PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
(Incorporated in Malaysia)

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
(Incorporated in Malaysia)

CONTENTS

PENANG GLOBAL TOURISM SDN. BHD.
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CORPORATE INFORMATION

DIRECTORS	: YAB TUAN LIM GUAN ENG YB LAW HENG KIANG YB DATO' ABDUL MALIK BIN ABUL KASSIM YB LOKE SIEW FOOK DATO' ROSLI BIN JAAFAR DATO' MUSTAFA KAMAL BIN MOHD YUSOFF DATO' SERI R. ARUNASALAM S/O V. RAMASAMY DATO' TAN SAM SOON (ALBERT) DATO' DANNY GOON SIEW CHEANG KHOO BOO LIM
SECRETARY	: SAWARN KAUR (MAICSA 0781028)
AUDITORS	: ALJEFFRIDEAN
BANKERS	: CIMB BANK BERHAD MALAYAN BANKING BERHAD
REGISTERED OFFICE	: C/O PDC PREMIER HOLDINGS SDN. BHD. LEVEL 4 TUN DR LIM CHONG EU BUILDING NO. 1 PERSIARAN MAHSURI BANDAR BAYAN BARU 11909 BAYAN LEPAS PENANG
PRINCIPAL PLACE OF ACTIVITIES	: NO. 8B (FIRST FLOOR) THE WHITEAWAYS ARCADE LEBUH PANTAI 10300 PENANG

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PENANG GLOBAL TOURISM SDN. BHD. (50689-X)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **PENANG GLOBAL TOURISM SDN. BHD.(50689-X)**, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

....2(a)/-

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

....2(b)/-

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provision of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ALJEFFRIDEAN AF1366
Chartered Accountants

NEOH CHIN WAH 01080/01/2019 J
Partner
Penang, Malaysia

Dated : May 04, 2018

....2(c)/-

TO THE MEMBERS OF PENANG GLOBAL TOURISM SDN. BHD. (50689-X)
(50689-X)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is carry out tourism activities for the State of Penang. There has been no significant changes in the nature of this activity during the year.

RESULT

The result of the Company's operation for the year ended December 31, 2017 is NIL and the accumulated loss as at December 31, 2017 is RM100,003. This is in accordance to the Company's policy on Government grants mentioned in Note 4.10.

DIVIDENDS

No dividends have been paid or declared since the end of the previous year. The directors do not recommend that a dividend to be paid in respect of the current year.

RESERVES AND PROVISIONS

No material transfers to or from reserves or provisions were made during the year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

No shares or debentures were issued by the Company during the year.

SHARE OPTIONS

No options have been granted to take up unissued shares of the Company during the year and there are no unissued shares of the Company under option as at the end of the year.

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PENANG GLOBAL TOURISM SDN. BHD.
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DIRECTORS

The directors of the Company in office during the financial year and up to the date of this report:

YAB Tuan Lim Guan Eng
YB Law Heng Kiang
YB Dato' Abdul Malik Bin Abul Kassim
YB Loke Siew Fook
Dato' Rosli Bin Jaafar
Dato' Mustafa Kamal Bin Mohd Yusoff
Dato' Seri R. Arunasalam s/o V. Ramasamy
Dato' Tan Sam Soon (Albert)
Dato' Danny Goon Siew Cheang
Khoo Boo Lim

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for those benefits deemed to be derived from dealings with:

Name	Relationship
Penang Development Corporation	Holding company
PDC Premier Holding Sdn. Bhd.	Related company
PICEB Sdn. Bhd.	Related company

....4/-

DIRECTORS' INTERESTS

According to the register of directors' shareholding, none of the directors in office at the end of the financial year had any interest is shares in the Company, its holding corporation or its related company during the financial year.

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the year are as follows:

	RM
Meeting allowance	6,000

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company during the year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the directors or past directors of the Company during the year.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been the director, officer or auditor of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

....5/-

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

As of the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

As of the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the year and secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors:

(a) the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of operations of the Company for the year in which this report is made.

