



**Grand Central Enterprises Bhd**

(131696 V)



**ANNUAL REPORT**  
**2016**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Eng Teong  
(Executive Chairman)

Tan Teck Lin  
(Deputy Executive Chairman cum Managing Director)

Tan Eng How  
(Executive Director)

Tan Hwa Imm  
(Executive Director)

Wong Tow Cheong  
(Independent Non-Executive Director)

Lee Wai Kuen  
(Independent Non-Executive Director)

Lim Thian Loong  
(Independent Non-Executive Director)

Tan Hwa Lian  
(Alternate Director to Tan Eng Teong)

## AUDIT COMMITTEE

### Chairman

Wong Tow Cheong  
(Independent Non-Executive Director)

### Members

Lee Wai Kuen  
(Independent Non-Executive Director)

Lim Thian Loong  
(Independent Non-Executive Director)

## COMPANY SECRETARIES

Tan Kok Aun (MACS 01564)  
Wong Wai Yin (MAICSA No. 7003000)

## REGISTERED OFFICE

No. 1 & 1A, 2nd Floor (Room 2)  
Jalan Ipoh Kecil  
50350 Kuala Lumpur

Tel : 03-40435750      Fax : 03-40435755

## REGISTRARS

Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, Damansara Heights  
50490 Kuala Lumpur

Tel : 03-20849000      Fax : 03-20949940, 03-20950292

## AUDITORS

Ernst & Young  
Level 23A, Menara Milenium, Jalan Damanlela  
Pusat Bandar Damansara, 50490 Kuala Lumpur  
Tel : 03-74958000      Fax : 03-20955332

## SOLICITORS

Cheang & Ariff  
39 COURT @ Loke Mansion  
No. 273 A, Jalan Medan Tuanku  
50300 Kuala Lumpur  
Tel : 03-26910803      Fax : 03-26934475

## BANKERS

OCBC Bank (Malaysia) Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Bhd.  
Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia Securities Berhad

# **CHAIRMAN'S STATEMENT**

## **INTRODUCTION**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the year ended 31 December 2016.

## **FINANCIAL REVIEW**

During the year, the Group recorded a lower revenue of RM 27.6 million against RM 29.8 million in the preceding year and loss before tax for the year was RM 3.2 million against RM 1.6 million in the previous year.

Whilst the Group's hotels experienced a weak demand in the first half of 2016, market conditions improved in the second half of the year but the overall weighted average occupancy and room rates for all the hotels in the Group decreased by 1% and RM 2 respectively as compared to the previous year.

## **DIVIDENDS**

Taking into consideration the overall financial results for 2016, no dividend has been recommended for the year ended 31 December 2016.

## **PROSPECTS**

The hotel industry continues to remain competitive and challenging for 2017 amidst the weak Ringgit, rising cost pressures, uncertain economic climate and business environment and increasing supply of hotel rooms. The Group expects that the business operations of the Group's hotels in 2017 will remain consistent with 2016.

## **APPRECIATION**

On behalf of the Board, I wish to thank the management and staff for their dedication and commitment throughout the year. I would also like to extend our sincere thanks to all our valued customers and shareholders for their continued support.

**TAN ENG TEONG  
CHAIRMAN  
8 MARCH 2017**

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in all aspects of the hotel business, provision of limousine services and hotel management services. The Group currently owns and manages five hotels under the Hotel Grand Continental brand. The Group manages only Hotel Grand Crystal which is owned by an affiliated company, Hotel Grand Central Limited, Singapore which is listed on the Stock Exchange of Singapore.

As at 31 December 2016, operating hotels owned by the Group and hotel under management agreement are as follows:

Name	Group's Equity Interest	Available Rooms and Service Apartments
Hotel Grand Continental Kuala Lumpur	100%	309
Hotel Grand Continental Kuala Terengganu	100%	190
Hotel Grand Continental Kuantan	100%	234
Hotel Grand Continental Kuching	100%	180
Hotel Grand Continental Langkawi	86.36%	195
Hotel Grand Crystal	None	130

For the year ended 31 December 2016, rooms and service apartments revenues accounted for 63% of the total revenues from hotel operations while food and beverage revenues accounted for 30%. This represents a marginal increase of 3% for rooms and service apartments and a decrease of 3% for food and beverage revenues respectively as compared to 2015.

Overall, both the weighted average room rate ("ARR") and the weighted average room yields ("RevPAR") decreased by 1% and 3% respectively in 2016 as compared to 2015. Increasing supply of hotel rooms have impacted RevPAR growth.

Provision of limousine services did not have a material impact on the Group's consolidated results for the year ended 31 December 2016.

Please refer to "Financial Review" and "Prospects" in the preceding Chairman's Statement for further information.

The Group has no immediate plans for material investments or capital assets.

## IMPAIRMENT PROVISION

The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. Indicative criteria include continuing adverse changes in the local market condition in which the hotel operates, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Professional valuations will be carried out by independent firms of professional valuers for those properties for which internal assessment results needed independent confirmation.

Rahim & Co was engaged to carry out a valuation on Hotel Grand Continental Kuantan in 2017 and Hotel Grand Continental Kuala Terengganu in 2016. No impairment provision was required for both years 2016 and 2015 on all the properties.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **CAPITAL RESOURCES AND FUNDING**

### Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits with reputable financial institutions. The Group's banking facilities are all denominated in Ringgit, hence minimising currency risks.

### Cash Flows

During the year under review, there were net cash flows generated from operating activities of RM 0.5 million as compared to RM 1.4 million in 2015.

### Borrowings and Gearing

As at 31 December 2016, the Group had cash and bank balances and deposits of RM 68.5 million (2015: RM 72.9 million). The Group has no borrowings other than a motor vehicle which was purchased in 2016 under hire purchase arrangement. Details of the hire purchase payable is shown in Note 20 to the financial statements.

### Pledge of Assets

Included in short-term deposits with licensed banks are deposits of RM1.2 million (2015: RM1.2 million) pledged as bank guarantees for credit facilities granted to the Group. This is shown in Note 18 to the financial statements.

### Capital Commitments

Details of the capital commitments of the Group are shown in Note 30 to the financial statements.

### Share Capital

There was no change in the share capital of the Company.

## **DIVIDENDS**

Please refer to "Dividends" in the preceding Chairman's Statement for further information.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES**

During the year, there were no material acquisitions or disposals of subsidiaries of the Company.

## **STAFF AND REMUNERATION POLICY**

The Group employs approximately 360 full time staff as at 31 December 2016. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis on performance appraisals and other relevant factors.

# GROUP FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012
<b>RESULTS (RM'000)</b>					
Revenue	27,589	29,837	31,523	33,378	36,124
(Loss)/Profit before tax	(3,208)	(1,600)	925	4,340	14,933
Net (loss)/profit attributable to equity holders of the Company	(5,802)	(1,974)	(799)	3,128	13,031
<b>FINANCIAL POSITION (RM'000)</b>					
Total assets	263,383	273,472	280,484	294,595	302,370
Total liabilities	22,759	23,150	24,115	29,509	32,483
Share capital	197,002	197,002	197,002	197,002	197,002
Shareholders' equity	238,751	248,494	254,408	263,087	267,839
Total borrowings	71	-	51	148	256
<b>SHARE INFORMATION (SEN)</b>					
Basic (loss)/earnings per share	(2.9)	(1.0)	(0.4)	1.6	6.6
Net assets per share	121	127	129	134	136
Gross dividend per share	-	2*	2*	4*	4*

\* single-tier dividend

# CORPORATE STRUCTURE



## GRAND CENTRAL ENTERPRISES BHD.



100%  
\* GRAND CENTRAL ( K.L. ) SDN. BHD.



100%  
GRAND CENTRAL ENTERPRISES ( TRENGGANU ) SDN. BHD.



100%  
\* GRAND CENTRAL ENTERPRISES ( MALACCA ) SDN. BHD.



100%  
GRAND CENTRAL ENTERPRISES ( PAHANG ) SDN. BHD.



100%  
\* HOTEL GRAND OLYMPIC ( M ) SDN. BHD.



100%  
GRAND CENTRAL ENTERPRISES ( SARAWAK ) SDN. BHD.



100%  
\* GRAND CENTRAL ENTERPRISES ( PERAK ) SDN. BHD.



100%  
GRAND CENTRAL TRANS-SERVICES SDN. BHD.



86.36%  
GRAND ISLAND HOTEL ( LANGKAWI ) SDN. BHD.

\* Under member's voluntary liquidation.

# NETWORK OF HOTELS



*Hotel Grand Continental • Kuala Lumpur*



*Hotel Grand Continental • Kuala Terengganu*

# NETWORK OF HOTELS



*Hotel Grand Continental • Kuantan*



*Hotel Grand Continental • Kuching*

# NETWORK OF HOTELS



*Hotel Grand Continental • Langkawi*



*\* Hotel Grand Crystal • Kedah*

*\* Hotel owned by others.*

# PROPERTIES OWNED BY THE GROUP

Locations	Description	Tenure	Area	Approximate	Book
				Age of Building	Value
			Square Metres	Years	RM'000
Lot 604, Section 46 Town of Kuala Lumpur Wilayah Persekutuan	Hotel Grand Continental Kuala Lumpur	Freehold	2,248.67	30	86,767
SPK 60, Lot 398 Mukim of Kuah District of Langkawi Kedah	Hotel Grand Continental Langkawi	Freehold	2,558.00	24	12,373
CT 4741, Lot 2 Section 20 Town of Kuantan District of Kuantan Pahang	Hotel Grand Continental Kuantan	Freehold	6,108.93	22	24,571
Lot 322, Section 46 Kuching Town Land District Sarawak	Hotel Grand Continental Kuching	Long Term Leasehold	4,160.00	21	32,492
PT 1645C, Lot 4023 Town and District of Kuala Terengganu Terengganu	Hotel Grand Continental Terengganu	Freehold	2,768.00	20	21,045

# **DIRECTORS' PROFILE**

## **TAN ENG TEONG**

Tan Eng Teong, male, aged 79, Malaysian, was appointed as the Executive Chairman of Grand Central Enterprises Bhd. ("GCE") on 20 November 1991 and is one of its founder members.

Mr Tan has over the years accumulated vast experience in the hotel and travel, property development and investments and manufacturing industry. He is currently the Chairman and Managing Director of Hotel Grand Central Limited, Singapore which is listed on the Stock Exchange of Singapore and sits on the Board of some of the subsidiary companies within the GCE Group as well as the Board of several other private companies in Australia and New Zealand.

He does not hold any directorships in any public listed company in Malaysia.

Tan Eng Teong is the brother of Tan Teck Lin and Tan Eng How and he is deemed to have an interest in Hotel Grand Central Limited and Tan Chee Hoe & Sons Sdn. Bhd., the major shareholders of GCE, by virtue of his interest in these companies.

## **TAN TECK LIN**

Tan Teck Lin, male, aged 75, Malaysian, was appointed as the Managing Director of GCE on 20 November 1991, subsequently redesignated as Executive Deputy Chairman cum Managing Director on 6 May 2015 and is one of its founder members.

He is also an Executive Director of Hotel Grand Central Limited, Singapore. Apart from managing all the hotels in GCE Group, Mr Tan maintains a very active role in various hotels in Singapore, Australia and New Zealand. He also sits on the Board of several other companies that are involved in the businesses of property development, manufacturing, travel and hospitality industry.

He does not hold any directorships in any public listed company in Malaysia.

Tan Teck Lin is the brother of Tan Eng Teong and Tan Eng How and he is deemed to have an interest in Hotel Grand Central Limited and Tan Chee Hoe & Sons Sdn. Bhd., the major shareholders of GCE, by virtue of his interest in these companies.

## **TAN ENG HOW**

Tan Eng How, male, aged 62, Malaysian, was appointed as the Executive Director of GCE on 17 January 1986 and is one of its founder members.

He is involved in the day-to-day operations of the chain of hotels in GCE Group. Mr Tan is a member of the Hotel Catering and Institutional Management Association, United Kingdom and obtained a post-graduate diploma in hotel and catering administration from the Council for National Academic Awards, United Kingdom. He is a Director of Hotel Grand Central Limited, Singapore and an Executive Director in some of the subsidiary companies of GCE.

He does not hold any directorships in any public listed company in Malaysia.

Tan Eng How is the brother of Tan Eng Teong and Tan Teck Lin and he is deemed to have an interest in Hotel Grand Central Limited and Tan Chee Hoe & Sons Sdn. Bhd., the major shareholders of GCE, by virtue of his interest in these companies.

# DIRECTORS' PROFILE

## TAN HWA IMM

Tan Hwa Imm, female, aged 50, Malaysian, was appointed to the Board of GCE as an Executive Director on 31 May 2001. She has been the Group's Financial Controller since 1995.

She worked in a London based international accounting firm for 5 years and later as a Financial Controller of a commercial company. She graduated from the London School of Economics with a Bachelor of Science Degree in Management Sciences (Second Upper Honours) and is also an associate member of the Institute of Chartered Accountants in England and Wales.

She does not hold any directorships in any public listed company in Malaysia.

Tan Hwa Imm is the daughter of Tan Teck Lin, a Director and major shareholder of the Company.

## WONG TOW CHEONG

Wong Tow Cheong, male, aged 79, Malaysian, was appointed to the Board of GCE as an Independent Non-Executive Director on 19 May 2006. He is also the Chairman of the Audit Committee and Nominating Committee and a member of Remuneration Committee of GCE.

Mr Wong graduated with Bachelor in Architect from University of Curtin, W.A. in 1961. He is a Registered Architect and has been practicing since 1962. Mr Wong is the founder of Wong T.C. Architects & Associates Sdn. Bhd. Some of the major projects undertaken by the Firm were Wisma UOA in Bangsar, Damansara and Kuala Lumpur, Grand Continental Hotels, Wisma TCT in Kuala Lumpur, factories in Kepong and Shah Alam, and residential houses/apartments in Kuala Lumpur and Selangor.

He does not hold any directorships in any public listed company in Malaysia.

He does not have any family relationship with any Director and/or substantial shareholders of the Company.

