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

Directors' Report and Audited Financial Statements
31 December 2013

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

Contents

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

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 2013.

Principal activities

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

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	RM
Net surplus of income over expenditure for the year	274,181

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
YB Law Heng Kiang
YB Dato' Abdul Malik bin Abul Kassim
Dato' Rosli bin Jaafar
Dato R. Arunasalam s/o V. Ramasamy
Dato' Mustafa Kamal Bin Mohd Yusoff
Dato Tan Sam Soon
Kenneth Tan Teong Keen
Koay Teng Hai
Marco Giovanni Battistotti
Ooi Geok Ling
Danny Goon Siew Cheang
Mary Ann Harris
Johari Bin Shafie
Tuan Zulkifli Bin Mohd Noor (resigned on 24 October 2013)

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 any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 4 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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.

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.

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) 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.

Holding company

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

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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 10 APR 2014

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 21 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 2013 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 10 APR 2014

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 21 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 GEORGETOWN PENANG in the State of
Penang on. 10 APR 2014

Ooi Geok Ling

Before me,

PESURUHJAYA SUMPAH
No. P-099
Nama: CHELVARAI @
SELVARAJOO A/L ERULANDY
MALAYSIA
5, LEBUH UNION
10200 PENANG, M'SIA

Commissioner for Oaths

Hanafiah Raslan & Mohamad
AF : 0002

Chartered Accountants
22nd Floor MWE Plaza
No 8 Lebuh Farquhar
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Independent auditors' report to the member of
Penang Global Tourism Sdn. Bhd.
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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 2013, 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 21.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Company as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia.

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

Hanafiah Raslan & Mohamad
AF: 0002
Chartered Accountants

Adeline Chan Su Lynn
No. 3082/07/15(J)
Chartered Accountant

Penang, Malaysia
10 April 2014

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Penang Global Tourism Sdn. Bhd.
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Income statement
For the year ended 31 December 2013

	Note	2013 RM	2012 RM
Income			
Funds from State Government		7,420,000	8,082,000
Other income		18,225	6,926
Expenditure			
Operating expenses		(5,852,166)	(6,604,685)
Administrative expenses		(1,311,966)	(1,436,187)
Surplus of income over expenditure for the year before taxation	3	274,093	48,054
Taxation	5	88	-
Net surplus of income over expenditure for the year		274,181	48,054

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

Penang Global Tourism Sdn. Bhd.
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Balance sheet as at 31 December 2013

	Note	2013 RM	2012 RM
Non-current assets			
Plant and equipment	6	265,202	338,664
Current assets			
Trade receivables	7	1,024	990
Other receivables	8	135,800	711,303
Tax recoverable		-	952
Cash and bank balances		923,770	186,212
		1,060,594	899,457
Current liabilities			
Other payables	9	758,551	944,938
Due to a related company	10	750	869
		759,301	945,807
Net current assets/(liabilities)		301,293	(46,350)
Net assets		566,495	292,314
Financed by:			
Share capital	11	100,003	100,003
Retained earnings	12	466,492	192,311
Shareholder's equity		566,495	292,314

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

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Statement of changes in equity
For the year ended 31 December 2013

	Share capital RM	Retained earnings RM	Total RM
At 1 January 2012	100,003	144,257	244,260
Net surplus for the year	-	48,054	48,054
At 31 December 2012	100,003	192,311	292,314
Net surplus for the year	-	274,181	274,181
At 31 December 2013	100,003	466,492	566,495

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

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Cash flow statement
For the year ended 31 December 2013

	2013 RM	2012 RM
Cash flows from operating activities		
Surplus of income over expenditure	274,093	48,054
Adjustments for:		
Fixed asset written off	-	261
Depreciation	103,855	101,573
Operating surplus before working capital changes	377,948	149,888
Decrease/(Increase) in receivables	575,469	(598,048)
(Decrease)/Increase in payables	(186,387)	305,418
Net change in related company balance	(119)	14
Cash generated form/(used in) operations	776,911	(142,728)
Tax refunded	1,040	-
Net cash generated from/(used in) operating activities	767,951	(142,728)
Cash flows from investing activity		
Purchase of plant and equipment, representing net cash used in investing activities	(30,393)	(102,988)
Net increase/(decrease) in cash and cash equivalents	737,558	(245,716)
Cash and cash equivalents as at 1 January	186,212	431,928
Cash and cash equivalents as at 31 December	923,770	186,212

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

Notes to the financial statements - 31 December 2013

1. Corporate information

The principal activities of the Company are to carry out tourism activities for the State of Penang. There have been no significant changes in the nature of the principal activities during the financial 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 No. 8B (First Floor), The Whiteaways Arcade, Lebuh Pantai, 10300 Penang.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 APR 2014

2. 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.

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 vehicle	20%
Electrical installation and office renovation	20%
Furniture & fittings	10%
Office equipment	10%

2. Significant accounting policies (contd.)

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

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) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(d) 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.

(e) 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.

2. Significant accounting policies (contd.)

(f) Income tax

Income tax on the surplus or deficit for the year comprise 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.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from 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.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(g) Employees benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

2. Significant accounting policies (contd.)

(h) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. 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. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised as income in the period of receipt.