....6/-

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)

HOLDING COMPANY

The holding company is Penang Development Corporation, a corporation enacted under the Penang Development Corporation Enactment, 1971.

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors during the year are as follows:

	RM
Statutory audit	5,000

AUDITORS

The retiring auditors, Messrs. AljeffriDean, have indicated their willingness to be re-appointed.

On behalf of the Board of Directors in accordance with a resolution of the directors,

DATO' ROSLI BIN JAAFAR
DIRECTOR

YB LAW HENG KIANG
DIRECTOR

Penang,
May 04, 2018

PENANG GLOBAL TOURISM SDN. BHD.
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STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	2017 RM	2016 RM
NON-CURRENT ASSETS			
Property, plant and equipment	6	**120,058**	137,866
CURRENT ASSETS			
Other current assets	7	**436,453**	2,112,734
Amount owing by holding corporation	8	**1,000,000**	-
Investment in short-term funds	9	**2,950,812**	-
Cash and bank balances	10	**11,404**	2,420,166
Total Current Assets		**4,398,669**	4,532,900
TOTAL ASSETS		**4,518,727**	4,670,766
EQUITY			
Share capital	11	**100,003**	100,003
Accumulated loss		**(100,003)**	(100,003)
Total Equity		**-**	-
CURRENT LIABILITIES			
Other payables and accrued expenses	8,12	**1,423,078**	1,357,853
Deferred income	13	**3,095,380**	3,311,254
Current tax payable		**269**	1,659
Total Current Liabilities		**4,518,727**	4,670,766
TOTAL EQUITY AND LIABILITIES		**4,518,727**	4,670,766

See accompanying notes to the financial statements.

PENANG GLOBAL TOURISM SDN. BHD.
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		RM	RM
INCOME		**14,442,074**	9,408,622
Merchandise cost		**(8,188)**	(16,039)
Operating expenses		**(12,592,605)**	(7,701,227)
Administration cost		**(1,838,985)**	(1,688,137)
		14,439,778	
PROFIT BEFORE TAXATION	15	**2,296**	3,219
Taxation	16	**(2,296)**	(3,219)
PROFIT(LOSS) FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME(LOSS)	17	**-**	-

See accompanying notes to the financial statements.

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
(Incorporated in Malaysia)

SCHEDULE OF INCOME, OPERATING COST AND ADMINISTRATION COST
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		RM	RM
INCOME			
Interest received		6,452	13,413
Distribution income		115,812	-
Portion of government grant utilised	13	14,305,267	9,370,809
Sales		14,543	24,400
		14,442,074	9,408,622
Merchandise Cost			
Cost of goods sold		8,188	16,039
Operating Expenses			
Advertisement fee		547,998	1,287,691
Copywriting and translation		52,677	54,828
Depreciation of property, plant and equipment		36,580	42,895
Flight incentive		107,916	338,753
Hosting of events		6,614,954	2,915,412
Loss(gain) on foreign exchange		(260)	851
Printing of publication and brochures		125,534	230,093
Professional fee		30,000	29,516
Publicity for events		622,187	116,821
Souvenirs, gift and publication material		223,967	367,630
State tourism expenses		12,909	21,777
Tactical campaign		1,916,326	745,451
Tourism media campaign		1,247,660	473,187
Tourism promotion(Trade show)		839,632	855,437
Tourism survey		199,280	199,280
Trade mark		-	1,412
Travelling cost		15,245	20,193
		12,592,605	7,701,227

....9(a)/-

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)

