# Grand Central Enterprises Bhd

(131696-V)

# ANNUAL REPORT 2015

# CONTENTS

# 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 2015.

## FINANCIAL REVIEW

During the year, the Group recorded a lower revenue of RM29.8 million against RM31.5 million in the preceding year and loss before tax for the year was RM1.6 million as compared to profit before tax of RM0.9 million in the previous year.

Despite a higher overall room rate achieved by the Group, the revenue was offset by a lower overall room occupancy. The loss before tax suffered by the Group for the financial year 2015 was mainly due to lower revenue and higher operational costs.

Our revenue was affected due to increasing competition from more hotel rooms being available in the market, overall general reduction in government and corporate spending, long periods of haze and flood and a slowdown in tourist arrivals.

## DIVIDENDS

The Board of Directors is pleased to recommend a final single-tier dividend of 2% in respect of the year ended 31 December 2015. The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## PROSPECTS

The hotel markets where the Group operates in are generally expected to remain competitive for 2016. The continuing increase in the supply of hotel rooms, security alerts issued on Malaysia from foreign countries and with the factors mentioned above, are expected to continue exerting a downward pressure on room occupancy and rates.

## 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**
**9 MARCH 2016**

# GROUP FINANCIAL HIGHLIGHTS

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **RESULTS (RM'000)** | | | | | |
| Revenue | 29,837 | 31,523 | 33,378 | 36,124 | 39,036 |
| (Loss)/Profit before tax | (1,600) | 925 | 4,340 | 14,933 | 9,547 |
| Net (loss)/profit attributable to equity holders of the Company | (1,974) | (799) | 3,128 | 13,031 | 8,873 |
| **FINANCIAL POSITION (RM'000)** | | | | | |
| Total assets | 273,472 | 280,484 | 294,595 | 302,370 | 294,914 |
| Total liabilities | 23,150 | 24,115 | 29,509 | 32,483 | 32,125 |
| Share capital | 197,002 | 197,002 | 197,002 | 197,002 | 197,002 |
| Shareholders' equity | 248,494 | 254,408 | 263,087 | 267,839 | 260,718 |
| Total borrowings | - | 51 | 148 | 256 | 59 |
| **SHARE INFORMATION (SEN)** | | | | | |
| Basic (loss)/earnings per share | (1.0) | (0.4) | 1.6 | 6.6 | 4.5 |
| Net assets per share | 126 | 129 | 134 | 136 | 132 |
| Gross dividend per share | 2* | 2* | 4* | 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 Age of Building | Book Value |
|---|---|---|---|---|---|
| | | | Square Metres | Years | RM'000 |
| Lot 604, Section 46<br>Town of Kuala Lumpur<br>Wilayah Persekutuan | Hotel Grand<br>Continental<br>Kuala Lumpur | Freehold | 2,498.91 | 29 | 88,893 |
| SPK 60, Lot 398<br>Mukim of Kuah<br>District of Langkawi<br>Kedah | Hotel Grand<br>Continental<br>Langkawi | Freehold | 5,767.42 | 23 | 12,632 |
| CT 4741, Lot 2<br>Section 20<br>Town of Kuantan<br>District of Kuantan<br>Pahang | Hotel Grand<br>Continental<br>Kuantan | Freehold | 6,106.64 | 21 | 25,157 |
| Lot 42, Section 46<br>Kuching Town<br>Land District<br>Sarawak | Hotel Grand<br>Continental<br>Kuching | Long Term<br>Leasehold | 5,342.00 | 20 | 33,208 |
| PT 1645C, Lot 4023<br>Town and District of<br>Kuala Terengganu<br>Terengganu | Hotel Grand<br>Continental<br>Terengganu | Freehold | 3,612.00 | 19 | 21,540 |

# DIRECTORS' PROFILE

## TAN ENG TEONG

Tan Eng Teong, aged 78, 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 other 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 substantial shareholders of GCE, by virtue of his interest in these companies.

## TAN TECK LIN

Tan Teck Lin, aged 74, 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 other 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 substantial shareholders of GCE, by virtue of his interest in these companies.

## TAN ENG HOW

Tan Eng How, aged 61, 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 other 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 substantial shareholders of GCE, by virtue of his interest in these companies.

## TAN HWA IMM

Tan Hwa Imm, aged 49, 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 other directorships in any public listed company in Malaysia.

Tan Hwa Imm is the daughter of Tan Teck Lin.

# DIRECTORS' PROFILE

## WONG TOW CHEONG

Wong Tow Cheong, aged 78, 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 Nomination 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 other directorships in any public listed company in Malaysia.

## LEE WAI KUEN

Lee Wai Kuen, aged 51, 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 Nomination 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 Malaysian Institute of Taxation (MIT). Mr Lee has over 21 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 other directorships in any public listed company in Malaysia.

## LIM THIAN LOONG

Lim Thian Loong, aged 52, 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 Nomination 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 12 years of experience in accounts, audit and tax.

He also sits on the Board of Sanbumi Holdings Berhad.

## TAN HWA LIAN

Tan Hwa Lian, aged 53, 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 other directorships in any public listed company in Malaysia.

Tan Hwa Lian is the daughter of Tan Eng Teong.

# 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, Nomination 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 10 and 11 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.

## 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 Nomination 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.

The Board met four times during the financial year ended 31 December 2015. 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 | 24 February 2015 ( 1500 hrs ) | 6 May 2015 ( 1415 hrs ) | 10 August 2015 ( 1420 hrs ) | 9 November 2015 ( 1500 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 |
| Lee Wai Kuen | - | X | X | X |
| Lim Thian Loong | X | X | X | X |
| Tan Hwa Lian (Alternate Director) | - | - | - | - |

**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.

## 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. In addition thereto, all Directors have attended relevant courses and seminars during the year 2015. Messrs Tan Eng Teong, Tan Teck Lin, Tan Eng How, Tan Hwa Imm, Wong Tow Cheong, Lee Wai Kuen and Lim Thian Loong have attended a training course on "GST Awareness Session". Lee Wai Kuen has attended courses on "Audit Quality Enhancement Programme for SMPs 2015", "Quality Control" and "Preparing to Transit from PERS to MPERS – Are You Ready for the First Time Adoption". Lim Thian Loong has attended a course on "2016 Budget Seminar: Summary and Highlights for Corporate Accountants".

The Alternate Director Tan Hwa Lian has attended the Mandatory Accreditation Programme in August 2015.

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

**Re-election/Re-appointment**

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.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors over the age of seventy (70) years are subject to re-appointment as Directors to hold office until the next Annual General Meeting.

**Nomination Committee**

The Nomination 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 functions of the Committee include:-

(i) to recommend the nomination of a person or persons for all directorships to be filled by the shareholders or the Board;
(ii) to consider, in making its recommendations, candidates for directorships proposed by the Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
(iii) to recommend to the Board, Directors to fill the seats on Board committees;
(iv) to assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual Director and thereafter, recommend its findings to the Board;
(v) to review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommend its finding to the Board; and
(vi) to evaluate and determine the training needs of the Directors on a continued basis to aid the Directors in discharge of their duties as Directors.

## BOARD OF DIRECTORS (CONT'D.)

**Nomination Committee (cont'd.)**

During the financial year 2015, the Nomination Committee had performed:

(a) reviewed on Board, evaluated and determined training needs of directors;
(b) assessed and made recommendation to the Board on re-election of those directors subject to re-election retirement;
(c) reviewed and made recommendation to the Board to fill the seat of Board Committees; and
(d) assessed and made recommendation to the Board on appointment of alternate director.

Two Nomination Committee Meetings were held on 24 February 2015 and 6 May 2015 and were attended by majority and all Committee Members, respectively.

**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 Company for the financial year ended 31 December 2015 are as follows:

| | **Fees(RM)** | **Salaries & Other Emoluments (RM)** | **Total (RM)** |
|---|---|---|---|
| Executive Directors | 110,000 | 768,600 | 878,600 |
| Non-Executive Directors | 45,000 | - | 45,000 |

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

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

**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)

## BOARD OF DIRECTORS (CONT'D.)

**Remuneration Committee (cont'd.)**

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 three times during the financial year ended 31 December 2015 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.

## ACCOUNTABILITY AND AUDIT

**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 on risk management and internal control is set out on pages 22 to 23. It provides an overview of the state of risk management and internal control within the Group.

**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 firm 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 19 to 21.

## ACCOUNTABILITY AND AUDIT (CONT'D.)

**Relationship with External Auditors**

The Board ensures that an objective and professional relationship is maintained with the external auditor 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 Audit Committee Report on pages 19 to 21.

**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, 1965 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 2015, 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 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.

## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

During the year, we had actively organised charity drives for the orphanage homes like Rumah Hope and Rumah Nur-Salam during Christmas and Bulan Ramadhan, respectively.

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 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 2015 or entered into since the end of the previous financial year.

**Conviction For Offences**

None of the Directors have been convicted of any offences within the past ten years other than traffic offences, if any.

**Non-Audit Fees**

There was a non-audit fee of RM4,000 paid or payable to the External Auditors for reviewing the Statement on Risk Management and Internal Control and Supplementary Information on the Disclosure of Realised and Unrealised Profit or Losses for Grand Central Enterprises Bhd. for the financial year ended 31 December 2015.

This Statement is made in accordance with a resolution of the Board of Directors dated 9 March 2016.

# 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 Committee shall be appointed from amongst the Board and shall consist of not less than three members. All Audit Committee members must be Non-Executive Directors with a majority of them being independent directors.

