ASEANA PROPERTIES LIMITED

ANNUAL REPORT

2017

Contents

Corporate Information

NON-EXECUTIVE CHAIRMAN
Mohammed Azlan Hashim

NON-EXECUTIVE DIRECTORS
Christopher Henry Lovell
David Harris
John Lynton Jones
Gerald Ong Chong Keng
Nicholas John Paris
Ferheen Mahomed

COMPANY SECRETARY AND REGISTERED OFFICE
Link Secretaries Limited
12 Castle Street, St. Helier
Jersey JE2 3RT
Channel Islands

WEBSITE
www.aseanaproperties.com

LISTING DETAILS
Main Market of the London Stock Exchange under the ticker symbol ASPL

AUDITOR
KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

CORPORATE BROKER
Nplus 1 Singer Advisory LLP
One Bartholomew Lane
London EC2N 2AX
United Kingdom

PUBLIC RELATIONS
Tavistock Communications
1 Cornhill
London EC3V 3ND
United Kingdom

REGISTRAR
Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street, St. Helier
Jersey JE1 1ES
Channel Islands
T +44(0) 370 707 4040
F +44(0) 370 873 5851

Corporate Strategy

INTRODUCTION

Aseana Properties Limited ("Aseana Properties" or "the Company") is a London-listed company incorporated in Jersey focusing on property development opportunities in Malaysia and Vietnam.

Ireka Development Management Sdn. Bhd. (*a wholly-owned subsidiary of Ireka Corporation Berhad*), the Development Manager for Aseana Properties, is responsible for the day-to-day management of the Company's property portfolio as well as facilitation of divestment opportunities.

When the Company was launched in 2007 the Board considered it desirable that Shareholders should have an opportunity to review the future of the Company at appropriate intervals. Accordingly, at the 2015 AGM, held on 22 June 2015, the Board put forward a resolution to Shareholders to determine if the Company should continue in existence. Shareholders voted for the Company to continue in existence, at the same time as approving the adoption of a divestment investment policy to enable the controlled, orderly and timely realisation of the Company's assets, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments (the "Divestment Investment Policy"). Pursuant to the Divestment Investment Policy, the Company committed to dispose of all of its assets by June 2018, ahead of the annual general meeting of the Company to be held in 2018 (the "2018 AGM"), at which, pursuant to the Existing Articles, the Board is required to propose a discontinuation resolution for the Company to cease trading as presently constituted (the "2018 Discontinuation Resolution").

Whilst significant progress has been made in realising the Company's assets in an orderly manner and paying down project debts since the Divestment Investment Policy was adopted, not all of the Company's assets have yet been realised. Although discussions are ongoing in relation to the realisation of the Company's remaining assets, the Board cannot be certain that these discussions will successfully conclude by June 2018 and therefore ahead of the 2018 AGM and the 2018 Discontinuation Resolution.

The Board remains of the view that ceasing to trade and placing the Company into liquidation would have a significant adverse effect upon Shareholder value and, whilst the Board is obliged to put forward the 2018 Discontinuation Resolution in accordance with the Existing Articles, it does not consider that such a resolution is in the best interests of Shareholders.

At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

Currently approximately 80% of Aseana Properties' investment portfolio is allocated to projects in Malaysia and approximately 20% to projects in Vietnam.

KEY FACTS

Exchange: London Stock Exchange Main Market

Symbol: ASPL

Lookup: Reuters - ASPL.L; Bloomberg - ASPL:LN

Domicile: Jersey

Shares Issued: 212,025,002

Shares Held in Treasury: 13,334,000

Voting Share Capital: 198,691,002

Share Denomination: US Dollars

Fee Structure Prior to 1 May 2018:

- **Management Fee:**
  - 2% of NAV
- **Performance Fee:**
  - 20% of the out performance of the NAV over a total return hurdle rate of 10%

Revised Fee Structure from 1 May 2018:

- **Base fee:**
  - Period up to 30 April 2019 – US$75,000 per month
  - From 1 May 2019 – US$50,000 per month
- **Realisation fee:**
  - 1% of Net Disposal Proceeds of each asset if sold within 3 months of the end of the relevant quater specified in the published disposal schedule
- **Incentive fee:**
  - 1% of Aggregate Net Disposal Proceeds if Aggregate Net Disposal Proceeds is between 90% to 100% of Aggregate RNAV plus;
  - 20% of any Aggregate Net Disposal Proceeds in excess of 100% of Aggregate RNAV

Admission Date: 5 April 2007

ADVISERS & SERVICE PROVIDERS

Development Manager: Ireka Development Management Sdn. Bhd.

Corporate Broker: Nplus 1 Singer Advisory LLP

Auditor: KPMG LLP

Chairman's Statement

Global economic growth was more evenly balanced in 2017. During the year, many encouraging results were achieved across several fronts. Economic powerhouses such as the United States of America, the world's largest economy, got growth back on track, while the Eurozone and Japan are set to register growth exceeding expectations, courtesy of burgeoning global trade. On the back of a rebound in investment and trade, accommodative policies and the dissipating impact of the earlier commodity price collapse, global growth is expected to be sustained over the next couple of years. In tandem with this, The World Bank forecasts global economic growth to edge up to 3.1% in 2018 after a stronger-than-expected year in 2017. However, the global outlook is still vulnerable to downside risks, including regional instability, possible financial stress, rising geopolitical tensions and the recent trade dispute between the United States of America and China.

The solid global growth has boded well for Aseana Properties' core markets in Malaysia and Vietnam, with both countries performing well above forecasts. Malaysia's real Gross Domestic Product ("GDP") growth for instance, showed an impressive steady upward trend to reach 5.9% for the whole of 2017, driven primarily by strong domestic demand and robust exports. Malaysia leveraged its strong economic fundamentals to record strong growth despite the prevalence of cautious sentiment earlier in the year, given that the Ringgit was by far the worst performing currency in Asia. The local currency was kept in check due to prudent measures implemented by Bank Negara Malaysia ("BNM"), Malaysia's Central Bank and rebounded strongly from a 19-year low to deliver a total appreciation of approximately 10.0%. In addition, in January 2018, BNM increased the country's Overnight Policy Rate ("OPR") from 3.0% to 3.25%, the first hike since July 2016, against a background of steady growth. Despite the lingering uncertainties ahead of the 14th General Election, which could somewhat dampen sentiment, analysts predict that Malaysia's economy will remain resilient in 2018.

Similarly, Vietnam has emerged as one of the most impressive emerging market success stories with GDP growth of 6.8% in 2017, the highest in the last decade. The country's strong GDP growth was driven by the robust manufacturing and services sectors as well as resilient domestic demand, underpinned by thriving Foreign Direct Investment ("FDI") growth. Vietnam attracted a record US$35.9 billion of foreign investments in 2017 as a result of the low cost of doing business in the country, an abundant labour force and solid macroeconomic growth. Furthermore, the nation's average inflation grew at 3.53% against the previous year, below the 4.0% target set by the Government whilst the Vietnamese Dong was one of the most stable Asian currencies in 2017. However, the unresolved issues with the thinly-capitalised banks and non-performing loans pose other medium-term risks to the country's economy.

Despite higher GDP growth and recovery in crude oil prices, the Malaysian properties in both residential and commercial markets are still hampered by factors such as the increased cost of living and oversupply. The rising cost of living, the disparity between the population's income and affordability level, as well as the oversupply of both residential and commercial properties are the main reasons why the nation's property market is still facing headwinds. Completed-but-unsold residential units increased to approximately RM12.3 billion during the first half of 2017, from approximately RM8.6 billion a year ago. In addition, new residential launches fell 9.1% to 28,397 units in the first half of 2017 from 31,257 units in the same period last year. With the impending 14th General Election, consumers are exercising more caution in big-ticket long-term purchases. On the other hand, the Vietnamese property market saw positive growth, underpinned by the country's strong economic performance, relatively stable currency and rapid urbanisation, which have fuelled massive interest from foreign investors into the Vietnamese real estate market. During the year, there were a total of 64,000 real estate transactions in Ho Chi Minh City ("HCMC") and Hanoi alone, up by 24,000 transactions compared to 2016. 2017 has also emerged as a landmark year for mergers and acquisitions in the Vietnamese property sector. According to Vietnam's Ministry of Construction, the country currently has over US$145 billion of real estate developments under construction.

Aseana Properties Limited and its subsidiaries ("the Group") registered a significant decrease in revenue from US$112.5 million in 2016 to US$19.1 million in 2017, largely due to the lack of major asset sales during the year compared to the sale of the Aloft Kuala Lumpur Sentral Hotel ("AKLS") in 2016. The Group recorded a net loss before taxation of US$5.0 million compared to a net profit of US$16.2 million in 2016. The disposal of lands at International Healthcare Park ("IHP") generated gains of US$5.0 million but were offset by operating losses and finance costs of IHP of US$2.0 million, City International Hospital ("CIH") of US$5.4 million, Four Points by Sheraton Sandakan Hotel ("FPSS") and Harbour Mall Sandakan ("HMS") totalling US$1.6 million. Aseana Properties recorded a gain on foreign currency translation differences of US$7.9 million compared to a loss of US$2.5 million in 2016, as a result of the strengthening of Ringgit against US Dollars from RM4.4860/US$1.00 as at 31 December 2016 to RM4.0469/US$1.00 as at 31 December 2017.

PROGRESS OF THE PROPERTY PORTFOLIO

Amidst the sluggish property market in Malaysia, sales of properties at SENI Mont' Kiara ("SENI") and The RuMa Hotel and Residences ("The RuMa") also progressed at a slower pace. Sales at SENI to date progressed to approximately 99.3% and sales at The RuMa increased marginally to 56.7% to date, based on signed sale and purchase agreements. In addition, the last unit at Tiffani by i-ZEN was sold during the year.

Chairman's Statement (cont'd)

Meanwhile, the business environment and tourism in Sabah showed signs of improvement over the year. International and Malaysian tourist arrivals in Sabah reached 3.7 million in 2017, which contributed approximately RM7.8 billion to tourism receipts. Of this, 0.4 million were tourists from China, as a result of increased flights to Sabah from China. Xiamen Airlines has recently introduced direct flights from Beijing to Sabah and this move is expected to spur the number of Chinese tourist arrivals including those from southern and central China. In addition, the impending extension of the Sandakan Airport runway will enable the airport to accommodate larger aircraft, and this will also benefit local tour operators and indirectly generate revenue for the local economy. FPSS recorded an occupancy level of 42.1% as at the year ended 31 December 2017 and 38.5% for year 2018 to date. Home to the first purpose-built cinema in Sandakan, the performance of HMS has also improved to 71.4% occupancy to date, including a number of new tenant signings over the past few months.

In Vietnam, two plots of land at IHP were divested for approximately US$5.4 million and US$7.7 million respectively. On the operations side, the performance of CIH has seen steady improvement over the year, with a 58.0% increase in outpatient volume, and 67.2% increase in inpatient volume compared to 2016. Dr. John Lucas, a highly reputable and experienced former Medical Director of FV Hospital, HCMC was appointed as the new Chief Executive Officer ("CEO") of CIH with effect from January 2018.

Further information on each of the Company's properties is set out in the Manager's report on pages 7 to 8.

CONTINUATION VOTE

At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

OUTLOOK

Despite Malaysia's buoyant economic growth in 2017, the repercussions of subdued investor confidence, political uncertainty and weak currency have adversely affected the Malaysian property market. On the other hand, Vietnam's property market has shown noticeable improvements during the year, in tandem with its robust economic growth. Nevertheless, The Board and the Manager are now focusing on realising the remaining assets of the Company in line with its divestment policy. Aseana Properties remains committed to ensure optimum capital value is achieved for the portfolio in a properly managed and timely manner.

On a final note, I wish to take this opportunity to thank the Board of Aseana Properties, our advisors, shareholders and business associates for their continued support and guidance throughout the year.

MOHAMMED AZLAN HASHIM
Chairman
26 April 2018

Development Manager's Review

BUSINESS OVERVIEW

Aseana Properties has come through another challenging year in 2017. There were however some encouraging signs of improved performances in Malaysia and Vietnam. During the year under review, the Group successfully sold its remaining unit at Tiffani by i-ZEN and divested two plots of land in Vietnam for a total consideration of approximately US$13.1 million. Furthermore, performance at each of the Company's three operating assets has shown encouraging improvements and losses have narrowed. This is in line with the robust Vietnamese economy and the recovery in Malaysia's economic conditions, which have remained resilient despite being dampened by the weak currency and subdued investor confidence at the beginning of the year. In addition, the recent positive economic indicators should bode well for the Malaysian property market, which will be supported by strong economic fundamentals. However, the higher-end properties remain flat and challenging for at least the near future as supply is still growing faster than demand at the moment. The current freeze in new approvals for properties above RM1.0 million will help to re-dress this imbalance in the coming years.

On the back of the lukewarm property market in Malaysia, sales at both SENI and The RuMa have progressed marginally to 99.3% and 56.7% to date respectively. Meanwhile, HMS showed notable improvement in its performance during the year under review with increased occupancy and footfall contributed by the addition of a number of new tenants. Similarly, in Vietnam, CIH performed well over the year with increased revenue and patient numbers.

MALAYSIA ECONOMIC UPDATE

Malaysia's economic growth improved during 2017, surpassing expectations, largely underpinned by strong domestic demand with additional impetus provided by improved external demand. The nation's solid performance saw the International Monetary Fund ("IMF") upgraded its outlook on Malaysia's GDP growth to between 5.5% and 6.0%, while the World Bank made an upward revision to the country's GDP growth forecast to 5.8% in 2017. The Malaysian economy grew at 5.9% in 2017, the strongest pace of expansion in three years and was among the top performers in Asia, underpinned by solid private consumption growth. Meanwhile, a series of good news towards the year end boosted investors' confidence and the Ringgit rebounded from being one of the worst performing currencies in Asia at the beginning of the year, to climb almost 10.0% against the US Dollar towards the end of the year. The Ringgit took its cue from sturdier crude oil prices to rise from a low of RM4.4860/US$1.0 at the end of 2016 to approximately RM4.0469/US$1.0 by the end of 2017. Market interventions such as BNM's policy that requires exporters to convert 75.0% of their proceeds back to Ringgit have enhanced liquidity and demand for the currency. On the back of stronger growth and a manageable inflation rate as well as upbeat results in the last quarter of 2017, BNM increased the country's OPR from 3.0% to 3.25% in January 2018. The rate was kept unchanged by the Malaysian Central Bank since July 2016.

Echoing the country's resilient economic performance, Moody's Investors Service ("Moody's") had in December 2017, reaffirmed the Government's local and foreign currency issuer and senior unsecured bond ratings at A3, with the outlook being maintained at "stable". Similarly, in August 2017, Fitch Ratings affirmed Malaysia's Long-Term Foreign and Local-Currency Issuer Default Ratings ("IDRs") at "A-" with a stable outlook. During 2017, domestic inflation was driven mostly by movements in global oil prices. Malaysia's Consumer Price Index ("CPI") stood at 3.7% for the whole of 2017, which is within its Central Bank's target of 3.0% to 4.0%.