(i) Financial instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividend, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

ii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in future for goods and services received.

iii. Equity instruments

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

3. Surplus of income over expenditure before taxation

Surplus from operations is stated:

	2013 RM	2012 RM
After charging:		
Auditor's remuneration		
Current year	5,000	5,000
Underprovision in prior year	-	1,000
Depreciation	103,855	101,573
Director's remuneration	201,628	199,388
Fixed assets written-off	-	261
Rental of premises	114,392	114,411

4. Staff costs

	2013 RM	2012 RM
Wages and salaries	835,082	978,398
Social security costs	8,723	10,040
Defined contribution plan	101,010	120,994
Other staff related expenses	71,246	72,206
	1,016,061	1,181,638

Included in staff costs of the Company is director's remuneration amounting to RM201,628 (2012: RM199,388) as further disclosed below:

	2013 RM	2012 RM
Salaries and other emoluments	170,620	168,620
Defined contribution plan	28,608	28,368
Benefits-in-kind	2,400	2,400
	201,628	199,388

The number of employees in the Company at the end of the financial year was 18 (2012: 20).

5. Taxation

	2013 RM	2012 RM
Tax expense for the year:	88	-

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.

A reconciliation of income tax expense applicable to 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:

	2013 RM	2012 RM
Surplus of income over expenditure before taxation	274,093	48,054
Taxation at statutory tax rate of 25% (2012: 25%)	68,523	12,014
Income not subject to tax	(1,855,000)	(2,020,500)
Effect of expenses not deductible for tax purposes	1,791,032	2,010,439
Utilisation of previously unrecognised tax losses	(4,556)	(1,953)
Overprovision in prior years	89	-
Tax expense for the year	88	-

Deferred tax assets have not been recognised in respect of the following items:

	2013 RM	2012 RM
Unutilised business losses	419,914	438,139
Unabsorbed capital allowances	79,098	79,098

The availability of unused tax losses for offsetting against future taxable profits of the Company are subject to no substantial changes in the shareholdings of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authorizes.

6. Plant and equipment

2013	Office equipment RM	Computer RM	Furniture and fittings RM	Software RM	Motor vehicle RM	Office renovation RM	Electrical installation RM	Total RM
Cost								
At 1 January 2013	40,205	52,392	84,211	7,975	58,343	162,481	136,718	542,325
Additions	2,365	238	13,540	-	-	14,250	-	30,393
At 31 December 2013	42,570	52,630	97,751	7,975	58,343	176,731	136,718	572,718
Accumulated depreciation								
At 1 January 2013	7,353	31,661	13,391	3,338	34,366	64,992	48,560	203,661
Depreciation charge for the year	4,257	13,870	9,775	1,595	11,669	35,346	27,344	103,855
At 31 December 2013	11,610	45,531	23,166	4,933	46,035	100,338	75,904	307,516
Net book value	30,960	7,099	74,585	3,042	12,309	76,393	60,814	265,202

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6. Plant and equipment (contd.)

2012	Office equipment RM	Computer RM	Furniture and fittings RM	Software RM	Motor vehicle RM	Office renovation RM	Electrical installation RM	Total RM
Cost								
At 1 January 2012	26,651	31,688	49,026	6,958	56,743	162,481	106,080	439,627
Additions	13,844	20,704	35,185	1,017	1,600	-	30,638	102,988
Disposal	(290)	-	-	-	-	-	-	(290)
At 31 December 2012	40,205	52,392	84,211	7,975	58,343	162,481	136,718	542,325
Accumulated depreciation								
At 1 January 2012	3,361	15,633	4,970	1,743	22,698	32,496	21,216	102,117
Depreciation charge for the year	4,021	16,028	8,421	1,595	11,668	32,496	27,344	101,573
Disposal	(29)	-	-	-	-	-	-	(29)
At 31 December 2012	7,353	31,661	13,391	3,338	34,366	64,992	48,560	203,661
Net book value	32,852	20,731	70,820	4,637	23,977	97,489	88,158	338,664

7. Trade receivables

The Company's normal credit terms range from 30 days to 90 days. Other credit terms are assessed on a case by case basis.

8. Other receivables

	2013 RM	2012 RM
Deposits	55,450	48,220
Prepayments	80,350	7,883
Others receivables	-	655,200
	135,800	711,303

9. Other payables

	2013 RM	2012 RM
Accruals	278,950	712,473
Sundry payables	479,601	232,465
	758,551	944,938

10. Due to a related company

	2013 RM	2012 RM
Non-trade:		
PDC Premier Holdings Sdn. Bhd.	750	869

The amount due to a related company relates to secretarial fee paid on behalf of Penang Global Tourism Sdn. Bhd.

11. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised:				
At 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 January/31 December	100,003	100,003	100,003	100,003

There is no movement in the authorised and issued and paid-up share capital during the year.

12. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM104,000 out of its retained earnings. The balance of the retained earnings as at 31 December 2012 and the entire retained earnings as at 31 December 2013 may be distributed as dividends under the single tier system.

As at 31 December 2013, the Company also has tax exempt profit of approximately RM710,000 (2012; RM710,000) subject to the agreement of the Inland Revenue Board.