At least one of the Audit Committee:
(i) must be a member of the Malaysian Institute of Accountants; or
(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and
 (a) he must have passed the examinations specified in Part I of the 1st schedule of the Accountants Act 1967; or
 (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
(iii) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate director shall be appointed as a member of the Committee.

The Chairman who shall be elected by the Audit Committee, must be an Independent Director.

In the event the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

If the number of members of the Committee is reduced to below three for reasons of resignation, death or otherwise, the Board must appoint such number of new members as required to make up the minimum number of three members within three months.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with the terms of reference.

## TERMS OF REFERENCE

### Authority

The Committee is granted the authority to investigate any activity with full and unrestricted access to any information of the Company and its subsidiaries, and all employees are directed to co-operate as requested by members of the Committee.

The Committee is authorised to obtain outside legal or other independent professional advice at the cost of the Company and to secure the attendance of outsiders with relevant experience and expertise at the meeting of the Committee, if it considers necessary.

The Committee is authorise to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the listed Company, whenever deemed necessary.

# AUDIT COMMITTEE

## TERMS OF REFERENCE (CONT'D.)

**Functions**

(i) to consider appointment of the external auditors, the audit fee and any questions of resignation or dismissal
(ii) to discuss with the external auditors before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved
(iii) to review with the management and the external auditors the quarterly and year-end financial statements before their submission to the Board, focussing 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) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary)
(v) to review the internal audit programme, process and the results of the internal audit programme, process or investigation undertaken and whether or not the management takes appropriate action on the recommendation of the internal audit functions
(vi) to review the adequacy of the scope, functions, competency and resouces of the internal audit functions and that it has the necessary authority to carry out its work
(vii) to review with external auditors, their evaluation of the systems of internal controls and audit reports
(viii) to review the assistance given by the employees to the external auditors
(ix) to discuss with the external auditors the quality of the Company's financial and accounting personnel and relevant recommendations by the external auditors
(x) to direct and where appropriate supervise any special projects or investigation considered necessary
(xi) to prepare periodic reports to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities
(xii) to review any related party transaction and conflict of interest situation that may arise within the Company including any transactions, procedures or conduct that raise question of management integrity
(xiii) to consider other topics, as defined by the Board

**Meetings**

The quorum for any meetings of the Committee shall be two, the majority of members present must be Independent Directors.

The Committee must meet at least four times a year.

The Finance Director (if any), the Head of Internal Audit, a representative of the external auditors and other Board members shall have the right of attendance.

Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or shareholders of the Company.

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

| **Committee Members** | **No. of Committee Meetings** | |
|---|---|---|
| | **Held** | **Attended** |
| Wong Tow Cheong | 4 | 3 |
| Lee Wai Kuen | 4 | 4 |
| Lim Thian Loong | 4 | 4 |

## TERMS OF REFERENCE (CONT'D.)

**Minutes**

The Company Secretary shall be the secretary of the Committee and record the proceedings of the meetings.

The minutes of each meeting shall be kept and distributed to each member. All minutes of meeting shall be circulated to every member of the Board. The secretary of the Committee shall report on each meeting to the Board.

**External Auditor**

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

Based on the review conducted in 2015, the Committee was satisfied with the performance of the external auditor and the effectiveness of the audit process. It has therefore recommended to the Board that the external auditor be reappointed. Acting on this recommendation, the Board agreed to recommend to shareholders at the Annual General Meeting in 2016 the re-appointment of the auditor for a period of one year.

**Internal Audit Function**

The Internal Auditor's main role is to assist the Board and Audit Committee. During the financial year ended 31 December 2015, the internal audit function was outsourced to a professional firm ("Internal Auditors") who reports to the Audit Committee. The main role of the Internal Auditors is to review the effectiveness of the systems of controls and risk management in the Group. The Internal Auditors carried out audit assignments, investigation and follow-up on the Group's management and operations during the year. The results were reported to the Audit Committee for further action.

The Internal Auditors also involves itself in facilitating the improvement of business process within the Company and its subsidiaries.

The cost incurred by the Internal Audit function for the financial year amounted to RM12,925.

**Summary of Activities**

The activities performed by the Audit Committee during the financial year were:-

(i) Discussed significant accounting and auditing issues and management letter with the external auditors.
(ii) Reviewed and recommended the unaudited quarterly financial statements and the annual audited financial statements to the Board of Directors for approval.
(iii) Reviewed the Group's compliance with the requirements 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.
(iv) Reviewed the internal audit plan and scope of work.
(v) Reviewed the internal audit reports, which highlighted audit issues, recommendations and Management's response and discussed with Management on the appropriate remedial actions taken to improve the system of internal controls identified by the Internal Auditors.
(vi) Reviewed the related party transactions entered into by the Group and conflict of interest situation that may arise.
(vii) Assessed the scope and effectiveness of the systems established to identify, evaluate, manage and monitor key financial and non-financial risks.

## 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 sustained 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 firm (“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 2015 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;

## 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 for inclusion in the Annual Report of the Group for the year ended 31 December 2015, 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 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 9 March 2016.

# 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 2015.

**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<br>RM | Company<br>RM |
|---|---|---|
| (Loss)/profit net of taxation | **(1,896,482)** | **272,971** |
| | | |
| Attributable to: | | |
| Equity holders of the Company | **(1,974,367)** | **272,971** |
| Non-controlling interests | **77,885** | **-** |
| | **(1,896,482)** | **272,971** |

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% amounting to RM3,940,040 on 25 May 2015 in respect of the previous financial year as proposed in the directors' report of that year.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2015, of 2% on 197,002,000 ordinary shares, amounting to a dividend payable of RM3,940,040 (2 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

**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 (appointed as alternate director to Tan Eng Teong on 6 May 2015)

**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 1.1.2015/ At date of appointment** | **Bought** | **Sold** | **As at 31.12.2015** |
| **Direct interests** | | | | |
| Tan Eng Teong | 13,000 | - | - | 13,000 |
| Tan Teck Lin | 13,000 | - | - | 13,000 |
| Tan Eng How | 32,000 | - | - | 32,000 |
| Tan Hwa Imm | 80,000 | - | - | 80,000 |
| Tan Hwa Lian | 557,000 | - | - | 557,000 |
| **Indirect interests** | | | | |
| Tan Eng Teong | 143,733,061 | - | - | 143,733,061 |
| Tan Teck Lin | 144,241,961 | - | - | 144,241,961 |
| Tan Eng How | 143,157,061 | - | - | 143,157,061 |
| Tan Hwa Imm | 998,900 | - | - | 998,900 |
| Tan Hwa Lian | 13,000 | - | - | 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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 9 March 2016.

**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 31 to 75 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 2015 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 76 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 9 March 2016.

**Tan Teck Lin**

**Tan Eng How**

Kuala Lumpur, Malaysia

# 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 31 to 76 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 9 March 2016

**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 financial statements**

We have audited the financial statements of Grand Central Enterprises Bhd., which comprise the statements of financial position as at 31 December 2015 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 a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 75.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and 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.

**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 on page 76 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. 2857/07/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
9 March 2016

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Revenue | 4 | **29,837,039** | 31,523,160 | **7,277,279** | 7,034,872 |
| Changes in inventories | | **56,156** | 15,283 | **45,732** | 1,688 |
| Purchase of inventories | | **(3,394,684)** | (3,217,145) | **(969,978)** | (845,158) |
| Other income | 5 | **2,911,858** | 2,983,714 | **5,709,476** | 11,120,026 |
| Staff costs | 6 | **(12,314,847)** | (12,229,016) | **(4,402,254)** | (4,327,804) |
| Depreciation | | **(6,260,208)** | (6,144,249) | **(3,147,846)** | (3,083,750) |
| Other expenses | | **(12,434,974)** | (12,002,165) | **(4,520,685)** | (4,565,740) |
| Operating (loss)/profit | 7 | **(1,599,660)** | 929,582 | **(8,276)** | 5,334,134 |
| Finance costs | 9 | **(706)** | (4,809) | **(706)** | (4,360) |
| (Loss)/profit before taxation | | **(1,600,366)** | 924,773 | **(8,982)** | 5,329,774 |
| Taxation | 10 | **(296,116)** | (1,567,932) | **281,953** | 50,286 |
| (Loss)/profit net of taxation, representing total comprehensive (loss)/ income for the year | | **(1,896,482)** | (643,159) | **272,971** | 5,380,060 |
| Attributable to: | | | | | |
| Equity holders of the Company | | **(1,974,367)** | (799,202) | **272,971** | 5,380,060 |
| Non-controlling interests | | **77,885** | 156,043 | **-** | - |
| | | **(1,896,482)** | (643,159) | **272,971** | 5,380,060 |
| Loss per share attributable to equity holders of the Company (sen) : | | | | | |
| Basic | 11 | **(1.0)** | (0.4) | | |
| Fully diluted | 11 | **(1.0)** | (0.4) | | |

