

GRAND BORNEO HOTEL SDN. BHD.

Main Points

What we examined?

- Grand Borneo Hotel Sdn. Bhd. (Grand Borneo) is a company limited by shares established on 20 August 2007 under the Companies Act 1965 with a paid-up capital of RM38.27 million. The objective of the establishment of Grand Borneo is to run the business of hotels, restaurants, cafeterias, motels, holiday camps and caravan sites. Grand Borneo has been given the responsibility to manage the Grand Borneo Hotel Kota Kinabalu (GBHKK) located in Kota Kinabalu until its hotel operations were stopped on December 31, 2021. Now, Grand Borneo manages five resorts owned by FELDA, namely Felda Residence Hot Springs, Felda Residence Kuala Terengganu, Felda Residence Tg. Leman, Felda Residence Tekam and Felda Residence Sahabat.
- Grand Borneo's performance and management of main activity was evaluated based on the management of the hotel and the Felda Residence Group for the period of 2019 to June 2022. Main aspects evaluated for activity performance were the achievement of outputs covering Room Occupancy Rate (OCC) and incomes as well as the outcomes of achievements which including profit sharing and customer feedback.
- For the management of the five Felda Residence (FR) activities, three aspects were evaluated which were promotion and marketing; maintenance and repair of infrastructure assets; and business debtors.
- An assessment of nine aspects of corporate governance namely the Chairman, the Board of Directors, the General Manager, the Company Secretary, the Business Plan and Key Performance Indicators (KPI), the Standard Operating Procedures (SOP), the Audit Committee (JKA) and the Internal Audit, and the Nomination and Remuneration Committee was made for the period year 2019 to June 2022.
- Analysis of the financial position carried out based on the audited financial statements for year 2018, 2019 and 2020.

Why is it important?

- Grand Borneo was given the responsibility by FELDA to manage GBHKK and five FRs. The FR profit will be shared according to the agreed rate. The efficiency and effectiveness of hotel and resort management is important to generate profit not only for Grand Borneo but also for FELDA which has invested a total of RM42.14 million.

What we found?

- Overall, the objective of establishing Grand Borneo in managing FR Group resorts has not yet fully achieved, corporate governance practices were unsatisfactory and the financial position was less stable. Grand Borneo also has not yet able to generate profit for the period from 2019 to 2020. This was due to the factors that beyond Grand Borneo's control regarding the effects of the Covid-19 pandemic and the Movement Control Order in 2020 which had affected the management of planned activities.
- OCC rate and income performance could not be achieved for the year 2019 until 2021. Current losses and the increase in accumulated losses as well as the amount of liabilities exceeding the amount of assets gave an impression of the company's financial position at a less stable level and the risk of going concern may occur if the company continues to record losses.
- Grand Borneo did not specify specific outcome target but the company outcome was measured from the aspect of profit sharing rate that has not been quantified due to the financial statements which have not yet been finalised. However, positive reviews and feedback from customers show that the response to the FR resort was still good.
- Allocations for promotion and marketing were not fully spent.
- Damage to facilities and equipment which were identified should be repaired, replaced and maintained because it could affect the level of efficiency of the FR Group's resort management.
- Business debt management was less efficient because debt arrears exceeding 120 days have not yet been collected even though actions have been taken.
- The company's corporate governance practices were less than satisfactory because the eight aspects of corporate governance were not fully practiced.

What did we recommend?

- Stakeholders should consider the following recommendations:
 - enhance promotional and marketing efforts aggressively by spending the allocated fund that have been set in the budget accordingly. Efforts to attract more visitors need to be improved by taking into account the attractions or tourism products of the local people surrounding the resort;
 - take immediate action on all reported matters related to facilities and equipment by obtaining funds from FELDA for adequate maintenance. Maintenance, replacement and repair

of damaged assets must be carried out immediately so that accommodation rooms and facilities can be used optimally to increase the company's income and provide comfort to guests;

- review the policy on credit payments and ensure that all the bills have been fully paid before customers leaving premises and take more proactive actions to collect debt arrears from them that exceeded 120 days in order to increase the company's cash flow; and
- improving corporate governance practices, including the appointment of the Chairman, providing learning access to the Board of Directors; more effective roles and functions of JKA and Internal Audit.