	2017	2016
	RM	RM
Administration Cost		
Accounting fee	**10,886**	8,194
Allowances	**11,172**	13,563
Annual dinner	**2,400**	-
Audit fee	**5,000**	5,000
Bank charges	**1,713**	756
Bonus and incentive	**101,462**	111,250
Directors' meeting allowance	**6,000**	9,850
Electricity and water	**23,397**	31,068
Employees' provident fund	**136,246**	122,466
Filing fee	**150**	150
Gratuity	**17,843**	-
Insurance	**45,598**	41,753
License fee	**330**	330
Medical expenses	**1,683**	3,533
Meeting expenses	**269**	728
Newspaper and periodicals	**24,224**	20,957
Printing and stationery	**5,512**	6,704
Professional fee	**4,155**	3,943
Property, plant and equipment written off	**1**	-
Publication materials	**61,527**	33,881
Rental of premises	**129,832**	128,014
Salaries	**1,110,723**	1,013,830
Secretarial fee	**2,581**	2,054
Social security contribution	**14,568**	12,165
Staff welfare	**1,624**	1,755
Stamps and postage	**15,197**	18,081
Telephone and internet	**42,333**	40,538
Training and development	**12,822**	6,510
Travelling cost	**14,319**	16,355
Upkeep of motor vehicle	**4,334**	4,104
Upkeep of office	**31,084**	30,605
	1,838,985	1,688,137

....9(b)/-

PENANG GLOBAL TOURISM SDN. BHD.
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Share Capital	Accumulated loss	Total
	RM	RM	RM
Balance at December 31, 2015	100,003	(100,003)	-
Profit(loss) for the year, representing total comprehensive income(loss)	-	-	-
Balance at December 31, 2016	100,003	(100,003)	-
Profit(loss) for the year, representing total comprehensive income(loss)	-	-	-
Balance at December 31, 2017	100,003	(100,003)	-

See accompanying notes to the financial statements.

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		RM	RM
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt from the operation		**14,543**	32,048
Payments for operating activities:			
Purchases and direct cost		**(8,188)**	(16,039)
Operating cost		**(14,243,563)**	(8,365,259)
Taxation paid		**(3,686)**	(1,588)
Total cash outflow from operating activities		**(14,255,437)**	(8,382,886)
Net cash outflow from operating activities	17	**(14,240,894)**	(8,350,838)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(18,773)**	(20,192)
Increase in other current assets		**(6,900)**	(1,400)
Distribution income		**115,812**	-
Interest received		**14,229**	5,636
Net cash in(out)flow from investing activities		**104,368**	(15,956)
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received from government		**14,675,932**	10,209,484
Increase(decrease) in other payables		**2,644**	(329)
Net cash inflow from financing activities		**14,678,576**	10,209,155
NET INCREASE IN CASH AND CASH EQUIVALENTS		**542,050**	1,842,361
Cash and cash equivalents at beginning of year		**2,420,166**	577,805
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,962,216**	2,420,166

....11/-

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)

	Note	2017	2016
		RM	RM
REPRESENTED BY :-			
Investment in short-term funds	9	2,950,812	-
Cash and bank balances	10	11,404	2,420,166
		2,962,216	2,420,166

See accompanying notes to the financial statements.

PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. GENERAL INFORMATION

The principal activity of the Company is carry out tourism activities for the State of Penang. There has been no significant changes in the nature of this activity during the year.

The Company's registered office is located at C/O PDC Premier Holdings Sdn. Bhd., Level 4, Tun Dr Lim Chong Eu Building, No.1 Persiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Penang and principal place of business is located at No. 8B(First Floor). The Whiteaways Arcade, Lebuh Pantai, 10300 Penang.

The holding company is Penang Development Corporation, a corporation enacted under the Penang Development Corporation Enactment, 1971.

The financial statements of the Company are presented in Ringgit Malaysia(RM).

The financial statements were authorised for issue by the Board of the Directors on May 04, 2018.

2. COMPLIANCE WITH FINANCIAL REPORTING STANDARDS AND THE COMPANIES ACT 2016

The financial statements of the Company have been prepared in compliance with the Amendments to Malaysian Private Entities Reporting Standard (MPERS) issued by the Malaysian Accounting Standards Board (MASB) in October 2015 that are effective for financial statements beginning on or after January 01, 2017 and the provision of the Malaysian Companies Act 2016.

The adoption of the Amendments to MPERS has no effect on the financial statements of the Company for the current year ended December 31, 2017 and the comparative year ended December 31, 2016.

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3. BASIS OF PREPARATION

The financial statements of the Company have been prepared using cost bases and fair value bases.

