveyork") has an 87.5% working interest and operates block WA-274-P, which is located in the highly prospective Browse Basin, on the northwest shelf of Western Australia.

Coveyork has completed a 2,700-km 2D seismic survey over the block and is participating in a multi-client 3D seismic survey. Acquisition, processing and interpreting this data will take place throughout 1999. No drilling on this block is planned in 1999.

YEAR 2000 (Y2K)

A Y2K task force has been set up to address the issues to ensure a smooth continuity of the Group's business processes and systems into the next millennium.

Led by the Y2K task force, the Group has to-date completed several major phases of the project - including the awareness programme, inventory checklist, impact analysis, budgeting and setting up of testing facilities. The task force is currently in the testing, validation and remediation phases.

The Group is constantly reviewing the previous phases to ensure the completeness of coverage of any Y2K-related issue for critical systems, including external party linkages. The total budgeted cost of the Y2K project is estimated at RM1 million for the Company and RM7 million for the Group.



HUMAN RESOURCES

Employees continue to play an instrumental role in ensuring that the Group maintains its strong performance in such tough economic times. Although the operations in all divisions have increased, the Group managed to maintain a total staff strength of 14,000 as at 31 December 1998.

During the year under review, Long Service Awards were accorded to employees in appreciation of their dedicated years of service to the Group.

The Group's strong management leadership and dedicated employees continued to be accorded with numerous awards of recognition during the year under review.

Genting Berhad was once again voted the no. 1 leading company in Malaysia for the fifth consecutive year, in the Far Eastern Economic Review's "Review 200 - Asia's Leading Companies" in 1998. It was also recognised as the top Malaysian company in Asian Business' "Asia's Most Admired Companies 1998".

Finance Asia accredited Genting Berhad to be one of "Asia's Strongest Companies" and voted no. 1 in both "debt-to-equity ratio" and "ability to service debt".

The Genting Group of Companies made nine records in the Malaysian Book of Records. Eight of these records were won by subsidiary Resorts World Bhd for its continuous and crowd-pulling attractions and facilities at the Genting Highlands Resort.

The ninth Malaysian record was won by the Group's Kuala Langkat power plant for being the first power plant to achieve the Malaysian Society for Occupational Safety & Health Gold Award in 1997 and Grand Award in 1998.



The Group's Chairman Tan Sri Lim Goh Tong handing over The Queen's Baton to Pahang's Chief Minister Tan Sri Mohamad Khalil Yaacob

COMMUNITY SERVICES

The economic slowdown did not deter the Group from supporting various welfare and charitable bodies in cash and in kind, as well as the development of sports, education, culture and non-governmental organisations in Malaysia.

The Group's subsidiary Resorts World Bhd ("RWB"), was the only Platinum Partner to Sukom '98 for the XVI Commonwealth Games. RWB hosted the Queen's Baton Run, prior to the grand opening at the Bukit Jalil Stadium on 11 September 1998.

The Group continued to support major sports and related associations such as the Football Association of Malaysia, Malaysian Hockey Federation and the Foundation for Malaysian Sporting of Excellence and the major cycling competition Le Tour de Langkawi.

The Group contributed RM2.1 million to the Special National Fund and supported various conferences on the economic recovery.

In supporting humanitarian services, RM3.0 million was contributed to the Malaysian Red Crescent Society, while various welfare and charitable organisations received cash contribution from the Group in 1998.

The Group also sponsored the publication of books such as "Tun Razak: Jejak Bertapak Seorang Patriot", "The Sultanate of Kedah", "Suara Pendidik", "Buku Masjid-Masjid Dunia, Malaysia & Kuala Lumpur".