FDI plays a major role in stimulating the Malaysian economy and it serves as an impetus to the development of the country. Emerging markets, such as Malaysia, will continue to reap benefits as global investors undertake risk diversification in the region. Mega infrastructure projects such as the Mass Rapid Transit ("MRT") in Kuala Lumpur, High-Speed Rail, East Coast Rail Link and China's One Belt One Road initiatives will create new job opportunities and expand high value-added activities, which will pave the way for higher-income jobs. The weaker Ringgit over the past few years has also made Malaysia a more attractive investment destination. China remained as Malaysia's largest trading partner for the ninth consecutive year. The Malaysia-China bilateral trade reached a total amount of RM237.96 billion in the first 10 months of 2017, up 24.1% from the same period last year. In addition, the nation's trade and export activities to the European Union, Japan and the United States have also increased. The favourable news of Malaysia and China signing RM144.0 billion worth of agreements and the Saudi Aramco and Petronas RM31.0 billion deals have been noteworthy in lifting the positive business sentiment in Malaysia. Following a record high FDI in 2016, Malaysia recorded an FDI net inflow of RM39.2 billion in 2017. Notwithstanding the positive developments in the nation's FDI growth, the lingering uncertainties ahead of the 14th General Election ("GE14") will be seen as a risk to the country's political health. The 13th Malaysian Parliament was dissolved on 7 April 2018 to pave way for the GE14 which is now scheduled to be held on 9 May 2018.

VIETNAM ECONOMIC UPDATE

Vietnam saw a very positive year for its economic development notwithstanding that the year started off on a subdued note due to a prolonged drought. The country's economy expanded by 6.8% in 2017, the highest growth of the last decade and slightly higher than the Government's initial target of 6.7%. The robust GDP growth was driven by strong activity in the manufacturing and services sector as well as an increase in domestic demand and sturdy retail sales growth. Additionally, during the last quarter of the year, Vietnam's economy expanded 7.65% compared to the same period in the previous year. Vietnam emerged as one of the world's most impressive emerging market countries, achieving high growth rates and attracting significant foreign direct investment.

Meanwhile, through the implementation of market stabilisation measures by the Vietnamese Government, as well as the adoption of timely monetary policies by its Central Bank to bolster macroeconomic stability, Vietnam's core inflation growth was contained at 1.4% in 2017. Despite the nation's average CPI edging up by 3.53% against the previous year, it is still below the Vietnamese Government's target of 4.0%. Strong increases were recorded in the healthcare and education services, with hikes of 42.3% and 9.1% respectively, mainly caused by scheduled fee adjustments.

In July 2017, The State Bank of Vietnam unexpectedly eased the country's monetary policy by cutting its benchmark interest rate for the first time in three years from 6.5% to 6.25%. This was positive for the country's economic growth and as a result, the emergence of new companies hit a record high, with 127,000 new companies registered in 2017, well above the record of 110,000 firms set up the year before. Vietnam remained an attractive destination to foreign investors with total FDI inflow hitting a record high of US$35.9 billion, an increase of 44.4% against 2016. The nation's export revenue expanded by 21.0% in 2017 to reach US$213.7 billion, the highest in the past five years. Despite these notable achievements, there remain shortcomings in the country's economy, such as high public debt and non-performing loans, dependence on a low-cost labour force and depleting natural resources which need to be addressed soon.

Development Manager's Review (cont'd)

PORTFOLIO REVIEW

MALAYSIA

PROPERTY MARKET REVIEW

The Malaysian Property market remained in a lull in 2017, although some believed that the country's property market was on the road to recovery. Despite the country's improved economic growth, Malaysia's commercial and housing property markets continued to face a glut of supply. The key issues of price unaffordability, overhang of high-rise homes, rising cost of living and tight lending guidelines have had a dampening effect on the property market. According to the National Property Information Centre ("NAPIC"), the number of unsold properties in the country increased by 41.0% to 21,000 units, valued at RM12.3 billion, in the first half of 2017 compared to the corresponding period in the previous year. In a bid to avoid the oversupply issue affecting the nation's economy, the Government has recently frozen the approvals for developments of four components of the property market which include condominiums and serviced apartments priced at RM1.0 million and above. On a brighter side, the Malaysian Government has not proceeded with the proposal to increase stamp duty rates from 3.0% to 4.0% on transfer instruments for properties worth more than RM1.0 million, which was initially planned for 1 January 2018.

Malaysia's tourism sector remains as the third largest contributor to the country's economy and is one of the twelve National Key Economic Areas in the Government's vision to propel Malaysia to be a high-income nation by 2020. The Malaysian Government aspires to attract 36.0 million tourists to Malaysia which will generate income of RM168.0 billion by 2020. Sabah has, for instance, welcomed 3.68 million international and Malaysian tourists in 2017, representing an increase of 7.5% compared to the same period in 2016. Of this, 0.4 million of them were tourists from China. Room rates remained competitive and the average occupancy for hotels located in the Klang Valley for January to September increased by 5.0% year-on-year. From the beginning of September 2017, tourism tax was officially enforced by the Malaysian Government. A flat rate of RM10 per room per night for all hotel classifications has been imposed on foreign tourists. In addition, the nation has been recognised as the "Medical Travel Destination of the Year" for the third consecutive year at the International Medical Travel Journal's Medical Travel Awards 2017. The RM30.0 million allocations to the Malaysia Healthcare Travel Council under Budget 2018 will further spur the growth of the country's medical tourism industry.

Aseana Properties currently has five investments in Malaysia. These investments consist of residential properties, hotels and a retail mall:

- **SENI Mont' Kiara**
  SENI is a completed upmarket condominium development situated on one of the highest points in Mont' Kiara. The project consists of two 12-storey blocks and two 40-storey blocks, comprising 605 residential units. The majority of units command impressive views of the city skyline including the 88-storey Petronas Twin Towers and the KL Tower. Sales at SENI have progressed to 99.3% to date, with only four large units remaining unsold. Debt on the project was fully repaid.

- **The RuMa Hotel and Residences**
  This project is strategically located in the heart of Kuala Lumpur City Centre ("KLCC") on Jalan Kia Peng, near landmarks such as the world-famous Petronas Twin Towers, KLCC Convention Centre, Suria KLCC shopping mall, KLCC Park and the Grand Hyatt Kuala Lumpur. Aseana Properties owns 70.0% of this project and remaining 30.0% is owned by Ireka Corporation Berhad. The project consists of 199 units of luxury residences (The RuMa Residences) and a 253-room luxury bespoke hotel (The RuMa Hotel), built on 43,559 sq ft of development land. The RuMa Hotel will be managed by Urban Resort Concepts, a renowned bespoke hotel management company based in Shanghai, which created and operates the award-winning The Puli Hotel in Shanghai.

  Construction of the main building is expected to complete in June 2018. The RuMa Hotel and Residences was first launched in 2013. Sales were affected by the cooling measures imposed by the Government to curb property speculation as well as the current subdued property market in Malaysia. To date, total sales at The RuMa have increased marginally to 56.7%, based on signed sale and purchase agreements. During 2017 and year-to-date, the Manager has participated in various marketing and promotional events to boost sales of the remaining units, both locally and internationally, but the results were below expectation. Debt on the project was fully repaid.

- **Harbour Mall Sandakan**
  HMS commenced operations in July 2012. The occupancy rate at HMS is currently recorded at 71.4%. Notable tenants include Lotus Five Star Cinema, Popular Bookstore, Levi's, The Body Shop, Watsons and McDonalds, amongst others. Leasing initiatives at HMS to both local and international retailers are ongoing. The outlook for HMS is promising, particularly with the opening of the cinema which has significantly increased the footfall to the Mall.

  HMS is funded by medium term notes amounting to approximately US$24.3 million (RM100.0 million) as at 31 December 2017.

- **Four Points by Sheraton Sandakan Hotel**
  FPSS recorded an occupancy rate of 38.5% for year 2018 to date, with an Average Daily Rate of about US$57 (RM230). Sandakan's hotel occupancy has been greatly affected by on-going negative travel advisories issued by some countries in response to previous cases of kidnapping for ransom along the coast of Eastern Sabah. Occupancy has improved over the last two years in line with the marked improvement in coastal security in Sabah. The management of FPSS continues to improve the efficiency of its operations and to work with the relevant authorities to improve tourist arrivals to Sandakan. The impending extension of Sandakan Airport Runway will attract more commercial airlines and charter flights, especially from China, to fly directly to Sandakan.

- **Kota Kinabalu Seafront Resort & Residences**
  Aseana Properties acquired three adjoining plots of land totalling approximately 80 acres in September 2008 with the intention of developing a resort hotel, resort villas and resort homes at the seaside area in Kota Kinabalu, Sabah. In 2012, the Board decided not to proceed with the development and to dispose of the land instead. Marketing efforts are on-going and the Manager is currently in negotiation with a potential buyer.

VIETNAM

PROPERTY MARKET REVIEW

The property market in Vietnam was buoyant in 2017 on the back of the nation's robust economic growth, a relatively stable currency, more stringent Government lending controls and interest rates, as well as the removal of barriers to foreign ownership. The

Development Manager's Review (cont'd)

announcement made in August 2017 concerning a draft amendment to the Land Law which allows foreigners to own properties for up to 99 years, as well as mortgaging of assets associated with land-use rights at foreign credit institutions, have created an impetus in the Vietnamese property market. FDI in the real estate sector has continually increased over the last five years and is ranked third in attracting FDI to Vietnam, accounting for 8.5% of the total registered capital of the country during the year.

The Vietnamese property market performed well as the country celebrated stellar GDP growth in 2017. The demand for residential property in the nation's two largest housing markets remained at strong levels in 2017. In HCMC, record sales of villas and townhouses were achieved during the last quarter of the year as new launches in the mid-end segment reached new heights. In addition, apartment sales in HCMC were over 15,100 units in Q4 2017, increasing 44.0% compared to last year.

Apart from the strength in the residential market, the office market in both HCMC and Hanoi was positive, recording healthy occupancy rates with the average occupancy in HCMC reaching as much as 96.0%. In tandem with the increase in newly registered businesses, Vietnam's office market is expected to continue to experience healthy absorption momentum and bustling new supply. Similarly, Vietnam's retail sector is attracting investments from many foreign enterprises owing to its favourable economic outlook, improved standard of living, increasingly open economy with rising employment opportunities and large population. The Government's policy of allowing foreign retailers to establish businesses with 100.0% foreign capital since 2015 has made Vietnam one of the world's leading investment destinations. According to AT Kearney, Vietnam is ranked 6th in the Global Retail Development Index in 2017, which signifies the nation's appeal in the retail market.

In line with the buoyant retail sector, Vietnam's tourism industry bore encouraging results in 2017. According to the Vietnam National Administration of Tourism, the number of international visitors during the year reached 12.9 million with tourism revenue reaching more than US$23.0 billion, an uplift of 29.1% and 25.0% respectively, compared to 2016. China and South Korea were still the largest sources of visitors with 6.4 million arrivals during the year. Furthermore, Vietnam jumped eight notches to the 67th position in the Travel and Tourism Competitiveness Report 2017, published by the World Economic Forum.

Aseana Properties now has two investments in Vietnam:

- **International Healthcare Park**
  IHP is a planned mixed development on 37.5 hectares of land comprising private hospitals, mixed commercial, hospitality and residential developments. It is located in the Binh Tan District, close to Chinatown and is approximately 11 km from District 1, the central business and commercial district of HCMC. Aseana Properties has a 72.4% stake in this development and its minority partner, Hoa Lam Group holds a significant minority stake together with a consortium of investors from Singapore, Malaysia and Vietnam. There is a total of 19 plots of land which have been fully approved for development and Land Use Right ("LUR") issued and paid for 69 years lease. Of the 19 plots, 6 plots are dedicated to hospital and related functions. To date, 7 plots have been developed or divested. Apart from the international-class City International Hospital, IHP also boasts the largest AEON retail mall in Ho Chi Minh City.

  US$14.3 million of loan facilities to part finance the land and working capital remain outstanding as at 31 December 2017.

- **City International Hospital**
  Construction of CIH was completed in March 2013 and it commenced business in January 2014. CIH is a modern private care hospital conforming to international standards with 320 beds (Phase 1: 168 beds). In early 2018, the hospital appointed Dr John Lucas as the Chief Executive Officer ("CEO") to lead the operations team and to replace Dr Le Quoc Su, who left his position as the CEO of the hospital at the end of 2017. Prior to joining CIH, Dr John Lucas was the Medical Director of FV Hospital, where he was instrumental in achieving the first Joint Commission International ("JCI") accreditation in HCMC and transformed a stand-alone hospital into an integrated healthcare system. Dr Lucas has an excellent track record in managing world-class hospitals.

  The development of City International Hospital is funded by total facilities of US$37.1 million as at 31 December 2017.

OUTLOOK

Overall, Malaysia has fared well in 2017 as the country's economy remained bullish amid a combination of daunting domestic and external factors, which included the weak currency and low commodity prices at the beginning of the year. However, the country's property market is expected to remain flat and challenging going into 2018, with oversupply and affordability issues remaining unresolved. The impending 14th General Election brings with it lingering uncertainties that could somewhat dampen sentiment. Nevertheless, the recent curbs implemented by the Government on high-end properties are expected to provide a breather for the tough luxury residential sector. On the other hand, Vietnam's real estate market continues to maintain a positive growth rate due to the country's thriving and robust economic growth, which has propelled the nation's domestic property market.

Given the extension of life of Aseana Properties to 31 December 2019, the Manager, together with the Board of Directors of Aseana Properties remain focused on exploring all possible opportunities to divest the remaining assets in its portfolio in an orderly and timely manner.

In closing, please allow me to take this opportunity to express my warmest thanks to the Board of Directors of Aseana Properties, our advisors, shareholders and business associates for the relentless support and guidance rendered throughout the year.