Management has used estimates in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. The areas involving significant estimation uncertainties are disclosed in Note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, Plant and Equipment

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as property, plant and equipment when the Company obtains control of the asset. The assets, including major spares, stand-by equipment and servicing equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised.

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use.

All property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

All property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. Depreciation of property, plant and equipment is computed on the straight-line method at the following annual rates based on their estimated useful lives:

....13/-

	Rate (%)
Computer	33
Software	20
Motor vehicle	20
Electrical installation	20
Furniture and fittings	10
Office equipment	10
Office renovation	20

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current year.

4.2 Impairment of Assets other than Inventories and Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

When there is an indication that an asset may be impaired but it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset and a cash-generating unit is the higher of the fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other non-current assets of the unit pro rata on the basis of the carrying amount of each appropriate asset in the cash-generating unit. Impairment loss is recognised immediately in profit or loss.

....14/-

The carrying amount of any asset in the cash-generating unit shall not be reduced below the highest of its fair value less costs to sell, value in use and zero.

An impairment loss recognised in prior periods for an asset or the appropriate assets of a cash-generating unit is reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

4.3 Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances, short-term bank deposits and other short-term, highly liquid investments that have a short maturity of three months or less from the date of acquisition, net of bank overdrafts.

4.4 Share Capital

The Company classifies and presents an issued financial instrument, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(a) Share Capital

Ordinary shares issued that carry no put option and no mandatory contractual obligation:

(i) to deliver cash or another financial asset; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, are classified as equity instruments.

....15/-

4.5 Financial Instruments

(a) Initial Recognition and Measurement

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) Derecognition of Financial Instruments

For derecognition purposes, the Company first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the term and an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

(c) Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely:

....16/-

(i) financial assets at fair value through profit or loss; and

(ii) financial assets at amortised cost.

Investments in debt instruments, whether quoted or unquoted, are subsequently measured at amortised cost using the effective interest method. Investments in unquoted equity instruments and whose fair value cannot be reliably measured are measured at cost.

Other than financial assets measured at fair value, all other financial assets are subject to review for impairment in accordance with Note 4.5(g).

(d) Subsequent Measurement of Financial Liabilities

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

(e) Fair Value Measurement of Financial Instruments

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

(f) Recognition of Gains and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(g) Impairment and Uncollectibility of Financial Assets

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include:

(i) significant difficulty of the issuer or obligor;

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(ii) a breach of contract, such as a default or delinquency in interest or principal payment;

(iii) granting exceptional concession to a customer;

(iv) it is probable that a customer will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Company's experience of loss ratio in each class, taking into consideration current market conditions.

4.6 Tax Assets and Tax Liabilities

A current tax for current and prior periods, to the extent unpaid, is recognised as a provision for taxation. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a tax recoverable. A provision for taxation or tax recoverable is measured at the amount the Company expects to pay or recover using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

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(b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss).

The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor tax taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred taxes are measured using tax rates that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which an entity in the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss.

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4.7 Employee Benefits

The Company recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

(a) Short-Term Employee Benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense.

Paid absences are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case on non-accumulating paid absences, recognised as and when the absences occur.

Bonus payments are recognised when, and only when, the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(b) Post-Employment Benefits-Defined Contribution Plans

The Company has various post-employment benefit plans established in accordance with local laws and practices in the countries in which the Company operates. These benefit plans are either defined contribution plans or defined benefit plans.

(i) Defined Contribution Plans

The Company makes statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

(ii) Termination Benefits

Termination benefits are payable whenever service of an employee is terminated before normal retirement date or whenever an employee accepts voluntary redundancy offered in exchange for benefits.

4.8 Provisions

The Company recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

4.9 Revenue Recognition and Measurement

The Company measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivable, which is usually the invoice price, net of any trade discounts and volume rebates given to the customer. For a multiple-element contract with a customer, the fair value of the consideration receivable is allocated to the identifiable elements on the relative stand-alone selling price basis.

