

PENANG GLOBAL TOURISM SDN. BHD.

(50689-X)

(Incorporated in Malaysia)

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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

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(50689-X)
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	: YB YEOH SOON HIN YB GOOI ZI SEN YB ONG AH TEONG DATO' MOHD BAZID BIN ABD KAHAR DATO' SERI R. ARUNASALAM S/O V. RAMASAMY DATO' MUSTAFA KAMAL BIN MOHD YUSOFF DATO' TAN SAM SOON (ALBERT) DATO' DANNY GOON SIEW CHEANG KHOO BOO LIM KENNETH TAN TEONG KEEN
SECRETARY	: SIEW YOKE LAM (MAICSA 7050477) MUHAMAD AKMAL BIN MOHAMAD JUNAIDI (LS 0010157)
AUDITORS	: ALJEFFRIDEAN PLT
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, 2019, 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 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, 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.

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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.

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- 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.

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 PLT AF1366
201906003455 (LLP0022267-LCA)
Chartered Accountants

NEOH CHIN WAH 01080/01/2021 J
Partner

Dated :
Penang, Malaysia

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DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended December 31, 2019.

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, 2019 is NIL and the accumulated loss as at December 31, 2019 is RM100,003. This is in accordance to the Company's policy on Government grants mentioned in Note 4.9.

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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DIRECTORS

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

YB Yeoh Soon Hin
YB Dato' Law Choo Kiang (Resigned on 08-03-2019)
YB Gooi Zi Sen
YB Ong Ah Teong
Dato' Mustafa Kamal Bin Mohd Yusoff
Dato' Seri R. Arunasalam s/o V. Ramasamy
Dato' Tan Sam Soon (Albert)
Dato' Danny Goon Siew Cheang
Dato' Rosli Bin Jaafar (Resigned on 20-02-2019)
Dato' Mohd Bazid Bin Abd Kahar (Appointed on 18-07-2019)
Khoo Boo Lim
Kenneth Tan Teong Keen (Appointed on 21-02-2019)

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 or any other body corporate.

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:

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

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DIRECTORS' INTERESTS

Pursuant to Section 59(2) and 59(3) of the Companies Act 2016, the register of director's shareholdings need not disclose the interest of the directors in the share capital of the Company or its related corporations by virtue of the Company being the wholly-owned subsidiary of Chief Minister of Penang (Incorporation), a corporation enacted under the Chief Minister of Penang (Incorporation) Enactment 2009.

DIRECTORS' REMUNERATIONS

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

	<u>RM</u>
Directors' meeting allowance	<u><u>7,850</u></u>

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

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.

OTHER STATUTORY INFORMATION

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

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- (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
- (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.

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- (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.

HOLDING COMPANY

The holding company is Chief Minister of Penang (Incorporation), a corporation enacted under the Chief Minister of Penang (Incorporation) Enactment 2009 which is also regarded by the directors as the holding company.

AUDITORS' REMUNERATIONS

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

	<u>RM</u>
Statutory audit	<u><u>5,000</u></u>

AUDITORS

The auditors, Messrs. AljeffriDean PLT (converted from a conventional partnership, Aljeffridean, on November 18, 2019), have indicated their willingness to be re-appointed.

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

YB YEOH SOON HIN
DIRECTOR

YB ONG AH TEONG
DIRECTOR

Penang,

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STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	<u>Note</u>	<u>2019</u> <u>RM</u>		<u>2018</u> <u>RM</u>
NON-CURRENT ASSETS				
Property, plant and equipment	6	<u>188,360</u>	ok	<u>94,183</u>
CURRENT ASSETS				
Trade receivables	7	14,752	14,753	2,000
Other current assets	8	201,075	ok	638,570
Amount owing by related corporation	9	2,736,350	ok	-
Investment in short-term funds	10	2,098,354	ok	5,182,975
Tax recoverable		1,533	ok	2,438
Cash and bank balances	11	<u>765,833</u>	ok	<u>583,147</u>
Total Current Assets		<u>5,817,897</u>	ok	<u>6,409,130</u>
TOTAL ASSETS		<u><u>6,006,257</u></u>	Ok	<u><u>6,503,313</u></u>
EQUITY				
Share capital	12	100,003		100,003
Accumulated loss		<u>(100,003)</u>		<u>(100,003)</u>
Total Equity		<u>-</u>		<u>-</u>
CURRENT LIABILITIES				
Other payables and accrued expenses	9,13	545,901		659,496
Deferred income	14	<u>5,460,356</u>	ok	<u>5,843,817</u>
Total Current Liabilities		<u>6,006,257</u>		<u>6,503,313</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,006,257</u></u>		<u><u>6,503,313</u></u>

See accompanying notes to the financial statements.