LAI VOON HON
President
Ireka Development Management Sdn. Bhd.
Development Manager
26 April 2018

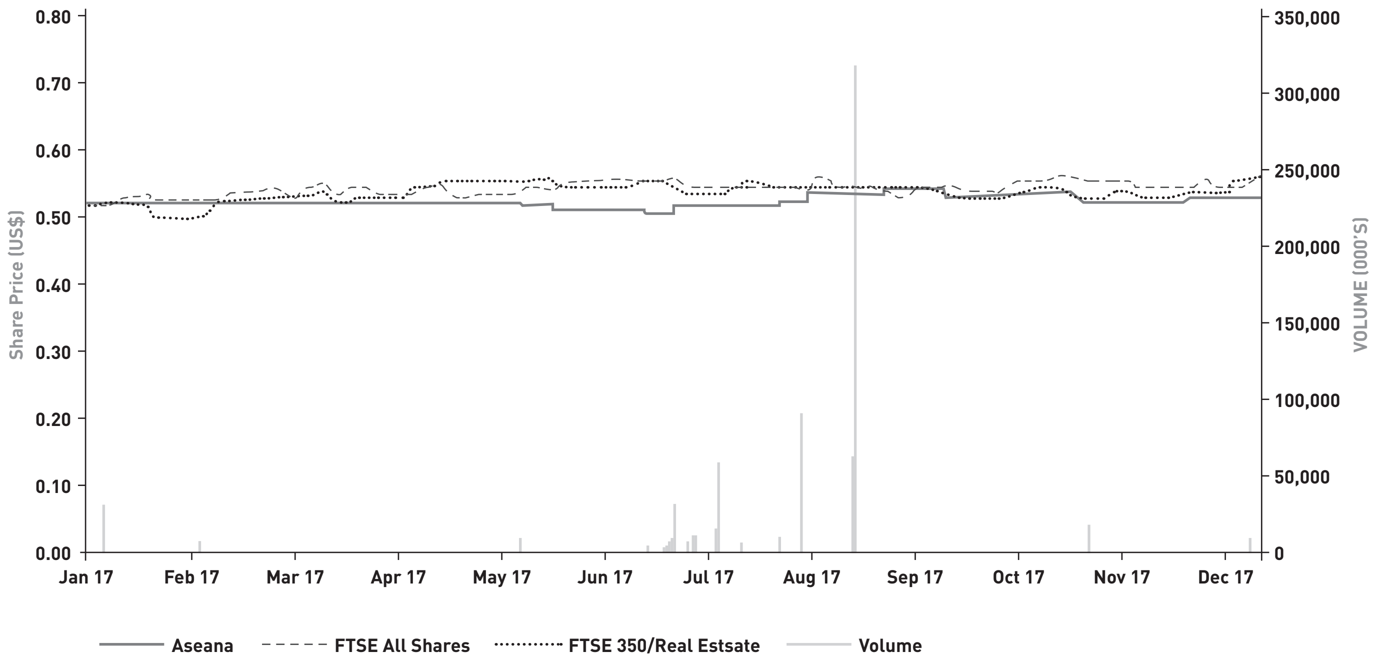
Property Portfolio

as at 31 December 2017

Project	Type	Effective Ownership	Approximate Gross Floor Area (sq m)	Approximate Land Area (sq m)	Scheduled Completion
Completed projects					
SENI Mont' Kiara Kuala Lumpur, Malaysia	Luxury condominiums	100.0%	225,000	36,000	**Phase 1:** Completed in April 2011 **Phase 2:** Completed in October 2011
Sandakan Harbour Square Sandakan, Sabah, Malaysia	Retail lots, hotel and retail mall	100.0%	126,000	48,000	**Retail lots:** Completed in 2009 **Retail mall:** Completed in March 2012 **Hotel:** Completed in May 2012
Phase 1: City International Hospital, International Healthcare Park, Ho Chi Minh City, Vietnam	Private general hospital	72.4%*	48,000	25,000	Completed in March 2013
Project under development					
The RuMa Hotel and Residences Kuala Lumpur, Malaysia	Luxury residential tower and bespoke hotel	70.0%	40,000	4,000	Second quarter of 2018
Undeveloped projects					
Other developments in International Healthcare Park, Ho Chi Minh City, Vietnam (formerly International Hi-Tech Healthcare Park)	Commercial and residential development with healthcare theme	72.4%*	972,000	351,000	n/a
Kota Kinabalu Seafront Resort & Residences Kota Kinabalu, Sabah, Malaysia	i) Boutique resort hotel and resort villas ii) Resort homes	100.0% 80.0%	n/a	327,000	n/a
Divested projects					
Tiffani by i-ZEN Kuala Lumpur, Malaysia	Luxury condominiums	100.0%	81,000	15,000	Completed in August 2009
1 Mont' Kiara by i-ZEN Kuala Lumpur, Malaysia	Office suites, office tower and retail mall	100.0%	96,000	14,000	Completed in November 2010
Waterside Estates Ho Chi Minh City, Vietnam	Villa and high-rise apartments	55.0%	94,000	57,000	n/a
Kuala Lumpur Sentral Office Towers & Hotel Kuala Lumpur, Malaysia	Office towers and a business hotel	40.0%	107,000	8,000	**Office towers:** Completed in December 2012 **Hotel:** Completed in January 2013
Aloft Kuala Lumpur Sentral Hotel Kuala Lumpur, Malaysia	Business-class hotel (a Starwood Hotel)	100.0%	28,000	5,000	Completed in January 2013
Listed equity investment in Nam Long Investment Corporation, an established developer in Ho Chi Minh City, Vietnam	Listed equity investment	6.9%	n/a	n/a	Effective ownership as at FY2015 before full disposal in November 2016

*Shareholding as at 31 December 2017
n/a: Not available/not applicable

Share Price Chart



Performance Summary

	Year ended 31 December 2017	Year ended 31 December 2016
Total Returns since listing		
Ordinary share price	**-47.00%**	-48.00%
FTSE All-share index	**26.71%**	16.25%
FTSE 350 Real Estate Index	**-39.43%**	-45.11%
One Year Returns		
Ordinary share price	**1.92%**	15.56%
FTSE All-share index	**9.00%**	12.45%
FTSE 350 Real Estate Index	**10.34%**	-12.42%
Capital Values		
Total assets less current liabilities (US$ million)	**189.03**	188.62
Net asset value per share (US$)	**0.69**	0.68
Ordinary share price (US$)	**0.53**	0.52
FTSE 350 Real Estate Index	**568.05**	514.80
Debt-to-equity ratio		
Debt-to-equity ratio [1]	**68.26%**	58.75%
Net debt-to-equity ratio [2]	**48.93%**	40.01%
(Loss)/Earnings Per Share		
Earnings per ordinary share - basic (US cents)	**-2.10**	8.89
- diluted (US cents)	**-2.10**	8.89

Notes:

[1] Debt-to-equity ratio = (Total Borrowings ÷ Total Equity) x 100%

[2] Net debt-to-equity ratio = (Total Borrowings less Cash and Cash Equivalents ÷ Total Equity) x 100%

Financial Review

INTRODUCTION
The Group recorded consolidated comprehensive profit of US$2.0 million for the financial year ended 31 December 2017, attributable to gains on disposal of lands and gains on foreign currency translation differences for foreign operations, offset by operating losses and finance costs of its International Healthcare Park, City International Hospital, Four Points by Sheraton Sandakan Hotel and Harbour Mall Sandakan.

STATEMENT OF COMPREHENSIVE INCOME
The Group registered revenue of US$19.1 million for the financial year ended 31 December 2017, compared to US$112.5 million for previous financial year. The revenue was mainly attributable to the sale of two plots of land at International Healthcare Park during the year, generating US$13.1 million, while the sale of Aloft Kuala Lumpur Sentral Hotel in 2016 generated revenue of US$104.3 million.

The Group recorded a net loss before taxation of US$5.0 million for the financial year ended 31 December 2017, compared to a net profit before taxation of US$16.2 million for the previous financial year. The disposal of the two plots of land at International Healthcare Park generated gains on disposal of US$5.0 million but were offset by operating losses and finance costs of International Healthcare Park of US$2.0 million, City International Hospital of US$5.4 million, Four Points by Sheraton Sandakan and Harbour Mall Sandakan of total US$1.6 million.

Net loss attributable to equity holders of the parent was US$4.2 million for the year ended 31 December 2017, compared to a net profit of US$18.9 million for previous financial year. Taxation for the year was higher at US$0.9 million (2016: US$0.7 million) due to an increase in the number of completed units of SENI and Tiffani sold in 2017.

The consolidated comprehensive income for the year ended 31 December 2017 was US$2.0 million (2016: US$10.5 million), which included gains on foreign currency translation differences for foreign operations of US$7.9 million (2016: losses of US$2.5 million) due to strengthening of Ringgit against US Dollars from RM4.4860/US$1.00 as at 31 December 2016 to RM4.0469/US$1.00 as at 31 December 2017. There was no fair value adjustment on available-for-sale assets in the financial year as the remaining shares in Nam Long Investment Corporation were sold in 2016.

Basic and diluted loss per share for the year ended 31 December 2017 were both US cents 2.10 (2016: Basic and diluted earnings per share of US cents 8.89).

STATEMENT OF FINANCIAL POSITION
Total assets as at 31 December 2017 were US$325.7 million, compared to US$294.4 million for previous year, representing an increase of US$31.3 million. This was mainly due to an increase in The RuMa inventories of US$32.7 million which is under construction.

Total liabilities as at 31 December 2017 were US$191.2 million, compared to US$152.2 million for previous year, representing an increase of US$39.0 million. This was mainly due to an increase of trade and other payables of US$29.1 million, which are attributable to The RuMa.

Net Asset Value per share at 31 December 2017 was US$0.69 (2016: US$ 0.68).

CASH FLOW AND FUNDING
Cash flow generated from operations before interest and tax paid was US$8.9 million for financial year ended 31 December 2017, compared to US$105.1 million for previous year. The latter was mainly due to disposal of Aloft Kuala Lumpur Sentral Hotel.

The Group generated net cash flow of US$2.1 million from investing activities, compared to US$9.4 million for previous year. The latter was mainly due to the disposal of the remaining shares in Nam Long Investment Corporation.

The Group's subsidiaries borrow to fund property development projects. As at 31 December 2017, the Group's gross borrowings stood at US$91.8 million (2016: US$83.6 million). The borrowings included a Dong loan of US$16.0 million equivalent which would be used to refinance part of the existing US Dollar loan for the City International Hospital. Net debt-to-equity ratio was 49.0% (2016: 40.0%). The Group will continue to focus on parring down its borrowings.

Finance income was US$0.39 million for financial year ended 31 December 2017 (2016: US$0.4 million). Finance costs were US$5.7 million (2016: US$9.6 million), incurred by International Healthcare Park, City International Hospital, Four Points by Sheraton Sandakan Hotel and Harbour Mall Sandakan.

On 10 January 2017 the Company returned US$10,000,500 to Shareholders by way of a Tender Offer, purchasing 13,334,000 shares, representing 6.29 per cent of the Company's share capital, at a price of US$0.75 per share.

EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE
At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

DIVIDEND
No dividend was declared or paid in 2017 and 2016.

PRINCIPAL RISKS AND UNCERTAINTIES
A review of the principal risks and uncertainties facing the Group is set out in the Directors' Report of the Annual Report.

TREASURY AND FINANCIAL RISK MANAGEMENT
The Group undertakes risk assessments and identifies the principal risks that affect its activities. The responsibility for the management of each key risk has been clearly identified and delegated to the senior management of the Development Manager. The Development Manager's senior management team is involved in the day-to-day operation of the Group.

A comprehensive discussion on the Group's financial risk management policies is included in the notes to the financial statements of the Annual Report.

MONICA LAI VOON HUEY
Chief Financial Officer
Ireka Development Management Sdn. Bhd.
Development Manager
26 April 2018

Corporate Social Responsibility

Aseana Properties is committed to making a positive difference in the world, whether it is making a difference to the local community or whether it is building a better working environment. In a nutshell, Aseana Properties believes that being socially and environmentally responsible is good for people, the planet and for business. The following 6 core principles define the essence of corporate citizenship for the Company.

MANAGING CORPORATE RESPONSIBILITY

The Board of Directors at Aseana Properties has oversight mechanisms, through corporate-level policies and standards to ensure an effective CSR programme is delivered in the interest of its employees, shareholders and the community at large. It is determined to ensure that its CSR programme acts legally and responsibly on all matters and that the highest ethical standards are maintained. The Board recognises this as a key part of its risk management strategy to protect the reputation of Aseana Properties and shareholders values are enhanced.

EMPLOYEES

In the current changing economic environment, competing demands and stress, the welfare of employees is critical in order to ensure they are productive, creative and innovative. This is also in order to achieve the highest standard in the workplace. The Company therefore works closely with its Development Manager to ensure that all employees are treated fairly and with dignity because it is the right thing to do and also to get the best out of them.

HEALTH AND SAFETY

Aseana Properties considers Health and Safety to be important because it protects the well-being of employees, visitors and clients. Looking after Health and Safety makes good business sense and the Company works hard to provide a healthy workplace environment for its staff, contractors and visitors.

Some of the organised efforts and procedures for reducing workplace accidents, risks and hazards, exposure to harmful solutions include:

- Paying particular attention to the regular maintenance of equipment, plant and systems to ensure a safe working environment.

- Providing sufficient information, instruction, training and supervision to enable all employees to avoid hazards and to contribute positively to their own safety and safe performance at work.

STAKEHOLDERS

Aseana Properties works collaboratively with its stakeholders to improve services and to ensure client satisfaction. The Company is committed to meaningful dialogue and encourages stakeholder participation through stakeholder meetings, roadshows, briefings, conference calls, timely release of annual report and publication of its quarterly magazine, CiTi-ZEN (now in its 12th year). Aseana Properties also maintains an updated and informative website, www.aseanaproperties.com that is accessible to stakeholders and members of the public.

The RuMa Hotel and Residences has also created its own YouTube Channel with the aim of informing their buyers, staff, business associates and the public at large all aspects of The RuMa's development, providing an overview of The RuMa and introducing key individuals behind the concept and design of both the hotel and residences.

ENVIRONMENTAL MANAGEMENT

Aseana Properties believes that any commitment to a more environmentally sustainable world has to start at home, and to this end, it challenges itself to work in an environmentally responsible manner and to find new ways to reduce its carbon footprint. It also works with architects to look at how they can be more environmentally friendly by incorporating natural elements such as water, greenery, light and air into its projects.

The RuMa Hotel and Residences have both been separately awarded the Green Building Index (GBI) Provisional Gold Rating having successfully met all the GBI Criteria under each category for Energy Efficiency, Indoor Environment Quality, Sustainable Site Planning & Management, Materials & Resources, Water Efficiency and Innovation. The GBI is Malaysia's industry recognised green rating tool for buildings to promote sustainability in the building industry. The achievement is a significant milestone for Aseana Properties to expand its green building footprints and delivering "Green" Building projects that can lay claim to "Sustainability and Environmental Excellence".

COMMUNITY

Aseana Properties understands the importance of community engagement both for the communities themselves but also for giving staff more meaningful experiences by tapping into their professional skills and capabilities.

Throughout the year, Sandakan Harbour Mall organised the following as part of their CSR programme:

- The Mall launched its official mascots, Mario and Manja in April 2017 as part of its branding exercise. The inspiration for the characters are taken from the Orangutan, extinct native animal to the State of Sabah.

- Festive event with 20 children from an orphange in July 2017 where they were invited to visit and celebrate the festivities at the mall. They had fun with archery, singing, going to the cinema and Ronald McDonald was the event's highlight when he made a guest appearance to entertain the children.

- The mall celebrated its Fantastic Fifth Anniversary in July 2017, hosting a party for local dignitaries, business associates and tenants. There were performances and games organised for the enjoyment of the audience and the new tagline for the mall was also unveiled at the event, "Pulse of the City".

- 20 senior managers from the Mall visited the Children's Ward at the Duchess of Kent Hospital, Sandakan in December 2017 handing over specially made cupcakes and toys for everyone as part of the festive mood.