Revenue from a sale of goods is recognised when:

(a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of the revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Company; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from a service transaction is recognised when:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the Company;

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(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Other income items of the Company, presented separately from revenue, are recognised using the following bases:

(a) Interest income from short term money market deposit is recognised using the effective interest method; and

(b) Distribution income from investment in short-term funds is recognised on a time proportion basis that reflects the effective yield on asset.

4.10 Government Grants

The Company does not recognise government grants, including non-monetary grants at fair value, until there is reasonable assurance that the Company will comply with the conditions attaching to the grants and the grants will be received.

The Company's government grants include government assistance for participating in social projects which may have no conditions specifically relating to the Company's operating activities.

All government grants are recognised as income in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Any balance not yet recognised in profit or loss is treated as deferred income.

Grants related to non-monetary assets and other grants received but not yet recognised in profit or loss are presented as a deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets or over the terms of the grants received, whichever is applicable.

5. ESTIMATION UNCERTAINTY

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Company are in measuring:

(a) Measurement of a Provision

The Company uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Company's historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances.

(b) Depreciation of Property, Plant and Equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(c) Measurement of Income Taxes

The Company operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will adjust for the differences as over- or under-provision of current or deferred taxes in the current period in which those differences arise.

....23/-

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	COST				
	Balance as at January 01, 2017	Additions	Written off	Balance as at December 31, 2017	Balance as at December 31, 2017
	RM	RM	RM	RM	RM
Office equipment	58,448	4,007		62,455	27,548
Computer	82,463	14,766	370	96,859	11,214
Furniture and fittings	158,220	-	-	158,220	79,321
Software	12,458	-	-	12,458	1,065
Motor vehicle	58,343	-	-	58,343	2
Office renovation	181,231	-	-	181,231	907
Electrical installation	136,718	-	-	136,718	1
Total	687,881	18,773	370	706,284	120,058

	ACCUMULATED DEPRECIATION				
	Balance as at January 01, 2017	Depreciation for the current year	Written off	Balance as at December 31, 2017	Depreciation for the previous year
	RM	RM	RM	RM	RM
Office equipment	28,662	6,245	-	34,907	5,845
Computer	76,146	9,868	369	85,645	9,934
Furniture and fittings	63,077	15,822	-	78,899	15,822
Software	10,496	897	-	11,393	1,098
Motor vehicle	58,341	-	-	58,341	319
Office renovation	176,576	3,748	-	180,324	3,750
Electrical installation	136,717	-	-	136,717	6,127
	550,015	36,580	369	586,226	42,895

The total net book value (NBV) of the property, plant and equipment of the Company which represents cost less accumulated depreciation as at December 31, 2017 is RM120,058 (RM137,866 in 2016).

....24/-

7. OTHER CURRENT ASSETS

	2017 RM	2016 RM
Other receivables	361,300	1,950,777
Prepayment	22,241	115,945
Deposits	52,912	46,012
	436,453	2,112,734

Other receivables are unsecured, interest free and repayable on demand.

8. RELATED PARTY TRANSACTIONS

During the year, the amount of transactions and balance due to related party transactions included in the financial statements of the Company are as follows :-

	Note	2017 RM	2016 RM
Related party transactions :-			
Contribution or sponsor from related companies		-	250,860
Advance to related company		-	5,151
Government grant received from holding company		14,094,232	11,152,484
Secretarial fee		2,581	2,054
Balance included in:-			
Amount owing by holding company		1,000,000	-
Accrued expenses	12	5,641	636

Amount owing by holding company and amount owing to related company are unsecured, interest free and repayable on demand.

The amount due from holding company related to grants receivable from Penang Development Corporation.

....25/-

9. INVESTMENT IN SHORT-TERM FUNDS

	2017	2016
	RM	RM
Money market fund in Malaysia,		
At fair value		
At 1 January:	-	-
Add: Additional investment	8,910,000	-
Add: Reinvestment of distribution income from investment	115,812	-
Less: Redemption of investment	6,075,000	-
At end of year	2,950,812	-

The fair value of current investments are measured based on the year-end Net Asset Value (NAV) which is RM1 per unit as at the reporting date.