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

# STATEMENTS OF FINANCIAL POSITION
As at 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM (Restated) | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **193,482,496** | 195,732,702 | **94,907,942** | 96,573,365 |
| Deferred tax assets | 21 | **2,898,488** | 3,211,156 | **-** | - |
| Investment in subsidiaries | 14 | **-** | - | **98,336,434** | 98,598,582 |
| | | **196,380,984** | 198,943,858 | **193,244,376** | 195,171,947 |
| **Current assets** | | | | | |
| Inventories | 15 | **466,329** | 410,173 | **159,802** | 114,070 |
| Trade receivables | 16 | **2,160,138** | 2,443,550 | **568,563** | 827,992 |
| Other receivables | 17 | **1,476,673** | 1,770,476 | **3,980,838** | 2,725,800 |
| Tax recoverable | | **128,297** | 95,726 | **-** | - |
| Cash and bank balances | 18 | **72,859,463** | 76,819,723 | **68,017,579** | 70,689,749 |
| | | **77,090,900** | 81,539,648 | **72,726,782** | 74,357,611 |
| **Total assets** | | **273,471,884** | 280,483,506 | **265,971,158** | 269,529,558 |
| **Equity and liabilities** | | | | | |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 19 | **197,002,000** | 197,002,000 | **197,002,000** | 197,002,000 |
| Non-distributable reserves | | **2,394,693** | 2,394,693 | **2,394,693** | 2,394,693 |
| Retained earnings | 24 | **49,096,992** | 55,011,399 | **16,421,265** | 20,088,334 |
| Shareholders' equity | | **248,493,685** | 254,408,092 | **215,817,958** | 219,485,027 |
| **Non-controlling interests** | | **1,827,811** | 1,959,926 | **-** | - |
| **Total equity** | | **250,321,496** | 256,368,018 | **215,817,958** | 219,485,027 |
| **Non-current liability** | | | | | |
| Deferred tax liabilities | 21 | **17,856,919** | 18,639,366 | **15,019,251** | 15,801,892 |
| **Current liabilities** | | | | | |
| Finance lease payable | 20 | **-** | 51,325 | **-** | 51,325 |
| Trade payables | 22 | **1,472,924** | 1,273,510 | **98,968** | 173,742 |
| Other payables | 23 | **3,731,338** | 3,872,642 | **34,965,769** | 33,898,013 |
| Tax payable | | **89,207** | 278,645 | **69,212** | 119,559 |
| | | **5,293,469** | 5,476,122 | **35,133,949** | 34,242,639 |
| **Total liabilities** | | **23,150,388** | 24,115,488 | **50,153,200** | 50,044,531 |
| **Total equity and liabilities** | | **273,471,884** | 280,483,506 | **265,971,158** | 269,529,558 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Share capital RM (Note 19) | Non-distributable share premium reserve RM | Distributable retained earnings RM (Note 24) | Total RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|
| **Opening balance at 1 January 2015** | **197,002,000** | **2,394,693** | **55,011,399** | **254,408,092** | **1,959,926** | **256,368,018** |
| Total comprehensive (loss)/income | **-** | **-** | **(1,974,367)** | **(1,974,367)** | **77,885** | **(1,896,482)** |
| Dividends (Note 12) | **-** | **-** | **(3,940,040)** | **(3,940,040)** | **-** | **(3,940,040)** |
| Dividends paid to non-controlling interests | **-** | **-** | **-** | **-** | **(210,000)** | **(210,000)** |
| **Closing balance at 31 December 2015** | **197,002,000** | **2,394,693** | **49,096,992** | **248,493,685** | **1,827,811** | **250,321,496** |
| | | | | | | |
| **Opening balance at 1 January 2014** | 197,002,000 | 2,394,693 | 63,690,681 | 263,087,374 | 1,998,883 | 265,086,257 |
| Total comprehensive (loss)/income | - | - | (799,202) | (799,202) | 156,043 | (643,159) |
| Dividends (Note 12) | - | - | (7,880,080) | (7,880,080) | - | (7,880,080) |
| Dividends paid to non-controlling interests | - | - | - | - | (195,000) | (195,000) |
| **Closing balance at 31 December 2014** | 197,002,000 | 2,394,693 | 55,011,399 | 254,408,092 | 1,959,926 | 256,368,018 |

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

# STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

| | Share capital RM (Note 19) | Non-distributable share premium reserve RM | Distributable retained earnings RM (Note 24) | Total RM |
|---|---|---|---|---|
| **Opening balance at 1 January 2015** | **197,002,000** | **2,394,693** | **20,088,334** | **219,485,027** |
| Total comprehensive income | **-** | **-** | **272,971** | **272,971** |
| Dividends (Note 12) | **-** | **-** | **(3,940,040)** | **(3,940,040)** |
| **Closing balance at 31 December 2015** | **197,002,000** | **2,394,693** | **16,421,265** | **215,817,958** |
| **Opening balance at 1 January 2014** | 197,002,000 | 2,394,693 | 22,588,354 | 221,985,047 |
| Total comprehensive income | - | - | 5,380,060 | 5,380,060 |
| Dividends (Note 12) | - | - | (7,880,080) | (7,880,080) |
| **Closing balance at 31 December 2014** | 197,002,000 | 2,394,693 | 20,088,334 | 219,485,027 |

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 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| | | (Restated) | | (Restated) |
| **Cash flows from operating activities** | | | | |
| (Loss)/profit before taxation | **(1,600,366)** | 924,773 | **(8,982)** | 5,329,774 |
| Adjustments for: | | | | |
| Depreciation | **6,260,208** | 6,144,249 | **3,147,846** | 3,083,750 |
| Inventories written off | **1,646** | 25,358 | **1,154** | 23,367 |
| Bad debts written off | **-** | 9,462 | **-** | - |
| Allowance for impairment of trade receivables | **-** | 47,787 | **-** | 47,787 |
| Property, plant and equipment written off | **900** | 394 | **-** | - |
| Provision/(reversal) of short term accumulating compensated absences | **14,797** | (36,732) | **13,865** | (28,649) |
| Net gain on disposal of property, plant and equipment | **(33,271)** | (37,702) | **(28,302)** | - |
| Interest income | **(2,531,779)** | (2,393,358) | **(2,531,779)** | (2,393,358) |
| Interest expense | **706** | 4,809 | **706** | 4,360 |
| Impairment loss for investment in subsidiaries | **-** | - | **262,148** | 711,254 |
| Gross dividend income from subsidiaries | **-** | - | **(1,330,000)** | (6,725,000) |
| Operating profit/(loss) before working capital changes | **2,112,841** | 4,689,040 | **(473,344)** | 53,285 |
| Decrease/(increase) in receivables | **331,328** | 185,697 | **(1,241,496)** | (232,383) |
| Increase in inventories | **(57,802)** | (40,641) | **(46,886)** | (25,055) |
| Increase/(decrease) in payables | **43,313** | (987,722) | **979,117** | (5,029,206) |
| Cash generated from/(used in) operations | **2,429,680** | 3,846,374 | **(782,609)** | (5,233,359) |
| Interest paid | **(518)** | (4,486) | **(518)** | (4,037) |
| Net taxes paid | **(987,904)** | (1,075,730) | **(551,035)** | (530,121) |
| Net cash generated from/(used in) operating activities | **1,441,258** | 2,766,158 | **(1,334,162)** | (5,767,517) |
| **Cash flows from investing activities** | | | | |
| Interest received | **2,777,478** | 2,432,135 | **2,777,478** | 2,432,135 |
| Withdrawal of fixed deposits | **1,655,421** | 7,286,980 | **1,655,421** | 7,286,980 |
| Purchase of property, plant and equipment | **(4,011,258)** | (2,346,927) | **(1,482,423)** | (688,737) |
| Proceeds from disposal of property, plant and equipment | **33,627** | 41,295 | **28,302** | - |
| Net dividends received | **-** | - | **1,330,000** | 6,725,000 |
| Net cash generated from investing activities | **455,268** | 7,413,483 | **4,308,778** | 15,755,378 |

# STATEMENTS OF CASH FLOWS
For the year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| | | (Restated) | | (Restated) |
| **Cash flows from financing activities** | | | | |
| Dividends paid to equity shareholders of the Company | **(3,940,040)** | (7,880,080) | **(3,940,040)** | (7,880,080) |
| Dividends paid to non-controlling interests | **(210,000)** | (195,000) | **-** | - |
| Repayment of lease payable | **(51,325)** | (96,229) | **(51,325)** | (78,024) |
| Net cash used in financing activities | **(4,201,365)** | (8,171,309) | **(3,991,365)** | (7,958,104) |
| **Net (decrease)/increase in cash and cash equivalents** | **(2,304,839)** | 2,008,332 | **(1,016,749)** | 2,029,757 |
| **Cash and cash equivalents at beginning of year** | **11,367,540** | 9,359,208 | **5,237,566** | 3,207,809 |
| **Cash and cash equivalents at end of year (Note 18)** | **9,062,701** | 11,367,540 | **4,220,817** | 5,237,566 |

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

**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 9 March 2016.

**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") as issued by Malaysian Accounting Standards Board ("MASB"), 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 basis except as disclosed in the accounting policies below.

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 2015, 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 2015.

**Effective for annual periods beginning on or after 1 July 2014**

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle
Annual Improvements to MFRSs 2011 - 2013 Cycle

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.

**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

**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 2016 (cont'd.)**

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

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

MFRS 15: Revenue from Contracts with Customers
MFRS 9: Financial Instruments

**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:

Amendments to MFRS 101: Disclosure initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

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.

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

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

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group will assess the impact of adoption of the new standard and will adopt the new standard on the required effective date.

**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.

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

**2.4 Basis of consolidation (cont'd.)**

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.

**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.

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

**2.6 Property, plant and equipment and depreciation (cont'd.)**

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.

**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. Summary of significant accounting policies (cont'd.)**

**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.

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.

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

**2.9 Impairment of financial assets (cont'd.)**

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.

**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 classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

**2.13 Financial liabilities (cont'd.)**

**(a) Financial liabilities at fair value through profit or loss (cont'd.)**

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

**(b) Other financial liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and finance lease payable.

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.