Calendar of Events

04 Jan

Aseana Properties convened its Extraordinary General Meeting at its registered office in Jersey, Channel Islands where the Shareholders had supported the Board's recommendation to vote in favour of the Tender Offer Resolution to approve the Tender Offer and subsequent buyback of the tendered shares from N+1 Singer Capital Markets by Aseana Properties.

14 Jan

CIH celebrated its 3rd year anniversary.

27 Apr

Aseana Properties announced its Audited Full Year Results for the financial year ended 31 December 2016.

23 Jun

Aseana Properties announced that its 72.35% owned subsidiary, Hoa Lam-Shangri-la Healthcare Limited Liability Company ("HLSL"), had completed the sale of a plot of 1.23 hectares of land at International Healthcare Park ("IHP"), through the sale of its 100 per cent stake in HLSL 5 Limited Liability Company ("HLSL 5") to Tien Phat Consultancy Investment Company Limited, for a total consideration of US$5.47 million.

In addition, HLSL had entered into a conditional sale agreement with Tri Hanh Consultancy Company Limited to dispose of HLSL's 100 per cent stake in HLSL 6 Limited Liability Company ("HLSL 6") for a total consideration of US$7.73 million. HLSL 6 held a 1.19 hectare plot of land at IHP.

03 Jul

Aseana Properties convened its 11th Annual General Meeting at its registered office in Jersey, Channel Islands. All the resolutions tabled were passed at the meeting.

Aseana Properties announced an update on the divestment of the Company's assets which commenced following a Shareholder vote on 22 June 2015.

Aseana Properties published its Q1 2017 Corporate Presentation.

10 Jul

Mr Nguyen Thanh Phong, Chairman of the People's Committee, HCMC visited CIH.

15 Jul

HMS celebrated its fifth year anniversary with a party at the concourse of The Mall.

25 Aug

Aseana Properties announced its Half-Year Results for the 6-month period ended 30 June 2017.

05 Sep

National Assembly Chairman Mr Nguyen Thi Kim Ngan visited CIH.

20 Sep

Aseana Properties published its Q2 2017 Corporate Presentation.

20 Oct

CIH organised its International Conference on Science and Technology for the second time.

24 Nov

Aseana Properties announced a further update on the progress of divestment of the Company's assets following an earlier update announced on 3 July 2017.

15 Dec

Aseana Properties published its Q3 2017 Corporate Presentation.

Board of Directors

MOHAMMED AZLAN HASHIM

Non-Executive Chairman

Mohammed Azlan Hashim was appointed as Chairman (Non-Executive) of Aseana Properties in March 2007.

In Malaysia, Azlan serves as Chairman of several public entities, listed on the Bursa Malaysia Securities Berhad, including IHH Healthcare Berhad, D&O Green Technologies Berhad and Marine & General Berhad (formerly known as SILK Holdings Berhad).

He has extensive experience working in the corporate sector including financial services and investments. Among others, he has served as Chief Executive, Bumiputra Merchant Bankers Berhad, Group Managing Director, Amanah Capital Malaysia Berhad and Executive Chairman, Bursa Malaysia Berhad Group.

Azlan also serves as a Board Member of various government related organisations including Khazanah Nasional Berhad, Labuan Financial Services Authority and is a member of the Government Retirement Fund Inc. Investment Panels.

Azlan holds a Bachelor of Economics from Monash University, Melbourne and qualified as a Chartered Accountant in 1981. He is a Fellow Member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Directors, Institute of Chartered Secretaries and Administrators, Hon. Member of the Institute of Internal Auditors, Malaysia and Member of the Malaysian Institute of Accountants.

CHRISTOPHER HENRY LOVELL

Non-Executive Director

Christopher Henry Lovell was appointed as Director (Non-Executive) of Aseana Properties in March 2007. He was a partner in Theodore Goddard between 1983 and 1993 before setting up his own legal practice in Jersey. In 2000, he was one of the founding principals of Channel House Trustees Limited, a Jersey regulated trust company, which was acquired by Capita Group plc in 2005, when he became a director of Capita's Jersey regulated trust company until his retirement from Capita in 2010.

Christopher was a director of BFS Equity Income & Bond plc between 1998 and 2004, BFS Managed Properties plc between 2001 and 2005 and Yatra Capital Limited between 2005 and 2010.

Christopher holds a Ll.B (Hons) degree from the London School of Economics and is a member of the Law Society of England & Wales.

DAVID HARRIS

Non-Executive Director

David Harris was appointed as Director (Non-Executive) of Aseana Properties in March 2007. David is currently Chief Executive of InvaTrust Consultancy Ltd, a company that specialises in the provision of investment marketing services to the Financial Services Industry in both the UK and Europe. He was formerly Managing Director of Chantrey Financial Management Ltd, a successful investment and fund management company linked to Chartered Accountants, Chantrey Vellacott. Additionally, he also served as Director of the Association of Investment Companies overseeing marketing and technical training.

He is currently a non-executive director of a number of quoted companies in the UK including Character Group plc, Small Companies Dividend Trust plc, F&C Managed Portfolio Trust plc and Manchester & London Investment Trust plc. He writes regularly for both the national and trade press and appears regularly on TV and Radio as an investment commentator. He is a previous winner of the award "Best Investment Adviser" in the UK.

JOHN LYNTON JONES

Non-Executive Director

John Lynton Jones was appointed as Director (Non-Executive) of Aseana Properties in March 2007. Lynton is Chairman Emeritus of Bourse Consult, a consultancy that advises clients on initiatives relating to exchange trading, regulation, clearing and settlement. He has an extensive background as a chief executive of several exchanges in London, including the International Petroleum Exchange, the OM London Exchange and Nasdaq International (whose operations he set up in Europe in the late 1980s). He was chairman of the Morgan Stanley/OMX joint venture Jiway in 2000 and 2001.

He spent the first 15 years of his career in the British Diplomatic Service where he became private secretary to the minister of state and Financial Services Attaché at the British Embassy in Paris.

He was a board member of London's Futures and Options Association, of the London Clearing House and of Kenetics Group Limited, and a former adviser to the City of London Corporation. He was the founding chairman of the Dubai International Financial Exchange (now known as Nasdaq Dubai) from 2003 until 2006. He is chairman of DSX Cloud plc and a Fellow of the Chartered Institute for Securities and Investments. He was a Trustee of the Horniman Museum in London for 8 years until 2013. He studied at the University of Aberystwyth, where he took a first class honours in International Politics. He is now chairman of the University's Development Advisory Board.

Board of Directors (cont'd)

GERALD ONG CHONG KENG

Non-Executive Director

Gerald Ong was appointed as Director (Non-Executive) of Aseana Properties in September 2009. Gerald is Chief Executive Officer of PrimePartners Corporate Finance Group, has over 20 years of corporate finance related experience at various financial institutions providing a wide variety of services from advisory, M&A activities and fund raising exercises incorporating various structures such as equity, equity-linked and derivative-enhanced issues. In June 2007, he was appointed a Director of Metro Holdings Limited which is listed on the Singapore Exchange Securities Trading Limited.

Gerald has been granted The Institute of Banking and Finance (IBF) – Distinguished Fellow status and is an alumnus of the National University of Singapore, University of British Columbia and Harvard Business School.

NICHOLAS JOHN PARIS

Non-Executive Director

Nicholas John Paris was appointed as Director (Non-Executive) of Aseana Properties in June 2015. Nicholas is a portfolio manager for LIM Advisors ("LIM"), an Asian-focused investment management firm, headquartered in Hong Kong, and he specialises in investing in closed ended investment funds. He is based in London and graduated from Newcastle University with a Bachelor of Science degree with Honours in Agricultural Economics. He is also a Chartered Accountant and a Chartered Alternative Investment Analyst. He worked with Rothschild Asset Management from 1986 until 1994, launching specialist investment products before becoming a corporate adviser and broker in closed ended investment funds with a particular focus on those investing in emerging markets. In this role, he worked between 1994 and 2001 at Baring Securities, Peregrine Securities and then Credit Lyonnais Asia Securities. He then joined the hedge fund industry in a series of sales roles before founding Purbeck Advisers in 2006, which is his own advisory and sales business. He has been advising LIM on investing in Asian closed end funds for eight years and is a director of their London-based investment management subsidiary.

He has been a non-executive director of Global Resources Investment Trust plc (listed on the main market of the London Stock Exchange), TAU Capital plc (listed on the AIM market of the London Stock Exchange) and The India IT Fund Limited (previously listed on the Channel Islands Stock Exchange).

FERHEEN MAHOMED

Non-Executive Director

Ferheen Mahomed was appointed as Director (Non-Executive) of Aseana Properties in June 2015. Ferheen is currently Group General Counsel for Hong Kong Exchanges and Clearing Limited. Her previous roles included Executive Vice President of Business Development for Pacific Century Group and Group General Counsel for CLSA Asia Pacific Markets for four years after spending 14 years as Asia Pacific General Counsel for Societe Generale. Ferheen is both a UK and Hong Kong qualified lawyer having previously worked at Slaughter and May in Hong Kong and London. She is a law graduate from the University of Hong Kong and Rhodes Scholar to St. John's College Oxford, holding Bachelor of Civil Law Degree from Oxford.

Ferheen is heavily involved in the financial community and is a former member of the product advisory committee of the Securities and Futures Commission of Hong Kong as well as the Asia Pacific legal and regulatory Committee of ISDA.

Directors' Report

as at 31 December 2017

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group are development of upscale residential and hospitality projects, sale of development land and operation and sale of hotel, mall and hospital in Malaysia and Vietnam.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The statement of comprehensive income for the year is set out on pages 28 to 29. A review of the development and performance of the business has been set out in the Chairman's Statement, the Development Manager's Review and the Financial Review reports.

OBJECTIVES AND STRATEGY

When the Company was launched in 2007, the Board considered it desirable that Shareholders should have an opportunity to review the future of the Company at appropriate intervals. Accordingly, at the 2015 AGM, held on 22 June 2015, the Board put forward a resolution to Shareholders to determine if the Company should continue in existence. Shareholders voted for the Company to continue in existence, at the same time as approving the adoption of a divestment investment policy to enable the controlled, orderly and timely realisation of the Company's assets, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments (the "Divestment Investment Policy"). Pursuant to the Divestment Investment Policy, the Company committed to dispose of all of its assets by June 2018, ahead of the annual general meeting of the Company to be held in 2018 (the "2018 AGM"), at which, pursuant to the Existing Articles, the Board is required to propose a discontinuation resolution for the Company to cease trading as presently constituted (the "2018 Discontinuation Resolution").

Whilst significant progress has been made in realising the Company's assets in an orderly manner and paying down project debts since the Divestment Investment Policy was adopted, not all of the Company's assets have yet been realised. Although discussions are ongoing in relation to the realisation of the Company's remaining assets, the Board cannot be certain that these discussions will successfully conclude by June 2018 and therefore ahead of the 2018 AGM and the 2018 Discontinuation Resolution.

At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is property development in Malaysia and Vietnam. Its principal risks are therefore related to the property market in these countries in general, and also the particular circumstances of the property development projects it is undertaking. More detailed explanations of these risks and the way they are managed are contained under the heading of Financial and Capital Risk Management Objectives and Policies in Note 4 to the financial statements.

Other risks faced by the Group in Malaysia and Vietnam include the following:

Economic	Inflation, economic recessions and movements in interest rates could affect property development activities.
Strategic	Incorrect strategy, including sector and geographical allocations and use of gearing, could lead to poor returns for shareholders.
Regulatory	Breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing and financial penalties.
Law and regulations	Changes in laws and regulations relating to planning, land use, development standards and ownership of land could have adverse effects on the business and returns for the shareholders.
Tax regimes	Changes in the tax regimes could affect the tax treatment of the Company and/or its subsidiaries in these jurisdictions.
Management and control	Changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
Operational	Failure of the Development Manager's accounting system and disruption to the Development Manager's business, or that of a third party service providers, could lead to an inability to provide accurate reporting and monitoring leading to a loss of shareholders' confidence.
Financial	Inadequate controls by the Development Manager or third party service providers could lead to a misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations or a qualified audit report.
Going Concern	Failure of property development projects due to poor sales and collection, construction delay, inability to secure financing from banks may result in inadequate financial resources to continue operational existence and to meet financial liabilities and commitments.

Directors' Report

as at 31 December 2017 (cont'd)

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual rights and obligations. It also regularly monitors the economic and investment environment in countries that it operates in and the management of the Group's property development portfolio. Details of the Group's internal controls are described on pages 22 to 23.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2017 are set out in the attached financial statements.

No dividends were declared nor paid during the financial year under review.

PURCHASE OF OWN SHARES

On 4 January 2017, the Shareholders of the Company at an Extraordinary General Meeting approved a proposal to return US$10,000,500 or US$0.75 per share for 13,334,000 shares representing 6.29 per cent of the Company's share capital to Shareholders. The capital distribution was completed on 10 January 2017 and the repurchased shares of 13,334,000 are held as Treasury Shares. The issued and paid up share capital of the Company remains unchanged at 212,025,002.

SHARE CAPITAL

No shares were issued in 2017. Further details on share capital are stated in Note 24 to the financial statements.

DIRECTORS

The following were Directors of Aseana who held office throughout the financial year and up to the date of this report:

- Mohammed Azlan Hashim – Chairman
- Christopher Henry Lovell
- David Harris
- John Lynton Jones
- Gerald Ong Chong Keng
- Nicholas John Paris
- Ferheen Mahomed

DIRECTORS' INTERESTS

The interests of the directors in the Company's shares at 31 December 2017 and at the date of this report were as follows:

Director	Ordinary shares of US$0.05 each	
	As at 31 Dec. 2017	As at 3 Apr. 2018
Christopher Henry Lovell	48,000	48,000
John Lynton Jones	20,000	20,000
David Harris	152,527	152,527
Gerald Ong Chong Keng	2,108,467	2,108,467

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

MANAGEMENT

The Board has contractually delegated the development management of the property development portfolio to Ireka Development Management Sdn. Bhd. (the "Development Manager"). The Development Manager is a wholly-owned subsidiary of Ireka Corporation Berhad, a company listed on Bursa Malaysia since 1993 which has 50 years of experience in construction and property development. Under the management contract, the Development Manager will be principally responsible for, inter alia, implementing the real estate strategy for the Company, engaging, managing and coordinating third parties in relation to the development and management of properties to be acquired and lead the negotiation for the acquisition or disposal of assets and the financing of such assets.

SUBSTANTIAL SHAREHOLDERS

The Board was aware of the following direct and indirect interests comprising a significant amount of more than 3% issued share capital of the Company at the latest practicable date before the publication of this Report at 3 April 2018:

	Number of Ordinary Shares Held	Percentage of Voting Share Capital
Ireka Corporation Berhad	45,837,504	23.07%
Legacy Essence Limited and its related parties	38,594,758	19.42%
LIM Advisors	36,654,192	18.45%
ING Asia (PB)	29,452,626	14.82%
Dr. Thong Kok Cheong	11,959,608	6.02%

EMPLOYEES

The Company has no Executive Directors or employees. The subsidiaries of the Group have a total of 613 employees at 31 December 2017. A Management Agreement exists between the Company and its Development Manager which sets out the role of the Development Manager in managing the operating units of the Company. The Development Manager had 59 managerial and technical staff under its employment in Malaysia and Vietnam at 31 December 2017.