## LEE WAI KUEN

Lee Wai Kuen, male, aged 52, Malaysian, was appointed to the Board of GCE as an Independent Non-Executive Director on 21 May 2008. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee of GCE.

Mr Lee graduated with the Association of Chartered Certified Accountants (ACCA) in 1993. He became an associate member of ACCA in 1995 and obtained his fellowship in 2000. Currently he is a member of both the Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysia (CTIM). Mr Lee has over 22 years of experience in the audit profession. He has established his own accountancy firm and has been practicing as a sole practitioner since 1998.

He does not hold any directorships in any public listed company in Malaysia.

He does not have any family relationship with any Director and/or substantial shareholders of the Company.

# DIRECTORS' PROFILE

## LIM THIAN LOONG

Lim Thian Loong, male, aged 53, Malaysian, was appointed to the Board of GCE as an Independent Non-Executive Director on 8 May 2013. He is the Chairman of the Remuneration Committee and is also a member of the Audit Committee and Nominating Committee of GCE.

He is an accountant by profession and graduated with The Chartered Institute of Management Accountants (CIMA) from London. He is a member of the CIMA, Chartered Global Management Accountants (CGMA), Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysia (CTIM). He has his own firm and has been practicing as a sole practitioner since 2002. He has over 13 years of experience in accounts, audit and tax.

He also sits on the Board of Sanbumi Holdings Berhad.

He does not have any family relationship with any Director and/or substantial shareholders of the Company.

## TAN HWA LIAN

Tan Hwa Lian, female, aged 54, Singaporean, was appointed as alternate director to Executive Chairman of the Company, Tan Eng Teong, on 6 May 2015.

After graduating from the National University of Singapore with a Bachelor in Business Administration (Hons), she joined the banking and finance sector. Working initially in the corporate banking department in a bank in Singapore, she later joined a large financial institution where she was responsible for real estate lending and long term treasury investments. In total, she gathered 15 years of experience before leaving the sector in 2000. She is currently an Executive Director of Hotel Grand Central Limited, Singapore which is listed on the Stock Exchange of Singapore. She held this position from year 2003.

She does not hold any directorships in any public listed company in Malaysia.

Tan Hwa Lian is the daughter of Tan Eng Teong, a Director and major shareholder of the Company.

# SENIOR MANAGEMENT PROFILE

## **TEOH HOOI NIE**

Teoh Hooi Nie, female, aged 45, Malaysian, was appointed as the Group Accountant on 10 May 2016.

She has more than 20 years of experience in the hotel industry. She graduated from Tunku Abdul Rahman College with a Diploma in Management Accounting in Malaysia.

She does not hold any directorships in any public listed company in Malaysia.

She does not have any family relationship with any Director and/or substantial shareholders of the Company.

## **TAI BOON KONG**

Tai Boon Kong, male, aged 50, Malaysian, was appointed as the Group Operations Manager on 3 June 2008.

He has more than 28 years of experience in the hotel industry. He graduated with a Diploma in Hospitality from Malaysian Association of Hotels (MAH) in Malaysia.

He does not hold any directorships in any public listed company in Malaysia.

He does not have any family relationship with any Director and/or substantial shareholders of the Company.

## **CHRISTOPHER KOH BENG TEE**

Christopher Koh Beng Tee, male, aged 54, Malaysian, was appointed as the Group Sales & Marketing Administrator on 15 June 2009.

He has more than 35 years of experience in the hotel industry. He graduated from Stamford College with a Diploma in Business Computing and Advance Diploma in Business Computing from Central Institute of Commerce in Malaysia.

He does not hold any directorships in any public listed company in Malaysia.

He does not have any family relationship with any Director and/or substantial shareholders of the Company.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Grand Central Enterprises Bhd. (“GCE”) recognises the importance of practicing good corporate governance and is committed to ensuring the Group practices high standard of corporate governance in line with the Malaysian Code on Corporate Governance 2012 (“the Code”) to achieve the Group’s governing objective of enhancing shareholders’ value.

The statement below set out the commitment of the Board and the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code throughout the financial year towards best practices of the Code, and the extent to which it has applied and complied with the best practices of the Code.

## BOARD OF DIRECTORS

### Board Responsibilities

The Board shows its commitment to leading and controlling the Group’s strategic direction, overseeing the business operations, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. The Board holds meeting quarterly and when necessary for any matters which may arise between the meetings.

The Board in carrying out its stewardship responsibility has delegated certain responsibilities to the Audit Committee, Nominating Committee and Remuneration Committee. All committees have clearly defined terms of reference. The Chairman of the various committees will report to the Board the outcomes of the committee meetings.

The Board maintains a formal schedule of matters reserved to it for decision. This schedule of matters includes approval of business strategy and objectives, corporate governance arrangements, financial reporting and audit, major capital expenditure and maintenance, acquisitions and disposals, dividend recommendations and overall system of internal control and risk management.

The Executive Chairman and Executive Directors are primarily responsible for the day-to-day business operations of the Group and management decisions as well as implementation of the Group’s policies, while the Independent Non-Executive Directors provide inputs to key decisions including formulation of policies and strategies, performance evaluation and risk evaluation affecting the Group. The Independent Non-Executive Directors are involved in various board committees and they provide independent assessments and opinions and act objectively and constructively in exercising their duties.

### Board Charter

The Board Charter was adopted in year 2013 and it sets out the Board’s strategic intent and outlines the Board’s roles and responsibilities. The Board Charter is available at the Company’s website <http://www.gcebhd.com.my>.

The Board has established a Whistleblowing Policy with the purpose to ensure the right decisions are made when confronted with situations that test our values, beliefs and judgement. The said policy was also included in the Group’s Employee’s Handbook.

### Board Balance

The Board is well balanced with wide range of business and financial experience. Each year the Board reviews the Group’s procedures and performance and arranges suitable training where appropriate. The profiles of the members of the Board are provided on pages 12 to 14 of this Annual Report.

The Board consists of an Executive Chairman, an Executive Deputy Chairman cum Managing Director, two Executive Directors and three Independent Non-Executive Directors. The Board is mindful that the Chairman holds an executive position and recognised his prominent role and contribution to the Company since the Company was set up. The Board is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters are referred to the Board for consideration and approval. Furthermore, the role and contributions of Independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board.

The Board also has been seeking for suitable calibre candidates as independent directors of the Company to make up a majority of independent directors in the Board members as recommended under the Code. Further, ongoing efforts are also taken to maintain an appropriate gender representation on the Board.

# CORPORATE GOVERNANCE STATEMENT

## BOARD OF DIRECTORS (CONT'D.)

### Board Balance (cont'd.)

Wong Tow Cheong has been the Independent Non-Executive Director of the Company since 19 May 2006. The Nominating Committee and Board of Directors have carried an evaluation and assessment and concluded that Mr Wong stays independent and objective in board deliberations and decision making, and is able to act in the best interests of the Company. Mr Wong is not related to any Directors and substantial shareholders of the Company and is not under the influence of the other Directors and is self determined.

Lee Wai Kuen has been appointed as the Independent Non-Executive Director of the Company since 21 May 2008. The Nominating Committee and Board of Directors have carried an evaluation and assessment and concluded that Mr. Lee is a Chartered Accountant by profession and his independent views, objective assessments and opinions in board deliberations is effectively discharging his duties as independent director. Mr. Lee is able to act in the best interests of the Company. Mr. Lee is not related to any Directors and substantial shareholders of the Company and is not under influence of other Directors and is self-determine.

The Board met four times during the financial year ended 31 December 2016. The details of attendance of each Director at the Board meetings held during the financial year at the Conference Room of Hotel Grand Continental, 10th Floor, Jalan Belia/Jalan Raja Laut, 50350 Kuala Lumpur are set out as below:

Name of Director	23 February 2016 ( 1500 hrs )	10 May 2016 ( 1400 hrs )	9 August 2016 ( 1430 hrs )	9 November 2016 ( 1200 hrs )
Tan Eng Teong	X	-	-	X
Tan Teck Lin	X	X	X	X
Tan Eng How	X	X	X	X
Tan Hwa Imm	X	X	X	X
Wong Tow Cheong	X	X	X	X
Lee Wai Kuen	X	X	X	X
Lim Thian Loong	X	X	X	X
Tan Hwa Lian (Alternate Director)	-	X	X	-

### Supply Of Information

To fulfil the responsibilities set out above, the Directors are provided with appropriate reports and information at least five days in advance of each meeting regarding the business operations and financial affairs of the Group. The notice for each of the meeting is also accompanied by the minutes of preceding board meeting. This also enables any director who is unable to attend a Board meeting to provide comments and discuss issues arising with the other Board members. Further, the Directors have access to the advice and services of the Company Secretaries, and may seek external independent professional advice when required.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharge of their functions. The Company Secretaries ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Group. The Company Secretaries also keep abreast of the regulatory changes and developments in Corporate Governance and update the Board timeously.

### Appointment Of Directors

The Nominating Committee is responsible in recommending to the Board on the appointment of any additional Directors deemed necessary with due consideration given to the mix of expertise and experience required for an effective Board. Other factors considered include the Directors' ability to commit sufficient time, their character and level of independence in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, integrity and professionalism. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the Annual General Meeting held following their appointments.

# CORPORATE GOVERNANCE STATEMENT

## BOARD OF DIRECTORS (CONT'D.)

### Directors' Training

All Directors have attended the Mandatory Accreditation Programme as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Bhd. During the financial year 2016, all Directors except for Tan Hwa Lian have attended the training course on "Sustainability Policies and Strategies to Deliver Sustainable Performance" held on 9 November 2016. In addition thereto, the Directors have also attended other training courses as follows:

Tan Hwa Imm

"What makes good, bad and ugly Corporate Governance Reporting" held on 8 March 2016

Lee Wai Kuen

"GST – Latest Developments and Its Practical Implications" held on 25 February 2016

"Withholding Tax : Theory & Practice" held on 10 March 2016

"2017 Budget Seminar" held on 29 November 2016

Lim Thian Loong

"What makes good, bad and ugly Corporate Governance Reporting" held on 8 March 2016

"Companies Bill 2015 : A snapshot of Changes" held on 26 June 2016

"Positioning a Strong Board Risk Oversight" held on 26 August 2016

Tan Hwa Lian

"ASEAN Corporate Governance Scorecard Briefing" held on 5 May 2016

The Directors constantly keep abreast with the current changes in laws and regulations, and business environment through various media channels.

### Re-election

Pursuant to the Articles of Association of the Company, one-third or the number nearest one-third of the Directors for the time being shall retire from office, and each Director shall retire from office once at least in every three (3) years. The Articles of Association of the Company further provide that any Director appointed by the Board during the year shall hold office only until the next following Annual General Meeting after his appointment. The Director(s) retired shall be eligible for re-election.

### Nominating Committee

The Nominating Committee was established by the Board on 21 February 2005 and the Committee Members are:

#### Chairman

Wong Tow Cheong

(Independent Non-Executive Director)

#### Members

Lee Wai Kuen

(Independent Non-Executive Director)

Lim Thian Loong

(Independent Non-Executive Director)

The terms of reference of the Nominating Committee is available at the Company's website <http://www.gcebhd.com.my>.

### Summary of Activities

During the financial year 2016, the Nominating Committee had performed:

- (a) reviewed and assessed the composition of the Board as a whole and individually on the skills and experiences of the Directors including core competencies and effectiveness of the Board;

# CORPORATE GOVERNANCE STATEMENT

## BOARD OF DIRECTORS (CONT'D.)

### Nominating Committee (cont'd.)

#### Summary of Activities (cont'd.)

- (b) evaluated and determined training needs of Directors;
- (c) assessed and made recommendation to the Board on re-election of those Directors subject to re-election/retirement in accordance to Articles of Association;
- (d) reviewed and made recommendation to the Board to fill the seat of Chairman of the Remuneration Committee;
- (e) evaluated the independence of the Independent Non-Executive Directors based on the criteria as prescribed in the Listing Requirements and the Corporate Governance Guide issued by Bursa Malaysia; and
- (f) reviewed and recommended to the Board for re-appointment of Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years and to seek shareholders' approval on the re-appointment at the forthcoming Annual General Meeting.

One Nominating Committee Meeting was held on 23 February 2016 and was attended by all Committee Members.

### Directors Remuneration

#### Procedure

The fees of Directors, including Non-Executive Directors, are endorsed by the Board for approval by the shareholders of the Group at the Annual General Meeting.

#### Disclosure

The aggregate remuneration of Directors of the Group and of the Company for the financial year ended 31 December 2016 are as follows:

	Group RM	Company RM
Executive Directors:		
Salaries and other emoluments	734,500	680,500
Employees provident fund ("EPF")	102,620	95,600
Fees	110,000	110,000
Benefits-in-kind	44,250	44,250
	991,370	930,350
Non-Executive Directors:		
Fees	45,000	45,000
Total Directors fees	155,000	155,000
Total	1,036,370	975,350

The Directors of the Company whose total remuneration fall in the following bands are as follows:

	Range of Remuneration	
	Group	Company
Tan Teck Lin (Executive)	RM300,001 - RM350,000	RM300,001 - RM350,000
Tan Eng How (Executive)	RM300,001 - RM350,000	RM250,001 - RM300,000
Tan Eng Teong (Executive)	RM150,001 - RM200,000	RM150,001 - RM200,000
Tan Hwa Imm (Executive)	RM150,001 - RM200,000	RM150,001 - RM200,000
Wong Tow Cheong (Non-Executive)	Below RM50,000	Below RM50,000
Lee Wai Kuen (Non-Executive)	Below RM50,000	Below RM50,000
Lim Thian Loong (Non-Executive)	Below RM50,000	Below RM50,000
Tan Hwa Lian (Alternate Executive Director)	RMNil	RMNil

# CORPORATE GOVERNANCE STATEMENT

## BOARD OF DIRECTORS (CONT'D.)

### Remuneration Committee

The Remuneration Committee was established by the Board on 21 February 2005 and the Committee Members are:

#### Chairman

Lim Thian Loong  
(Independent Non-Executive Director)

#### Members

Lee Wai Kuen  
(Independent Non-Executive Director)

Wong Tow Cheong  
(Independent Non-Executive Director)

The functions of the Committee include recommendation to the Board, the remuneration packages of Managing Director, Executive Directors and senior management of the Company in all its forms, which are in accordance with the skills, experience and expertise they possess, the business performance of the Company and the general economic outlook, and may draw from outside advice if necessary.