**(ii) Defined contribution plans**

The Group and the Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian 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. Summary of significant accounting policies (cont'd.)

### 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 up-front 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 up-front 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.

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. Summary of significant accounting policies

### 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:

(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.

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

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

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

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.

**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.

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

**2.18 Foreign currency (cont'd.)**

**(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 one of the Company's substantial corporate shareholders and directors related company, Hotel Grand Central Limited, a company incorporated in Singapore, and its subsidiaries ("HGC Ltd Group").

**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.

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.

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

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

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, payable 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.

**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:

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

**(a) Useful lives of property, plant and equipment**

Freehold buildings are depreciated on a straight-line basis over their estimated useful lives. Management estimates 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 2015 was RM162,364,975 (2014: RM166,540,058) and RM80,393,162 (2014: RM82,518,951). 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.

The cost of plant and equipment (other than freehold buildings) is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates 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. Management reviews 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 management's estimates would result in RM103,944 (2014: RM98,209) variance in the Group's loss for the year.

**(b) 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 management's 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 has a total carrying amount of recognised tax losses, capital and investment allowance of RM7,235,778 (2014: RM7,117,251) and the unrecognised tax losses, unutilised capital and investment allowance of the Group was RM7,353,738 (2014: RM5,678,467).

**(c) Impairment of investment in subsidiaries**

During the current financial year, 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.

**(d) Carrying of property, plant and equipment**

The Group assesses the impairment of property, plant and equipment subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Group's management undertakes 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 property, plant and equipment include the following:

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

**(d) Carrying of property, plant and equipment (cont'd.)**

- 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 impairment tests are based on value-in-use calculations or recoverable amount. Value-in-use calculations involve a variety of assumptions such as estimates of future cash inflows and outflows and choice of discount rate. Actual cash flows might, for example, differ significantly from management's current best estimate. Changes in assessed presence or absence of competitors might have an impact on future cash flows and results in recognition of impairment losses.

Similarly, in establishing a recoverable amount, judgment is required in selecting any comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape, type of land title, hotel star rating and other relevant characteristics. In selecting these comparable properties, management relied on reliable published report available. A relatively minor change in any of the judgments can have a significant impact on the carrying amount of the property, plant and equipment.

Based on the estimates and judgments applied, management does 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.

**4. Revenue**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Rental of hotel rooms and service apartments | **17,865,663** | 19,200,336 | **4,423,418** | 4,056,972 |
| Sales of food and beverage | **9,976,343** | 10,286,476 | **2,297,147** | 2,475,192 |
| Rental income | **1,564,138** | 1,489,774 | **502,278** | 473,226 |
| Other related income | **430,895** | 546,574 | **54,436** | 29,482 |
| | **29,837,039** | 31,523,160 | **7,277,279** | 7,034,872 |

**5. Other income**

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Management fees | **-** | - | **1,766,337** | 1,865,480 |
| Realised gain on foreign exchange | **207** | 670 | **-** | - |
| Interest income | **2,531,779** | 2,393,358 | **2,531,779** | 2,393,358 |
| Gain on disposal of property, plant and equipment | **33,271** | 37,702 | **28,302** | - |
| Gross dividend income from subsidiaries | **-** | - | **1,330,000** | 6,725,000 |
| Sundry revenue | **346,601** | 551,984 | **53,058** | 136,188 |
| | **2,911,858** | 2,983,714 | **5,709,476** | 11,120,026 |

## 6. Staff costs

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Wages and salaries | **9,348,270** | 9,335,905 | **2,875,901** | 2,969,628 |
| Employees Provident Fund ("EPF") | **1,141,385** | 1,195,527 | **353,303** | 387,876 |
| Social security costs | **128,876** | 135,997 | **26,937** | 29,943 |
| Short term accumulating compensated absences | **14,797** | (36,732) | **13,865** | (28,649) |
| Other staff related expenses | **1,681,519** | 1,598,319 | **1,132,248** | 969,006 |
| | **12,314,847** | 12,229,016 | **4,402,254** | 4,327,804 |

Included in staff costs of the Group and of the Company are executive directors' salaries and other emoluments amounting to RM829,620 (2014: RM793,040) and RM768,600 (2014: RM737,600) respectively as further disclosed in Note 8.

## 7. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Auditors' remuneration | | | | |
| Statutory audit | **164,700** | 161,500 | **50,000** | 48,000 |
| Other services | **4,000** | 4,000 | **4,000** | 4,000 |
| Directors' fees (Note 8) | **155,000** | 160,667 | **155,000** | 160,667 |
| Bad debts written off | **-** | 9,462 | **-** | - |
| Allowance for impairment of trade receivables (Note 16) | **-** | 47,787 | **-** | 47,787 |
| Impairment loss for investment in subsidiaries (Note 14) | **-** | - | **262,148** | 711,254 |
| Property, plant and equipment written off | **900** | 394 | **-** | - |
| Cash written off | **47,133** | - | **47,133** | - |
| Inventories written off | **1,646** | 25,358 | **1,154** | 23,367 |

## 8. Directors' remuneration

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| **Directors of the Group and the Company** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | **829,620** | 793,040 | **768,600** | 737,600 |
| Fees | **110,000** | 110,000 | **110,000** | 110,000 |
| | **939,620** | 903,040 | **878,600** | 847,600 |
| Non-executive: | | | | |
| Fees | **45,000** | 50,667 | **45,000** | 50,667 |
| Total | **984,620** | 953,707 | **923,600** | 898,267 |

**8. Directors' remuneration (cont'd.)**

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

| | Number of Directors | |
|---|---|---|
| | **2015** | **2014** |
| Executive directors: | | |
| RM150,001 - RM200,000 | **2** | 2 |
| RM250,001 - RM300,000 | **2** | 2 |
| RMNil | **1** | - |
| Non-executive directors: | | |
| Below RM50,000 | **3** | 4 |

**9. Finance costs**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Finance lease interests | **706** | 4,809 | **706** | 4,360 |

**10. Taxation**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| **Current income tax:** | | | | |
| Malaysian income tax | **840,192** | 1,168,524 | **551,919** | 598,340 |
| (Over)/under provision of prior years | **(74,297)** | (82,669) | **(51,231)** | 224 |
| | **765,895** | 1,085,855 | **500,688** | 598,564 |
| **Deferred tax (Note 21):** | | | | |
| Relating to origination and reversal of temporary differences | **(409,511)** | (554,972) | **(615,079)** | (555,494) |
| Changes in tax rate | **24,330** | (29,635) | **24,603** | 21,741 |
| (Over)/under provision of prior years | **(84,598)** | 1,066,684 | **(192,165)** | (115,097) |
| | **(469,779)** | 482,077 | **(782,641)** | (648,850) |
| Taxation | **296,116** | 1,567,932 | **(281,953)** | (50,286) |

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 and 2014 have reflected these changes.

## 10. Taxation (cont'd.)

A reconciliation of income tax expense applicable to (loss)/profit 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 | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| (Loss)/profit before taxation | **(1,600,366)** | 924,773 | **(8,982)** | 5,329,774 |
| Taxation at Malaysian statutory tax rate of 25% (2014: 25%) | **(400,091)** | 231,193 | **(2,246)** | 1,332,444 |
| Effect of income not subject to tax | **-** | (1,500) | **(332,500)** | (1,681,250) |
| Effect of expenses not deductible for tax purposes | **428,708** | 371,462 | **271,586** | 391,652 |
| Effect of changes in tax rates | **24,330** | (29,635) | **24,603** | 21,741 |
| (Over)/under provision of deferred tax liabilities in prior years | **(84,598)** | 1,066,684 | **(192,165)** | (115,097) |
| (Over)/under provision of tax expenses in prior years | **(74,297)** | (82,669) | **(51,231)** | 224 |
| Deferred tax assets not recognised during the year | **402,064** | 12,397 | **-** | - |
| Tax expense/(credit) for the year | **296,116** | 1,567,932 | **(281,953)** | (50,286) |

## 11. Loss per share

### (a) Basic

Basic earnings 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 | |
|---|---|---|
| | **2015** | **2014** |
| Loss attributable to ordinary equity holders of the Company (RM) | **(1,974,367)** | (799,202) |
| Weighted average number of ordinary shares in issue | **197,002,000** | 197,002,000 |
| Basic loss per share (sen) | **(1.0)** | (0.4) |

### (b) Diluted

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

## 12. Dividends

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2015, of 2% on 197,002,000 ordinary shares, amounting to a dividend payable of RM3,940,040 (2 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

| | Dividends in respect of year | | | Dividends recognised in year | |
|---|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2013 RM** | **2015 RM** | **2014 RM** |
| Final dividend for 2013: 4% single-tier dividend on 197,002,000 ordinary shares (4 sen per share) | **-** | - | 7,880,080 | **-** | 7,880,080 |
| Final dividend for 2014: 2% single-tier dividend on 197,002,000 ordinary shares (2 sen per share) | **-** | 3,940,040 | - | **3,940,040** | - |
| **Proposed for approval at AGM (not recognised as at 31 December 2015):** | | | | | |
| Final dividend for 2015: 2% single-tier dividend on 197,002,000 ordinary shares (2 sen per share) | **3,940,040** | - | - | **-** | - |

