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

**NO. 8B (FIRST FLOOR)**
**THE WHITEAWAYS ARCADE**
**LEBUH PANTAI**
**10300 PENANG**

ALJEFFRIDEAN
LOT 3.02 THIRD FLOOR
ACCTAX CORPORATE CENTRE
NO. 2 JALAN BAWASAH
10050 PENANG

Dear Sirs,

In connection with your examination of the financial statements of PENANG GLOBAL TOURISM SDN. BHD. (50689-X) for the year ended December 31, 2017 we make the statements and representation that, to the best of our knowledge and belief:

## GENERAL

We have made available to your representatives all financial records and related data.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. All income and expenditure for the period have been completely recorded in the books and reported to you. All expenditure for the period have been properly authorised and have been incurred for promoting various integrity programs by the Company.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

## MINUTES AND CONTRACTS

The minutes of meetings of the directors of Company and important management committees for the period from January 01, 2017 to                          or summaries of actions of recent meetings for which minutes have not been prepared, copies of which have been furnished to you, are complete and authentic records or summaries of proceedings at all such meetings held.

| Date | Type of Meeting |
|---|---|
| 24-01-2017 | BOARD OF DIRECTOR MEETING (NO. 1/2017) |

| Date | Type of Meeting |
|---|---|
| 25-05-2017 | DIRECTORS' CIRCULAR RESOLUTION |
| 20-06-2017 | DIRECTORS' CIRCULAR RESOLUTION |
| 20-06-2017 | MEMBERS' CIRCULAR RESOLUTION |
| 04-04-2017 | BOARD OF DIRECTOR MEETING (NO. 2/2017) |
| 26-07-2017 | BOARD OF DIRECTOR MEETING (NO. 3/2017) |
| 03-11-2017 | BOARD OF DIRECTOR MEETING (NO. 4/2017) |
| 29-01-2018 | BOARD OF DIRECTOR MEETING (NO. 1/2018) |
| 04-05-2018 | BOARD OF DIRECTOR MEETING (NO. 2/2018) |

We have made available to your representatives all significant contracts. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

**RELATED PARTY TRANSACTIONS**

There are no material transactions during the period or related amounts receivable and payable, due to sales, purchases, loans, transfers, leasing arrangements, guarantees and other arrangements with any party who is related with any of the Company's directors or officers (including their close family members) except as follows:

| | RM DR(CR) | RM DR(CR) |
|---|---|---|
| Balance Brought Forward | | (636) |
| -Penang Development Corporation | | |
| Government grant obtained | 14,094,232 | |
| Government grant received payment | (14,675,932) | (581,700) |
| Grant release from Jabatan Kewangan Negeri | | 1,943,000 |
| Grant yet release from Jabatan Kewangan Negeri | | (361,300) |
| -PICEB Sdn. Bhd. | | |
| Expenses charge | | (5,000) |
| -PDC Premier Holding Sdn. Bhd. | | |
| Secretarial fee charge | (2,581) | |
| Payment | 2,576 | (5) |
| Balance Carried Forward | | 994,359 |

| | RM DR(CR) |
|---|---|
| Include in: | |
| Amount owing by holding corporation | |
| -Penang Development Corporation | 1,000,000 |
| Amount owing to related company | |
| -PICEB Sdn. Bhd. | 5,000 |
| -PDC Premier Holding Sdn. Bhd. | 641 |

**DIRECTORS**

The following are the directors in office since the date of incorporation according to the register kept by the Company under Section 59 of the Companies Act, 2016 :

**NAME**

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

The directors or past directors have not received any other benefits from the Company directly or indirectly under any arrangement during the year as explained under Sections 253(1)(c) of the Companies Act, 2016.

| **Name** | **Relationship** |
|---|---|
| Penang Development Corporation | Holding corporation |
| PDC Premier Holding Sdn. Bhd. | Related company |
| PICEB Sdn. Bhd. | Related company |

There are no incorporated company, registered business or any entity of the Company or any directors which are not made known to you for proper accounting and disclosure of related party transactions in the audited financial statements.

**SHARE CAPITAL**

The share capital of the Company as at December 31, 2017 are as follows:

….3/-

| | 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 | | |
| 100,003 ordinary shares with no par value | | |
| Penang Development Corporation | 100,003 | 100,003 |
| Balance at December 31, 2017 | 100,003 | 100,003 |

* *Ordinary shares of RM1 each*

Pursuant to Section 74 of 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.