10. CASH AND BANK BALANCES

	2017	2016
	RM	RM
Cash in hand	1,433	1,031
Cash at bank :-		
Current account	9,971	219,135
Short term money market deposit	-	2,200,000
	11,404	2,420,166

11. SHARE CAPITAL

	No. of ordinary shares	RM
Authorised		
Balance at January 01, 2016 and December 31, 2016*	500,000	500,000
Cancellation upon abolition of par value	(500,000)	(500,000)
Balance at December 31, 2017	-	-
Issued and fully paid		
Balance at January 01, 2016 and December 31, 2016*	100,003	100,003
Increase in issued and fully paid share capital	-	-
Balance at December 31, 2017**	100,003	100,003

** Ordinary shares of RM1 each*
*** Ordinary shares with no par value*

Pursuant to section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on January 31, 2017 shall have no par value.There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this abolition.

12. OTHER PAYABLES AND ACCRUED EXPENSES

	Note	2017	2016
		RM	RM
Other payables		3,023	379
Accrued expenses	8	1,420,055	1,357,474
		1,423,078	1,357,853

Other payables are unsecured, interest free and repayable on demand.

13. DEFERRED INCOME

	2017	2016
	RM	RM
Balance at beginning of the year	3,311,254	1,515,901
Government grant received during the year	14,094,232	11,152,484
Total government grant available	17,405,486	12,668,385
Accrual expenses overstated in prior year	19,176	13,678
Surplus grant yet refund	(24,015)	-
Add :		
Interest received	6,452	13,413
Distribution income	115,812	-
Sales	14,543	24,400
Total income	136,807	37,813
Less :		
Merchandise cost	(8,188)	(16,039)
Operating expenses	(12,592,605)	(7,701,227)
Administration cost	(1,838,985)	(1,688,137)
Taxation	(2,296)	(3,219)
Total expenditure	(14,442,074)	(9,408,622)
Portion of government grant utilised during the year	(14,305,267)	(9,370,809)
Balance at end of the year	3,095,380	3,311,254

14. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2017 RM	2016 RM
Deferred tax assets (liabilities)	-	-

The movements of deferred tax assets and liabilities during the year are as follows:

	2017 RM	2016 RM
As at beginning of year	-	-
Deferred tax credit not recognised in prior year	112,994	119,792
Movements of temporary differences for the year due to :		
- tax losses	(1,525)	(2,007)
Change in tax rate on opening balance of deferred tax	-	(4,791)
Total deferred tax credit	111,469	112,994
Deferred tax credit not recognised	(111,469)	(112,994)
As at end of year	-	-

The amount of deductible temporary difference and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the statement of financial position are as follow:-

	2017 RM	2016 RM
Deductible temporary difference	79,098	79,098
Tax losses	385,356	391,711

....29/-

15. PROFIT BEFORE TAXATION

	2017	2016
	RM	RM
Profit before taxation has been arrived at :		
After charging :-		
Audit fee	5,000	5,000
Depreciation of property, plant and equipment	36,580	42,895
Directors' meeting allowance	6,000	9,850
Loss(gain) on foreign exchange	(260)	851
Property, plant and equipment written off	1	-
Rental of premises	129,832	128,014
And crediting :-		
Interest received	6,452	13,413
Distribution income	115,812	-
Portion of government grant utilised	14,305,267	9,370,809

16. TAXATION

	2017	2016
	RM	RM
Taxation charge comprises:		
Current taxation	(2,296)	(3,219)
Deferred taxation	-	-
	(2,296)	(3,219)
Current taxation		
Current year	(2,244)	(3,219)
Tax penalty	(52)	-
	(2,296)	(3,219)

	2017 RM	2016 RM
Deferred taxation		
Tax losses	(1,525)	(2,007)
Deferred tax credit not recognised in prior year	112,994	119,792
Deferred tax credit not recognised	(111,469)	(112,994)
Change in tax rate on opening balance of deferred tax	-	(4,791)
	-	-