13. **Property, plant and equipment**

| Group | Freehold land and buildings* RM | Leasehold land RM | Other assets RM | Crockeries, kitchenware and linen RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | | |
| **Cost** | | | | | | |
| 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 | 222,194,523 | 4,881,569 | 46,153,760 | 7,130,604 | 1,960,350 | 282,320,806 |
| **Accumulated depreciated and impairment losses** | | | | | | |
| 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 | 45,599,786 | 46,097 | 35,300,678 | 6,080,784 | 1,810,965 | 88,838,310 |
| **Net carrying amount** | | | | | | |
| At 31 December 2015 | 176,594,737 | 4,835,472 | 10,853,082 | 1,049,820 | 149,385 | 193,482,496 |

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

| Group | Freehold land and buildings* RM | Leasehold land RM | Other assets RM | Crockeries, kitchenware and linen RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2014 | 222,194,523 | 3,900,000 | 41,422,600 | 6,729,183 | 2,925,816 | 277,172,122 |
| Additions | - | - | 2,055,412 | 288,132 | 3,383 | 2,346,927 |
| Disposals | - | - | (52,193) | - | (420,049) | (472,242) |
| Write-off | - | - | (78,529) | - | - | (78,529) |
| At 31 December 2014 | 222,194,523 | 3,900,000 | 43,347,290 | 7,017,315 | 2,509,150 | 278,968,278 |
| **Accumulated depreciated and impairment losses** | | | | | | |
| At 1 January 2014 | 37,249,621 | 34,867 | 32,202,656 | 5,631,974 | 2,518,993 | 77,638,111 |
| Charge for the year | 4,175,082 | 4,981 | 1,606,744 | 224,224 | 133,218 | 6,144,249 |
| Disposals | - | - | (48,600) | - | (420,049) | (468,649) |
| Write-off | - | - | (78,135) | - | - | (78,135) |
| At 31 December 2014 | 41,424,703 | 39,848 | 33,682,665 | 5,856,198 | 2,232,162 | 83,235,576 |
| **Net carrying amount** | | | | | | |
| At 31 December 2014 | 180,769,820 | 3,860,152 | 9,664,625 | 1,161,117 | 276,988 | 195,732,702 |

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

| | Freehold land and buildings* RM | Other assets RM | Crockeries, kitchenware and linen RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2015** | | | | | |
| **Cost** | | | | | |
| 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 | 114,000,000 | 17,603,183 | 1,296,132 | 1,163,830 | 134,063,145 |
| **Accumulated depreciation and impairment losses** | | | | | |
| 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 | 25,106,838 | 12,147,098 | 884,682 | 1,016,585 | 39,155,203 |
| **Net carrying amount** | | | | | |
| At 31 December 2015 | 88,893,162 | 5,456,085 | 411,450 | 147,245 | 94,907,942 |

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

| | Freehold land and buildings* RM | Other assets RM | Crockeries, kitchenware and linen RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2014** | | | | | |
| **Cost** | | | | | |
| At 1 January 2014 | 114,000,000 | 15,536,519 | 1,191,636 | 1,712,630 | 132,440,785 |
| Additions | - | 644,990 | 43,747 | - | 688,737 |
| At 31 December 2014 | 114,000,000 | 16,181,509 | 1,235,383 | 1,712,630 | 133,129,522 |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 January 2014 | 20,855,261 | 10,531,945 | 724,316 | 1,360,885 | 33,472,407 |
| Charge for the year | 2,125,788 | 775,350 | 78,695 | 103,917 | 3,083,750 |
| At 31 December 2014 | 22,981,049 | 11,307,295 | 803,011 | 1,464,802 | 36,556,157 |
| **Net carrying amount** | | | | | |
| At 31 December 2014 | 91,018,951 | 4,874,214 | 432,372 | 247,828 | 96,573,365 |

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

* Freehold land and buildings (hotel properties)

| | Freehold land RM | Freehold buildings RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2015** | | | |
| **Cost** | | | |
| At 1 January 2015/31 December 2015 | **14,229,762** | **207,964,761** | **222,194,523** |
| **Accumulated depreciation** | | | |
| At 1 January 2015 | **-** | **41,424,703** | **41,424,703** |
| Charge for the year | **-** | **4,175,083** | **4,175,083** |
| At 31 December 2015 | **-** | **45,599,786** | **45,599,786** |
| **Net carrying amount** | | | |
| At 31 December 2015 | **14,229,762** | **162,364,975** | **176,594,737** |
| **At 31 December 2014** | | | |
| **Cost** | | | |
| At 1 January 2014/31 December 2014 | 14,229,762 | 207,964,761 | 222,194,523 |
| **Accumulated depreciation** | | | |
| At 1 January 2014 | - | 37,249,621 | 37,249,621 |
| Charge for the year | - | 4,175,082 | 4,175,082 |
| At 31 December 2014 | - | 41,424,703 | 41,424,703 |
| **Net carrying amount** | | | |
| At 31 December 2014 | 14,229,762 | 166,540,058 | 180,769,820 |

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

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

| | Freehold land RM | Freehold buildings RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2015** | | | |
| **Cost** | | | |
| At 1 January 2015/31 December 2015 | **8,500,000** | **105,500,000** | **114,000,000** |
| **Accumulated depreciation** | | | |
| At 1 January 2015 | **-** | **22,981,049** | **22,981,049** |
| Charge for the year | **-** | **2,125,789** | **2,125,789** |
| At 31 December 2015 | **-** | **25,106,838** | **25,106,838** |
| **Net carrying amount** | | | |
| At 31 December 2015 | **8,500,000** | **80,393,162** | **88,893,162** |
| **At 31 December 2014** | | | |
| **Cost** | | | |
| At 1 January 2014/31 December 2014 | 8,500,000 | 105,500,000 | 114,000,000 |
| **Accumulated depreciation** | | | |
| At 1 January 2014 | - | 20,855,261 | 20,855,261 |
| Charge for the year | - | 2,125,788 | 2,125,788 |
| At 31 December 2014 | - | 22,981,049 | 22,981,049 |
| **Net carrying amount** | | | |
| At 31 December 2014 | 8,500,000 | 82,518,951 | 91,018,951 |

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

(a) In prior year, included in property, plant and equipment of the Group and of the Company are equipment held under hire purchase and lease arrangements with net book value amounting to RM240,242 and RM240,242, respectively.

(b) Included in property, plant and equipment are the following costs of fully depreciated assets which are still in use:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Other assets | **28,628,466** | 28,491,182 | **8,674,136** | 8,408,459 |
| Crockeries, kitchenware and linen | **5,192,863** | 4,944,859 | **452,498** | 441,648 |
| Motor vehicles | **1,482,983** | 1,842,499 | **698,847** | 1,193,047 |

**14. Investment in subsidiaries**

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Unquoted shares: | | |
| At cost | **102,419,573** | 102,419,573 |
| Less: Impairment loss for investment in subsidiaries | **(4,083,139)** | (3,820,991) |
| | **98,336,434** | 98,598,582 |

Movement in impairment losses:

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| At 1 January | **(3,820,991)** | (3,109,737) |
| Less: Impairment loss for investment in subsidiaries (Note 7) | **(262,148)** | (711,254) |
| At 31 December | **(4,083,139)** | (3,820,991) |

**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 2015 % | 2014 % | Principal activities |
|---|---|---|---|
| * Grand Central (K.L.) Sdn. Bhd. | **100.00** | 100.00 | Under member's voluntary liquidation |
| * Grand Central Enterprises (Malacca) Sdn. Bhd. | **100.00** | 100.00 | Under member's voluntary liquidation |
| * Hotel Grand Olympic (M) Sdn. Bhd. | **100.00** | 100.00 | Under member's voluntary liquidation |
| * Grand Central Enterprises (Perak) Sdn. Bhd. | **100.00** | 100.00 | Under member's voluntary liquidation |
| Grand Central Trans-Services Sdn. Bhd. | **100.00** | 100.00 | Provision of limousine services and online reservation services |
| Grand Island Hotel (Langkawi) Sdn. Bhd. | **86.36** | 86.36 | Hotelier |
| Grand Central Enterprises (Pahang) Sdn. Bhd. | **100.00** | 100.00 | Hotelier |
| Grand Central Enterprises (Trengganu) Sdn. Bhd. | **100.00** | 100.00 | Hotelier |
| Grand Central Enterprises (Sarawak) Sdn. Bhd. | **100.00** | 100.00 | Hotelier |

* The subsidiary companies had commenced member's voluntary winding up process during the current 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. 2015 | 2014 |
|---|---|---|
| **Non-controlling interests** | **13.64%** | 13.64% |

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

| | 2015 RM | 2014 RM |
|---|---|---|
| **(i) Summarised statement of financial position** | | |
| Non-current assets | **13,774,636** | 13,981,873 |
| Current assets | **1,774,542** | 2,494,304 |
| Total assets | **15,549,178** | 16,476,177 |

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

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

| | 2015 RM | 2014 RM |
|---|---|---|
| Non-current liabilities | **1,353,126** | 1,357,974 |
| Current liabilities | **790,814** | 744,140 |
| Total liabilities | **2,143,940** | 2,102,114 |
| | | |
| Equity attributable to owners of the parent | **11,577,427** | 12,414,137 |
| Equity attributable to non-controlling interest | **1,827,811** | 1,959,926 |
| Total equity | **13,405,238** | 14,374,063 |

**(ii) Summarised statement of comprehensive income**

| | 2015 RM | 2014 RM |
|---|---|---|
| Revenue | **4,204,834** | 5,114,685 |
| Profit for the year, representing total comprehensive income | **571,175** | 1,144,343 |
| Profit attributable to owner of the parent | **493,290** | 988,300 |
| Profit attributable to non-controlling interest | **77,885** | 156,043 |

**(iii) Summarised cash flows information**

| | 2015 RM | 2014 RM |
|---|---|---|
| Cash flow generated from/(used in): | | |
| Operating activities | **1,279,774** | 1,268,322 |
| Investing activities | **(273,155)** | (184,110) |
| Financing activities | **(1,540,000)** | (1,430,000) |
| Net decrease in cash and cash equivalents | **(533,381)** | (345,788) |

**15. Inventories**

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| At cost: | | | | |
| Food and beverages | **235,635** | 200,526 | **126,520** | 86,967 |
| Consumables | **230,694** | 209,647 | **33,282** | 27,103 |
| | **466,329** | 410,173 | **159,802** | 114,070 |

The cost of inventories recognised as an expense during the financial year in the Group and in the Company amounted to RM3,338,528 (2014: RM3,201,862) and RM924,246 (2014: RM843,470), respectively.