**DEBTORS**

The Company has no debtors as at the reporting date.

**INVESTMENTS**

The Company has no investments in any securities or other properties as at the reporting date. Execpt investment in short term fund.

**BANK ACCOUNTS**

All bank transactions have been properly recorded in the books and reported to you.

The following represents all the bank accounts being maintained by the Company as at December 31, 2017:

| Banker's Name | Account No. | |
|---|---|---|
| Malayan Banking Berhad | 557054607703 | (Current account) |
| CIMB Bank Berhad | 800387995-4 | (Current account) |

**FIXED ASSETS**

The total amount of RM18, 773 charged to fixed assets represents expenditure on actual asset additions during the period. All fixed assets are being used solely for the purpose of generating revenue for the Company.

….4/-

The net book value at which the property, plant and equipment are stated in the balance sheet date are arrived at:

a) After taking in to account all capital expenditure or additions during the period.
b) After elimination of cost and accumulated depreciation relating to disposals or scrapped items.
c) After providing for depreciation and impairment on bases calculated to reduce the net book value of each to its estimated useful life in the Company's business.

**OWNERSHIP OF ASSETS**

All assets of the Company appeared in the statement of financial position and the Company has satisfactory title to all the assets.

All insurable assets and risks are adequately covered by insurance.

**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 in undeveloped areas 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

Deferred income consists of the following:

| | 2017<br>RM | 2016<br>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) | - |

….5/-

| | 2017 | 2016 |
|---|---|---|
| | RM | RM |
| 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 |

**LIABILITIES**

All liabilities recorded are for valid purchases, transactions or in respect of true and fair value exchanged.

All liabilities for goods purchased or services received up to the balance sheet date have been recorded and are correctly described in the records. Adequate provisions have been made for accrued liabilities including salaries and bonus, pension plans, taxes, interest, royalties, rentals and other expenses as well as for any claims, tax assessments, or other liabilities which are being disputed or contested.

**CONTINGENT LIABILITIES**

There are no contingent assets, liabilities or accountabilities which are not recorded in a ledger account.

There have been no violations or possible violations of laws or regulations in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Unasserted claims or assessment that our lawyer has advised us are probable of assertion have been properly recorded or disclosed in the financial statements.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices that could have a material effect on the financial statements.

….6/-

**PURCHASE AND SALE COMMITMENTS**

There are no commitments of significant amount for the purchase or sale of fixed assets, permanent investment, or other assets.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its risks. The Company operates within defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

**Interest rate risk**

The Company had no substantial long-term interest-bearing assets as at December 31, 2017. The investments in financial assets are mainly short-term in nature and they are not held for speculative purposes.

**Liquidity risk**

The Company actively manages its operating cash flows and availability of funding so as to ensure that all funding needs are met. The Company is currently dependent upon continuing financial support from the Government.

**Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored by strictly limiting the Company's association to business partners with high creditworthiness. Debtors are monitored on an ongoing basis via the Company's management reporting procedures.

**PROVISION FOR LOSSES**

Provision have been in the accounts for all losses of material amount which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by the balance sheet date, including resulting from forward purchases and/or sale contracts.

**INCOME STATEMENTS**

Except as disclosed in the financial statements, the result for the period were not materially affected by :-

a) Transaction of a sort not usually undertaken by the Company;
b) Circumstances of an exceptional or non recurring nature;
c) Charges or credits relating the prior year; nor by
d) Any change in bases of accounting.

….7/-

## IRREGULARITIES

There have been no irregularities involving management or employees who have significant roles in the system of internal accounting controls.

There have been no irregularities involving other employees that could have a material effect on the financial statements.

## EMPLOYEE INFORMATION

Employee costs which include salary, allowances, rewards, bonus, EPF, Pension and Socso contribution by employer amounted to RM1,453,742 during the year. The number of employees of the Company as at the statement of financial position date was 24.

## 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.

**Yours faithfully,**
**PENANG GLOBAL TOURISM SDN. BHD.**
**(50689-X)**

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**DATO' ROSLI BIN JAAFAR**
**DIRECTOR**