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

May 10, 2019

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, 2018 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. The accounts have been prepared in accordance to Malaysian Private Entities Reporting Standard.

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, 2018 to May 10, 2019 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
02.01.2018	DIRECTORS' CIRCULAR RESOLUTION
30.01.2018	BOARD OF DIRECTOR MEETING (NO. 1/2018)
04.05.2018	DIRECTORS' CIRCULAR RESOLUTION
31.05.2018	DIRECTORS' CIRCULAR RESOLUTION

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

Date	Type of Meeting
08.06.2018	DIRECTORS' CIRCULAR RESOLUTION
25.06.2018	DIRECTORS' CIRCULAR RESOLUTION
29.06.2018	MEMBERS' CIRCULAR RESOLUTION
13.07.2018	DIRECTORS' CIRCULAR RESOLUTION
31.07.2018	BOARD OF DIRECTOR MEETING (NO. 2/2018)
30.10.2018	BOARD OF DIRECTOR MEETING (NO. 3/2018)
30.11.2018	DIRECTORS' CIRCULAR RESOLUTION
19.12.2018	DIRECTORS' CIRCULAR RESOLUTION
24.01.2019	BOARD OF DIRECTOR MEETING (NO. 1/2019)
28.02.2019	SPECIAL BOARD OF DIRECTOR MEETING (NO. 2/2019)
05.03.2019	DIRECTORS' CIRCULAR RESOLUTION
11.03.2019	DIRECTORS' CIRCULAR RESOLUTION
10.05.2019	BOARD OF DIRECTOR MEETING (NO. 3/2019)

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)
Balance Brought Forward	1,355,659
Secretarial fee charged by related company - PDC Premier Holding Sdn. Bhd.	(2,212)
2017 Grant received from related company - Penang Development Corporation	(1,000,000)
Grant obtained from related party - Penang State Government	16,469,900
Grant received from related party - Penang State Government	(16,831,200)
Repayment to related company - PDC Premier Holding Sdn. Bhd.	2,853
Repayment to related company - PICEB Sdn. Bhd.	5,000
Balance Carried Forward	-

DIRECTORS

The following are the directors in office as at the reporting date according to the register kept by the Company under Section 59 of the Companies Act 2016 :

….2/-

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

NAME	DATE APPOINTED (RESIGNED)	MEETING ALLOWANCE	AMOUNT OWING BY(TO) DIRECTORS	SHARE-HOLDINGS
YB Yeoh Soon Hin	20.07.2018	500	-	-
YB Dato' Law Choo Kiang	16.07.2018 (08.03.2019)	-	-	-
YB Gooi Zi Sen	13.07.2018	400	-	-
YB Ong Ah Teong	12.07.2018	200	-	-
Kenneth Tan Teong Keen	21.02.2019	-	-	-
Dato' Mustafa Kamal Bin Mohd Yusoff	08.05.2009	600	-	-
Dato' Seri R. Arunasalam s/o V. Ramasamy	06.05.2009	400	-	-
Dato' Tan Sam Soon (Albert)	14.07.2009	600	-	-
Dato' Danny Goon Siew Cheang	27.07.2012	400	-	-
Khoo Boo Lim	01.10.2014	600	-	-
YAB Tuan Lim Guan Eng	25.07.2008 (30.05.2018)	250	-	-
YB Law Heng Kiang	25.07.2008 (30.05.2018)	200	-	-
YB Dato' Abdul Malik Bin Abul Kassim	06.05.2009 (10.07.2018)	200	-	-
YB Loke Siew Fook	11.09.2014 (10.07.2018)	-	-	-
Dato' Rosli Bin Jaafar	30.07.2007 (01.03.2019)	-	-	-

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 except those benefits deemed to be derived from dealings with:

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

There are no other 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.

Indemnity limited to RM5 million in any one claim and in the aggregate were given to the directors and officers representing related corporation.

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.

….3/-

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

SHARE CAPITAL

The share capital of the Company as at December 31, 2018 are as follows:

	No. of ordinary shares	RM
Issued and fully paid 100,003 ordinary shares with RM1 Chief Minister of Penang (Incorporation)	100,003	100,003

DEBTORS

All debtor accounts are correctly described in the records and represent valid claims against the debtors indicated.

All sales during the above-stated year have been recorded in the books as such and the merchandise sold has been excluded from stocks at the end of the said year. The trade debtors shown in the books do not include billings on consigned goods nor charges corresponding to the materials or merchandise sold subsequent to the reporting date.

No allowance for doubtful debts is necessary as we are of the opinion that all the debts are fully collectible.

The normal credit terms of trade debtors from 30 to 60 days.

INVESTMENTS

The Company has no investments in any securities or other properties as at the reporting date except for 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, 2018:

Banker's Name	**Account No.**	
Malayan Banking Berhad	557054607703	(Current account)
CIMB Bank Berhad	800387995-4	(Current account)
RHB Asset Management Sdn. Bhd.	000000973178	(Cash management fund 1)

….4/-

PROPERTY, PLANT AND EQUIPMENT

The total amount of RM8,063, RM1 and RM2,043 charged to property, plant and equipment represents expenditure on actual assets additions, cost of disposal and cost of written off respectively during the year. All property, plant and equipment are being used solely for the purpose of generating revenue for the Company.

The net book value at which the property, plant and equipment are stated in the statement of financial position 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 applicable.

Deferred income consists of the following:

	2018	2017
	RM	RM
Balance at beginning of the year	3,095,380	3,311,254

….5/-

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

	2018	2017
	RM	RM
Government grant received during the year	16,469,900	14,094,232
Total government grant available	19,565,280	17,405,486
Accrued expenses overstated in prior year	30,773	19,176
Surplus grant yet refunded	-	(24,015)
Add :		
-Interest received	2,813	6,452
-Distribution income	109,364	115,812
-Sales	15,424	14,543
-Gain on disposal of property, plant and equipment	9,999	-
Total income	137,600	136,807
Less :		
-Merchandise cost	(8,472)	(8,188)
-Operating expenses	(12,139,762)	(12,592,605)
-Administration cost	(1,742,198)	(1,838,985)
-Taxation	21	(2,296)
Total expenditure	(13,890,411)	(14,442,074)
Portion of government grant utilised during the year	(13,752,811)	(14,305,267)
Balance at end of the year	5,843,242	3,095,380

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 reporting 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.

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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.

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, 2018. 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.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

….7/-

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

PROVISION FOR LOSSES

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

STATEMENT OF COMPREHENSIVE INCOME

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.

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 RM1,403,049 during the year. The number of employees of the Company as at the reporting date was 21.

SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date that would require adjustment to, or disclosure in, the financial statements except for the Company purchased a motor vehicle for total sum of RM145,803.

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

DIRECTOR