## 16. Trade receivables

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Trade receivables | **2,207,925** | 2,491,337 | **616,350** | 875,779 |
| Less: Allowance for impairment | **(47,787)** | (47,787) | **(47,787)** | (47,787) |
| | **2,160,138** | 2,443,550 | **568,563** | 827,992 |

The Group and the Company's normal trade credit terms are 30 to 90 (2014: 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 2015 RM | Group 2014 RM |
|---|---|---|
| Neither past due nor impaired | **935,607** | 964,935 |
| 1 to 30 days past due not impaired | **515,426** | 682,311 |
| 31 to 60 days past due not impaired | **418,700** | 355,127 |
| 61 to 90 days past due not impaired | **132,130** | 135,112 |
| More than 91 days past due not impaired | **158,275** | 306,065 |
| | **1,224,531** | 1,478,615 |
| Impaired | **47,787** | 47,787 |
| | **2,207,925** | 2,491,337 |

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

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| Neither past due nor impaired | **415,879** | 309,706 |
| 1 to 30 days past due not impaired | **129,447** | 400,266 |
| 31 to 60 days past due not impaired | **23,237** | 112,934 |
| More than 61 days past due not impaired | **-** | 5,086 |
| | **152,684** | 518,286 |
| Impaired | **47,787** | 47,787 |
| | **616,350** | 875,779 |

**Receivables that are neither past due nor impaired**

Trade and other 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.

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

**Receivables that are past due but not impaired**

The Group and the Company has trade receivables amounted to RM1,224,531 (2014: RM1,478,615) and RM152,684 (2014: RM518,286) 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.

**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 and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Trade receivables - nominal amount | **47,787** | 47,787 |
| Less : Allowance for impairment | **(47,787)** | (47,787) |
| | **-** | - |

Movement in allowance accounts:

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| At 1 January | **47,787** | - |
| Allowance for impairment (Note 7) | **-** | 47,787 |
| At 31 December | **47,787** | 47,787 |

**17. Other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Due from subsidiaries | **-** | - | **2,922,841** | 1,301,953 |
| Due from affiliated companies | **362,835** | 467,332 | **358,526** | 462,616 |
| Deposits | **197,048** | 196,438 | **117,656** | 118,606 |
| Prepayments | **129,959** | 141,367 | **29,598** | 33,712 |
| Interest prepaid | **-** | 188 | **-** | 188 |
| Rental receivables | **43,828** | 27,816 | **14,978** | 27,816 |
| Interest receivables | **463,129** | 708,828 | **463,129** | 708,828 |
| Sundry receivables | **279,874** | 228,507 | **74,110** | 72,081 |
| | **1,476,673** | 1,770,476 | **3,980,838** | 2,725,800 |

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

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

## 18. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM (Restated) | 2015 RM | 2014 RM (Restated) |
| Cash on hand and at banks | **7,512,148** | 7,818,457 | **2,670,264** | 1,688,483 |
| Deposits with licensed banks | **65,347,315** | 69,001,266 | **65,347,315** | 69,001,266 |
| Cash and bank balances | **72,859,463** | 76,819,723 | **68,017,579** | 70,689,749 |
| Add: Trade receivables (Note 16) | **2,160,138** | 2,443,550 | **568,563** | 827,992 |
| Other receivables excluding prepayments and interest prepaid (Note 17) | **1,346,714** | 1,628,921 | **3,951,240** | 2,691,900 |
| Total loans and receivables | **76,366,315** | 80,892,194 | **72,537,382** | 74,209,641 |

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:

| | 2015 | 2014 (Restated) |
|---|---|---|
| Interest rates (%) | **3.20 - 4.05** | 3.20 - 3.55 |
| Maturities (days) | **1 - 274** | 3 - 184 |

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 | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM (Restated) | 2015 RM | 2014 RM (Restated) |
| Cash and bank balances | **72,859,463** | 76,819,723 | **68,017,579** | 70,689,749 |
| Less: Short-term deposits with licensed banks | **(63,796,762)** | (65,452,183) | **(63,796,762)** | (65,452,183) |
| Total cash and cash equivalents | **9,062,701** | 11,367,540 | **4,220,817** | 5,237,566 |

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 (2014: RM1,185,000) pledged as bank guarantees for credit facilities granted to the Group.

## 19. Share capital

| | Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares of RM1 each | | Amount | |
| | 2015 | 2014 | 2015 RM | 2014 RM |
| **Authorised:** | | | | |
| At 1 January/31 December | **300,000,000** | 300,000,000 | **300,000,000** | 300,000,000 |
| **Issued and fully paid:** | | | | |
| At 1 January/31 December | **197,002,000** | 197,002,000 | **197,002,000** | 197,002,000 |

## 20. Finance lease payable

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Minimum lease payments:** | | | | |
| Not later than 1 year | - | 52,078 | - | 52,078 |
| Less: Future finance charges | - | (753) | - | (753) |
| Present value of finance lease liabilities | - | 51,325 | - | 51,325 |
| Add: Trade payables | **1,472,924** | 1,273,510 | **98,968** | 173,742 |
| Other payables (Note 23) | **3,731,338** | 3,872,642 | **34,965,769** | 33,898,013 |
| Total financial liabilities carried at amortised cost | **5,204,262** | 5,197,477 | **35,064,737** | 34,123,080 |

The finance lease payable bears interest rate at Nil% (2014: 4.55%) per annum.

## 21. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM (Restated) | 2015 RM | 2014 RM |
| **At 1 January** | **15,428,210** | 14,946,133 | **15,801,892** | 16,450,742 |
| Recognised in profit or loss (Note 10) | **(469,779)** | 482,077 | **(782,641)** | (648,850) |
| **At 31 December** | **14,958,431** | 15,428,210 | **15,019,251** | 15,801,892 |

Presented after appropriate offsetting as follows:

| | | | | |
|---|---|---|---|---|
| Deferred tax assets | **(2,898,488)** | (3,211,156) | **-** | - |
| Deferred tax liabilities | **17,856,919** | 18,639,366 | **15,019,251** | 15,801,892 |
| | **14,958,431** | 15,428,210 | **15,019,251** | 15,801,892 |

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

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 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** | **15,515,947** | **6,755,148** | **22,271,095** |
| **At 1 January 2014** | 16,184,942 | 6,737,235 | 22,922,177 |
| Recognised in profit or loss | (321,057) | 21,573 | (299,484) |
| **At 31 December 2014** | 15,863,885 | 6,758,808 | 22,622,693 |

**Deferred tax assets of the Group:**

| | Unused tax losses, unabsorbed capital and investment tax allowances RM | Provisions RM | Total RM |
|---|---|---|---|
| **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** | **(7,235,778)** | **(76,886)** | **(7,312,664)** |
| **At 1 January 2014** | (7,906,881) | (69,163) | (7,976,044) |
| Recognised in profit or loss | 789,630 | (8,069) | 781,561 |
| **At 31 December 2014** | (7,117,251) | (77,232) | (7,194,483) |

**Deferred tax liabilities of the Company:**

| | Hotel properties RM | Other assets RM | Total RM |
|---|---|---|---|
| **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** | **15,515,947** | **221,460** | **15,737,407** |
| **At 1 January 2014** | 16,184,942 | 327,024 | 16,511,966 |
| Recognised in profit or loss | (321,057) | (9,148) | (330,205) |
| **At 31 December 2014** | 15,863,885 | 317,876 | 16,181,761 |

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

**Deferred tax assets of the Company:**

| | Unabsorbed capital allowances RM | Provisions RM | Total RM |
|---|---|---|---|
| **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** | **(690,008)** | **(28,148)** | **(718,156)** |
| **At 1 January 2014** | (27,942) | (33,282) | (61,224) |
| Recognised in profit or loss | (315,160) | (3,485) | (318,645) |
| **At 31 December 2014** | (343,102) | (36,767) | (379,869) |

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

| | Group 2015 RM | 2014 RM |
|---|---|---|
| Unused tax losses | **5,371,929** | 4,529,830 |
| Unabsorbed capital allowances | **270,363** | 247,195 |
| Unutilised investment tax allowances | **1,711,446** | 901,442 |
| Other deductible temporary differences | **125** | 129 |
| | **7,353,863** | 5,678,596 |

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.

**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 (2014: 30 to 90) days.

**23. Other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Due to subsidiaries | **-** | - | **33,190,588** | 32,216,345 |
| Sundry payables | **2,045,923** | 2,417,266 | **1,214,877** | 1,262,281 |
| Accruals | **1,685,415** | 1,455,376 | **560,304** | 419,387 |
| | **3,731,338** | 3,872,642 | **34,965,769** | 33,898,013 |

The amounts due to subsidiaries of 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 2015 and 31 December 2014 under the single-tier system.