GOING CONCERN

The Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

CREDITORS PAYMENT POLICY

The Group's operating companies are responsible for agreeing on the terms and conditions under which business transactions with their suppliers are conducted. It is the Group's policy that payments to suppliers are made in accordance with all relevant terms and conditions. Trade creditors at 31 December 2017 amounted to 69 days (2016: 69 days) of property development cost incurred during the year.

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash balances, balances with related parties, other payables, receivables and loans and borrowings that arise in the normal course of business. The Group's Financial and Capital Risk Management Objectives and Policies are set out in Note 4 to the financial statements.

Directors' Report

as at 31 December 2017 (cont'd)

DIRECTORS' LIABILITIES

Subject to the conditions set out in the Companies (Jersey) Law 1991 (as amended), the Company has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards ("IFRS").

Companies (Jersey) Law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Company and of the Group for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- ensure that the financial statements comply with IFRS; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's website on the internet. However, information is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom and Jersey.

The Directors of the Company confirm that to the best of their knowledge that:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and
- the sections of this Report, including the Chairman's Statement, Development Manager's Review, Financial Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that one ought to have taken as a Director to make oneself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

RE-APPOINTMENT OF AUDITOR

The auditor, KPMG LLP, has expressed their willingness to continue in office. A resolution proposing their re-appointment will be tabled at the forthcoming Annual General Meeting.

BOARD COMMITTEES

Information on the Audit Committee, Nomination Committee, Remuneration Committee, Management Engagement Committee and Investment Committee is included in the Corporate Governance section of the Annual Report on pages 21 to 22.

ANNUAL GENERAL MEETING

The tabling of the 2017 Annual Report and Financial Statements to shareholders will be at an Annual General Meeting ("AGM") to be held on 2 July 2018.

During the AGM, investors will be given the opportunity to question the board and to meet with them thereafter. They will be encouraged to participate in the meeting.

On behalf of the Board

MOHAMMED AZLAN HASHIM
Director

CHRISTOPHER HENRY LOVELL
Director

26 April 2018

Report of Directors' Remuneration

DIRECTORS' EMOLUMENTS

The Company has no executive Directors or employees. Since all the Directors are non-executive, the provisions of The UK Corporate Governance Code in respect of the Directors' remuneration are not relevant except in so far as they relate specifically to non-executive Directors.

The Remuneration Committee of the Board of Directors is responsible for setting the framework and reviewing compensation arrangements for all non-executive Directors before recommending the same to the Board for approval. The Remuneration Committee assesses the appropriateness of the emoluments on an annual basis by reference to comparable market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high calibre Board. The Remuneration Committee recommended to the Board during the year a 25% reduction in directors' fees effective from July 2017, in line with the Directors' intention to reduce cost of operating the Company during the divestment period.

During the year, the Directors received the following emoluments in the form of fees from the Company:

Directors	Year ended 31 December 2017 (US$)	Year ended 31 December 2016 (US$)
Mohammed Azlan Hashim (Chairman of the Board)	**61,250**	70,000
Christopher Henry Lovell (Chairman of the Audit Committee)	**48,124**	55,000
David Harris	**42,000**	48,000
Ismail Shahudin (Passed away in July 2016)	**–**	28,000
John Lynton Jones	**42,000**	48,000
Gerald Ong Chong Keng	**42,000**	48,000
Nicholas John Paris*	**–**	–
Ferheen Mahomed*	**–**	–
Total	**235,374**	**297,000**

* Nicholas John Paris and Ferheen Mahomed have waived their entitlement for directors' fees since their appointment in 2015

SHARE OPTIONS

The Company did not operate any share option schemes during the year ended 31 December 2017.

SHARE PRICE INFORMATION

- High for the year – US$0.536
- Low for the year – US$0.504
- Close for the year – US$0.530

PENSION SCHEMES

In view of the non-executive nature of the directorships, no pension schemes exist in the Company.

SERVICE CONTRACTS

In view of the non-executive nature of the directorships, there are no service contracts in existence between the Company and any of the Directors. Each Director was appointed by a letter of appointment that states his appointment subject to the Articles of Association of the Company which set out the main terms of his appointment.

JOHN LYNTON JONES
Chairman of the Remuneration Committee

26 April 2018

Corporate Governance Statement

The Financial Conduct Authority requires all companies with a Premium Listing to comply with The UK Corporate Governance Code (the "Code"). Aseana Properties is a Jersey incorporated company with a Standard Listing on the UK Listing Authority's Official List and is therefore not subject to the Code. The following explains how the principles of governance are applied to the Company.

THE BOARD

The Company currently has a Board of seven non-executive directors, including the non-executive Chairman.

The brief biographies of the following Directors appear on pages 14 to 15 of the Annual Report 2017:

- Mohammed Azlan Hashim (Non-Executive Chairman)
- Christopher Henry Lovell
- David Harris
- John Lynton Jones
- Gerald Ong Chong Keng
- Nicholas John Paris
- Ferheen Mahomed

The Board did not appoint a Chief Executive or a Senior Independent Director since its incorporation as it did not consider it appropriate given the nature of the Company's business and that the Company's property portfolio is externally managed by Ireka Development Management Sdn. Bhd. (the "Development Manager").

The Board has reviewed its composition and it is proposed that David Harris, John Lynton Jones and Christopher Henry Lovell will step down from the Board at the 2018 Annual General Meeting so as to reduce the Company's ongoing costs and decrease the size of the Board in line with the objectives of the realisation process.

ROLE OF THE BOARD OF DIRECTORS

The Board's role is to provide entrepreneurial leadership to the Company, within a framework of prudent and effective controls, enabling risks to be assessed and managed. The Board sets the Company's strategic objectives, monitors and reviews the Company's operational and financial performance, ensures the Company has sufficient funding, and examines and approves disposal of the Company's assets in a controlled, orderly and timely manner. The Board also sets the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders are met. The implementation of the Company's strategy is delegated to the Development Manager and its performance is regularly assessed by the Board.

Appropriate level of directors' and officers' liability insurance is maintained by the Company.

MEETINGS OF THE BOARD OF DIRECTORS

The Board meets at least four times a year and at such other times as the Chairman shall require. The Board met six times during the year ended 31 December 2017 and their respective attendance are as follows:

Name of Directors	Attendance
Mohammed Azlan Hashim	5/6
Christopher Henry Lovell	6/6
David Harris	5/6
John Lynton Jones	6/6
Gerald Ong Chong Keng	6/6
Nicholas John Paris	5/6
Ferheen Mahomed	4/6

To enable the Board to discharge its duties effectively, all Directors receive accurate, timely and clear information, in an appropriate form and quality, including Board papers distributed in advance of Board meetings. The Board periodically will receive presentations at Board meetings relating to the Company's business and operations, significant financial, accounting and risk management issues. All Directors have access to the advice and services of the Development Manager, Company Secretary and advisers, who are responsible to the Board on matters of corporate governance, board procedures and regulatory compliance.

BOARD BALANCE AND INDEPENDENCE

Being an externally-managed company, the Board consists solely of non-executive directors of which Mohammed Azlan Hashim is the non-executive Chairman. Notwithstanding that Nicholas John Paris, the representative of LIM Advisors, and Ferheen Mahomed, the representative of Legacy Essence Limited, being appointed as the Non-Independent Non-Executive Directors of the Company, the Board considers the Directors to be independent, being independent of management and also having no business relationships which could interfere materially with the exercise of their judgement.

The Chairman is responsible for leadership of the Board, ensuring effectiveness in all aspects of its role and setting its agenda. Matters referred to the Board are considered by the Board as a whole and no individual has unrestricted powers of decision. Together, the Directors bring a wide range of experience and expertise in business, law, finance and accountancy, which are required to successfully direct and supervise the business activities of the Company.

PERFORMANCE APPRAISAL

The Board undertakes an annual evaluation of its own performance and that of its Committees and individual Directors. In November 2017, the evaluation concluded that the performance of the Board, its Committees and each individual Director was and remains effective and that all Directors demonstrate full commitment in their respective roles. The Directors are encouraged to continually attend training courses at the Company's expense to enhance their skills and knowledge in matters that are relevant to their role on the Board. The Directors also receive updates on developments of corporate governance, the state of economy, management strategies and practices, laws and regulations, to enable effective functioning of their roles as Directors.

RE-ELECTION OF DIRECTORS

The Company's Articles of Association states that all Directors shall submit themselves for election at the first opportunity after their

Corporate Governance Statement (cont'd)

appointment, and shall not remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. At the Annual General Meeting held on 3 July 2017, Mohammed Azlan Hashim and John Lynton Jones, who retired by rotation as Directors, were re-elected to the Board. The remainder of the Board recommended their re-election following an evaluation which concluded that their performance continued to be effective and they demonstrated commitment to their roles.

BOARD COMMITTEES

The Board has established Audit, Nomination, Remuneration and Management Engagement Committees which deal with specific aspects of the Company's affairs, each of which has written terms of reference which are reviewed annually. Necessary recommendations are then made to the Board for its consideration and decision-making. No one, other than the committee chairman and members of the relevant committee, is entitled to be present at a meeting of board committees, but others may attend at the invitation of the board committees for presenting information concerning their areas of responsibility. Copies of the terms of reference are kept by the Company Secretary and are available on request at the Company's registered office at 12 Castle Street, St. Helier, Jersey, JE2 3RT, Channel Islands.

AUDIT COMMITTEE

The Audit Committee consists of three members and is chaired by Christopher Henry Lovell. Its other members are Mohammed Azlan Hashim and Gerald Ong. The Committee members have no links with the Company's external auditor and are independent of the Company's management. The Board considers that collectively the Audit Committee has sufficient recent and relevant financial experience with the ability to discharge its duties properly, through extensive service on the Boards and Audit Committees of other listed companies.

The Committee meets at least twice a year and at such other times as the Chairman of the Audit Committee shall require. Any member of the Audit Committee or the auditor may request a meeting if they consider that one is necessary. The Committee met three times during the year and their respective attendance are as follows:

Name	Attendance
Christopher Henry Lovell	3/3
Mohammed Azlan Hashim	2/3
Gerald Ong Chong Keng	3/3

Representatives of the auditor, the Chief Financial Officer and Chief Executive Officer of the Development Manager may attend by invitation.

The Committee is responsible for:

- monitoring, in discussion with the auditor, the integrity of the financial statements of the Company, any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them;

- reviewing the Company's internal financial controls and risk management systems operated by the Development Manager;

- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor to be put to the shareholders for their approval in general meetings;

- reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- developing and implementing policy on engagement of the external auditor to supply non-audit services; and

- reporting to the Board any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Since the start of the financial year ended 31 December 2017, the Audit Committee performed its duties as set out in the terms of reference. The main activities carried out by the Audit Committee encompassed the following:

- reviewing the audit plan with the Group's Auditor;

- reviewing and discussing the Audit Committee Report with the Group's Auditor;

- reviewing the draft Audited Financial Statements as contained in the draft Annual Report together with the Group's Auditor before tabling to the Board for consideration and approval;

- reviewing other published financial information including the half year results and results announcements before tabling to the Board for consideration and approval;

- considering the independence of the auditor; and

- reviewing the auditor's performance and made a recommendation for the reappointment of the Group's auditor by shareholders.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Mohammed Azlan Hashim. Other committee members are David Harris, John Lynton Jones and Gerald Ong Chong Keng. The Committee meets annually and at any such times as the Chairman of the Nomination Committee shall require. The Committee met once during the year and the meeting was attended by all committee members and other Board members at the invitation of the Nomination Committee.

During the year ended 31 December 2017, the Nomination Committee carried out its functions as set out in its terms of reference which are summarised below:

Corporate Governance Statement (cont'd)

- regularly reviewing the structure, size and composition (including skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any change;

- considering the re-appointment or re-election of any Directors at the conclusion of their specified term of office or retiring in accordance with the Company's Articles of Association;

- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and

- considering any matter relating to the continuation in office of any Director at any time.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by John Lynton Jones. Other committee members are David Harris and Gerald Ong Chong Keng. The Committee meets at least once a year and at any such times as the Chairman of the Remuneration Committee shall require. The Committee met twice during the year and the meeting was attended by all committee members and other Board members at the invitation of the Remuneration Committee.

During the year ended 31 December 2017, the Remuneration Committee carried out its duties as set out in its terms of reference which are summarised below:

- determining and agreeing with the Board the framework for the remuneration of the Directors;

- setting the remuneration for all Directors; and

- ensuring that provisions regarding disclosure of remuneration as set out in the Directors' Remuneration Report Regulations 2002, are fulfilled.

The Committee had deliberated on reducing the costs of the Board in line with the Board's plan to reduce costs of operating the Company, wherever possible, during the divestment period. In this regard, the Committee had recommended a reduction of Directors' fee by 25% with effect from July 2017 to June 2018, and a decrease in board size.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by Mohammed Azlan Hashim. Other committee members are David Harris, John Lynton Jones and Gerald Ong Chong Keng. The Committee meets at least once a year and at any such times as the Chairman of the Management Engagement Committee shall require. The Committee met once during the year and the meeting was attended by all committee members and other Board members at the invitation of the Management Engagement Committee.

During the year ended 31 December 2017, the Management Engagement Committee carried out its duties as set out in its terms of reference which are summarised below:

- monitoring compliance by the Development Manager with the terms of the Management Agreement;

- reviewing the terms of the Management Agreement from time to time to ensure that the terms thereof conform with market and industry practice and remain in the best interest of shareholders;

- from time to time monitoring compliance by providers of other services to the Company with the terms of their respective agreements; and

- reviewing and considering the appointment and remuneration of providers of services to the Company.

FINANCIAL REPORTING

The Board aims to present a fair, balanced and understandable assessment of the Company's position and prospects in all reports to shareholders, investors and regulatory authorities. This assessment is primarily provided in the half-yearly report and the Annual Report through the Chairman's Statement, Development Manager's Review Statement, Financial Review Statement and Directors' Report.

The Audit Committee has reviewed the significant reporting issues and judgements made in connection with the preparation of the Group's and Company's financial statements including significant accounting policies, significant estimates and judgements. The Audit Committee has also reviewed the clarity, appropriateness and completeness of disclosures in the financial statements.

INTERNAL AUDIT

The Board has confirmed that the systems and procedures employed by the Development Manager, including the work carried out by the internal auditor of the Development Manager, provide sufficient assurance that a sound system of risk management and internal control is maintained. An internal audit function specific to the Company is therefore considered not necessary. However, the Directors will continue to monitor if such need is required.

AUDITOR

The Audit Committee's responsibilities include monitoring and reviewing the performance and independence of the Company's Auditor, KPMG LLP.