The Remuneration Committee met twice on 23 February 2016 and 9 November 2016 to review the remuneration of the Directors and senior management of the Company to ensure that rewards commensurate with their experience and individual performance.

The Non-Executive Directors are paid an annual fixed fee for serving on the Board, which is determined by the Board of Directors as a whole.

## DIALOGUE WITH SHAREHOLDERS

The Directors encourage and seek to build up a mutual understanding of objectives between the Group and its shareholders. The Board seeks to encourage shareholders to attend the Annual General Meeting. Besides the disclosures and announcements to the Bursa Malaysia Securities Bhd., it uses the Annual General Meeting to communicate with private investors and encourages their participation.

## EMPLOYEE INVOLVEMENT

The Board values two-way communication between senior management and employees at all levels. Regular management visits are made to each hotel and meetings are held whereby consultation takes place with employees on developments within the business.

### Risk Management and Internal Control

The Board is committed to maintain a sound system of internal control and effective risk management system and it is the Board's responsibility to review its adequacy and integrity. Risk management is an integral part of the Group's business objectives and activities and is critical for the Group's overall objective to achieve continued profitability and sustained growth.

The Group's systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be completely eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. The Group has an ongoing process for identifying, evaluation and managing key risks in the context of its business objectives.

The Statement of Risk Management and Internal Control is set out on pages 25 to 26. It provides an overview of the state of risk management and internal control within the Group.

# CORPORATE GOVERNANCE STATEMENT

## ACCOUNTABILITY AND AUDIT (CONT'D.)

### Audit Committee

In addition to the duties and responsibilities set out under its term of reference, the Audit Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems. The committee also conducts a review of the internal audit functions i.e. its authority, resources and scope of work. It also ensures that no restrictions are placed on the scope of the statutory audits and on the independence of the internal audit functions.

The Group's internal audit function was outsourced to a professional internal audit services company who reports to the Audit Committee.

The minutes of the Audit Committee Meeting are tabled to the Board for noting and for action by the Board where necessary. The activities of the Audit Committee during the year are set out under the Audit Committee Report on pages 23 to 24.

### Relationship with External Auditors

The Board ensures that an objective and professional relationship is maintained with the external auditors through the Audit Committee which keeps under review the nature, scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors.

The role of the Audit Committee in relation to the external auditors is further described in the Audit Committee Report on pages 23 to 24.

### Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to the shareholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee of the Board assists by scrutinizing the information to be disclosed, to ensure accuracy and adequacy.

## DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records which disclose, with reasonableness at any time, the financial position of the Group and the Company and enable them to ensure that the accounts are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 2016 and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad. They are responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of their results and their cash flows for the year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group had used the appropriate and relevant accounting policies and applied them consistently and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that the appropriate systems are in place for the assets of the Group to be properly safeguarded for prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable but not absolute assurance against material misstatement, loss and fraud.

The auditors' responsibilities are stated in their report to the shareholders.

# CORPORATE GOVERNANCE STATEMENT

## CORPORATE SOCIAL RESPONSIBILITY

We believe that corporate social responsibility (CSR) is an integral part of how we, as provider of services, conduct business, make decisions and, set our priorities.

The Group is committed to undertake a holistic approach to incorporate a sustainability ethos into our everyday doings. It's about the way we do business with sustainability-driven possibilities. We are responsible to our customers' needs and comfort by providing the convenience of accommodation at strategic locations throughout Malaysia with value for money facilities and services. The trust and a sense of faith from our stakeholders in our services is a reflection of how we deliver our responsibilities towards the health and welfare of the community. Our food is void of preservatives while energy-saving and environmental-friendly products are used for the benefits of our customers.

During the year, we had organised charity drives during Christmas and Bulan Ramadhan.

As for our employees, we offer an employment experience of continuous learning. We progressively strive for improvement on quality, safety and comfort in the development of every individual.

Hence, at the Group, we take measures to minimise environment impacts, to achieve both positive and sustainable outcomes for our Group and the communities in which we manage our business and operations.

## OTHER INFORMATION

### Conflict Of Interest

None of the Directors and senior management have any conflict of interest with the Group.

### Material Contracts

There were no material contracts entered into by the Group which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

### Conviction For Offences

None of the Directors and senior management have been convicted of any offences within the past five years other than traffic offences, if any.

### Audit and Non-Audit Fees

Audit and non-audit fees paid or payable to the External Auditors for the financial year ended 31 December 2016 are as follows:

	Group RM	Company RM
Audit fees	188,000	62,000
Non-audit fees *	5,000	5,000

\* For reviewing the Statement of Risk Management and Internal Control and Supplementary Information on the Disclosure of Realised and Unrealised Profit or Losses for Grand Central Enterprises Bhd.

This Statement is made in accordance with a resolution of the Board of Directors dated 8 March 2017.

# AUDIT COMMITTEE

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee members are:

### **Chairman**

Wong Tow Cheong  
(Independent Non-Executive Director)

### **Members**

Lee Wai Kuen  
(Independent Non-Executive Director)

Lim Thian Loong  
(Independent Non-Executive Director)

The terms of reference of the Audit Committee is available at the Company's website <http://www.gcebhd.com.my>.

### **Meetings**

There were four meetings held during the financial year and the attendance of the present Audit Committee Members are as follows:-

	<b>23 February 2016 (1100 hrs)</b>	<b>10 May 2016 (1030 hrs)</b>	<b>9 August 2016 (1030 hrs)</b>	<b>9 November 2016 (1030 hrs)</b>
<b>Committee Members</b>				
Wong Tow Cheong	x	x	x	x
Lee Wai Kuen	x	x	x	x
Lim Thian Loong	x	x	x	x

### **External Auditors**

In reviewing the independence of the external auditors, the Committee considered a number of factors, including the experience and tenure of the external auditors, the nature and level of the services provided by the external auditors and the external auditors' written confirmation that it has remained independent in accordance with relevant professional and regulatory requirements.

Based on the review conducted in 2016, the Committee was satisfied with the performance of the external auditors and the effectiveness of the audit process. It has therefore recommended to the Board that the external auditors be reappointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2017 the re-appointment of the auditors for a period of one year.

### **Internal Audit Function**

The primary responsibility of the internal audit function is to assist the Board and the Audit Committee in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a strong management control environment.

During the financial year ended 31 December 2016, the internal audit function was outsourced to a professional internal audit services company (" Internal Auditors ") BPS Adviser Sdn Bhd who reports to the Audit Committee.

The Internal Auditors have carried out their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentation, communication of findings and consultation with key stakeholders on the audit concerns.

# AUDIT COMMITTEE

## **Internal Audit Function (cont'd.)**

The internal audit reviews are carried out based on the Audit Committee's instructions on the selected functions and departments of the selected hotels. Prior to finalization and presentation of reports to the Audit Committee, comments from the management were obtained and incorporated into the internal audit findings and reports.

During the financial year, the Internal Auditors had conducted reviews on the Kuching and Kuala Terengganu hotels. The functions covered in these hotels are maintenance and housekeeping departments and front office function in Kuching and Kuala Terengganu respectively. The audit findings noted in the these reviews as well as the agreed action plans for improving the systems of internal control on the reviewed areas were presented to the Audit Committee.

The total cost incurred for the Internal Audit function in respect of the financial year amounted to RM25,390.

## **Summary of Activities**

During the financial year 2016, the Audit Committee had:

- (i) considered and recommended the re-appointment of the external auditors, Ernst & Young;
- (ii) discussed with the external auditors before the audit commences the nature and scope of the audit;
- (iii) reviewed with the management and the external auditors the quarterly and year-end financial statements before their submission to the Board, focusing particularly on:
  - any changes in or implementation of major accounting policies and practices
  - significant unusual events
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with accounting standards
  - compliance with stock exchange and other legal requirements
- (iv) discussed with the external auditors problems and reservations arising from the final audits (in the absence of management);
- (v) reviewed with the external auditors on Statement of Risk Management and Internal Control and recommendation to the Board for inclusion in the annual report;
- (vi) reviewed with external auditors, their evaluation of systems of internal controls and audit reports;
- (vii) reviewed the assistance given by the employees to the external auditors;
- (viii) reviewed with the outsourced Internal Auditors, BPS Advisor Sdn. Bhd., the internal audit finding, and whether the management on the recommendations of the internal audit taken appropriate action;
- (ix) communicated with the Internal Auditors on the scope of works and premises to audit;
- (x) reviewed the related party transactions entered into by the Group and conflict of interest situation that may arise;
- (xi) reviewed, identified, evaluated, managed key financial and non-financial risks;
- (xii) reviewed with the management on debtors aging report and action taken;
- (xiii) reviewed and recommendation to the Board on adoption of Transfer Pricing Policy by the Group;
- (xiv) reviewed the Group's compliances with the requirement of the Companies Act, 1965, the Main Board Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia.

# **STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL**

## **INTRODUCTION**

Paragraph 15.26(b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad requires the Board of Directors of a listed company to include in its annual report a “statement on risk management and internal control of the company as a Group”.

## **RESPONSIBILITY**

The Board of Grand Central Enterprises Bhd. is committed to maintain a sound system of internal control and effective risk management within the Group and is responsible for reviewing its adequacy and integrity. Risk management is an integral part of the Group’s business objectives and activities and is critical for the Group’s overall objective to achieve continued profitability and sustainable growth.

The Group’s systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives. The Board continually reviews the system to ensure that the risk management and internal control system provides a reasonable assurance against material misstatement, loss or fraud.

## **KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES**

The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group’s overall business operations and guided by operational manuals and policies and procedures. This process is regularly reviewed by the Board for effectiveness and adequacy, and is guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

The Executive Deputy Chairman cum Managing Director and Executive Director regularly meet with senior management team which covers all departments. The Board has received assurance from the Executive Deputy Chairman cum Managing Director and the Executive Director that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects.

The key risk management and internal control processes that the Board has established in reviewing the adequacy and integrity of the Group’s risk management and system of internal control, are as follows:

- The Group has a clearly defined organisational structure together with lines of responsibility and delegation of authority;
- The Group has proper procedures for approval and authority limit for controlling and approving capital expenditure and expenses. There are also clear procedures for obtaining approvals for asset disposals and major business transactions;
- The policies and procedures for the processes of the Group’s operation are documented in the Group accounting and control manuals, and are updated from time to time;
- Detailed management accounts are prepared monthly by each operating property based on an annual budget with monthly reports compared against budget plus analysis of significant variances;
- The internal audit function of the Group was outsourced to a professional internal audit services company (“Internal Auditors”), which includes performing regular reviews of the business processes to assess effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendation for improvements;
- The Audit Committee of the Board comprises of three Independent Non-Executive Directors and has full access to both the internal and external auditors;
- The Audit Committee meets regularly during the financial year ended 31 December 2016 and holds discussions with the management on the action taken on internal control issues prepared by the internal auditors. The minutes of the Audit Committee meetings are tabled to the Board on a quarterly basis. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee report;

# **STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL**

## **KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D.)**

- The Group carries insurance cover in respect of insurable business risk, including property risk, to appropriate levels, which are determined upon consultation with insurance brokers;
- There are proper guidelines drawn-up by the Group for hiring and termination of staff, formal training programme for staff, annual performance appraisal and other relevant procedures in place to achieve the objective of ensuring the staff are competent to carry out their responsibilities;
- The Group performs Maintenance Survey on all the properties at least once a year to ensure all hotel premises will function efficiently and effectively; and
- The Group has in place a Whistleblowing Policy which provides a channel to employees to report in confidentiality without fear of reprisals, concerns about possible improprieties in financial reporting or other matters.

## **CONCLUSIONS**

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of employees and the Group's assets.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by Paragraph 15.23 of Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement of Risk Management and Internal Control ("statement") for inclusion in the Annual Report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material aspects has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers", nor is the statement factually inaccurate. The review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with a resolution of the Board of Directors dated 8 March 2017.

# DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## Principal activities

The Group is principally engaged in all aspects of the hotel business, provision of limousine services and hotel management services.

The Company is principally engaged in all aspects of the hotel business and investment holding.

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

## Results

	Group RM	Company RM
Loss net of taxation	(5,758,114)	(1,588,244)
Attributable to:		
Equity holders of the Company	(5,802,424)	(1,588,244)
Non-controlling interests	44,310	-
	(5,758,114)	(1,588,244)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

## Dividends

Since the end of the previous financial year, the Company paid a final single-tier dividend of 2% on 197,002,000 ordinary shares amounting to RM3,940,040 on 25 May 2016 in respect of the previous financial year as proposed in the directors' report of that year.

The directors do not recommend payment of any dividend for 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:

Tan Eng Teong  
Tan Teck Lin  
Tan Eng How  
Tan Hwa Imm  
Wong Tow Cheong  
Lee Wai Kuen  
Lim Thian Loong  
Tan Hwa Lian (alternate director to Tan Eng Teong)

# DIRECTORS' REPORT

## 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 benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) 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, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each		
	As at 1.1.2016	Bought	Sold
			As at 31.12.2016
<b>Direct interests</b>			
Tan Eng Teong	13,000	-	-
Tan Teck Lin	13,000	-	-
Tan Eng How	32,000	-	-
Tan Hwa Imm	80,000	-	-
Tan Hwa Lian	557,000	-	-
<b>Indirect interests</b>			
Tan Eng Teong	143,733,061	-	-
Tan Teck Lin	144,241,961	-	-
Tan Eng How	143,157,061	-	-
Tan Hwa Imm	998,900	-	-
Tan Hwa Lian	13,000	-	-

By virtue of their interests in shares in the Company, Tan Eng Teong, Tan Teck Lin, Tan Eng How, Tan Hwa Imm and Tan Hwa Lian are also deemed interested in shares of the Company's subsidiaries to the extent that the Company has an interest.