## 25. Significant related party transactions

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Management fees receivable from subsidiaries | **-** | - | **1,766,337** | 1,865,480 |
| Dividends from subsidiaries: | | | | |
| - Grand Central Enterprises (Malacca) Sdn. Bhd. | **-** | - | **-** | 4,500,000 |
| - Grand Island Hotel (Langkawi) Sdn. Bhd. | **-** | - | **1,330,000** | 1,235,000 |
| - Grand Central Enterprises (Pahang) Sdn. Bhd. | **-** | - | **-** | 765,000 |
| - Grand Central Enterprises (Trengganu) Sdn. Bhd. | **-** | - | **-** | 225,000 |
| Rental income receivables from a related company | **49,152** | 49,152 | **49,152** | 49,152 |
| Commission on online reservation services charged by a subsidiary | **1,792** | 16,027 | **95** | 2,421 |

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

### Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Short term employee benefits | **1,512,497** | 1,465,742 | **858,600** | 868,844 |
| Employees provident fund ("EPF") | **166,540** | 180,961 | **104,672** | 109,669 |
| | **1,679,037** | 1,646,703 | **963,272** | 978,513 |

Included in the total key management personnel of the Group and of the Company are directors' fees and remuneration (excluding Non-Executive Directors) of RM939,620 (2014: RM903,040) and RM878,600 (2014: RM847,600), 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 2015 RM | Group 2014 RM |
|---|---|---|
| Revenue from external customers | **29,837,039** | 31,523,160 |
| Reportable segment profit | **1,747,984** | 4,085,308 |
| Reportable segment assets | **270,445,099** | 277,176,624 |
| Reportable segment liabilities | **5,204,262** | 5,146,152 |
| Reportable segment profit is reconciled as follows: | | |
| Total profit for reportable segment | **1,747,984** | 4,085,308 |
| Interest income | **2,531,779** | 2,393,358 |
| Other income | **380,079** | 590,356 |
| Depreciation | **(6,260,208)** | (6,144,249) |
| (Loss)/profit before tax | **(1,600,366)** | 924,773 |
| Reportable segment assets is reconciled as follows: | | |
| Total assets for reportable segment | **270,445,099** | 277,176,624 |
| Tax recoverable | **128,297** | 95,726 |
| Deferred tax assets | **2,898,488** | 3,211,156 |
| Total assets | **273,471,884** | 280,483,506 |
| Reportable segment liabilities is reconciled as follows: | | |
| Total liabilities for reportable segment | **5,204,262** | 5,146,152 |
| Income tax payable | **89,207** | 278,645 |
| Deferred tax liabilities | **17,856,919** | 18,639,366 |
| Borrowings | **-** | 51,325 |
| Total liabilities | **23,150,388** | 24,115,488 |

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, interest rate, credit risks and liquidity. 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.

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

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

The Company is not exposed to significant foreign exchange and market risks as it is 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 finance lease 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 Company's concentration of credit risk relates to debts due from government agencies which comprise 41% (2014: 52%) and 60% (2014: 89%) respectively of total trade receivables.

**(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.

The gearing ratio as at 31 December 2015 and 31 December 2014 are as follows:

| | | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | **Note** | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| Finance lease payable | 20 | **-** | 51,325 | **-** | 51,325 |
| Trade payables | 22 | **1,472,924** | 1,273,510 | **98,968** | 173,742 |
| Other payables | 23 | **3,731,338** | 3,872,642 | **34,965,769** | 33,898,013 |
| Net debt | | **5,204,262** | 5,197,477 | **35,064,737** | 34,123,080 |

## 29. Capital management (cont'd.)

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Equity attributable to owners of the Company representing total capital | **248,493,685** | 254,408,092 | **215,817,958** | 219,485,027 |
| Capital and net debt | **253,697,947** | 259,605,569 | **250,882,695** | 253,608,107 |
| Gearing ratio | **2%** | 2% | **14%** | 13% |

## 30. Capital commitments

Capital expenditures as at the reporting date are as follows:

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Approved but not contracted for: | | | | |
| Property, plant and equipment | **500,000** | - | **-** | - |

## 31. Comparatives

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

| | As previously stated RM | Re-classifications RM | As restated RM |
|---|---|---|---|
| **Statement of financial position** | | | |
| **Group** | | | |
| Deferred tax assets | 7,207,206 | (3,996,050) | 3,211,156 |
| Deferred tax liabilities | 22,635,416 | (3,996,050) | 18,639,366 |
| **Cash and bank balances (Note 18)** | | | |
| **Group** | | | |
| Cash and bank balances | 76,819,723 | - | 76,819,723 |
| Short-term deposits with licensed banks | (1,185,000) | (64,267,183) | (65,452,183) |
| Total cash and cash equivalents | 75,634,723 | (64,267,183) | 11,367,540 |

**31. Comparatives (cont'd.)**

**Cash and bank balance (Note 18) (cont'd.)**

| | As previously stated RM | Re-classifications RM | As restated RM |
|---|---|---|---|
| **Company** | | | |
| Cash and bank balances | 70,689,749 | - | 70,689,749 |
| Short-term deposits with licensed banks | - | (65,452,183) | (65,452,183) |
| Total cash and cash equivalents | 70,689,749 | (65,452,183) | 5,237,566 |

**Statement of cash flows**

| | As previously stated RM | Re-classifications RM | As restated RM |
|---|---|---|---|
| **Group** | | | |
| Cash flows from investing activities | | | |
| Withdrawal of fixed deposits | - | 7,286,980 | 7,286,980 |
| Net cash generated from investing activities | 126,503 | 7,286,980 | 7,413,483 |
| Cash and cash equivalents at beginning of year | 80,913,371 | (71,554,163) | 9,359,208 |
| Cash and cash equivalents at end of year | 75,634,723 | (64,267,183) | 11,367,540 |
| **Company** | | | |
| Cash flows from investing activities | | | |
| Withdrawal of fixed deposits | - | 7,286,980 | 7,286,980 |
| Net cash generated from investing activities | 8,468,398 | 7,286,980 | 15,755,378 |
| Cash and cash equivalents at beginning of year | 75,946,972 | (72,739,163) | 3,207,809 |
| Cash and cash equivalents at end of year | 70,689,749 | (65,452,183) | 5,237,566 |

The reclassifications above arose as a result of:

(a) The relassifications mainly relating to short-term deposits which have maturity periods of more than three months but not more than one year within cash and bank balances as disclosed in Note 18.

(b) Offsetting of deferred tax assets and liabilities to conform with current year presentation as disclosed in Note 21.

The above reclassifications do not have any impact to the Group's and to the Company's statement of financial positions as of 1 January 2013. Accordingly, the Group's and the Company's statement of financial positions as at 1 January 2013 are not presented.

## 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 2015 and 2014 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM | RM | RM | RM |
| Total retained profits | | | | |
| - Realised | **59,831,668** | 66,516,800 | **28,541,653** | 32,991,363 |
| - Unrealised | **(12,018,151)** | (12,487,930) | **(12,120,388)** | (12,903,029) |
| | **47,813,517** | 54,028,870 | **16,421,265** | 20,088,334 |
| Add: Consolidation adjustments | **1,283,475** | 982,529 | **-** | - |
| Retained profits as per financial statements | **49,096,992** | 55,011,399 | **16,421,265** | 20,088,334 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty First 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, 27 April 2016 at 9.30 a.m. to transact the following businesses:

1. To receive the Audited Financial Statements for the year ended 31 December 2015 together with the Reports of Directors' and Auditors' thereon. **(Resolution 1)**

2. To re-elect Tan Hwa Imm, the director who retires in accordance with Article 80 of the Company's Articles of Association, being eligible, offers herself for re-election. **(Resolution 2)**

3. To re-appoint the following directors who are over the age of seventy (70) years, to hold office until the next Annual General Meeting pursuant to Section 129 (6) of the Companies Act, 1965:

   (a) Tan Eng Teong **(Resolution 3)**
   (b) Wong Tow Cheong **(Resolution 4)**
   (c) Tan Teck Lin **(Resolution 5)**

4. To approve and declare a First and Final Single-Tier Dividend of 2% for the year ended 31 December 2015. **(Resolution 6)**

5. To approve the payment of Directors' fees of RM155,000 for the year ended 31 December 2015. **(Resolution 7)**

6. 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 8)**

   **Special Business**
   To consider and, if thought fit, to pass the following resolution:

7. **Ordinary Resolution - Authority to Issue Share**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issue." **(Resolution 9)**

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

   "THAT, subject to passing of the Resolution 4, 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 10)**

9. **Special Resolution - Proposed Amendments to the Articles of Association of the Company**

"THAT approval be hereby given for the amendments to the Articles of Association of the Company by insertion of the new Article which read as follows:-

**103 (1) Directors Video-Conference Meeting**

(a) The meeting of Directors may be conducted by telephone or audio-visual conferencing or other methods of simultaneous communication by electronic, telegraphic or other means by which all persons participating in the meeting are able to hear and be heard at all times by all other participants without the need for a Director to be in the physical presence of the other Directors (hereinafter referred to as "Directors Video-Conference Meeting") and participation in the Directors Video-Conference Meeting shall be deemed to constitute presence in person at such meeting.