Pursuant to audit and ethical standards, the auditor is required to assess and confirm to the Board their independence, integrity and objectivity. The auditor has carried out this assessment and considers themselves to be independent, objective and in compliance with the APB (Auditing Practices Board) Ethical Standards.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the Company's risk management and internal control systems and is supplied with information to enable it to discharge its duties. Such systems are designed to meet the particular needs of the Company and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable, and not absolute,

Corporate Governance Statement (cont'd)

assurance against material misstatement or loss. The process is based principally on the Development Manager's existing risk-based approach to risk management and internal control.

During the year, the Board discharged its responsibility for risk management and internal control through the following key procedures:

- clearly defined delegation of responsibilities to the committees of the Board and to the Development Manager, including authorisation levels for all aspects of the business;

- regular and comprehensive information provided to the Board covering financial performance and key business indicators;

- a detailed system of budgeting, planning and reporting which is approved by the Board and monitoring of results against budget with variances being followed up and action taken, where necessary; and

- regular visits to operating units and projects by the Board.

The Board has established frameworks, policies and procedures to comply with the requirement of the Bribery Act 2010 (the "Bribery Act") and Market Abuse Regulation ("MAR"). In respect of the former, the Development Manager had set up a legal and compliance function for the purposes of implementing the anti-corruption and anti-bribery policy. Training and briefing sessions were conducted for the Development Manager's senior management and employees. Compliance reviews will be carried out as and when required to ensure the effectiveness of the policy. In respect of dealing by employees and Directors of the Company, the Company has a Dealing Code which imposes restrictions on dealings in its securities by Persons Discharging Managerial Responsibilities ("PDMR") and certain employees who have been told the clearance procedures apply to them. The Company also has a Group-Wide Dealing Policy and a Dealing Procedures Manual. These policies have been designed to ensure that the PDMR and other employees of the Company and its subsidiaries do not misuse or place themselves under suspicion of misusing information about the Group which they have and which is not public.

RELATIONSHIP WITH SHAREHOLDERS

The Board is committed to maintaining good communications with shareholders and has designated the Development Manager's Chief Executive Officer, Chief Financial Officer and designated members of its senior management as the principal spokepersons with investors, analysts, fund managers, the press and other interested parties. The Board is informed of material information provided to shareholders and is advised on their feedback. The Board has also developed an understanding of the views of major shareholders about the Company through meetings and teleconferences conducted by the financial adviser and the Development Manager. In addition, the Company seeks to regularly update shareholders through stock exchange announcements, press releases and participation in roadshows.

To promote effective communication, the Company has a website, www.aseanaproperties.com through which shareholders and investors can access relevant information.

ANNUAL GENERAL MEETING ("AGM")

The AGM is the principal forum for dialogue with shareholders. At and after the AGM, investors are given the opportunity to question the Board and seek clarification on the business and affairs of the Group. All Directors attended the 2017 AGM, held on 3 July 2017 at the Company's registered office.

Notices of the AGM and related papers are sent out to shareholders in good time to allow for full consideration prior to the AGM. Each item of special business included is accompanied by an explanation of the purpose and effect of a proposed resolution. The Chairman declares the number of votes received for, against and withheld in respect of each resolution after the shareholders and proxies present have voted on each resolution. An announcement confirming whether all the resolutions have been passed at the AGM is made through the London Stock Exchange.

On behalf of the Board

MOHAMMED AZLAN HASHIM
Director

CHRISTOPHER HENRY LOVELL
Director

26 April 2018

Independent Auditor's Report

To The Members Of Aseana Properties Limited

1 Our opinion is unmodified

We have audited the financial statements of Aseana Properties Limited and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Company Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:
- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's and parent company's loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows:

Group financial statements

	The risk	Our response
Carrying value of Inventory *Risk vs 2016:* ◀ ▶ *US$278m; (2016 US$245m)* *Refer to page 7-14 of the Audit Committee, note 3.10 accounting policy and note 20 disclosures*	**Subjective valuation** The Group's inventories comprise land held for property development, work-in-progress and completed properties held for sale, located in Malaysia and Vietnam, these are held at lower of cost or net realisable value ("NRV"). The NRVs of the inventories are based on the valuation of these properties as assessed by management supported by the Group's external valuers. The NRV of land held for property development and completed residential property is assessed based on observable market transactions. Where the property is still under development, estimated costs to completion based on past experience and committed contracts and estimated net sales based on prevailing market conditions are taken into account. NRV for completed commercial properties held for sale is assessed based on trading forecasts which are inherently uncertain and some of the operations take place in jurisdictions where there are few observable transactions. Certain of the assets are subject to significant judgements as a result of operational performance risk.	**Our audit procedures included:** - **Assessing valuers' credentials:** The Group uses external valuers to provide a valuation of their inventories to support the Group's assessment of NRV. We assessed the competence and capabilities of the valuers and verified their qualifications. We also assessed their independence by discussing the scope of their work. - **Methodology choice:** For significant assets, we held discussions with the Group's external property valuers and the Group's Development Manager to determine the valuation methodologies used. We assessed whether the methodologies adopted were appropriate by reference to acceptable valuation practice. - **Benchmarking assumptions:** We met with the Development Manager to understand the status and future plans for each asset. We challenged the Group's Development Manager and the external valuers in relation to the key assumptions and trading forecasts used in the valuations, by setting expected ranges using readily available market data and challenged based on outliers.

Independent Auditor's Report

To The Members Of Aseana Properties Limited (cont'd)

	The risk	Our response
Carrying value of Inventory (cont'd)	**Subjective valuation (cont'd)**	**Our audit procedures included: (cont'd)** - **Sensitivity analysis:** We assessed how sensitive the trading forecasts were to changes in key assumptions and discussed the impact of these sensitivities with the Audit Committee. - **Historical comparisons:** We compared projections included in the trading forecasts to historic trading performance to check for consistency with previous results. - **Test of details:** For those properties under development, we agreed significant property development expenditure ("PDE") (including land and associated costs, construction costs, infrastructure costs and borrowing costs capitalised as PDE) incurred during the year to supporting documents. - **Comparing valuations:** - Where relevant we compared the valuations to recent comparable market transactions. - We inspected any offers made for completed investments or land held for property development and considered whether offers received indicated evidence of NRV below carrying value. - **Assessing transparency:** We considered the adequacy of the Group's disclosures in relation to the valuation techniques and significant unobservable inputs employed in the assessment of the recoverable amount of those assets where there were high levels of estimation uncertainty.
	The risk	**Our response**
Going Concern *Risk vs 2016:* ▲ *Refer to page 15-18 of the Audit Committee and note 2.1 statement of compliance and going concern*	**Going Concern** In 2015, the Group committed to dispose of all its assets by June 2018 and proposed an ordinary resolution for it to cease trading (the "Discontinuation Resolution") at its 2018 Annual General Meeting ("AGM"). As the Group has not completed its divestment program, it entered into consultation with key shareholders to agree on an alternative proposal to the Discontinuation Resolution. A General Meeting ("GM") was held on 23 April 2018 to approve the board's proposal in relation to the rejection of the Discontinuation Resolution. The vote in relation to the recommendation was passed, the outcome being that the Group will continue in its current manner for a further 18 months following the date of the AGM.	**Our procedures included:** - **Key dependency assessment:** We agreed the outcome of the vote for the rejection of the Discontinuation Resolution by the shareholders to the announcement post on the GM on 23 April 2018; - **Assessing transparency:** We assessed the completeness and accuracy of the matters described in the going concern disclosure.

Independent Auditor's Report

To The Members Of Aseana Properties Limited (cont'd)

Company financial statements

	The risk	Our response
Recoverability of Investment in subsidiaries and recoverability of amounts due from subsidiaries *Risk vs 2016:* ◀ ▶ *Investment in Subsidiaries US$68.2m; (2016 US$68.2m)* *Amounts due from subsidiaries US$179.1m; (2016 US$171.3m)* *Refer to page 24 to 27 of the Audit Committee, note 3.1 (c) accounting policy and note 17 and 22 disclosures*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries and intra-group debtor balance represents 28% and 72% respectively (2016: 27% and 68%), of total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company's financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our audit procedures included:** **Test of details:** - We compared the carrying amount of all the investments with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. - We assessed all the intercompany debtors balances to identify, with reference to the relevant debtors' financial statements, whether they have a positive net asset value and therefore coverage of the debt owed. **Subsidiary audits:** We assessed the work performed by the subsidiary audit teams on a sample of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at US$3.0m (2016: US$3.0m), determined with reference to a benchmark of total assets of US$325.7m (2016: US$294.4m) (of which it represents 1% (2016: 1%)).

Materiality for the parent company financial statements as a whole was set at US$2.1m (2016: US$2.4m), determined with reference to a benchmark of company total assets of US$247.7m (2016: US$250.6m), of which it represents 0.8% (2016: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding US$0.15m (2016: US$0.15m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 39 (2016: 39) reporting components, we subjected 19 (2016: 19) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated below.

	Number of components	Group revenue	Group profits and losses before tax	Group total assets
Audits for group reporting purposes	19	100%	96%	100%
Total	**19**	**100%**	**96%**	**100%**
Total (2016)	*19*	*100%*	*92%*	*100%*

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from US$12,000 to US$2.1m (2016: US$1,000 to US$2.4m), having regard to the mix of size and risk profile of the Group across the components.

The Group team visited one component location comprising 11 components (2016: two component locations comprising 18 components). Telephone conference meetings were also held with these component auditors and those that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. Additionally, we inspected key work papers of all the Group's reporting components.

The work on 18 components (2016: 18 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Independent Auditor's Report

To The Members Of Aseana Properties Limited (cont'd)

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:
- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 16-18, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditor
15 Canada Square,
London
E14 5GL
United Kingdom
26 April 2018

Notes:
The maintenance and integrity of Aseana's website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Audit LLP accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 26 April 2018. KPMG LLP has carried out no procedures of any nature subsequent to 26 April 2018 which in any way extends this date.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

Continuing activities	Notes	2017 US$'000	2016 US$'000
Revenue	5	**19,098**	112,535
Cost of sales	6	**(13,383)**	(77,547)
Gross profit		**5,715**	34,988
Other income	7	**14,176**	21,963
Administrative expenses		**(927)**	(1,466)
Foreign exchange gain/(loss)	8	**3,419**	(5,051)
Management fees	9	**(3,129)**	(3,331)
Marketing expenses		**(496)**	(99)
Other operating expenses		**(18,417)**	(21,625)
Operating profit		**341**	25,379
Finance income		**392**	401
Finance costs		**(5,744)**	(9,616)
Net finance costs	11	**(5,352)**	(9,215)
Net (loss)/profit before taxation	12	**(5,011)**	16,164
Taxation	13	**(863)**	(686)
(Loss)/Profit for the year		**(5,874)**	15,478
Other comprehensive income/ (loss), net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		**7,863**	(2,534)
Fair value adjustment in relation to available-for-sale investments	14	**–**	(2,441)
Total other comprehensive income/ (loss) for the year	14	**7,863**	(4,975)
Total comprehensive income for the year		**1,989**	10,503
(Loss)/Profit attributable to:			
Equity holders of the parent	15	**(4,176)**	18,856
Non-controlling interests	17	**(1,698)**	(3,378)
(Loss)/Profit for the year		**(5,874)**	15,478
Total comprehensive income attributable to:			
Equity holders of the parent		**3,825**	13,674
Non-controlling interests		**(1,836)**	(3,171)
Total comprehensive income for the year		**1,989**	10,503
(Loss)/Earnings per share			
Basic and diluted (US cents)	15	**(2.10)**	8.89

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

Company Statement of Comprehensive Income

for the year ended 31 December 2017

Continuing activities	**Notes**	**2017 US$'000**	**2016 US$'000**
Revenue		**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Administrative expenses		**(383)**	(403)
Foreign exchange gain/(loss)	8	**1,974**	(3,542)
Gain on disposal of subsidiary	17	**–**	34,895
Management fees	9	**(1,002)**	(1,259)
Reversal of impairment of amount due from a subsidiary	22	**1,877**	–
Impairment of amount due from subsidiaries	22	**(10,238)**	(14,376)
Other operating expenses		**(449)**	(855)
Operating (loss)/profit		**(8,221)**	14,460
Finance income	11	**6**	56
Net (loss)/profit before taxation	12	**(8,215)**	14,516
Taxation		**–**	–
(Loss)/Profit for the year/Total comprehensive (loss)/income for the year		**(8,215)**	14,516
(Loss)/Earnings per share			
Basic and diluted (US cents)	15	**(4.13)**	6.85

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

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Non-current assets			
Property, plant and equipment	16	**663**	743
Intangible assets	18	**4,201**	7,081
Deferred tax assets	19	**4,268**	1,623
Total non-current assets		**9,132**	9,447
Current assets			
Inventories	20	**278,879**	244,959
Trade and other receivables	21	**11,012**	11,571
Prepayments		**293**	1,093
Current tax assets		**372**	660
Cash and cash equivalents	23	**25,984**	26,650
Total current assets		**316,540**	284,933
TOTAL ASSETS		**325,672**	294,380
Equity			
Share capital	24	**10,601**	10,601
Share premium	25	**208,925**	218,926
Capital redemption reserve	26	**1,899**	1,899
Translation reserve	27	**(21,141)**	(29,142)
Accumulated losses	29	**(62,614)**	(58,922)
Shareholders' equity		**137,670**	143,362
Non-controlling interests	17	**(3,216)**	(1,148)
Total equity		**134,454**	142,214
Non-current liabilities			
Loans and borrowings	32	**54,572**	46,405
Total non-current liabilities		**54,572**	46,405
Current liabilities			
Trade and other payables	30	**83,040**	53,880
Amount due to non-controlling interests	31	**13,400**	12,573
Loans and borrowings	32	**12,882**	10,807
Medium term notes	33	**24,324**	26,343
Current tax liabilities		**3,000**	2,158
Total current liabilities		**136,646**	105,761
Total liabilities		**191,218**	152,166
TOTAL EQUITY AND LIABILITIES		**325,672**	294,380

The financial statements were approved on 26 April 2018 and authorised for issue by the Board and were signed on its behalf by

MOHAMMED AZLAN HASHIM
Director

CHRISTOPHER HENRY LOVELL
Director

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

Company Statement of Financial Position

as at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Non-current assets			
Investment in subsidiaries	17	**68,233**	68,233
Total non-current asset		**68,233**	68,233
Current assets			
Trade and other receivables	21	**39**	32
Prepayment		**–**	276
Amounts due from subsidiaries	22	**179,130**	171,269
Cash and cash equivalents	23	**319**	10,753
Total current assets		**179,488**	182,330
TOTAL ASSETS		**247,721**	250,563
Equity			
Share capital	24	**10,601**	10,601
Share premium	25	**208,925**	218,926
Capital redemption reserve	26	**1,899**	1,899
Accumulated losses	29	**(66,446)**	(58,231)
Total equity		**154,979**	173,195
Current liabilities			
Trade and other payables	30	**143**	263
Amounts due to subsidiaries	22	**92,599**	77,105
Total current liabilities		**92,742**	77,368
Total liabilities		**92,742**	77,368
TOTAL EQUITY AND LIABILITIES		**247,721**	250,563

The financial statements were approved on 26 April 2018 and authorised for issue by the Board and were signed on its behalf by