Other than as stated above, the other directors in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

## Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

# DIRECTORS' REPORT

## Other statutory information (cont'd.)

- (ii) to ensure that any current assets which were unlikely to realise their values 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (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 Group and 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 financial statements of the Group and 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 Group and 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 Group and 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 Group or of the Company to meet their 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 Group and of the Company for the financial year in which this report is made.

## Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 March 2017.

Tan Teck Lin

Tan Eng How

Kuala Lumpur, Malaysia

# STATEMENT BY DIRECTORS

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

We, **Tan Teck Lin** and **Tan Eng How**, being two of the directors of **Grand Central Enterprises Bhd.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and the cash flows for the year then ended.

## Other matters

The supplementary information set out in Note 32 on page 81 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 March 2017.

**Tan Teck Lin**

Kuala Lumpur, Malaysia

**Tan Eng How**

# STATUTORY DECLARATION

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

I, **Tan Hwa Imm**, being the director primarily responsible for the financial management of **Grand Central Enterprises Bhd.**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 81 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 **Tan Hwa Imm**  
at Kuala Lumpur in the Federal  
Territory on 8 March 2017

**Tan Hwa Imm**

Before me,  
YM Tengku Fariddudin Bin Tengku Sulaiman (W533)  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

to the members of Grand Central Enterprises Bhd.  
(Incorporated in Malaysia)

## Report on the audit of the financial statements

### *Opinion*

We have audited the financial statements of Grand Central Enterprises Bhd, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 80.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 audit opinion.

### *Independence and other ethical responsibilities*

We are independent of the Group and 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.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

### *Impairment Assessment of Hotel Properties*

The Group's and the Company's hotel properties amounting to RM177,248,876 and RM86,767,373 respectively are as disclosed in Note 13 which represent approximately 67% of the Group's and 38% of the Company's total assets balance. The directors have identified the hotel properties with declining financial performance for the purposes of impairment test. The Group determined the recoverable amounts of its hotel properties based on value-in-use ("VIU") or fair value less cost to sell ("FVLCS") method. We focused on this area as it involved directors' judgement and significant audit efforts are required in the assessment of evidences supporting the recoverable amounts.

# INDEPENDENT AUDITORS' REPORT

to the members of Grand Central Enterprises Bhd.  
(Incorporated in Malaysia)

## *Impairment Assessment of Hotel Properties (cont'd.)*

The recoverable amount based on VIU involved estimating future cash flows that will be derived from the hotel properties. The amount and timing of cash flows in the projection are dependent on key assumptions such as future occupancy rates and room rates, profit margins, residual land value and discount rates, which in turn are affected by expected future market and economic conditions.

Our procedures include, amongst others, evaluating and challenging the assumptions used by the Group in the cash flow projections, by comparing to historical occupancy rates, room rates growth, profit margin achieved, and sustainability of working capital improvement in the coming years. In the assessment of the appropriateness of discount rates and the methodologies used to determine present value of cash flows, the service of internal valuation experts was used to assist in our work. We have also checked the accuracy of calculation of the cash flow projections based on the assumptions made and reasonableness of residual land value.

For recoverable amount that is based on FVLCS, the Group engaged independent valuers to assess the fair value of the hotel properties. In this respect, we have considered the independence, reputation and capabilities of the external valuers. We also assessed the reasonableness of the hotel properties data used by valuers under comparison method, by benchmarking against available market information.

## *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 information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditors' report is prepared.

## *Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT

to the members of Grand Central Enterprises Bhd.  
(Incorporated in Malaysia)

## *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 Group and 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 Group's and 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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

to the members of Grand Central Enterprises Bhd.  
(Incorporated in Malaysia)

## Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Other reporting responsibilities

The supplementary information set out in Note 32 to the financial statements on page 81 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other matters

This report is made solely to the members 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.

**Ernst & Young**  
AF: 0039  
Chartered Accountants

**Ong Chee Wai**  
No. 2857/07/18(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
8 March 2017

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	<b>27,589,247</b>	29,837,039	<b>7,221,238</b>	7,277,279
Changes in inventories		(92,532)	56,156	(73,728)	45,732
Purchase of inventories		(3,181,504)	(3,394,684)	(1,142,867)	(969,978)
Other income	5	<b>3,079,713</b>	2,911,858	<b>4,241,189</b>	5,709,476
Staff costs	6	<b>(12,028,117)</b>	(12,314,847)	<b>(4,434,358)</b>	(4,402,254)
Depreciation		(6,468,802)	(6,260,208)	(3,331,399)	(3,147,846)
Other expenses		<b>(12,101,851)</b>	(12,434,974)	<b>(4,382,079)</b>	(4,520,685)
Operating loss	7	<b>(3,203,846)</b>	(1,599,660)	<b>(1,902,004)</b>	(8,276)
Finance costs	9	<b>(4,607)</b>	(706)	-	(706)
Loss before taxation		<b>(3,208,453)</b>	(1,600,366)	<b>(1,902,004)</b>	(8,982)
Taxation	10	<b>(2,549,661)</b>	(296,116)	<b>313,760</b>	281,953
(Loss)/profit net of taxation, representing total comprehensive (loss)/ income for the year		<b>(5,758,114)</b>	(1,896,482)	<b>(1,588,244)</b>	272,971
Attributable to:					
Equity holders of the Company		<b>(5,802,424)</b>	(1,974,367)	<b>(1,588,244)</b>	272,971
Non-controlling interests		<b>44,310</b>	77,885	-	-
		<b>(5,758,114)</b>	(1,896,482)	<b>(1,588,244)</b>	272,971
Loss per share attributable to equity holders of the Company (sen) :					
Basic	11	<b>(2.9)</b>	(1.0)		
Fully diluted	11	<b>(2.9)</b>	(1.0)		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		Company	
		2016 RM	2015 RM (Restated)	2016 RM	2015 RM (Restated)
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	<b>189,908,316</b>	193,482,496	<b>93,521,028</b>	94,907,942
Deferred tax assets	21	-	2,898,488	-	-
Investment in subsidiaries	14	-	-	<b>66,485,458</b>	98,336,434
		<b>189,908,316</b>	196,380,984	<b>160,006,486</b>	193,244,376
<b>Current assets</b>					
Inventories	15	<b>368,741</b>	466,329	<b>81,506</b>	159,802
Trade receivables	16	<b>2,379,272</b>	2,160,138	<b>1,183,579</b>	568,563
Other receivables	17	<b>2,042,656</b>	1,476,673	<b>2,251,528</b>	3,980,838
Tax recoverable		<b>139,012</b>	128,297	-	-
Cash and bank balances	18	<b>68,544,820</b>	72,859,463	<b>63,799,838</b>	68,017,579
		<b>73,474,501</b>	77,090,900	<b>67,316,451</b>	72,726,782
<b>Total assets</b>		<b>263,382,817</b>	273,471,884	<b>227,322,937</b>	265,971,158
<b>Equity and liabilities</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	19	<b>197,002,000</b>	197,002,000	<b>197,002,000</b>	197,002,000
Non-distributable reserves		<b>2,394,693</b>	2,394,693	<b>2,394,693</b>	2,394,693
Retained earnings	24	<b>39,354,528</b>	49,096,992	<b>10,892,981</b>	16,421,265
Shareholders' equity		<b>238,751,221</b>	248,493,685	<b>210,289,674</b>	215,817,958
<b>Non-controlling interests</b>		<b>1,872,121</b>	1,827,811	-	-
<b>Total equity</b>		<b>240,623,342</b>	250,321,496	<b>210,289,674</b>	215,817,958
<b>Non-current liabilities</b>					
Hire purchase payable	20	<b>38,126</b>	-	-	-
Deferred tax liabilities	21	<b>17,157,955</b>	17,856,919	<b>14,418,288</b>	15,019,251
		<b>17,196,081</b>	17,856,919	<b>14,418,288</b>	15,019,251
<b>Current liabilities</b>					
Hire purchase payable	20	<b>33,174</b>	-	-	-
Trade payables	22	<b>1,290,933</b>	1,699,103	<b>376,099</b>	325,147
Other payables	23	<b>4,106,263</b>	3,505,159	<b>2,105,852</b>	34,739,590
Tax payable		<b>133,024</b>	89,207	<b>133,024</b>	69,212
		<b>5,563,394</b>	5,293,469	<b>2,614,975</b>	35,133,949
<b>Total liabilities</b>		<b>22,759,475</b>	23,150,388	<b>17,033,263</b>	50,153,200
<b>Total equity and liabilities</b>		<b>263,382,817</b>	273,471,884	<b>227,322,937</b>	265,971,158

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

## **STATEMENTS OF CHANGES IN EQUITY**

For the year ended 31 December 2016

Group	Non-distributable share premium reserve			Distributable retained earnings			Non-controlling interests			Total equity RM
	Share capital RM	(Note 19)	RM	Total RM	RM	(Note 24)	Total RM	RM		
<b>Opening balance at 1 January 2016</b>	<b>197,002,000</b>		<b>2,394,693</b>	<b>49,096,992</b>	<b>248,493,685</b>		<b>1,827,811</b>	<b>250,321,496</b>		
Total comprehensive (loss)/income	-		-	(5,802,424)	(5,802,424)		44,310	(5,758,114)		
Dividends (Note 12)	-		-	(3,940,040)	(3,940,040)		-	(3,940,040)		
<b>Closing balance at 31 December 2016</b>	<b>197,002,000</b>		<b>2,394,693</b>	<b>39,354,528</b>	<b>238,751,221</b>		<b>1,872,121</b>	<b>240,623,342</b>		
<b>Opening balance at 1 January 2015</b>	<b>197,002,000</b>		<b>2,394,693</b>	<b>55,011,399</b>	<b>254,408,092</b>		<b>1,959,926</b>	<b>256,368,018</b>		
Total comprehensive (loss)/income	-		-	(1,974,367)	(1,974,367)		77,886	(1,896,482)		
Dividends (Note 12)	-		-	(3,940,040)	(3,940,040)		-	(3,940,040)		
<b>Closing balance at 31 December 2015</b>	<b>197,002,000</b>		<b>2,394,693</b>	<b>49,096,992</b>	<b>248,493,685</b>		<b>1,827,811</b>	<b>250,321,496</b>		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2016

## Company

	Share capital RM (Note 19)	Non-distributable share premium reserve RM	Distributable retained earnings RM (Note 24)	Total RM
<b>Opening balance at 1 January 2016</b>	<b>197,002,000</b>	<b>2,394,693</b>	<b>16,421,265</b>	<b>215,817,958</b>
Total comprehensive loss	-	-	(1,588,244)	(1,588,244)
Dividends (Note 12)	-	-	(3,940,040)	(3,940,040)
<b>Closing balance at 31 December 2016</b>	<b>197,002,000</b>	<b>2,394,693</b>	<b>10,892,981</b>	<b>210,289,674</b>
<b>Opening balance at 1 January 2015</b>	<b>197,002,000</b>	<b>2,394,693</b>	<b>20,088,334</b>	<b>219,485,027</b>
Total comprehensive income	-	-	272,971	272,971
Dividends (Note 12)	-	-	(3,940,040)	(3,940,040)
<b>Closing balance at 31 December 2015</b>	<b>197,002,000</b>	<b>2,394,693</b>	<b>16,421,265</b>	<b>215,817,958</b>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash flows from operating activities</b>				
Loss before taxation	(3,208,453)	(1,600,366)	(1,902,004)	(8,982)
Adjustments for:				
Depreciation	6,468,802	6,260,208	3,331,399	3,147,846
Inventories written down	5,056	1,646	4,568	1,154
Bad debts written off	13,400	-	-	-
Property, plant and equipment written off	-	900	-	-
(Reversal)/provision of short term accumulating compensated absences	(19,904)	14,797	(33,611)	13,865
Net gain on disposal of property, plant and equipment	(11,215)	(33,271)	(1,295)	(28,302)
Interest income	(2,528,298)	(2,531,779)	(2,528,298)	(2,531,779)
Interest expense	4,607	706	-	706
Impairment loss for investment in subsidiaries	-	-	272,986	262,148
Gross dividend income from subsidiary	-	-	-	(1,330,000)
Operating profit/(loss) before working capital changes	723,995	2,112,841	(856,255)	(473,344)
(Increase)/decrease in receivables	(240,888)	331,328	1,430,573	(1,241,496)
Decrease/(increase) in inventories	92,532	(57,802)	73,728	(46,886)
Increase/(decrease) in payables	212,838	43,313	(751,748)	979,117
Cash generated from/(used in) operations	788,477	2,429,680	(103,702)	(782,609)
Interest paid	(4,607)	(518)	-	(518)
Net taxes paid	(317,035)	(987,904)	(223,391)	(551,035)
Net cash generated from/(used in) operating activities	466,835	1,441,258	(327,093)	(1,334,162)
<b>Cash flows from investing activities</b>				
Interest received	1,970,669	2,777,478	1,970,669	2,777,478
Withdrawal of fixed deposits	3,556,303	1,655,421	3,556,303	1,655,421
Purchase of property, plant and equipment	(2,796,044)	(4,011,258)	(1,944,935)	(1,482,423)
Proceeds from disposal of property, plant and equipment	12,637	33,627	1,745	28,302
Capital repayment by subsidiary companies in cash	-	-	21,913	-
Net dividends received	-	-	-	1,330,000
Net cash generated from investing activities	2,743,565	455,268	3,605,695	4,308,778

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Cash flows from financing activities</b>				
Dividends paid to equity shareholders of the Company	(3,940,040)	(3,940,040)	(3,940,040)	(3,940,040)
Dividends paid to non-controlling interests	-	(210,000)	-	-
Repayment of hire purchase payable	(28,700)	(51,325)	-	(51,325)
Net cash used in financing activities	(3,968,740)	(4,201,365)	(3,940,040)	(3,991,365)
<b>Net decrease in cash and cash equivalents</b>	(758,340)	(2,304,839)	(661,438)	(1,016,749)
<b>Cash and cash equivalents at beginning of year</b>	<u>9,062,701</u>	11,367,540	<u>4,220,817</u>	5,237,566
<b>Cash and cash equivalents at end of year (Note 18)</b>	<u>8,304,361</u>	9,062,701	<u>3,559,379</u>	4,220,817

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 10th Floor, Hotel Grand Continental, Jalan Belia/ Jalan Raja Laut, 50350 Kuala Lumpur.

