

DRAFT

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

Directors' Report and Audited Financial Statements
31 December 2010

50689 X

**Penang Global Tourism Sdn. Bhd.
(Incorporated in Malaysia)**

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**Penang Global Tourism Sdn. Bhd.
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

Principal activities

The principal activities of the Company are to carry out tourism activities for the State of Penang.

Results

RM

Net deficit of income over expenditure for the year 1,878,876

There were no material transfers to or from reserves or provisions during the financial year.

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

Dividends

No dividend has been paid or declared by the Company since the end of the previous year.

The directors do not recommend any final dividend in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

YAB Lim Guan Eng
Dato' Rosli bin Jaafar
YB Law Heng Kiang
YB Abdul Malik bin Abul Kassim
Dato R. Arunasalam s/o V. Ramasamy
Mustafa Kamal Bin Mohd Yusoff
Marco Giovanni Battistotti
Kenneth Tan Teong Keen
Tan Gaik Heok
Zulkifli Bin Mohd Noor
YB Koay Teng Hai
Dato Tan Sam Soon
Ooi Geok Ling

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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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

Other statutory information

- (a) Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.

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Other statutory information (contd.)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) 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 financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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Auditors

The auditors, Hanafiah Raslan & Mohamad, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Dato' Rosli Bin Jaafar

YB Law Heng Kiang

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Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Rosli Bin Jaafar and YB Law Heng Kiang, being two of the directors of Penang Global Tourism Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 17 are drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Dato' Rosli Bin Jaafar

YB Law Heng Kiang

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Ooi Geok Ling, being the director primarily responsible for the financial management of Penang Global Tourism Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 17 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 Geok Ling
at _____ in the State of
Penang on _____ :

Ooi Geok Ling

Before me,

Commissioner for Oaths

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Independent auditors' report to the member of
Penang Global Tourism Sdn. Bhd.
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Penang Global Tourism Sdn. Bhd., which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 17.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards in Malaysia and the provisions of the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Independent auditors' report to the member of
Penang Global Tourism Sdn. Bhd. (contd.)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards in Malaysia and the provisions of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 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 provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Lim Foo Chew
No. 1748/01/12(J)
Chartered Accountant

Penang, Malaysia
Date:

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Penang Global Tourism Sdn. Bhd.
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Income statement
For the year ended 31 December 2010

	Note	2010 RM	2009 RM
Income			
Funds from State Government	4	2,750,000	3,474,020
Other income		35,102	-
Expenditure			
Operating expenses		(3,780,005)	(2,028,661)
Administrative expenses		(883,973)	(648,005)
(Deficit)/surplus of income over expenditure			
for the year before taxation	5	(1,878,876)	797,354
Taxation	8	-	-
Net (deficit)/surplus of income over expenditure			
for the year		<u>(1,878,876)</u>	<u>797,354</u>

The accompanying notes form an integral part of the financial statements.

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Balance sheet as at 31 December 2010

	Note	2010 RM	2009 RM
Non-current assets			
Plant and equipment	9	<u>56,093</u>	<u>5,972</u>
Current assets			
Due from holding company	10	-	1,944,947
Other Receivables		12,790	952
Cash and bank balances		<u>147,825</u>	<u>35,583</u>
		<u>160,615</u>	<u>1,981,482</u>
Current liabilities			
Other payables		1,197,430	1,093,940
Due to holding company		2,150	-
Due to related company		<u>2,490</u>	<u>-</u>
		<u>1,202,070</u>	<u>1,093,940</u>
Net current (liabilities)/assets		<u>(1,041,455)</u>	<u>887,542</u>
Net (liabilities)/assets		<u>(985,362)</u>	<u>893,514</u>
Financed by:			
Share capital	11	100,003	100,003
(Accumulated losses)/retained profits		<u>(1,085,365)</u>	<u>793,511</u>
Shareholder's equity		<u>(985,362)</u>	<u>893,514</u>

The accompanying notes form an integral part of the financial statements.

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Penang Global Tourism Sdn. Bhd.
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Statement of changes in equity
For the year ended 31 December 2010

	Share Capital RM	Distributable Retained Profits RM	Total RM
At 1 January 2009	100,003	(3,843)	96,160
Net surplus for the year	-	797,354	797,354
At 31 December 2009	100,003	793,511	893,514
Net deficit for the year	-	(1,878,876)	(1,878,876)
At 31 December 2010	100,003	(1,085,365)	(985,362)

The accompanying notes form an integral part of the financial statements.