MOHAMMED AZLAN HASHIM
Director

CHRISTOPHER HENRY LOVELL
Director

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Consolidated	Redeemable Ordinary Shares US$'000	Management Shares US$'000	Share Premium US$'000	Capital Redemption Reserve US$'000	Translation Reserve US$'000	Fair Value Reserve US$'000	Accumulated Losses US$'000	Total Equity Attributable to Equity Holders of the Parent US$'000	Non-Controlling Interests US$'000	Total Equity US$'000
1 January 2016	**10,601**	**–***	**218,926**	**1,899**	**(26,401)**	**2,441**	**(77,301)**	**130,165**	**1,433**	**131,598**
Issuance of management shares (Note 24)	–	–*	–	–	–	–	–	–	–	–*
Changes in ownership interests in subsidiaries (Note 35)	–	–	–	–	–	–	(477)	(477)	477	–
Non-controlling interests contribution	–	–	–	–	–	–	–	–	113	113
Profit for the year	–	–	–	–	–	–	18,856	18,856	(3,378)	15,478
Total other comprehensive loss for the year	–	–	–	–	(2,741)	(2,441)	–	(5,182)	207	(4,975)
Total comprehensive income for the year	–	–	–	–	(2,741)	(2,441)	18,856	13,674	(3,171)	10,503
At 31 December 2016/ 1 January 2017	**10,601**	**–***	**218,926**	**1,899**	**(29,142)**	**–**	**(58,922)**	**143,362**	**(1,148)**	**142,214**
Share buy back (Note 25)	–	–	(10,001)	–	–	–	–	(10,001)	–	(10,001)
Changes in ownership interests in subsidiaries (Note 35)	–	–	–	–	–	–	484	484	(484)	–
Non-controlling interests contribution	–	–	–	–	–	–	–	–	252	252
Loss for the year	–	–	–	–	–	–	(4,176)	(4,176)	(1,698)	(5,874)
Total other comprehensive income for the year	–	–	–	–	8,001	–	–	8,001	(138)	7,863
Total comprehensive income for the year	–	–	–	–	8,001	–	(4,176)	3,825	(1,836)	1,989
Shareholders' equity at 31 December 2017	**10,601**	**–***	**208,925**	**1,899**	**(21,141)**	**–**	**(62,614)**	**137,670**	**(3,216)**	**134,454**

*represents 2 management shares at US$0.05 each

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

Company Statement of Changes in Equity

for the year ended 31 December 2017

Company	Redeemable Ordinary Shares US$'000	Management Shares US$'000	Share Premium US$'000	Capital Redemption Reserve US$'000	Accumulated Losses US$'000	Total Equity US$'000
1 January 2016	**10,601**	**–***	**218,926**	**1,899**	**(72,747)**	**158,679**
Profit for the year/Total comprehensive income for the year	–	–	–	–	14,516	14,516
At 31 December 2016/ 1 January 2017	**10,601**	**–***	**218,926**	**1,899**	**(58,231)**	**173,195**
Share buy back (Note 25)	–	–	(10,001)	–	–	(10,001)
Loss for the year/ Total comprehensive loss for the year	–	–	–	–	(8,215)	(8,215)
Shareholders' equity at 31 December 2017	**10,601**	**–***	**208,925**	**1,899**	**(66,446)**	**154,979**

*represents 2 management shares at US$0.05 each

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Cash Flows from Operating Activities			
Net (loss)/profit before taxation		**(5,011)**	16,164
Finance income		**(392)**	(401)
Finance costs		**5,744**	9,616
Unrealised foreign exchange (gain)/loss	8	**(2,973)**	4,939
Disposal/Impairment of intangible assets	18	**2,880**	152
Depreciation of property, plant and equipment	16	**84**	98
Gain on disposal of available-for-sale investments		**–**	(2,285)
Gain on disposal of property, plant and equipment		**–**	(5)
Operating profit before changes in working capital		**332**	28,278
Changes in working capital:			
(Increase)/Decrease in inventories		**(20,459)**	55,303
Decrease in trade and other receivables and prepayments		**1,449**	6,103
Increase in trade and other payables		**27,589**	15,426
Cash generated from operations		**8,911**	105,110
Interest paid		**(5,744)**	(9,616)
Tax paid		**(2,606)**	(318)
Net cash from operating activities		**561**	95,176
Cash Flows from Investing Activities			
Proceeds from disposal of available-for-sale investments	(iii)	**893**	8,955
Purchase of property, plant and equipment		**(5)**	–
Proceeds from disposal of property, plant and equipment		**–**	5
Proceeds from disposal of an indirectly held subsidiary	34	**800**	–
Finance income received		**392**	401
Net cash from investing activities		**2,080**	9,361

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2017 (cont'd)

	Notes	2017 US$'000	2016 US$'000
Cash Flows from Financing Activities			
Advances from non-controlling interests		**327**	2,819
Issuance of ordinary shares of subsidiaries to non-controlling interests	(ii)	**252**	113
Issuance of management shares		**–**	–*
Share buy back	25	**(10,001)**	–
Repayment of loans and borrowings	32	**(14,773)**	(17,057)
Repayment of medium term notes	33	**(4,615)**	(87,823)
Drawdown of loans and borrowings	32	**25,038**	1,571
Net decrease/(increase) in pledged deposits for loans and borrowings and Medium Term Notes		**7,923**	(698)
Deposits subject to restriction in use	(iv)	**(13,867)**	–
Net cash used in financing activities		**(9,716)**	(101,075)
Net changes in cash and cash equivalents during the year		**(7,075)**	3,462
Effect of changes in exchange rates		**(270)**	(155)
Cash and cash equivalents at the beginning of the year	(i)	**16,639**	13,332
Cash and cash equivalents at the end of the year	(i)	**9,294**	16,639

*represents 2 management shares at US$0.05 each

(i) Cash and Cash Equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	Notes	2017 US$'000	2016 US$'000
Cash and bank balances	23	**10,343**	14,858
Short term bank deposits	23	**15,641**	11,792
		25,984	26,650
Less: Deposits subject to restriction in use	(iv)	**(13,867)**	–
Less: Deposits pledged	(v)	**(2,823)**	(10,011)
Cash and cash equivalents		**9,294**	16,639

(ii) During the financial year, US$252,000 (2016: US$113,000) of ordinary shares of subsidiaries were issued to non-controlling shareholders which was satisfied via cash consideration.

(iii) In the previous financial year, the Group disposed the entire balance representing 9,784,653 shares in Nam Long Investment Corporation for a consideration of US$9,848,000 of which US$8,955,000 was received in 2016. The balance consideration of US$893,000 was received during the financial year.

(iv) Included in short term bank deposits in 2017 is US$13,867,000 obtained from the term loan granted to City International Hospital Company Ltd ("CIH") by Vietbank during the year where the utilisation of this balance is restricted solely for the purpose of refinancing the existing syndicated term loan under CIH.

(v) Included in short term bank deposits and cash and bank balance is US$2,823,000 (2016: US$10,011,000) pledged for loans and borrowings and Medium Term Notes of the Group.

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

Company Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Cash Flows from Operating Activities			
Net (loss)/profit before taxation		**(8,215)**	14,516
Reversal of impairment of amount due from a subsidiary	22	**(1,877)**	–
Impairment of amount due from subsidiaries	22	**10,238**	14,376
Finance income		**(6)**	(56)
Unrealised foreign exchange (gain)/loss	8	**(1,970)**	3,442
Gain on disposal of a subsidiary		**–**	(34,895)
Operating loss before changes in working capital		**(1,830)**	(2,617)
Changes in working capital:			
Decrease/(Increase) in receivables		**269**	(308)
(Decrease)/Increase in payables		**(120)**	79
Net cash used in operating activities		**(1,681)**	(2,846)
Cash Flows from Investing Activity			
Finance income received		**6**	56
Net cash from investing activity		**6**	56
Cash Flows from Financing Activities			
Net advances from subsidiaries		**1,212**	4,413
Issuance of management shares		**–**	–*
Share buy back	25	**(10,001)**	–
Net cash (used in)/ generated from financing activities		**(8,789)**	4,413
Net changes in cash and cash equivalents during the year		**(10,464)**	1,623
Effect of changes in exchange rates		**30**	36
Cash and cash equivalents at the beginning of the year		**10,753**	9,094
Cash and cash equivalents at the end of the year		**319**	10,753

*represents 2 management shares at US$0.05 each

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

Notes to The Financial Statements

1 GENERAL INFORMATION

The principal activities of the Group are development of upscale residential and hospitality projects, sale of development land and operation and sale of hotel, mall and hospital in Malaysia and Vietnam.

2 BASIS OF PREPARATION

2.1 Statement of compliance and going concern

The Group and the Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and IFRIC interpretations issued, and effective, or issued and early adopted, at the date of these financial statements.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

The financial statements have been prepared on the historical cost basis and on the assumption that the Group and the Company are going concerns.

The Group has prepared and considered prospective financial information based on assumptions and events that may occur for at least 12 months from the date of approval of the financial statements and the possible actions to be taken by the Group. Prospective financial information includes the Group's profit and cash flow forecasts for the ongoing projects. In preparing the cash flow forecasts, the Directors have considered the availability of cash, adequacy of bank loans and medium term notes and also the refinancing of the medium term notes (as described in Notes 32 and 33) and the Directors believe that the business will be able to realise its assets and discharge its liabilities in the normal course of business for at least 12 months from the date of the approval of these financial statements.

The Directors expect to raise sufficient funds to finance the completion of the Group's existing projects and the necessary working capital via the disposal of its development lands in Vietnam and East Malaysia, its existing units of condominium inventories in West Malaysia, and through the disposals of the City International Hospital, the Four Points Sheraton Sandakan Hotel and the Harbour Mall Sandakan.

Should the planned disposals of the assets not materialise, or are delayed, the Directors expect to "roll-over" the medium term notes which are due to expire in the next 12 months, given that the notes are "AAA" rated and secured by two completed inventories of the Group with carrying amount of US$81.31 million as at 31 December 2017. Included in the terms of the medium term notes programme is an option for the Group to refinance the notes, as and when they expire. This option to refinance is available until 2021.

The Group also has significant borrowings in Vietnam secured by the City International Hospital and development lands. The Directors expect to repay the short term portion of the borrowings via sale of land in Vietnam. The remaining scheduled installments are due in 2019 and 2020.

The forecasts also incorporate current payables, committed expenditure and other future expected expenditure, along with sales of all completed inventories and disposal of all development lands.

2.1.1 2018 Discontinuation Resolution

When the Company was launched in 2007, the Board considered it desirable that Shareholders should have an opportunity to review the future of the Company at appropriate intervals. Accordingly, at the 2015 AGM, held on 22 June 2015, the Board put forward a resolution to Shareholders to determine if the Company should continue in existence. Shareholders voted for the Company to continue in existence, at the same time as approving the adoption of a divestment investment policy to enable the controlled, orderly and timely realisation of the Company's assets, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments (the "Divestment Investment Policy"). Pursuant to the Divestment Investment Policy, the Company committed to dispose of all of its assets by June 2018, ahead of the annual general meeting of the Company to be held in 2018 (the "2018 AGM"), at which, pursuant to the Existing Articles, the Board is required to propose a discontinuation resolution for the Company to cease trading as presently constituted (the "2018 Discontinuation Resolution").

Whilst significant progress has been made in realising the Company's assets in an orderly manner and paying down project debts since the Divestment Investment Policy was adopted, not all of the Company's assets have yet been realised. Although discussions are ongoing in relation to the realisation of the Company's remaining assets, the Board cannot be certain that these discussions will successfully conclude by June 2018 and therefore ahead of the 2018 AGM and the 2018 Discontinuation Resolution.

At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

Notes to The Financial Statements (cont'd)

2 BASIS OF PREPARATION (cont'd)

2.1 Statement of compliance and going concern (cont'd)

2.1.1 2018 Discontinuation Resolution (cont'd)

The Directors have considered the appropriateness of preparing the accounts on a going concern basis in light of the decision to realise the Group's investments in an orderly manner. There is no certainty over the timeframe over which the investments will be realised. The Directors note that other viable alternative strategies to a wind-down remain available and they will continue to evaluate whether to propose continuation of the current divestment investment policy or a change to an alternative strategy.

2.1.2 Statement of Compliance

The Group and the Company have not applied the following new/revised accounting standards that have been issued by International Accounting Standards Board but are not yet effective.

New/Revised International Financial Reporting Standards		Issued/Revised	Effective Date
IFRS 9 Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 2014	Effective for annual periods beginning on or after 1 January 2018
IFRS 10 Consolidated Financial Statements	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	December 2015	Deferred indefinitely
IFRS 15 Revenue from Contracts with Customers	IASB defers effective date to annual periods beginning on or after 1 January 2018	April 2016	Effective for annual periods beginning on or after 1 January 2018
IFRS 16 Leases	Original Issue	January 2016	Effective for annual periods beginning on or after 1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies that the date of the transaction - which is used to determine the spot exchange rate for translating the related item on initial recognition - is the date of the initial recognition of the non-monetary asset or liability arising from the payment or receipt of the advance consideration.	December 2016	Effective date to be confirmed.
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)	Amendments to IFRS 1 delete the short-term exemptions provided by Appendix E6-E7 of IFRS 1. As a result, a first-time adopter transitioning to IFRS on or after 1 January 2018 assesses whether it qualifies as an investment entity retrospectively.	December 2016	Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial information of the Group or Company except as mentioned below.

a) IFRS 9, Financial instruments

IFRS 9 is applicable to the Group's Consolidated Financial Statements for the year ending 31 December 2018. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It simplifies the existing categories of financial instruments, introduces an expected credit loss model and redefines the criteria required for hedge effectiveness. On adoption of the new standard, these changes are not expected to have a material impact on the consolidated financial statements of the Group. There will however be limited changes to presentation and disclosure.

b) IFRS 15, Revenue from contracts with customers

IFRS 15 replaces the guidance in IFRS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for Construction of Real Estate and IFRIC 18, Transfer of Assets from Customers which is applicable to the Group's Consolidated Financial Statements for the year ending 31 December 2018.

The Group currently applies IAS 18, Revenue and IFRIC 15, Agreements for Construction of Real Estate for revenue recognition from its sales of land held for property development, work-in-progress and stock of completed units. Revenue is recognised at a point in time when the effective control of ownership of the properties is transferred to the customers when the completion certificate or occupancy permit has been issued.

Notes to The Financial Statements (cont'd)

2 BASIS OF PREPARATION (cont'd)

2.1 Statement of compliance and going concern (cont'd)

2.1.2 Statement of Compliance (cont'd)

b) IFRS 15, Revenue from contracts with customers (cont'd)

The adoption of the new standard is not expected to have a material impact on the consolidated financial statements of the Group, except for the effect of changes to the timing of revenue recognition for the property development activities of serviced residences under The RuMa Hotel and Residences ("The RuMa").