The Group is principally engaged in all aspects of the hotel business, provision of limousine services and hotel management services. The Company is principally engaged in all aspects of the hotel business and investment holding. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 March 2017.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost.

The financial statements are presented in Ringgit Malaysia ("RM").

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016.

#### **Effective for annual periods beginning on or after 1 January 2016**

Annual Improvements to MFRSs 2012 – 2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14: Regulatory Deferral Accounts

The adoption of the above amended standards and IC Interpretations did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Standards issued but not yet effective (cont'd.)

#### **Effective for annual periods beginning on or after 1 January 2017**

Annual Improvements to MFRSs 2014 – 2016 Cycle

MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)

MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

#### **Effective for annual periods beginning on or after 1 January 2018**

Annual Improvements to MFRSs 2014 – 2016 Cycle

MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

MFRS 9: Financial Instruments

Contracts MFRS 15: Revenue from Contracts with Customers

Amendments to MFRS 15: Clarifications to MFRS 15

Amendments to MFRS 140: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

#### **Effective for annual periods beginning on or after 1 January 2019**

MFRS 16: Leases

#### **Deferred**

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parents and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any differences between the amount by which the non-controlling interest is adjusted and that fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and;
- (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.5 Subsidiaries

A subsidiary is an entity over which the Company has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.6 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.7.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over its remaining lease term. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives at the following annual rates:

Hotel buildings	2%
Other assets*	10% - 33%
Crockeries, kitchenware and linen	20%
Motor vehicles	10%

\* Other assets comprise equipment, furniture, fixtures, fitting, renovation and computers.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

The Group and the Company have designated trade receivables, other receivables (excluding prepayments) and, cash and bank balances as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.8 Financial assets (cont'd.)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### 2.9 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.11 Inventories

Inventories are stated at the lower of costs and net realisable value. The costs comprise costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.12 Provisions

Provisions are recognised when the Group and the Company have present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.13 Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified accordingly to the substance of the contractual arrangements entered into and the definitions of a financial liability.

A financial liability is recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. The Group's and the Company's financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.14 Employee 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. Short term accumulating compensated absences such as paid annual leave are recognised as a liability when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.14 Employee benefits (cont'd.)

#### (ii) Defined contribution plans

The companies in the Group make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.15 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under financial leases;
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease; is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the upfront payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the entity's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.15 Leases (cont'd.)

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2.6.

Long term leasehold land is amortised over 783 years.

### 2.16 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

#### (a) Rendering of services

Revenue from rental of hotel rooms and service apartments, sale of food and beverage, rental of premises and other related income are recognised on an accrual basis.

#### (b) Management fee

Management fees are recognised when services are rendered.

#### (c) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

#### (d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.17 Income taxes

#### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.17 Income taxes (cont'd.)

#### (ii) Deferred tax (cont'd.)

- (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (i) where the deferred tax asset relating to the deductible temporary difference 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 the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.18 Foreign currency

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### (ii) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each reporting date, foreign currency monetary items are translated into Ringgit Malaysia at exchange ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical costs are translated using the historical rate as of the date of acquisition. All exchange rate differences are taken to the statement of comprehensive income for that year.

### 2.19 Affiliated companies

Affiliated companies refer to the Company's substantial corporate shareholders and directors related company.

### 2.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.21 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 2. Summary of significant accounting policies (cont'd.)

### 2.21 Fair value measurements (cont'd.)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 2.22 Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payables to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

### 2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest costs that the Group and the Company incurred in connection with the borrowing of funds.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 3. Significant accounting judgement and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Impairment assessment of hotel properties

The directors undertake an impairment review annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review of hotel properties include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the strategy for the overall business; and
- Significant negative industry or economic trends.

The Group determined the recoverable amounts of its hotel properties based on value-in-use ("VIU") or fair value less cost to sell ("FVLCS").

The recoverable amount based on VIU involved estimating future cash flows that will be derived from the hotel properties. The amount and timing of cash flows in the projection are dependent on key assumptions such as future occupancy rates and room rates, profit margins, residual land value and discount rates, which in turn are affected by expected future market and economic conditions.

Similarly, in establishing for recoverable amount that is based on FVLCS, the Group engaged independent valuers to assess the fair value of the hotel properties.

Circumstances such as actual cash flows might, for example, differ significantly from directors current best estimate or a relatively minor change in any of the judgements can have a significant impact on hotel recoverable amount which might result in recognition of impairment losses.

Based on the estimates and judgments applied, the directors do not believe that impairment of the property, plant and equipment is necessary at this juncture. The carrying amount of the Group's property, plant and equipment is as disclosed in Note 13.

#### (b) Useful lives of other property, plant and equipment

- Buildings

Buildings are depreciated on a straight-line basis over their estimated useful lives. Directors estimate the useful lives of these buildings to be 50 years. The carrying amount of buildings of the Group and of the Company at 31 December 2016 was RM158,189,891 (2015: RM162,364,975) and RM78,267,373 (2015: RM80,393,162) which as disclosed in Note 13. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of the buildings from directors' estimates would result in RM208,754 (2015: RM208,754) variance in the Group's loss for the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 3. Significant accounting judgement and estimates (cont'd.)

### (b) Useful lives of other property, plant and equipment (cont'd.)

#### • Plant and equipment (other than buildings)

The cost of plant and equipment (other than buildings) is depreciated on a straight-line basis over the assets' estimated economic useful lives. Directors estimate the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied for the plant and machinery. Directors review the residual values, useful lives and depreciation methods at the end of each financial year and ensures consistencies with previous estimates and patterns of consumptions of the economic benefits that embodied the items in these assets. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 13. A 5% difference in the expected useful lives of these assets from directors' estimates would result in RM 114,374 (2015: RM103,944) variance in the Group's loss for the year.

### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on directors' estimates of future cash flows. These depends on estimates of future occupancy and average room rate, operating costs, capital expenditure, dividends and other capital management transactions.

Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The Group's total carrying amounts of recognised tax losses, capital and investment allowance and the unrecognised tax losses, unutilised capital and investment allowance are disclosed in Note 21.

### (d) Impairment of investment in subsidiaries

The Company recognised impairment losses in respect of its investment in subsidiaries, based on the assessment of fair value of its respective assets or the estimation of the value in use ("VIU") of the CGUs. Estimating the VIU requires the Company to make an estimate of the unexpected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised are disclosed in Note 14.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 4. Revenue

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental of hotel rooms and service apartments	<b>17,371,601</b>	17,865,663	<b>4,601,502</b>	4,423,418
Sales of food and beverage	<b>8,353,205</b>	9,976,343	<b>2,060,665</b>	2,297,147
Rental income	<b>1,410,798</b>	1,564,138	<b>506,278</b>	502,278
Other related income	<b>453,643</b>	430,895	<b>52,793</b>	54,436
	<b>27,589,247</b>	29,837,039	<b>7,221,238</b>	7,277,279

## 5. Other income

	Group		Company	
	2016 RM	2015 RM (Restated)	2016 RM	2015 RM
Management fees	<b>72,000</b>	54,000	<b>1,628,379</b>	1,766,337
Realised gain on foreign exchange	<b>315</b>	207	-	-
Interest income	<b>2,528,298</b>	2,531,779	<b>2,528,298</b>	2,531,779
Gain on disposal of property, plant and equipment	<b>11,215</b>	33,271	<b>1,295</b>	28,302
Gross dividend income from subsidiary	-	-	-	1,330,000
Sundry revenue	<b>467,885</b>	292,601	<b>83,217</b>	53,058
	<b>3,079,713</b>	2,911,858	<b>4,241,189</b>	5,709,476

## 6. Staff costs

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	<b>9,177,239</b>	9,348,270	<b>2,932,678</b>	2,875,901
Employees Provident Fund ("EPF")	<b>1,108,788</b>	1,141,385	<b>344,431</b>	353,303
Social security costs	<b>129,292</b>	128,876	<b>29,206</b>	26,937
Short term accumulating compensated absences	<b>(19,904)</b>	14,797	<b>(33,611)</b>	13,865
Other staff related expenses	<b>1,632,702</b>	1,681,519	<b>1,161,654</b>	1,132,248
	<b>12,028,117</b>	12,314,847	<b>4,434,358</b>	4,402,254

Included in staff costs of the Group and of the Company are executive directors' salaries and other emoluments amounting to RM837,120 (2015: RM829,620) and RM776,100 (2015: RM768,600) respectively as further disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 7. Operating loss

Operating loss is stated after charging:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Auditors' remuneration				
Statutory audit	<b>188,000</b>	164,700	<b>62,000</b>	50,000
Other services	<b>5,000</b>	4,000	<b>5,000</b>	4,000
Directors' fees (Note 8)	<b>155,000</b>	155,000	<b>155,000</b>	155,000
Bad debts written off	<b>13,400</b>	-	-	-
Impairment loss for				
investment in subsidiaries (Note 14)	-	-	<b>272,986</b>	262,148
Property, plant and equipment written off	-	900	-	-
Cash written off	-	47,133	-	47,133
Inventories written down	<b>5,056</b>	1,646	<b>4,568</b>	1,154

## 8. Directors' remuneration

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	<b>734,500</b>	727,000	<b>680,500</b>	673,000
Employees provident fund ("EPF")	<b>102,620</b>	102,620	<b>95,600</b>	95,600
Fees	<b>110,000</b>	110,000	<b>110,000</b>	110,000
Benefits-in-kind	<b>44,250</b>	44,250	<b>44,250</b>	44,250
	<b>991,370</b>	983,870	<b>930,350</b>	922,850
Non-executive:				
Fees	<b>45,000</b>	45,000	<b>45,000</b>	45,000
Total directors' fees	<b>155,000</b>	155,000	<b>155,000</b>	155,000
Total	<b>1,036,370</b>	1,028,870	<b>975,350</b>	967,850

The number of directors of the Company whose total remuneration during the year fall within the following bands is analysed below:

	Number of directors	
	2016	2015
Executive directors:		
RM150,001 - RM200,000	2	2
RM250,001 - RM300,000	1	2
RM300,001 - RM350,000	1	-
RMNil	1	1
Non-executive directors:		
Below RM50,000	<b>3</b>	<b>3</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 9. Finance costs

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Hire purchase payable interests	<u>4,607</u>	706	-	706

## 10. Taxation

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
<b>Current income tax:</b>				
Malaysian income tax	537,358	840,192	437,253	551,919
Over provision of prior years	<u>(187,221)</u>	(74,297)	<u>(150,050)</u>	(51,231)
	<b>350,137</b>	765,895	<b>287,203</b>	500,688
<b>Deferred tax (Note 21):</b>				
Relating to origination and reversal of temporary differences	2,248,908	(409,511)	(615,739)	(615,079)
Changes in tax rate	-	24,330	-	24,603
(Over)/under provision of prior years	<u>(49,384)</u>	(84,598)	<u>14,776</u>	(192,165)
	<b>2,199,524</b>	(469,779)	<b>(600,963)</b>	(782,641)
Taxation	<b>2,549,661</b>	296,116	<b>(313,760)</b>	(281,953)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

The domestic statutory tax rate has been reduced to 24% from the prior year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2016 and 2015 have reflected these changes.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 10. Taxation (cont'd.)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group 2016 RM	2015 RM	Company 2016 RM	2015 RM
Loss before taxation	<u>(3,208,453)</u>	<u>(1,600,366)</u>	<u>(1,902,004)</u>	<u>(8,982)</u>
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(770,029)	(400,091)	(456,481)	(2,246)
Effect of income not subject to tax	-	-	-	(332,500)
Effect of revenue expenditures capitalised	(21,568)	(15,187)	(20,172)	(15,187)
Effect of expenses not deductible for tax purposes	430,004	443,895	298,167	286,773
Effect of changes in tax rates	-	24,330	-	24,603
Deferred tax assets not recognised during the year	310,661	402,064	-	-
Deferred tax assets previously recognised, now unrecognised	2,837,198	-	-	-
(Over)/under provision of deferred tax in prior years	(49,384)	(84,598)	14,776	(192,165)
Over provision of tax expenses in prior years	<u>(187,221)</u>	<u>(74,297)</u>	<u>(150,050)</u>	<u>(51,231)</u>
Tax expense/(credit) for the year	<u>2,549,661</u>	<u>296,116</u>	<u>(313,760)</u>	<u>(281,953)</u>

## 11. Loss per share

### (a) Basic

Basic loss per share is calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2016	2015
Loss attributable to ordinary equity holders of the Company (RM)	(5,802,424)	(1,974,367)
Weighted average number of ordinary shares in issue	197,002,000	197,002,000
Basic loss per share (sen)	<u>(2.9)</u>	<u>(1.0)</u>

### (b) Diluted

There was no dilution effect on loss per share for the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 12. Dividends

	Dividends in respect of year		Dividends recognised in year		
	2015 RM	2014 RM	2016 RM	2015 RM	
Final dividend for 2014: 2% single-tier dividend on 197,002,000 ordinary shares (2 sen per share)		-	3,940,040	-	3,940,040
Final dividend for 2015: 2% single-tier dividend on 197,002,000 ordinary shares (2 sen per share)	<u>3,940,040</u>		<u>3,940,040</u>		<u>3,940,040</u>

No dividend has been recommended for the financial year ended 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment

Group	Freehold land and buildings*	Leasehold land*	Other assets	Crockeries, kitchenware and linen		Motor vehicles	Total RM
				RM	RM		
<b>At 31 December 2016</b>							
<b>Cost</b>							
At 1 January 2016	222,194,523	4,881,569	46,153,760	7,130,604	1,960,350	282,320,806	
Additions	-	-	2,586,913	119,331	189,800	2,896,044	
Disposals	-	-	(162,743)	(2,200)	-	(164,943)	
At 31 December 2016	<u>222,194,523</u>	<u>4,881,569</u>	<u>48,577,930</u>	<u>7,247,735</u>	<u>2,150,150</u>	<u>285,051,907</u>	
<b>Accumulated depreciated and impairment losses</b>							
At 1 January 2016	45,599,786	46,097	35,300,678	6,080,784	1,810,965	88,838,310	
Charge for the year	4,175,084	6,249	1,944,019	214,980	128,470	6,468,802	
Disposals	-	-	(161,321)	(2,200)	-	(163,521)	
At 31 December 2016	<u>49,774,870</u>	<u>52,346</u>	<u>37,083,376</u>	<u>6,293,564</u>	<u>1,939,435</u>	<u>95,143,591</u>	
<b>Net carrying amount</b>							
At 31 December 2016	<u>172,419,653</u>	<u>4,829,223</u>	<u>11,494,554</u>	<u>954,171</u>	<u>210,715</u>	<u>189,908,316</u>	