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
INCOME		17,058,292	13,889,836
Merchandise cost		(6,305) ok	(8,472)
Operating expenses		(15,283,473)	(12,160,782)
Administration cost		(1,768,511)	(1,721,278)
		<u>17,058,289</u> 	
PROFIT(LOSS) BEFORE TAXATION	16	3	(696)
Taxation	17	<u>(3)</u> 	<u>696</u>
PROFIT(LOSS) FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME(LOSS)	18	<u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to the financial statements.

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**SCHEDULE OF INCOME, OPERATING COST AND ADMINISTRATION COST
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
INCOME			
Distribution income		115,379 115,380	109,364
Gain on disposal of property, plant and equipment		-	9,999
Interest received		1 ok	2,813
Other income		7,000 ok	-
Portion of government grant utilised	14	16,926,499 16,926,499	13,752,236
Sales		9,413 ok	15,424
		<u>17,058,292</u>	<u>13,889,836</u>
Merchandise Cost			
Purchase		<u>6,305 ok</u>	<u>8,472</u>
Operating Expenses			
Advertisement fee		1,723,079 ok	966,202
Copywriting and translation		118,711 ok	14,577
Depreciation of property, plant and equipment		60,442 ok	31,894
Hosting of events		6,525,358 ok	5,623,303
Loss(Gain) on foreign exchange		1,167 ok	-
Marketing campaign		112,667 ok	520,194
Photo or video archiving		23,400 ok	21,322
Printing of publication and brochures		374,560 ok	179,168
Professional fee		32,864 32,865	29,355
Publicity for events		498,341 ok	401,190
Roadshows (EPY 2020) 		1,015,239 ok	-
Souvenirs, gift and publication material		342,719 342,720	170,857
State tourism expenses		3,824 ok	-
Tactical campaign		1,376,011 ok	1,409,090
Tourism master plan		497,895 ok	-
Tourism media campaign		46,785 ok	778,789
Tourism promotion(trade show)		2,519,006 ok	1,843,140
Tourism survey		-	157,168
Travelling cost		11,405 ok	14,533
		<u>15,283,473</u>	<u>12,160,782</u>
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PENANG GLOBAL TOURISM SDN. BHD.
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	<u>2019</u> RM		<u>2018</u> RM
Administration Cost			
Accounting fee	12,117 ok		9,743
Allowances	18,590 ok		17,200
Annual dinner	2,607 ok		-
Audit fee	5,000 ok		5,000
Bank charges	1,335 ok		1,211
Bonus and incentive	85,486 ok		62,215
Directors' meeting allowance	7,850 ok		4,350
Electricity and water	25,978 ok		26,944
Employees' provident fund	136,071 ok		135,644
Employment insurance system	1,507 ok		1,499
Filing fee	200 ok		200
Insurance	41,866 ok		48,746
License fee	330 ok		330
Medical expenses	1,496 ok		2,476
Meeting expenses	352 ok		216
Miscellaneous expenses	1 ok		-
Newspaper and periodicals	29,382 ok		27,817
Printing and stationery	4,572 ok		10,564
Professional fee	4,961 ok		3,283
Property, plant and equipment written off	6,310 ok		2,043
Rental of premises	120,768 ok		123,787
Salaries	1,128,174 ok		1,110,577
Secretarial fee	2,546 ok		2,212
Social security contribution	13,882 ok		13,923
Staff welfare	11,483 ok		9,459
Stamps and postage	18,740 ok		13,713
Telephone and internet	29,580 ok		22,554
Training and development	159 ok		1,310
Travelling cost	18,404 ok		16,669
Upkeep of motor vehicle	2,327 ok		4,835
Upkeep of office	36,437 ok		42,758
	1,768,511		1,721,278