The explanation of the relationship between tax charge and profit from ordinary activities before tax is as follows:

	2017 RM	2016 RM
Profit from ordinary activities before taxation	2,296	3,219
Tax charge calculated at Malaysian tax rate of 24%	(551)	(773)
Tax effects of :		
- Expenses non deductible for tax purposes	(3,463,581)	(2,253,447)
- Income not subject for tax purposes	3,460,363	2,248,994
- change in tax rate on opening balance of deferred tax	-	(4,791)
Tax charge for the year	(3,769)	(10,017)
Deferred tax credit not recognised in prior year	112,994	119,792
Deferred tax credit not recognised	(111,469)	(112,994)
Tax penalty	(52)	-
Tax charge as reported	(2,296)	(3,219)

<u>Tax losses</u>

	2017 RM	2016 RM
Tax losses of which tax saving has not been utilised	385,356	391,711
Tax saving from the utilisation of tax loss brought forward from the previous year	1,525	2,007

The funds received from the State Government are not subject to tax pursuant to paragraph 2(1) to the Gazette Order of the Income Tax (Exemption) (No 22) Order 2006. The expenses incurred by the Company are fully funded/reimbursed by the State Government and are therefore disregarded pursuant to paragraph 3(2) Income Tax (Exemption) (No 22) Order 2006.

17. CASH FLOW FROM OPERATING ACTIVITIES

	2017 RM	2016 RM
Profit(Loss) for the year, representing total comprehensive income(loss)	-	-
Adjustment for :-		
Accrued expenses over provided in prior year	19,176	13,678
Depreciation of property, plant and equipment	36,580	42,895
Distribution income	(115,812)	-
Interest received	(6,452)	(13,413)
Surplus grant yet refund	(24,015)	-
Portion of government grant utilised	(14,305,267)	(9,370,809)
Property, plant and equipment written off	1	-
Taxation charge :-		
Current year	2,244	3,219
Tax penalty	52	-
Tax paid	(3,686)	(1,588)
Changes in working capital :-		
Decrease in trade receivables	-	7,648
Decrease in prepayment	93,704	284,925
Increase in accrued expenses	62,581	682,607
Net cash outflow from operating activities	(14,240,894)	(8,350,838)

18. EMPLOYEE COSTS

	2017	2016
	RM	RM
Salaries, allowances, and bonus	1,223,357	1,138,643
Defined contribution plan	136,246	122,466
Other employees benefit	94,139	65,716
	1,453,742	1,326,825

The number of employees of the Company as at the reporting date was 24 (23 in 2016).

19. SUBSEQUENT EVENTS

No events have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements. Except that the Company become wholly owned subsidiary of Chief Minister of Penang(Incorporation).

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PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **DATO' ROSLI BIN JAAFAR** and **YB LAW HENG KIANG,** being two of the directors of **PENANG GLOBAL TOURISM SDN. BHD. (50689-X),** state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with applicable approved accounting standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at December 31, 2017 and of its financial perfomance and cash flow for the year ended on that date.

On behalf of the Board,

____
DATO' ROSLI BIN JAAFAR
DIRECTOR

____
YB LAW HENG KIANG
DIRECTOR

Penang,
Dated : May 04, 2018

DECLARATION BY THE CHIEF EXECUTIVE OFFICER RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **OOI CHOK YAN (I.C. NO:760118-07-5799)**, being the Chief Executive Officer responsible for the financial management of **PENANG GLOBAL TOURISM SDN. BHD. (50689-X)**, do solemnly and sincerely declare that the accompanying financial statements, are, in my opinion, 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)
OOI CHOK YAN at GEORGETOWN, in the state of PULAU PINANG)
this 04 MAY 2018 day of)

____
OOI CHOK YAN

Before me,

PESURUHJAYA SUMPAH
No. P156
Nama: HAJI MOHAMED YUSOFF BIN MOHD. IBRAHIM
MALAYSIA

____
COMMISSIONER FOR OATHS

NO. 97, LEBUH BISHOP
10200 PULAU PINANG