During the year, the Group acquired motor vehicle with an aggregate cost of RM189,800 (RMN*ii*) by means of hire purchase arrangement. The cash outflow on additions of property, plant and equipment is amounted to RM2,796,044.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

Group	Freehold land and buildings*	Leasehold land*	Other assets	Crockeries, kitchenware and linen	Motor vehicles	Total RM
	RM	RM	RM	RM	RM	RM
<b>At 31 December 2015</b>						
<b>Cost</b>						
At 1 January 2015	222,194,523	3,900,000	43,347,290	7,017,315	2,509,150	278,968,278
Additions	-	981,569	2,916,400	113,289	-	4,011,258
Disposals	-	-	(41,611)	-	(548,800)	(590,411)
Write-off	-	-	(68,319)	-	-	(68,319)
At 31 December 2015	<u>222,194,523</u>	<u>4,881,569</u>	<u>46,153,760</u>	<u>7,130,604</u>	<u>1,960,350</u>	<u>282,320,806</u>
<b>Accumulated depreciated and impairment losses</b>						
At 1 January 2015	41,424,703	39,848	33,682,665	5,856,198	2,232,162	83,235,576
Charge for the year	4,175,083	6,249	1,726,687	224,586	127,603	6,260,208
Disposals	-	-	(41,255)	-	(548,800)	(590,055)
Write-off	-	-	(67,419)	-	-	(67,419)
At 31 December 2015	<u>45,599,786</u>	<u>46,097</u>	<u>35,300,678</u>	<u>6,080,784</u>	<u>1,810,965</u>	<u>88,838,310</u>
<b>Net carrying amount</b>						
At 31 December 2015	<u>176,594,737</u>	<u>4,835,472</u>	<u>10,853,082</u>	<u>1,049,820</u>	<u>149,385</u>	<u>193,482,496</u>

\* Freehold land and buildings and leasehold land are collectively known as ("hotel properties").

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

	<b>Freehold land and buildings*</b> <b>RM</b>	<b>Other assets</b> <b>RM</b>	<b>Crockeries, kitchenware and linen</b> <b>RM</b>	<b>Motor vehicles</b> <b>RM</b>	<b>Total</b> <b>RM</b>
<b>Company</b>					
<b>At 31 December 2016</b>					
<b>Cost</b>					
At 1 January 2016	<b>114,000,000</b>	<b>17,603,183</b>	<b>1,296,132</b>	<b>1,163,830</b>	<b>134,063,145</b>
Additions	-	<b>1,860,883</b>	<b>84,052</b>	-	<b>1,944,935</b>
Disposal	-	<b>(15,770)</b>	-	-	<b>(15,770)</b>
At 31 December 2016	<b>114,000,000</b>	<b>19,448,296</b>	<b>1,380,184</b>	<b>1,163,830</b>	<b>135,992,310</b>
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2016	<b>25,106,838</b>	<b>12,147,098</b>	<b>884,682</b>	<b>1,016,585</b>	<b>39,155,203</b>
Charge for the year	<b>2,125,789</b>	<b>1,023,874</b>	<b>88,739</b>	<b>92,997</b>	<b>3,331,399</b>
Disposal	-	<b>(15,320)</b>	-	-	<b>(15,320)</b>
At 31 December 2016	<b>27,232,627</b>	<b>13,155,652</b>	<b>973,421</b>	<b>1,109,582</b>	<b>42,471,282</b>
<b>Net carrying amount</b>					
At 31 December 2016	<b>86,767,373</b>	<b>6,292,644</b>	<b>406,763</b>	<b>54,248</b>	<b>93,521,028</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

	<b>Freehold land and buildings*</b> <b>RM</b>	<b>Other assets</b> <b>RM</b>	<b>Crockeries, kitchenware and linen</b> <b>RM</b>	<b>Motor vehicles</b> <b>RM</b>	<b>Total</b> <b>RM</b>
<b>Company</b>					
<b>At 31 December 2015</b>					
<b>Cost</b>					
At 1 January 2015	114,000,000	16,181,509	1,235,383	1,712,630	133,129,522
Additions	-	1,421,674	60,749	-	1,482,423
Disposal	-	-	-	(548,800)	(548,800)
At 31 December 2015	<u>114,000,000</u>	<u>17,603,183</u>	<u>1,296,132</u>	<u>1,163,830</u>	<u>134,063,145</u>
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2015	22,981,049	11,307,295	803,011	1,464,802	36,556,157
Charge for the year	2,125,789	839,803	81,671	100,583	3,147,846
Disposal	-	-	-	(548,800)	(548,800)
At 31 December 2015	<u>25,106,838</u>	<u>12,147,098</u>	<u>884,682</u>	<u>1,016,585</u>	<u>39,155,203</u>
<b>Net carrying amount</b>					
At 31 December 2015	<u>88,893,162</u>	<u>5,456,085</u>	<u>411,450</u>	<u>147,245</u>	<u>94,907,942</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

\* Freehold land and buildings and leasehold land (hotel properties)

	<b>Freehold land RM</b>	<b>Buildings RM</b>	<b>Leasehold land RM</b>	<b>Total RM</b>
<b>Group</b>				
<b>At 31 December 2016</b>				
<b>Cost</b>				
At 1 January 2016/31 December 2016	<b>14,229,762</b>	<b>207,964,761</b>	<b>4,881,569</b>	<b>227,076,092</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	-	45,599,786	46,097	45,645,883
Charge for the year	-	4,175,084	6,249	4,181,333
At 31 December 2016	-	<b>49,774,870</b>	<b>52,346</b>	<b>49,827,216</b>
<b>Net carrying amount</b>				
At 31 December 2016	<b>14,229,762</b>	<b>158,189,891</b>	<b>4,829,223</b>	<b>177,248,876</b>
<b>At 31 December 2015</b>				
<b>Cost</b>				
At 1 January 2015	14,229,762	207,964,761	3,900,000	226,094,523
Additions	-	-	981,569	981,569
At 31 December 2015	<b>14,229,762</b>	<b>207,964,761</b>	<b>4,881,569</b>	<b>227,076,092</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	-	41,424,703	39,848	41,464,551
Charge for the year	-	4,175,083	6,249	4,181,332
At 31 December 2015	-	<b>45,599,786</b>	<b>46,097</b>	<b>45,645,883</b>
<b>Net carrying amount</b>				
At 31 December 2015	<b>14,229,762</b>	<b>162,364,975</b>	<b>4,835,472</b>	<b>181,430,209</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

\* Freehold land and buildings and leasehold land (hotel properties) (cont'd.)

Company	Freehold land RM	Buildings RM	Total RM
<b>At 31 December 2016</b>			
<b>Cost</b>			
At 1 January 2016/31 December 2016			
	<u>8,500,000</u>	<u>105,500,000</u>	<u>114,000,000</u>
<b>Accumulated depreciation</b>			
At 1 January 2016	-	25,106,838	25,106,838
Charge for the year	-	<u>2,125,789</u>	<u>2,125,789</u>
At 31 December 2016	<u>-</u>	<u>27,232,627</u>	<u>27,232,627</u>
<b>Net carrying amount</b>			
At 31 December 2016	<u>8,500,000</u>	<u>78,267,373</u>	<u>86,767,373</u>
<b>At 31 December 2015</b>			
<b>Cost</b>			
At 1 January 2015/31 December 2015	<u>8,500,000</u>	<u>105,500,000</u>	<u>114,000,000</u>
<b>Accumulated depreciation</b>			
At 1 January 2015	-	22,981,049	22,981,049
Charge for the year	-	<u>2,125,789</u>	<u>2,125,789</u>
At 31 December 2015	<u>-</u>	<u>25,106,838</u>	<u>25,106,838</u>
<b>Net carrying amount</b>			
At 31 December 2015	<u>8,500,000</u>	<u>80,393,162</u>	<u>88,893,162</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 13. Property, plant and equipment (cont'd.)

- (a) Included in property, plant and equipment of the Group and of the Company is motor vehicle held under hire purchase arrangement with net book value amounting to RM155,003 (2015: RMNil) and RMNil (2015: RMNil), respectively.
- (b) Included in property, plant and equipment are the following costs of fully depreciated assets which are still in use:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other assets	<b>29,758,297</b>	28,628,466	<b>9,310,026</b>	8,674,136
Crockeries, kitchenware and linen	<b>5,376,653</b>	5,192,863	<b>608,838</b>	452,498
Motor vehicles	<b>1,491,983</b>	1,482,983	<b>698,847</b>	698,847

## 14. Investment in subsidiaries

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost	<b>66,964,783</b>	102,419,573
Shareholder's advance to subsidiary	<b>256,611</b>	-
Less: Impairment loss for investment in subsidiaries	<b>(735,936)</b>	(4,083,139)
	<b>66,485,458</b>	98,336,434

Movement in impairment losses:

At 1 January	<b>(4,083,139)</b>	(3,820,991)
Add: Impairment loss for investment in subsidiaries	<b>(272,986)</b>	(262,148)
Less: Offset against investment in subsidiaries	<b>3,620,189</b>	-
At 31 December	<b>(735,936)</b>	(4,083,139)

During the year, subsidiary companies under member's voluntary winding up have repaid capital of RM31,819,340 to the Company. The balance of RM3,620,189 being investment in subsidiaries had been offset against accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 14. Investment in subsidiaries (cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Company	Equity interest		Principal activities
	2016 %	2015 %	
* Grand Central (K.L.) Sdn. Bhd.	<b>100.00</b>	100.00	Under member's voluntary liquidation
* Grand Central Enterprises (Malacca) Sdn. Bhd.	<b>100.00</b>	100.00	Under member's voluntary liquidation
* Hotel Grand Olympic (M) Sdn. Bhd.	<b>100.00</b>	100.00	Under member's voluntary liquidation
* Grand Central Enterprises (Perak) Sdn. Bhd.	<b>100.00</b>	100.00	Under member's voluntary liquidation
Grand Central Trans-Services Sdn. Bhd.	<b>100.00</b>	100.00	Provision of limousine services and online reservation services
Grand Island Hotel (Langkawi) Sdn. Bhd.	<b>86.36</b>	86.36	Hotelier
Grand Central Enterprises (Pahang) Sdn. Bhd.	<b>100.00</b>	100.00	Hotelier
Grand Central Enterprises (Trengganu) Sdn. Bhd.	<b>100.00</b>	100.00	Hotelier
Grand Central Enterprises (Sarawak) Sdn. Bhd.	<b>100.00</b>	100.00	Hotelier

\* The subsidiary companies had commenced member's voluntary winding up process since last financial year pursuant to Section 147(6) of the Companies Act, 1965

Equity interest held by non-controlling interest in subsidiary is provided below:

	Grand Island Hotel (Langkawi) Sdn. Bhd.	
	2016	2015
<b>Non-controlling interests</b>	<b>13.64%</b>	13.64%

The summarised financial information relating to the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2016 RM	2015 RM
<b>(i) Summarised statement of financial position</b>		
Non-current assets	<b>13,678,902</b>	13,774,636
Current assets	<b>1,884,585</b>	1,774,542
Total assets	<b>15,563,487</b>	15,549,178

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 14. Investment in subsidiaries (cont'd.)

### (i) Summarised statement of financial position (cont'd.)

	2016 RM	2015 RM
Non-current liabilities	1,175,466	1,353,126
Current liabilities	<u>659,132</u>	790,814
Total liabilities	<u>1,834,598</u>	2,143,940
Equity attributable to owners of the parent	11,856,768	11,577,427
Equity attributable to non-controlling interest	<u>1,872,121</u>	1,827,811
Total equity	<u>13,728,889</u>	13,405,238

### (ii) Summarised statement of comprehensive income

Revenue	3,431,311	4,204,834
Profit for the year, representing total comprehensive income	323,651	571,175
Profit attributable to owner of the parent	279,341	493,290
Profit attributable to non-controlling interest	<u>44,310</u>	77,885

### (iii) Summarised cash flows information

Cash flow generated from/(used in):		
Operating activities	618,380	1,279,774
Investing activities	(359,899)	(273,155)
Financing activities	-	(1,540,000)
Net increase/(decrease) in cash and cash equivalents	<u>258,481</u>	(533,381)

### (iv) Dividends paid to non-controlling interests

	-	(210,000)
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## 15. Inventories

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At cost:				
Food and beverages	179,385	235,635	60,672	126,520
Consumables	<u>189,356</u>	230,694	<u>20,834</u>	33,282
	<u>368,741</u>	466,329	<u>81,506</u>	159,802

The cost of inventories recognised as an expense during the financial year in the Group and in the Company amounted to RM3,274,036 (2015: RM3,338,528) and RM1,216,595 (2015: RM924,246), respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 16. Trade receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	<b>2,379,272</b>	2,207,925	<b>1,183,579</b>	616,350
Less: Allowance for impairment	-	(47,787)	-	(47,787)
	<b>2,379,272</b>	<b>2,160,138</b>	<b>1,183,579</b>	<b>568,563</b>

The Group and the Company's normal trade credit terms are 30 to 90 (2015: 30 to 90) days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other information on financial risks of trade receivables are disclosed in Note 28(c).

### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	<b>1,457,936</b>	935,607
1 to 30 days past due not impaired	<b>309,714</b>	515,426
31 to 60 days past due not impaired	<b>376,073</b>	418,700
61 to 90 days past due not impaired	<b>147,243</b>	132,130
More than 91 days past due not impaired	<b>88,306</b>	158,275
	<b>921,336</b>	1,224,531
Impaired	-	47,787
	<b>2,379,272</b>	<b>2,207,925</b>

The ageing analysis of the Company's trade receivables is as follows:

	Company	
	2016 RM	2015 RM
Neither past due nor impaired	<b>905,955</b>	415,879
1 to 30 days past due not impaired	<b>55,852</b>	129,447
31 to 60 days past due not impaired	<b>131,145</b>	23,237
More than 61 days past due not impaired	<b>90,627</b>	-
	<b>277,624</b>	152,684
Impaired	-	47,787
	<b>1,183,579</b>	<b>616,350</b>

### **Trade receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 16. Trade receivables (cont'd.)

### Trade receivables that are past due but not impaired

The Group and the Company has trade receivables amounted to RM921,336 (2015: RM1,224,531) and RM277,624 (2015: RM152,684) respectively, that are past due at the reporting date but not impaired. These relate to customers that have a good track record with the Group and the Company. Based on past experience, the directors of the Group and the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The receivables that are past due but not impaired are unsecured in nature.

### Trade receivables that are impaired

The Group and the Company's trade receivables that have been impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables - nominal amount	-	47,787	-	47,787
Less : Allowance for impairment	-	(47,787)	-	(47,787)
	<hr/>	<hr/>	<hr/>	<hr/>

Movement in allowance accounts:

At 1 January	47,787	47,787	47,787	47,787
Allowance for impairment written off	(47,787)	-	(47,787)	-
At 31 December	-	47,787	-	47,787

During the year, trade receivables amounting to RM47,787 (2015: RM47,787) have been fully written off against the provision for doubtful debts.

## 17. Other receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Due from affiliated companies	427,353	362,835	422,581	358,526
Due from subsidiaries	-	-	548,129	2,922,841
Deposits	196,652	286,743	116,760	117,656
Prepayments	170,168	129,959	24,915	29,598
Rental receivables	10,317	43,828	-	14,978
Interest receivables	1,020,758	463,129	1,020,758	463,129
Sundry receivables	217,408	190,179	118,385	74,110
	<hr/>	<hr/>	<hr/>	<hr/>
	2,042,656	1,476,673	2,251,528	3,980,838

The amounts due from affiliated companies and subsidiaries of the Group and of the Company are non-trade, unsecured, interest-free and repayable on demand.

All receivables balances (including amounts due from subsidiaries and affiliated companies) are neither past due nor impaired. These balance are creditworthy debtors with good payment records with the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 18. Cash and bank balances

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash on hand and at banks	7,290,224	7,512,148	2,545,242	2,670,264
Deposits with licensed banks	61,254,596	65,347,315	61,254,596	65,347,315
Cash and bank balances	68,544,820	72,859,463	63,799,838	68,017,579
Add: Trade receivables (Note 16)	2,379,272	2,160,138	1,183,579	568,563
Other receivables excluding prepayments (Note 17)	1,872,488	1,346,714	2,226,613	3,951,240
Total loans and receivables	72,796,580	76,366,315	67,210,030	72,537,382

The carrying amounts of loans and receivables are reasonable approximation of fair value due to their short-term nature.

The range of interest rates per annum of deposits and maturities of deposits as at reporting date were as follows:

	2016	2015
Interest rates (%)	3.30 - 4.05	3.20 - 4.05
Maturities (days)	1 - 178	1 - 274

For the purpose of the statements of cash flows of the Group and the Company, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	68,544,820	72,859,463	63,799,838	68,017,579
Less: Short-term deposits with licensed banks	(60,240,459)	(63,796,762)	(60,240,459)	(63,796,762)
Total cash and cash equivalents	8,304,361	9,062,701	3,559,379	4,220,817

Short-term deposits have maturity periods of more than 3 months but not more than one year. Included in short-term deposits with licensed banks are deposits of RM1,185,000 (2015: RM1,185,000) pledged as bank guarantees for credit facilities granted to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 19. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016	2015
			RM	RM
<b>Authorised:</b>				
At 1 January/31 December	<u>300,000,000</u>	300,000,000	<u>300,000,000</u>	300,000,000
<b>Issued and fully paid:</b>				
At 1 January/31 December	<u>197,002,000</u>	197,002,000	<u>197,002,000</u>	197,002,000

## 20. Hire purchase payable

	Group	Company	
	2016	2015	2016
	RM	RM	RM
<b>Minimum lease payments:</b>			
Not later than 1 year	<u>36,336</u>	-	-
Later than 1 year and not later than 2 years	<u>36,336</u>	-	-
Later than 2 years and not later than 5 years	<u>3,020</u>	-	-
	<u>75,692</u>	-	-
Less: Future finance charges	<u>(4,392)</u>	-	-
Present value of finance lease liabilities	<u>71,300</u>	-	-
<b>Present value of finance lease liabilities</b>			
Not later than 1 year	<u>33,174</u>	-	-
Later than 1 year and not later than 2 years	<u>35,120</u>	-	-
Later than 2 years and not later than 5 years	<u>3,006</u>	-	-
	<u>71,300</u>	-	-
<b>Analysed as:</b>			
Due within 12 months	<u>33,174</u>	-	-
Due after 12 months	<u>38,126</u>	-	-
	<u>71,300</u>	-	-

The hire purchase payable bears interest rate at 5.31% (2015: Nil%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 21. Deferred tax

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	<b>14,958,431</b>	15,428,210	<b>15,019,251</b>	15,801,892
Recognised in profit or loss (Note 10)	<b>2,199,524</b>	(469,779)	<b>(600,963)</b>	(782,641)
At 31 December	<b>17,157,955</b>	14,958,431	<b>14,418,288</b>	15,019,251

Presented after appropriate offsetting as follows:

Deferred tax assets	-	(2,898,488)	-	-
Deferred tax liabilities	<b>17,157,955</b>	17,856,919	<b>14,418,288</b>	15,019,251
	<b>17,157,955</b>	14,958,431	<b>14,418,288</b>	15,019,251

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

### Deferred tax liabilities of the Group:

	Hotel properties RM	Other assets RM	Total RM
At 1 January 2016	15,515,947	6,755,148	22,271,095
Recognised in profit or loss	(316,576)	(76,199)	(392,775)
At 31 December 2016	<b>15,199,371</b>	<b>6,678,949</b>	<b>21,878,320</b>
At 1 January 2015	15,863,885	6,758,808	22,622,693
Recognised in profit or loss	(347,938)	(3,660)	(351,598)
At 31 December 2015	<b>15,515,947</b>	<b>6,755,148</b>	<b>22,271,095</b>

### Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital and investment tax allowances RM	Provisions RM	Total RM
At 1 January 2016	(7,235,778)	(76,886)	(7,312,664)
Recognised in profit or loss	2,623,455	(31,156)	2,592,299
At 31 December 2016	<b>(4,612,323)</b>	<b>(108,042)</b>	<b>(4,720,365)</b>
At 1 January 2015	(7,117,251)	(77,232)	(7,194,483)
Recognised in profit or loss	(118,527)	346	(118,181)
At 31 December 2015	<b>(7,235,778)</b>	<b>(76,886)</b>	<b>(7,312,664)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 21. Deferred tax (cont'd.)

### Deferred tax liabilities of the Company:

	Hotel properties RM	Other assets RM	Total RM
At 1 January 2016	<b>15,515,947</b>	221,460	15,737,407
Recognised in profit or loss	(316,576)	14,393	(302,183)
At 31 December 2016	<b>15,199,371</b>	<b>235,853</b>	<b>15,435,224</b>
At 1 January 2015	15,863,885	317,876	16,181,761
Recognised in profit or loss	(347,938)	(96,416)	(444,354)
At 31 December 2015	<b>15,515,947</b>	<b>221,460</b>	<b>15,737,407</b>

### Deferred tax assets of the Company:

	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 January 2016	(690,008)	(28,148)	(718,156)
Recognised in profit or loss	(298,780)	-	(298,780)
At 31 December 2016	<b>(988,788)</b>	<b>(28,148)</b>	<b>(1,016,936)</b>
At 1 January 2015	(343,102)	(36,767)	(379,869)
Recognised in profit or loss	(346,906)	8,619	(338,287)
At 31 December 2015	<b>(690,008)</b>	<b>(28,148)</b>	<b>(718,156)</b>

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

	Group	2016	2015
		RM	RM
Unused tax losses		5,411,960	5,371,929
Unabsorbed capital allowances		1,078,502	270,363
Unutilised investment tax allowances		13,979,355	1,711,446
Other deductible temporary differences		125	125
		<b>20,469,942</b>	<b>7,353,863</b>

The availability of the unabsorbed tax losses for offsetting against future taxable profits of the Group are subject to there being no substantial changes in shareholdings of the Group under Section 44(5A) & (5B) of Income Tax Act,1967. Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income will be sufficient to allow the benefit to be realised.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 22. Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company ranges from 30 to 90 (2015: 30 to 90) days.

## 23. Other payables

	Group			Company		
	2016	2015		2016	2015	
	RM	RM		RM	RM	
	(Restated)			(Restated)		
Due to affiliated companies	<b>10,763</b>		-	-		-
Due to subsidiaries	-		-	<b>56,947</b>		33,190,588
GST payables	<b>130,083</b>		89,081	<b>68,793</b>		33,923
Sundry payables	<b>2,302,965</b>		1,730,663	<b>1,471,883</b>		954,775
Accruals	<b>1,662,452</b>		1,685,415	<b>508,229</b>		560,304
	<b>4,106,263</b>		3,505,159	<b>2,105,852</b>		34,739,590
Add: Trade payables (Note 22)	<b>1,290,933</b>		1,699,103	<b>376,099</b>		325,147
Total financial liabilities carried at amortised cost	<b>5,397,196</b>		5,204,262	<b>2,481,951</b>		35,064,737

The amounts due to affiliated companies and subsidiaries of the Group and the Company are unsecured, interest-free and repayable on demand.

## 24. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single-tier system.

## 25. Significant related party transactions

	Group			Company		
	2016	2015		2016	2015	
	RM	RM		RM	RM	
Capital repayment by subsidiary companies under member's voluntary winding up ("capital repayment")	-		-	<b>31,819,340</b>		-
Management fees receivable from subsidiaries and affiliated company	<b>72,000</b>		54,000	<b>1,628,379</b>		1,766,337
Dividends from subsidiary: - Grand Island Hotel (Langkawi) Sdn. Bhd.	-		-	-		1,330,000
Rental income receivables from an affiliated company	<b>49,152</b>		49,152	<b>49,152</b>		49,152
Commission on online reservation services charged by a subsidiary	-		1,792	-		95

The directors are of the opinion that with the exception of dividends, the above transactions have been established on negotiated terms and conditions.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 25. Significant related party transactions (cont'd.)

### Compensation of key management personnel

The remuneration of key management during the year were as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	1,791,121	1,787,147	1,160,205	1,131,250
Employees provident fund ("EPF")	191,940	194,188	134,480	132,320
	<b>1,983,061</b>	<b>1,981,335</b>	<b>1,294,685</b>	<b>1,263,570</b>

Included in the total key management personnel of the Group and of the Company are directors' fees and remuneration (excluding Non-Executive Directors) of RM991,370 (2015: RM983,870) and RM930,350 (2015: RM922,850), respectively.

## 26. Segment information

The chief operating decision-maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocation of resources. The Group's principal activities are principally in the hotel business conducted in Malaysia.

	Group	
	2016 RM	2015 RM
Revenue from external customers	27,589,247	29,837,039
Reportable segment profit	180,636	1,747,984
Reportable segment assets	263,243,805	270,445,099
Reportable segment liabilities	<b>5,397,196</b>	<b>5,204,262</b>

Reportable segment profit is reconciled as follows:

Total profit for reportable segment	180,636	1,747,984
Interest income	2,528,298	2,531,779
Other income	551,415	380,079
Depreciation	(6,468,802)	(6,260,208)
Loss before tax	<b>(3,208,453)</b>	<b>(1,600,366)</b>

Reportable segment assets is reconciled as follows:

Total assets for reportable segment	263,243,805	270,445,099
Tax recoverable	139,012	128,297
Deferred tax assets	-	2,898,488
Total assets	<b>263,382,817</b>	<b>273,471,884</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 26. Segment information (cont'd.)

	Group 2016 RM	2015 RM
Reportable segment liabilities is reconciled as follows:		
Total liabilities for reportable segment	5,397,196	5,204,262
Income tax payable	133,024	89,207
Deferred tax liabilities	17,157,955	17,856,919
Borrowings	71,300	-
Total liabilities	<u>22,759,475</u>	<u>23,150,388</u>

The Group has no significant concentration of revenue generated from a single external customer during the year.

## 27. Fair value measurements

### Financial instruments

The carrying amounts of the financial instruments of the Group and the Company are reasonable approximation of fair value due to the relatively short term nature on the reporting date.

## 28. Financial risk management objectives and policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign exchange risk, interest rate risk, credit risks and liquidity risk. These resources are managed and allocated centrally to ensure that all business units within the Group maintain the required level of capital and liquidity. The Group operates within clearly defined guidelines that are approved by the directors. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

#### (a) Foreign exchange and market risks

The Group is not exposed to significant foreign exchange and market risks as it has not involved in any activity which give rise to material impact from these risks.

#### (b) Interest rate risk

The Group has minimal exposure to interest rate risk as its interest-bearing borrowing relates to hire purchase arrangement of which the interest rate is fixed at the inception of the arrangement.

#### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with reputable financial institutions.

As at the reporting date, the Group and the Company's concentration of credit risk relates to debts due from government agencies which comprise 43% (2015: 41%) and 61% (2015: 60%) respectively of total trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 28. Financial risk management objectives and policies (cont'd.)

### (c) Credit risk (cont'd.)

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is as disclosed in Note 16 and 17, respectively.

#### Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is as disclosed in Note 16.

### (d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements.

The maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations are on demand or within one year.

## 29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains an optimal capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year.