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Share Capital RM	Accumulated Loss RM	Total RM
Balance at December 31, 2017	100,003	(100,003)	-
Profit(loss) for the year, representing total comprehensive income(loss)	-	-	-
Balance at December 31, 2018	100,003	(100,003)	-
Profit(loss) for the year, representing total comprehensive income(loss)	-	-	-
Balance at December 31, 2019	<u>100,003</u>	<u>(100,003)</u>	<u>-</u>

See accompanying notes to the financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt from the operation		<u>3,661</u>	<u>13,424</u>
Payments for operating activities:			
Purchases and direct cost		(6,305)	(8,472)
Operating cost		(16,701,554)	(15,144,466)
Tax paid		(1,617)	(2,011)
Tax refunded		<u>2,519</u>	<u>-</u>
Total cash outflow from operating activities		<u>(16,706,957)</u>	<u>(15,154,949)</u>
Net cash outflow from operating activities	18	<u>(16,703,296)</u>	<u>(15,141,525)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(160,929)	(8,063)
Proceeds from disposal of property, plant and equipment		-	10,000
Increase(Decrease) in other current assets		(2,725,200)	6,900
Distribution income		115,379	109,364
Interest received		<u>1</u>	<u>2,813</u>
Net cash in(out)flow from investing activities		<u>(2,770,749)</u>	<u>121,014</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Grant received from government		16,542,290	17,821,200
Increase in other payables		<u>29,820</u>	<u>3,217</u>
Net cash inflow from financing activities		<u>16,572,110</u>	<u>17,824,417</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,901,935)	2,803,906
Cash and cash equivalents at beginning of year		<u>5,766,122</u>	<u>2,962,216</u>

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		<u>2019</u> RM	<u>2018</u> RM
CASH AND CASH EQUIVALENTS			
AT END OF YEAR		<u>2,864,187</u>	<u>5,766,122</u>
REPRESENTED BY :-			
Investment in short-term funds	10	<u>2,098,354</u>	<u>5,182,975</u>
Cash and bank balances	11	<u>765,833</u>	<u>583,147</u>
		<u>2,864,187</u>	<u>5,766,122</u>

See accompanying notes to the financial statements.

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PENANG GLOBAL TOURISM SDN. BHD.
(50689-X)
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. GENERAL INFORMATION

The Company is a private company incorporated and domiciled in Malaysia. 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 Chief Minister of Penang (Incorporation), a corporation enacted under the Chief Minister of Penang (Incorporation) Enactment 2009.

The financial statements of the Company are presented in Ringgit Malaysia (RM), which is also the functional currency.

The financial statements were authorised for issue by the Board of the Directors on May 10, 2019.

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

The financial statements of the Company have been prepared in compliance with the Malaysian Private Entities Reporting Standard (MPERS) and the provision of the Malaysian Companies Act 2016.

3. BASIS OF PREPARATION

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

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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

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

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:

	<u>Rate (%)</u>
Computer	33
Software	20
Motor vehicle	20

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	<u>Rate (%)</u>
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.

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.

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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.

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.

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.

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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, whether as a single item or as a part, 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 terms of 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:

- (i) financial assets at fair value through profit or loss; and
- (ii) financial assets at amortised cost.

Other than financial assets measured at fair value through profit or loss, 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;
- (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;

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- (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
- (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.

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.

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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 taxable profit. 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 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.

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.

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(a) Short-Term Employee Benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they related to cost of producing inventories or other assets.

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

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.

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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 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.

A grant that takes the form of a transfer of a non-monetary asset, such as a land, is measured at the fair value of the asset if the fair value is readily determinable. Otherwise, it is recorded at the nominal amount paid.

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.

4.10 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:

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- (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;
- (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 above bases except as followings:

- (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.

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.

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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	COST				
	Balance as	Additions	Written off	Balance as	Balance as
	at January			at December	at December
	01, 2019			31, 2019	31, 2019
	RM	RM	RM	RM	RM
Office equipment	60,571	1,265	3,950	57,886	15,119
Computer	99,879	10,480	18,078	92,281	9,048
Furniture and fittings	157,803	1,676	9,980	149,499	46,138
Software	12,351	-	-	12,351	38
Motor vehicle	1,601	145,803	-	147,404	116,643
Office renovation	181,231	1,705	-	182,936	1,373
Electrical installation	136,718	-	-	136,718	1
Total	650,154	160,929	32,008	779,075	188,360

	ACCUMULATED DEPRECIATION				
	Balance as	Depreciation		Balance as	Depreciation
	at January	for the	Written off	at December	for the
	01, 2019	current year		31, 2019	previous year
	RM	RM	RM	RM	RM
Office equipment	38,965	5,440	1,638	42,767	6,056
Computer	90,884	10,421	18,072	83,233	8,265
Furniture and fittings	94,401	14,948	5,988	103,361	15,780
Software	12,182	131	-	12,313	895
Motor vehicle	1,600	29,161	-	30,761	-
Office renovation	181,222	341	-	181,563	898
Electrical installation	136,717	-	-	136,717	-
Total	555,971	60,442	25,698	590,715	31,894

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, 2019 is RM188,360 (RM94,183 in 2018).