(b) The Directors participating in any such Directors Video-Conference Meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum at all times for such Directors Video-Conference Meeting, all resolutions agreed by the Directors in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. A Director may disconnect or cease to participate in the Directors Video-Conference Meeting if he makes known to all other Directors participating that he is ceasing to participate in the meeting and such Director shall, not withstanding such disconnection, be counted in the quorum for such meeting. The minutes of such a Directors Video-Conference Meeting signed by the Chairman or any other Director duly appointed as under Article 109 as chairperson of the meeting shall be conclusive evidence of any resolution of any Directors Video-Conference Meeting.

(c) A Directors Video-Conference Meeting is deemed to be held at the place agreed upon by the Directors attending the meeting, provided at least one of the Directors participating in the meeting was at that place for the duration of the meeting." **(Resolution 11)**

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

**NOTICE OF BOOKS CLOSURE**

**NOTICE IS ALSO HEREBY GIVEN** that a first and final single-tier dividend of 2% for the financial year ended 31 December 2015, if approved by the shareholders at the Annual General Meeting, will be paid on 25 May 2016 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 29 April 2016.

A Depositor shall qualify for entitlement only in respect of:-

(a) shares transferred into the depositor's securities account before 4.00 p.m. on 29 April 2016 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD**

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

Kuala Lumpur,
5 April 2016

***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 and need not be any of the persons prescribed by Section 149(1)(b) of the Companies Act, 1965.*

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 18 April 2016 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.*

**EXPLANATORY NOTES**

(i) **Authority to Directors to Issue Shares**

The proposed adoption of Ordinary Resolution 9 in item 7 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. The authorisation will, unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting. In order to avoid any delay and cost involved in convening a general meeting, it is thus appropriate to seek members' approval.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future projects, working capital and/or acquisitions.

(ii) **Retention of Independent Non-Executive Director**

The proposed adoption of Ordinary Resolution 10 in item 8 is to seek shareholders' approval to retain Mr. Wong Tow Cheong as an Independent Non-Executive Director of the Company.

Mr. Wong has been appointed as the Independent Non-Executive Director of the Company since 19 May 2006. The Nomination 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.

(iii) **Proposed Amendments to the Articles of Association of the Company**

The proposed adoption of Ordinary Resolution 11 in item 9 is to enable the use of telephone or audio-visual conferencing at Directors' meetings and to enhance the Board's efficiency in conducting meeting.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. **Directors who are standing for re-election/re-appointment**

   The Directors who are standing for re-election/re-appointment at the Thirty First Annual General Meeting of the Company are as follows:

   Pursuant to Article 80 of the Company's Articles of Association

   (a) Tan Hwa Imm

   Pursuant to Section 129 (6) of the Companies Act, 1965

   (a) Tan Eng Teong
   (b) Wong Tow Cheong
   (c) Tan Teck Lin

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

   The profiles of Directors standing for re-election/re-appointment are set out on pages 10 and 11 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 13 of this Annual Report.

4. **Detail of the Thirty First Annual General Meeting**

| Date | Time | Place |
|---|---|---|
| 27 April 2016 | 9.30 a.m. | Grand Hall, 10th Floor, Hotel Grand Continental, Jalan Belia/Jalan Raja Laut, 50350 Kuala Lumpur. |

# ANALYSIS OF SHAREHOLDINGS

As at 29 February 2016

### DISTRIBUTION OF SHAREHOLDERS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 115 | 2.23 | 3,819 | 0.00 |
| 100 - 1,000 | 1,652 | 31.96 | 1,577,478 | 0.80 |
| 1,001 - 10,000 | 2,839 | 54.92 | 10,994,336 | 5.58 |
| 10,001 - 100,000 | 502 | 9.71 | 13,083,756 | 6.64 |
| 100,001 - 9,850,099 (Less than 5% of issued shares) | 58 | 1.12 | 28,213,550 | 14.32 |
| 9,850,100 and above | 3 | 0.06 | 143,129,061 | 72.66 |
| **Total** | **5,169** | **100.00** | **197,002,000** | **100.00** |

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 | 1,648,400 | 0.84 |
| 8. | JF Apex Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Teo Kwee Hock (STA 1) | 1,623,900 | 0.82 |
| 9. | JF Apex Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Teo Siew Lai (Margin) | 1,212,300 | 0.62 |
| 10. | Public Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Chelliah Holdings Sdn Bhd (SRB/PDN/PMS) | 1,000,000 | 0.51 |
| 11. | Kenanga Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Chin Kiam Hsung | 910,400 | 0.46 |
| 12. | Cheong Hok An | 849,250 | 0.43 |
| 13. | Vun Shui Moi @ Vun Siew Moi | 742,000 | 0.38 |
| 14. | Tan Hwa Lian | 557,000 | 0.28 |
| 15. | Cheng Hon Sang | 544,200 | 0.28 |
| 16. | Chin Kian Fong | 517,500 | 0.26 |
| 17. | Pong Lam Sin | 501,900 | 0.25 |
| 18. | Lok Eng Kiat | 451,300 | 0.23 |
| 19. | Kheng Moon Eng @ Koong Mei Yoong | 437,500 | 0.22 |
| 20. | Koo Boon Long | 386,900 | 0.20 |
| 21. | Cheng Hon Sang | 374,300 | 0.19 |
| 22. | Lim Hui Kong | 360,000 | 0.18 |
| 23. | Lee Siew Hoon | 355,700 | 0.18 |
| 24. | Mercsec Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa | 350,000 | 0.18 |
| 25. | Hong Thian Hock | 331,200 | 0.17 |
| 26. | Tan Teck Lin Holdings Sdn Bhd | 311,000 | 0.16 |
| 27. | Ooi Li Ying | 308,900 | 0.16 |
| 28. | Cimsec Nominees (Tempatan) Sdn Bhd<br>- CIMB for Genting Perwira Sdn Bhd (PB) | 300,000 | 0.15 |
| 29. | Ng Poh Cheng | 296,400 | 0.15 |
| 30. | Ooi Pitt Lock | 280,000 | 0.14 |
| | **Total** | **165,953,611** | **84.24** |

# LIST OF DIRECTORS' & SUBSTANTIAL HOLDINGS As at 29 February 2016

**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 (1) | 72.96 |
| Tan Teck Lin | 13,000 | 0.01 | 144,241,961 (2) | 73.22 |
| Tan Eng How | 32,000 | 0.02 | 143,157,061 (1) | 72.67 |
| Tan Hwa Imm | 80,000 | 0.04 | 998,900 (3) | 0.51 |
| Wong Tow Cheong | - | - | - | - |
| Lee Wai Kuen | - | - | - | - |
| Lim Thian Loong | - | - | - | - |
| Tan Hwa Lian (Alternate Director) | 557,000 | 0.28 | 13,000 (6) | 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 (4) | 23.79 |
| Hotel Grand Central Limited | 46,864,843 | 23.79 | - | - |
| Tan Eng Teong Holdings Sdn. Bhd. | - | - | 143,129,061 (5) | 72.65 |
| Tan Teck Lin Holdings Sdn. Bhd. | 311,000 | 0.16 | 143,129,061 (5) | 72.65 |
| Aditan Holdings Sdn. Bhd. | - | - | 143,129,061 (5) | 72.65 |
| Bizest Sdn. Bhd. | - | - | 143,129,061 (5) | 72.65 |
| Tan Eng Teong | 13,000 | 0.01 | 143,733,061 (1) | 72.96 |
| Tan Teck Lin | 13,000 | 0.01 | 144,241,961 (2) | 73.22 |
| Tan Eng How | 32,000 | 0.02 | 143,157,061 (1) | 72.67 |
| Tan Eng Sin | 2,000 | - | 143,187,061 (1) | 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)
(Incorporated 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 FIRST 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, 27 April 2016 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 receive the Audited Financial Statements for the year ended 31 December 2015. | | |
| Resolution 2 | To re-elect Tan Hwa Imm. | | |
| Resolution 3 | To re-appoint Tan Eng Teong. | | |
| Resolution 4 | To re-appoint Wong Tow Cheong. | | |
| Resolution 5 | To re-appoint Tan Teck Lin. | | |
| Resolution 6 | To declare a First and Final Dividend. | | |
| Resolution 7 | To approve the payment of Directors' fees. | | |
| Resolution 8 | To re-appoint Messrs Ernst & Young as Auditors and to authorise the directors to fix their remuneration. | | |
| Resolution 9 | To authorise the Directors to issue shares. | | |
| Resolution 10 | To retain Independent Non-Executive Director. | | |
| Resolution 11 | Proposed Amendments to the Articles of Association | | |

| | |
|---|---|
| First Proxy | % |
| Second Proxy | % |
| Total : | 100% |

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

Dated this ________ day of _________________, 2016.

_________________________________
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 and need not be any of the persons prescribed by Section 149(1)(b) of the Companies Act, 1965.*
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 18 April 2016 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.*

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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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# Grand Hotels International

**Malaysia**
**Grand Central Enterprises Bhd**
**10th Floor, Hotel Grand Continental**
**Jalan Belia/Jalan Raja Laut**
**50350 Kuala Lumpur, Malaysia**
**Tel : +603 2698 8999**
**Fax : +603 2693 2968**
**Email : admgr@ghihotels.com.my**

**Singapore**
**Grand Central Management (S) Pte Ltd**
**c/o Hotel Grand Central**
**No. 22 Cavenagh Road**
**Singapore 229617**
**Tel : +65 6737 9944**
**Fax : +65 6733 3175**
**Email : hqadmin@ghihotels.com.sg**

**Australia**
**Grand Central Management (Australia ) Pty Ltd**
**c/o Grand Central Management (NZ) Limited**
**Level 2, James Cook Mini Tower 294-296 Lambton Quay**
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