## 30. Capital commitments

Capital expenditures as at the reporting date are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Approved but not contracted for:				
Property, plant and equipment	<u>186,926</u>	500,000	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 31. Comparatives

Certain comparatives have been reclassified to conform to current year's presentation:

	As previously stated RM	Reclassifications RM	As restated RM
<b>Statements of financial position</b>			
<b>Group</b>			
Trade payables	1,472,924	226,179	1,699,103
Other payables	<u>3,731,338</u>	<u>(226,179)</u>	<u>3,505,159</u>
<b>Company</b>			
Trade payables	98,968	226,179	325,147
Other payables	<u>34,965,769</u>	<u>(226,179)</u>	<u>34,739,590</u>
<b>Other income (Note 5)</b>			
Management fees	-	54,000	54,000
Sundry revenue	<u>346,601</u>	<u>(54,000)</u>	<u>292,601</u>

The above reclassifications do not have any impact to the Group's and to the Company's statements of financial position as at 1 January 2015. Accordingly, the Group's and the Company's statement of financial position as at 1 January 2015 are not presented.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 32. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 and 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits				
- Realised	53,170,292	59,831,668	22,412,406	28,541,653
- Unrealised	(14,259,092)	(12,018,151)	(11,519,425)	(12,120,388)
	<u>38,911,200</u>	<u>47,813,517</u>	<u>10,892,981</u>	<u>16,421,265</u>
Add: Consolidation adjustments	443,328	1,283,475	-	-
Retained profits as per financial statements	<u>39,354,528</u>	<u>49,096,992</u>	<u>10,892,981</u>	<u>16,421,265</u>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty Second Annual General Meeting of the Company will be held at the Grand Hall, 10th Floor, Hotel Grand Continental, Jalan Belia/Jalan Raja Laut, 50350 Kuala Lumpur on Wednesday, 26 April 2017 at 9.30 a.m. to transact the following businesses:

1. To receive the Audited Financial Statements for the year ended 31 December 2016 together with the Reports of Directors' and Auditors' thereon. (Refer to Explanatory Note i)
2. To re-elect, the following directors who retire in accordance with Article 80 of the Company's Articles of Association, being eligible, offers themselves for re-election:
  - (a) Tan Eng How
  - (b) Lim Thian Loong(Resolution 1)  
(Resolution 2)
3. To approve the payment of Directors' fees of RM155,000 for the year ended 31 December 2016. (Resolution 3)
4. To consider, and if thought fit, to pass the following resolution:

"THAT Messrs Ernst & Young, the retiring Auditors, be and are hereby re-appointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a fee to be determined by the Directors at a later date."

(Resolution 4)

## Special Business

To consider and, if thought fit, to pass the following resolutions:

5. **Ordinary Resolution - Retention of Independent Non-Executive Director**

"THAT approval be hereby given to Wong Tow Cheong to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

(Resolution 5)

6. **Ordinary Resolution - Retention of Independent Non-Executive Director**

"THAT approval be hereby given to Lee Wai Kuen to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

(Resolution 6)

7. To transact any other business for which due notice shall have been given.

## BY ORDER OF THE BOARD

**TAN KOK AUN (MACS 01564)**  
**WONG WAI YIN (MAICSA 7003000)**  
Company Secretaries

Kuala Lumpur,  
4 April 2017

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. A Member holding one thousand (1,000) ordinary shares or less may appoint only one (1) proxy to attend and vote at a general meeting who shall represent all the shares held by such Member. A Member holding more than one thousand (1,000) ordinary shares may appoint up to two (2) proxies to attend and vote at the same meeting. Where a Member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. A proxy may but need not be a member of the Company.
4. The instrument appointing a proxy must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at No. 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur, at least forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.
6. Depositor whose name appears on the Record of Depositors as at 19 April 2017 shall be regarded as member of the Company and entitled to attend and vote at the meeting or to appoint proxy(ies) to attend and vote at meeting.
7. All the resolutions set out in this Notice of Thirty Second Annual General Meeting shall be put to vote by poll.

## EXPLANATORY NOTES

- (i) Agenda on Item 1 is meant for discussion only as the provision of Section 340 (1) (a) of the Companies Act, 2016 does not require a formal approval of the shareholders, and hence is not put forward for voting.
- (ii) **Retention of Independent Non-Executive Director**

The proposed adoption of Resolution 5 and 6 in item 5 and 6 respectively are to seek shareholders' approval to retain the following director as Independent Non-Executive Director of the Company:

Mr. Wong Tow Cheong has been appointed as the Independent Non-Executive Director of the Company since 19 May 2006. The Nominating Committee and Board of Directors have carried an evaluation and assessment and concluded that Mr. Wong stays independent and objective in board deliberations and decision making, and is able to act in the best interests of the Company. Mr. Wong is not related to any Directors and substantial shareholders of the Company and is not under influence of other Directors and is self-determine.

Mr. Lee Wai Kuen has been appointed as the Independent Non-Executive Director of the Company since 21 May 2008. The Nominating Committee and Board of Directors have carried an evaluation and assessment and concluded that Mr. Lee is a Chartered Accountant by profession and his independent views, objective assessments and opinions in board deliberations is effectively discharging his duties as independent director. Mr. Lee is able to act in the best interests of the Company. Mr. Lee is not related to any Directors and substantial shareholders of the Company and is not under influence of other Directors and is self-determine.

# **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

## **1. Directors who are standing for re-election**

The Directors who are standing for re-election pursuant to Article 80 of the Company's Articles of Association at the Thirty Second Annual General Meeting of the Company are as follows:

- (a) Tan Eng How
- (b) Lim Thian Loong

## **2. Profiles of Directors who are standing for re-election**

The profiles of Directors standing for re-election are set out on pages 12 to 14 of this Annual Report.

## **3. Details of Attendance of Directors at Board Meetings**

The details of attendance of Directors at board meetings are stated on page 17 of this Annual Report.

## **4. Details of the Thirty Second Annual General Meeting**

<b>Date</b>	<b>Time</b>	<b>Place</b>
26 April 2017	9.30 a.m.	Grand Hall, 10th Floor, Hotel Grand Continental, Jalan Belia/Jalan Raja Laut, 50350 Kuala Lumpur.

# ANALYSIS OF SHAREHOLDINGS

As at 28 February 2017

## DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	126	2.50	3,872	0.00
100 - 1,000	1,617	32.01	1,541,975	0.78
1,001 - 10,000	2,755	54.54	10,609,636	5.39
10,001 - 100,000	490	9.70	12,915,306	6.56
100,001 - 9,850,099 (Less than 5% of issued shares)	60	1.19	28,802,150	14.62
9,850,100 and above	3	0.06	143,129,061	72.65
<b>Total</b>	<b>5,051</b>	<b>100.00</b>	<b>197,002,000</b>	<b>100.00</b>

Class of Share : RM1 Ordinary Share

Voting Rights : 1 Vote per Ordinary Share

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1.	Tan Chee Hoe & Sons Sdn Bhd	86,035,118	43.67
2.	Hotel Grand Central Limited	46,864,843	23.79
3.	Tan Chee Hoe & Sons Sdn Bhd	10,229,100	5.19
4.	Harichandra Holdings Sdn Bhd	3,474,500	1.76
5.	Chelliah Holdings Sdn Bhd	2,500,000	1.27
6.	Kong Ying Ling	2,200,000	1.12
7.	Ensin Corporation Sdn Bhd	1,745,700	0.89
8.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teo Kwee Hock (STA 1)	1,427,500	0.72
9.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chelliah Holdings Sdn Bhd (SRB/PDN/PMS)	1,000,000	0.51
10.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Kiam Hsung	910,400	0.46
11.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teo Siew Lai (Margin)	884,200	0.45
12.	Cheong Hok An	849,250	0.43
13.	Vun Shui Moi @ Vun Siew Moi	742,000	0.38
14.	Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa	637,200	0.32
15.	Tan Hwa Lian	557,000	0.28
16.	Cheng Hon Sang	544,200	0.28
17.	Chin Kian Fong	517,500	0.26
18.	Pong Lam Sin	501,900	0.25
19.	Lok Eng Kiat	451,300	0.23
20.	Kheng Moon Eng @ Koong Mei Yoong	437,500	0.22
21.	Koo Boon Long	386,900	0.20
22.	Cheng Hon Sang	374,300	0.19
23.	Lim Hui Kong	360,000	0.18
24.	Lee Siew Hoon	355,700	0.18
25.	Hong Thian Hock	331,200	0.17
26.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Kam Mun	317,000	0.16
27.	Tan Teck Lin Holdings Sdn Bhd	311,000	0.16
28.	Weh Dah Sdn Bhd	310,000	0.16
29.	Ng Poh Cheng	309,000	0.16
30.	Ooi Li Ying	308,900	0.16
<b>Total</b>		<b>165,873,211</b>	<b>84.20</b>

# LIST OF DIRECTORS' & SUBSTANTIAL HOLDINGS

As at 28 February 2017

## Directors' Holdings (as per Register of Directors' Holdings)

Directors	No. of Ordinary Shares Held			
	Direct	%	Indirect	%
Tan Eng Teong	13,000	0.01	143,733,061 <sup>(1)</sup>	72.96
Tan Teck Lin	13,000	0.01	144,241,961 <sup>(2)</sup>	73.22
Tan Eng How	32,000	0.02	143,157,061 <sup>(1)</sup>	72.67
Tan Hwa Imm	80,000	0.04	998,900 <sup>(3)</sup>	0.51
Wong Tow Cheong	-	-	-	-
Lee Wai Kuen	-	-	-	-
Lim Thian Loong	-	-	-	-
Tan Hwa Lian (Alternate Director)	557,000	0.28	13,000 <sup>(6)</sup>	0.01

## Substantial Holdings (as per Register of Substantial Holdings)

Substantial Shareholders	No. of Ordinary Shares Held			
	Direct	%	Indirect	%
Tan Chee Hoe & Sons Sdn. Bhd.	96,264,218	48.86	46,864,843 <sup>(4)</sup>	23.79
Hotel Grand Central Limited	46,864,843	23.79	-	-
Tan Eng Teong Holdings Sdn. Bhd.	-	-	143,129,061 <sup>(5)</sup>	72.65
Tan Teck Lin Holdings Sdn. Bhd.	311,000	0.16	143,129,061 <sup>(5)</sup>	72.65
Aditan Holdings Sdn. Bhd.	-	-	143,129,061 <sup>(5)</sup>	72.65
Bizest Sdn. Bhd.	-	-	143,129,061 <sup>(5)</sup>	72.65
Tan Eng Teong	13,000	0.01	143,733,061 <sup>(1)</sup>	72.96
Tan Teck Lin	13,000	0.01	144,241,961 <sup>(2)</sup>	73.22
Tan Eng How	32,000	0.02	143,157,061 <sup>(1)</sup>	72.67
Tan Eng Sin	2,000	-	143,187,061 <sup>(1)</sup>	72.68

(1) Indirect interest by virtue of his interest in Tan Chee Hoe & Sons Sdn. Bhd., Hotel Grand Central Limited and family members.

(2) Indirect interest by virtue of his interest in Tan Chee Hoe & Sons Sdn. Bhd., Hotel Grand Central Limited, Tan Teck Lin Holdings Sdn. Bhd. and family members.

(3) Indirect interest by virtue of her interest in Tan Teck Lin Holdings Sdn. Bhd. and family members.

(4) Indirect interest by virtue of substantial holding in Hotel Grand Central Limited.

(5) Indirect interest by virtue of direct/indirect holding in Tan Chee Hoe & Sons Sdn. Bhd. and Hotel Grand Central Limited.

(6) Indirect interest by virtue of her interest through family member.

**FORM OF PROXY**  
**GRAND CENTRAL ENTERPRISES BHD (131696-V)**  
(Iincorporated in Malaysia)

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of GRAND CENTRAL ENTERPRISES BHD., hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the THIRTY SECOND ANNUAL GENERAL MEETING of the Company to be held at the Grand Hall, 10th Floor, Hotel Grand Continental, Jalan Belia/Jalan Raja Laut, 50350 Kuala Lumpur on Wednesday, 26 April 2017 at 9.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated hereunder.

	RESOLUTIONS	FOR	AGAINST
Resolution 1	To re-elect Tan Eng How.		
Resolution 2	To re-elect Lim Thian Loong.		
Resolution 3	To approve the payment of Directors' fees.		
Resolution 4	To re-appoint Messrs Ernst & Young as Auditors and to authorise the directors to fix their remuneration.		
Resolution 5	To retain Independent Non-Executive Director, Wong Tow Cheong.		
Resolution 6	To retain Independent Non-Executive Director, Lee Wai Kuen.		

First Proxy	%
Second Proxy	%
Total :	100%

No. of Share Held :	
CDS A/C No.	

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Signature

**Notes:**

1. A Member holding one thousand (1,000) ordinary shares or less may appoint only one (1) proxy to attend and vote at a general meeting who shall represent all the shares held by such Member. A Member holding more than one thousand (1,000) ordinary shares may appoint up to two (2) proxies to attend and vote at the same meeting. Where a Member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
2. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. A proxy may but need not be a member of the Company.
4. The instrument appointing a proxy must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at No. 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur, at least forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.
6. Depositor whose name appears on the Record of Depositors as at 19 April 2017 shall be regarded as member of the Company and entitled to attend and vote at the meeting or to appoint proxy(ies) to attend and vote at meeting.
7. All the resolutions set out in the Notice of Thirty Second Annual General Meeting shall be put to vote by poll.

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**STAMP**

The Company Secretary  
Grand Central Enterprises Bhd.  
No. 1 & 1A, 2nd Floor ( Room 2 )  
Jalan Ipoh Kecil  
50350 Kuala Lumpur

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Hotel Grand Continental



HOTEL GRAND CENTRAL



HOTEL CHANCELLOR  
@Orchard



Hotel Grand Crystal



HOTEL GRAND  
CHANCELLOR

Hotel Grand Continental • Hotel Grand Crystal • Hotel Grand Central

Hotel Grand Chancellor • Hotel Chancellor@Orchard

**Website : [www.hotelgrand.com.my](http://www.hotelgrand.com.my)**



## Grand Hotels International

### Malaysia

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50350 Kuala Lumpur, Malaysia  
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Fax : +603 2693 2968  
Email : admgr@ghihotels.com.my

### Singapore

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No. 22 Cavenagh Road  
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Fax : +65 6733 3175  
Email : hqadmin@ghihotels.com.sg

### Australia

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c/o Grand Central Management (NZ) Limited  
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