....24/-

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7. TRADE RECEIVABLES

The currency exposure profile of trade receivables is as follows :

	2019 RM	2018 RM
Ringgit Malaysia	14,752	2,000

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

8. OTHER CURRENT ASSETS

	2019 RM	2018 RM
Other receivables	-	10,000
Prepayment	156,213	582,558
Deposits	44,862	46,012
	<u>201,075</u>	<u>638,570</u>

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

9. 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 :-

	2019 RM	2018 RM
Related party transactions :-		
Grant received from Penang State Government	16,542,290	16,469,900
Secretarial fee charged by related company	<u>2,546</u>	<u>2,212</u>

....25/-

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	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
Balance included in:-			
Amount owing by related corporation (refer Note 1)		2,736,350	-
Accrued expenses	13	<u>636</u>	<u>-</u>

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

10. INVESTMENT IN SHORT-TERM FUNDS

	<u>2019</u> RM	<u>2018</u> RM
Money market fund in Malaysia, At fair value		
At 1 January:	5,182,975	2,950,812
Add: Additional investment	-	10,300,000
Add: Reinvestment of distribution income from investment	115,379	112,163
Less: Redemption of investment	<u>3,200,000</u>	<u>8,180,000</u>
At end of year	<u>2,098,354</u>	<u>5,182,975</u>

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.

11. CASH AND BANK BALANCES

	<u>2019</u> RM	<u>2018</u> RM
Cash in hand	533	945
Cash at bank, current account	<u>765,300</u>	<u>582,202</u>
	<u>765,833</u>	<u>583,147</u>

....26/-

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12. SHARE CAPITAL

	No. of ordinary shares	RM
Issued and fully paid		
Balance at January 01, 2017	100,003	100,003
Increase in issued and fully paid share capital	-	-
	<u>100,003</u>	<u>100,003</u>
Balance at December 31, 2018 and 2019	<u>100,003</u>	<u>100,003</u>

13. OTHER PAYABLES AND ACCRUED EXPENSES

	<u>Note</u>	2019 RM	2018 RM
Other payables		36,060	6,240
Accrued expenses	9	<u>509,841</u>	<u>653,256</u>
		<u>545,901</u>	<u>659,496</u>

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

14. DEFERRED INCOME

	2019 RM	2018 RM
Balance at beginning of the year	5,843,817	3,095,380
Government grant received during the year	<u>16,542,290</u>	<u>16,469,900</u>
Total government grant available	<u>22,386,107</u>	<u>19,565,280</u>
Accrual expenses overstated in prior year	<u>748</u>	<u>30,773</u>

....27/-

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	2019	2018
	RM	RM
Add :		
Interest received	1	2,813
Distribution income	115,379	109,364
Other income	7,000	-
Sales	9,413	15,424
Gain on disposal of property, plant and equipment	-	9,999
	<u>131,793</u>	<u>137,600</u>
Total income		
Less :		
Merchandise cost	(6,305)	(8,472)
Operating expenses	(15,283,473)	(12,160,782)
Administration cost	(1,768,511)	(1,721,278)
Taxation	(3)	696
	<u>(17,058,292)</u>	<u>(13,889,836)</u>
Total expenditure		
Portion of government grant utilised during the year	<u>(16,926,499)</u>	<u>(13,752,236)</u>
Balance at end of the year	<u><u>5,460,356</u></u>	<u><u>5,843,817</u></u>

15. 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:

	2019	2018
	RM	RM
Deferred tax assets (liabilities)	<u><u>-</u></u>	<u><u>-</u></u>