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Penang Global Tourism Sdn. Bhd.
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Cash flow statement
For the year ended 31 December 2010

	2010 RM	2009 RM
Cash flows from operating activities		
(Deficit)/surplus of income over expenditure	(1,878,876)	797,354
Adjustments for:		
Depreciation	15,774	1,768
Operating (deficit)/surplus before working capital changes	(1,863,102)	799,122
Increase in receivables	(11,838)	-
(Decrease)/increase in payables	103,490	1,092,340
Net change in related company balance	1,949,587	(1,944,947)
Cash generated from/(used in) operations	178,137	(53,485)
Tax paid	-	-
Net cash generated from/(used in) operating activities	178,137	(53,485)
Cash flows from investing activity		
Purchase of plant and equipment, representing net cash used in investing activities	(65,895)	(7,740)
Net increase/(decrease) in cash and cash equivalents	112,242	(61,255)
Cash and cash equivalents as at 1 January	35,583	96,808
Cash and cash equivalents as at 31 December	147,825	35,583

The accompanying notes form an integral part of the financial statements.

Penang Global Tourism Sdn. Bhd.
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Notes to the financial statements - 31 December 2010

1. Corporate information

The principal activities of the Company are to carry out tourism activities for the State of Penang. The Company commenced these activities during the year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The principle place of business of the Company is located at 2nd Floor, PDC Building, No. 1 Pesiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Penang.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on

2. Fundamental accounting concept

The financial statements of the Company are prepared under the going concern concept as the holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

3. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention.

The financial statements comply with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia.

(b) Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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3. Significant accounting policies (contd.)

(b) Plant and equipment and depreciation (contd.)

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Computer	33%
Software	20%
Motor vehicles	20%
Furniture & fittings	10%
Office equipment	10%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the Income statement.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(d) Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(e) Income tax

Income tax on the surplus or deficit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable surplus for the year and is measured using the tax rates that have been enacted at the balance sheet date.

(f) Government grants

Government grants are recognized initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Company for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Company for the costs of an asset are recognized as income on a systematic basis over the useful life of the asset.

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3. Significant accounting policies (contd.)

(g) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

4. Income

Income of the Company consists of funds from the State Government.

5. (Deficit)/surplus of income over expenditure before taxation

(Deficit)/surplus from operations is stated:

	2010 RM	2009 RM
After charging:		
Staff costs (Note 5)	476,120	249,960
Auditors remuneration		
Current year	2,600	1,300
Underprovision in prior year	2,700	-
Depreciation	<u>15,774</u>	<u>1,768</u>

6. Staff costs

	2010 RM	2009 RM
Wages and salaries	382,254	189,753
Social security costs	4,641	2,200
Pension costs - defined benefit plan	45,526	24,535
Other staff related expenses	<u>43,699</u>	<u>33,472</u>
	<u>476,120</u>	<u>249,960</u>

Included in staff costs of the Company is director's remuneration amounting to RM145,600 (2009: RM31,067) as further disclosed in Note 7.

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7. Directors' Remuneration

Director of the Company

	2010 RM	2009 RM
Salaries and other emoluments	127,220	27,155
Pension costs - defined benefit plan	15,480	3,312
Benefits-in-kind	2,900	600
	<u>145,600</u>	<u>31,067</u>

8. Taxation

	2010 RM	2009 RM
Tax expense for the year:		
- underprovision in prior year	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable surplus for the year.

A reconciliation of income tax expense applicable to (deficit)/surplus of income over expenditure before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2010 RM	2009 RM
(Deficit)/surplus of income over expenditure before taxation	<u>(1,878,876)</u>	<u>797,354</u>
Taxation at statutory tax rate of 25% (2009: 25%)	(469,719)	199,339
Income not subject to tax	(687,500)	(868,505)
Effect of expenses not deductible for tax purposes	<u>1,157,219</u>	<u>669,166</u>
Tax expense for the year	<u>-</u>	<u>-</u>

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9. Plant and equipment

	Office equipment RM	Computer RM	Furniture and fittings RM	Software RM	Motor vehicle RM	Total RM
Cost						
At 1 January 2010	3,480	4,260	-	-	-	7,740
Additions		6,714	680	1,758	56,743	65,895
At 31 December 2010	3,480	10,974	680	1,758	56,743	73,635
Accumulated depreciation						
At 1 January 2010	348	1,420	-	-	-	1,768
Depreciation charge for the year	348	3,658	68	351	11,349	15,774
At 31 December 2010	696	5,078	68	351	11,349	17,542
Net book value	2,784	5,896	612	1,407	45,394	56,093

10. Due from holding company

	2010 RM	2009 RM
Non-trade: Penang Development Corporation	-	1,944,947

The amount due from the holding company relates to unsecured advances which are interest free and is repayable upon demand.

11. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid	100,003	100,003	100,003	100,003

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12. Currency

All amounts are stated in Ringgit Malaysia (RM).

13. Comparatives

The following comparative amounts as at 31 December 2010 have been reclassified to conform with current year's presentation:

	As restated RM	Adjustments RM	As previously stated RM
Trade payables	-	(1,092,340)	1,092,340
Other payables	<u>1,093,940</u>	<u>1,092,340</u>	<u>1,600</u>