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

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	2019 RM	2018 RM
As at beginning of year	-	-
Deferred tax credit not recognised in prior year	109,738	111,407
Movements of temporary differences for the year due to : - tax losses	(1)	(1,669)
Total deferred tax credit	109,737	109,738
Deferred tax credit not recognised	(109,737)	(109,738)
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:-

Deductible temporary difference	79,098	79,098
Tax losses	378,141	378,144

16. PROFIT(LOSS) BEFORE TAXATION

	2019 RM	2018 RM
Profit(Loss) before taxation has been arrived at :		
After charging :-		
Audit fee	5,000	5,000
Depreciation of property, plant and equipment	60,442	31,894
Directors' meeting allowance	7,850	4,350
Loss on foreign exchange	1,167	-
Property, plant and equipment written off	6,310	2,043
Rental of premises	120,768	123,787
		29/-

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	2019	2018
	RM	RM
And crediting :-		
Distribution income	115,379	109,364
Gain on disposal of property, plant and equipment	-	9,999
Interest received	1	2,813
Portion of government grant utilised	<u>16,926,499</u>	<u>13,752,236</u>

17. TAXATION

	2019	2018
	RM	RM
Taxation charge comprises:		
Current taxation	(3)	696
Deferred taxation	<u>-</u>	<u>-</u>
	<u>(3)</u>	<u>696</u>
Current taxation		
Over(Under) provision in prior year	<u>(3)</u>	<u>696</u>
Deferred taxation		
Tax losses	(1)	(1,669)
Deferred tax credit not recognised in prior year	109,738	111,407
Deferred tax credit not recognised	<u>(109,737)</u>	<u>(109,738)</u>
	<u>-</u>	<u>-</u>

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

Profit(Loss) from ordinary activities before taxation	<u>3</u>	<u>(696)</u>
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	2019 RM	2018 RM
Tax charge(credit) calculated at Malaysian tax rate of 24%	(1)	167
Tax effects of :		
- Expenses non deductible for tax purposes	(4,093,989)	(3,331,694)
- Income not subject for tax purposes	4,093,989	3,329,855
Tax charge for the year	(1)	(1,672)
Current taxation under(over) provided in prior year	(3)	696
Current taxation over provided	-	3
Deferred tax credit not recognised in prior year	109,738	111,407
Deferred tax credit not recognised	(109,737)	(109,738)
Tax charge(credit) as reported	(3)	696
<u>Tax losses</u>		
Tax saving from the utilisation of tax loss brought forward from the previous year	1	1,668
Tax losses of which tax saving has not been utilised	378,141	378,144

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.

18. CASH FLOW FROM OPERATING ACTIVITIES

	2019 RM	2018 RM
Profit(loss) for the year, representing total comprehensive income(loss)	-	-

....31/-

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	2019	2018
	RM	RM
Adjustment for :-		
Accrued expenses over provided in prior year	748	30,773
Depreciation of property, plant and equipment	60,442	31,894
Distribution income	(115,379)	(109,364)
Interest received	(1)	(2,813)
Gain on disposal of property, plant and equipment	-	(9,999)
Portion of government grant utilised	(16,926,499)	(13,752,236)
Property, plant and equipment written off	6,310	2,043
Taxation charge(credit) :-		
Under(Over)provision in prior year	3	(696)
Tax paid	(1,617)	(2,011)
Tax refunded	2,519	-
Changes in working capital :-		
Increase in trade receivables	(12,752)	(2,000)
Decrease(Increase) in prepayment	426,345	(560,317)
Increase in accrued expenses	(143,415)	(766,799)
Net cash outflow from operating activities	<u>(16,703,296)</u>	<u>(15,141,525)</u>

19. EMPLOYEE COSTS

	2019	2018
	RM	RM
Salaries, allowances, and bonus	1,232,250	1,189,992
Defined contribution plan	136,071	135,644
Other employees benefit	70,393	77,413
	<u>1,438,714</u>	<u>1,403,049</u>

The number of employees of the Company as at the reporting date was 25 (21 in 2018).

....32/-

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(50689-X)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **YB YEOH SOON HIN** and **YB ONG AH TEONG**, 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, 2019 and of its financial performance and cash flow for the year ended on that date.

On behalf of the Board,

YB YEOH SOON HIN
DIRECTOR

YB ONG AH TEONG
DIRECTOR

Penang,

Dated :

**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 in the state of)
this day of .)

Before me,

OOI CHOK YAN

COMMISSIONER FOR OATHS