Revenue from the development of serviced residences is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. In light of the terms of the contract and the laws that apply to the contract, control of the asset is transferred over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue from the development of serviced residences is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Directors are currently assessing and have yet to quantify the potential financial impact of the initial application of the standard to the Group.

c) IFRS 16, Leases

IFRS 16 replaces, the guidance in IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of Lease. The Directors are currently determining the impact of IFRS 16.

2.2 Functional and presentation currency

These financial statements are presented in US Dollar (US$), which is the Company's functional currency and the Group's presentation currency. All financial information is presented in US$ and has been rounded to the nearest thousand, unless otherwise stated.

2.3 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below:

a) Net realisable value of inventories

The Group assesses the net realisable value of inventories under development, land held for property development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales based on prevailing market conditions supported by external valuations. Provision is made when events or changes in circumstances indicate that the carrying amounts at completion of development may exceed net realisable value. The assessment requires the use of judgement and estimates in relation to factors such as sales prices, comparable market transactions, occupancy levels, projected growth rates, and discount rates.

b) Impairment of licence contracts and related relationships

Licence contracts and related relationships represent the rights to develop the International Healthcare Park venture with the lease period ending on 9 July 2077.

The Group assesses the recoverable amount of licence contracts and related relationships by reference to the realisability of the properties of which the licence contracts and related relationships is attached (refer to Note 2.3(a)). The assessment requires the use of judgement and estimates in relation to factors such as sales prices and comparable market transactions.

The Group derecognises licence contracts and related relationships when a component of the venture is disposed of.

c) Impairment of goodwill

The Group assesses the recoverable amount of goodwill by reference to the realisability of the properties of which the goodwill is attached to (refer to Note 2.3(a)).

d) Classification of assets as inventory

The Director apply judgements in determining the classification of the properties held by the Group. As the Group's principal activity is property development, the Group continues to classify its completed developments, namely the hotel, mall and hospital as inventories, in line with the Group's intention to dispose of these assets rather than hold them for rentals or capital appreciation. The Group operates these inventories temporarily to stabilise its operation while seeking a potential buyer.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity.

Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions prior to 1 January 2010

For acquisitions prior to 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

b) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale.

d) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but to the extent that there is no evidence of impairment.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign Currencies

a) Foreign currency transactions

The Group financial statements are presented in United States Dollar ("US$"), which is the Company's functional and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, which are recognised in other comprehensive income.

b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US$ at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to US$ at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve ("translation reserve") in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 Revenue Recognition and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of development properties

Revenue from sales of properties is recognised when effective control of ownership of the properties is transferred to the purchasers which is when the completion certificate or occupancy permit has been issued.

b) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

c) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income is recognised as other income.

d) Income from hotel, hospital and mall operations

Income from hospital operations which include healthcare support services and medicine and medical services is recognised in the profit or loss net of service tax and discounts as and when services are rendered. Income from hospital operations is recognised as other income.

Income from the hotel operations, which include provision of rooms, food and beverage, other departments sales and laundry service fees are recognised when services are rendered. Income from hotel operations is recognised as other income.

Income from mall operations is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date the lease commencement to the earliest termination date. Income from mall operations is recognised as other income.

3.4 Property, Plant and Equipment

All property, plant and equipment are stated at cost less depreciation unless otherwise stated. Cost includes all relevant external expenditure incurred in acquiring the asset.

The Group selects its depreciation rates carefully and reviews them regularly to take account of any changes in circumstances. When determining expected economic lives, the Group considers the expected rate of technological developments and the intensity at which the assets are expected to be used. All assets are subject to annual review and where necessary, further write-downs are made for any impairment in value.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, Plant and Equipment (cont'd)

Property, plant and equipment are recorded at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing parts of such plant and equipment when that cost is incurred if the recognition criteria are met. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life:

Furniture, fittings and equipment	4 - 10 years
Motor vehicles	5 years
Leasehold building	6 - 25 years

The initial cost of equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the equipment has been placed into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of equipment beyond its original assessed standard of performance, the expenditures are capitalised as an additional cost of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimates amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

3.5 Leased Assets

Finance leases

Leases where the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest of the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.6 Income Tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Financial Instruments

a) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale investments.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Financial Instruments (cont'd)

a) Non-derivative financial assets (cont'd)

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

b) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liability category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Accounting for interest income and finance cost is discussed in Note 3.3 (b) and 3.13.

c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at bank, deposits held at call and short term highly liquid investments that are subject to an insignificant risk of changes in value and are used by the Group and the Company in the management of their short term commitments. Bank overdrafts are included within borrowings in the current liabilities section on the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.9 Intangible Assets

Intangible assets comprise licence contracts and related relationships and goodwill.

a) Licence Contracts and Related Relationships

On acquisition, value is attributable to non-contractual relationships and other contracts of long-standing to the extent that future economic benefits are expected to flow from the relationships. Licence contracts and related relationships represent the rights to develop the International Healthcare Park venture with the lease period ending on 9 July 2077. Acquired licence contracts and related relationships have finite useful lives.

Subsequent measurement
When a component of the project to which the licence contracts and related relationships is disposed of, the part of the carrying amount of the licence contracts and related relationships that has been allocated to the component is recognised in profit or loss. The licence contracts and related relationships are tested for impairment when there is an indicator of impairment. The Group assesses the recoverable amount of licence contracts and related relationships by reference to the realisability of the properties of which the licence contracts and related relationships is attached to (refer to Note 2.3(a), 18 and 20).

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Intangible Assets (cont'd)

b) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(a). Goodwill is tested for impairment when there is an indicator of impairment. The Group assesses the recoverable amount of goodwill by reference to the realisability of the properties of which the goodwill is attached to (refer to Note 2.3(a), 18 and 20).

3.10 Inventories

Inventories comprise land held for property development, work-in-progress and stock of completed units.

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated net selling price in the ordinary course of business, less estimated total costs of completion and the estimated costs necessary to make the sale (refer to Note 2.3(a)).

Land held for property development consists of reclaimed land, freehold land, leasehold land and land use rights on which development work has not been commenced along with related costs on activities that are necessary to prepare the land for its intended use. Land held for property development is transferred to work-in-progress when development activities have commenced.

Work-in-progress comprises all costs directly attributable to property development activities or that can be allocated on a reasonable basis to these activities.

Upon completion of development, unsold completed development properties are transferred to stock of completed units.

3.11 Impairment

a) Non-derivative financial assets

A financial asset not classified as fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

b) Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognised in the statement of comprehensive income within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in profit or loss.

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The impairment loss is reversed, to the extent that the debtor's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed.

c) Impairment of available-for-sale investment

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument are classified as available-for-sale not reversed through profit or loss.

d) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is tested for impairment on an annual basis.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment (cont'd)

d) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

e) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Ordinary shares

Ordinary shares are redeemable only at the Company's options and are classified as equity. Distributions thereon are recognised as distributions within equity.

ii) Management shares

Management shares are classified as equity and are non-redeemable.

iii) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

iv) Repurchase, disposal and reissue of share capital ("treasury shares")

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the sales consideration is recognised in equity.

Where treasury shares are cancelled, the equivalent will be credited to capital redemption reserves.

3.12 Employee Benefits

a) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) State plans

Certain companies in the Group maintain a defined contribution plan in Malaysia and Vietnam for providing employee benefits, which is required by laws in Malaysia and Vietnam respectively. The retirement benefit plan is funded by contributions from both the employees and the companies to the employees' provident fund. The Group's contributions to employees' provident fund are charged to profit or loss in the year to which they relate.

Notes to The Financial Statements (cont'd)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

3.14 Separately Disclosable Items

Items that are both material in size and unusual and infrequent in nature are presented as separately disclosable items in the statement of comprehensive income or separately disclosed in the notes to the financial statements. The Directors are of the opinion that the separate recording of these items provides helpful information about the Group's underlying business performance.

3.15 Earnings per Ordinary Share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.16 Provisions

Provisions are recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

3.17 Commitments and Contingencies

Commitments and contingent liabilities are disclosed in the financial statements and described in Note 38. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3.18 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Management of Ireka Development Management Sdn. Bhd. ("IDM"), to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Management of IDM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Group's administrative functions.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.19 Fair Value Measurements

Fair value of an asset or a liability, except for lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to The Financial Statements (cont'd)

4 FINANCIAL RISK MANAGEMENT

4.1 Financial Risk Management Objectives and Policies

The Group's international operations and debt financing arrangements expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group's financial risk management policies and their implementation on a group-wide basis are under the direction of the Board of Aseana Properties Limited.

The Group's treasury policies are formulated to manage the financial impact of fluctuations in interest rates and foreign exchange rates to minimise the Group's financial risks. The Group has not used derivative financial instruments, principally interest rate swaps and forward foreign exchange contracts for hedging transactions. The Group does not envisage using these derivative hedging instruments in the short term as it is the Group's policy to borrow in the currency to match the revenue stream to give it a natural hedge against foreign currency fluctuation. The derivative financial instruments will only be used under the strict direction of the Board. It is also the Group's policy not to enter into derivative transactions for speculative purposes.

4.2 Credit Risk

The Group's credit risk is primarily attributable to deposits with banks and credit exposures to customers. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis. The Group manages its deposits with banks and financial institutions by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. At 31 December 2017, 96.52% (2016: 93.45%) of deposits and cash balances were placed at banks and financial institutions with credit ratings of no less than A (Moody's/ Rating Agency Malaysia) and 3.48% (2016: 6.55%) with local banks, in the case of Vietnam. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group receives progress payments from sales of commercial and residential properties to individual customers prior to the completion of transactions. In the event of default by customers, the Group companies undertake legal proceedings to recover the properties. The Group has limited its credit exposure to customers due to secured bank loans taken by the purchasers. At 31 December 2017, there was no significant concentration of credit risk within the Group.

The Group's exposure to credit risk arising from total debtors was set out in Note 21 and totals US$11.0 million (2016: US$11.6 million). The Group's exposure to credit risk arising from deposits and balances with banks is set out in Note 23 and totals US$26.0 million (2016: US$26.7 million).

Financial guarantees

The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to certain subsidiaries.

At the end of the reporting period, the maximum exposure to credit risk as represented by the outstanding banking and credit facilities of the subsidiaries is as follows:

Company	2017 US$'000	2016 US$'000
Financial institutions for bank facilities granted to its subsidiaries	**77,825**	64,161

At the end of the reporting period there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised in the Statement of Financial Position since the fair value on initial recognition was not material.

4.3 Liquidity Risk

The Group raises funds as required on the basis of budgeted expenditure and inflows for the next twelve months with the objective of ensuring adequate funds to meet commitments associated with its financial liabilities. When funds are sought, the Group balances the costs and benefits of equity and debt financing against the developments to be undertaken. At 31 December 2017, the Group's borrowings to fund the developments had terms of less than ten years.

Cash flows are monitored on an on-going basis. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long term and short term financial liabilities as well as cash out flows due in its day-to-day operations while ensuring sufficient headroom on its undrawn committed borrowing facilities at all times so that borrowing limits and covenants are not breached. Capital investments are committed only after confirming the source of funds, e.g. securing financial liabilities.

Management is of the opinion that most of the bank borrowings can be renewed or re-financed based on the strength of the Group's earnings, cash flow and asset base.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

Notes to The Financial Statements (cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Liquidity Risk (cont'd)

The maturity profile of the Group's and the Company's financial liabilities at the statement of financial position date, based on the contracted undiscounted payments, were as follows:

Group	Carrying amount US$'000	Contractual interest rate	Contractual cash flows US$'000	Under 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	More than 5 years US$'000
At 31 December 2017							
Interest bearing loans and borrowings	**91,778**	**5.35% - 10.50%**	**104,554**	**43,715**	**8,450**	**52,389**	**–**
Trade and other payables	**15,734**	**–**	**15,734**	**15,734**	**–**	**–**	**–**
Amount due to non-controlling interests	**13,400**	**–**	**13,400**	**13,400**	**–**	**–**	**–**
	120,912	**–**	**133,688**	**72,849**	**8,450**	**52,389**	**–**
At 31 December 2016							
Finance lease liabilities	3	2.50% - 3.50%	3	3	–	–	–
Interest bearing loans and borrowings	83,552	5.25% - 10.50%	95,833	42,643	7,232	45,958	–
Trade and other payables	15,534	–	15,534	15,534	–	–	–
Amount due to non-controlling interests	12,573	–	12,573	12,573	–	–	–
	111,662	–	123,943	70,753	7,232	45,958	–

Company	Carrying amount US$'000	Contractual interest rate	Contractual cash flows US$'000	Under 1 year US$'000	1 – 2 years US$'000	2 – 5 years US$'000	More than 5 years US$'000
At 31 December 2017							
Financial guarantees	**–**	**–**	**77,825**	**77,825**	**–**	**–**	**–**
Trade and other payables	**143**	**–**	**143**	**143**	**–**	**–**	**–**
	143	**–**	**77,968**	**77,968**	**–**	**–**	**–**
At 31 December 2016							
Financial guarantees	–	–	64,161	64,161	–	–	–
Trade and other payables	263	–	263	263	–	–	–
	263	–	64,424	64,424	–	–	–

The above table excludes current tax liabilities and progress billings.

4.4 Market Risk

a) Foreign Exchange Risk

Entities within the Group are exposed to foreign exchange risk from future commercial transactions and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. The foreign currency exposure is not hedged.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Management monitors the foreign currency exposure closely and takes necessary actions in consultation with the bankers to avoid unfavourable exposure.

The Group is exposed to foreign currency risk on cash and cash equivalents which are denominated in currencies other than the functional currencies of the relevant Group entities.

Notes to The Financial Statements (cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.4 Market Risk (cont'd)

a) Foreign Exchange Risk Cont'd)

The Group's exposure to foreign currency risk on cash and cash equivalents in currencies other than the functional currencies of the relevant Group entities at year end are as follows:

Group	2017 US$'000	2016 US$'000
US Dollar	**2,217**	83
Ringgit Malaysia	**115**	157
Sterling Pound	**–**	1
Others	**11**	16
	2,343	257

At 31 December 2017, if cash and cash equivalents denominated in a currency other than the functional currencies of the Group entities strengthened/ (weakened) by 10% and all other variables were held constant, the effects on the Group's profit or loss and equity expressed in US$ would have been US$234,300/ (US$234,300) (2016: US$25,700/ (US$25,700)).

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Subsequent to year end, there are no significant monetary balances held by group companies that are denominated in a non-functional currency.

b) Interest Rate Risk

The Group's policy is to minimise interest rate risk on bank loans and borrowings using a mix of fixed and variable rate debts that represent market rates. The Group prefers to maintain flexibility on the desired mix of fixed and variable interest rates as this will depend on the economic environment, the type of borrowings available and the funding requirements of the project when a decision is to be made.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument, based on carrying amounts at the end of the reporting period was:

	Group		Company	
	2017 US$000	2016 US$000	2017 US$'000	2016 US$'000
Fixed rate instruments:				
Financial assets	**15,641**	11,792	**–**	90
Financial liabilities	**24,324**	26,346	**–**	–
Floating rate instruments:				
Financial liabilities	**67,454**	57,209	**–**	–

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's liabilities with a floating interest rate. The fixed and floating interest rates were not hedged and would therefore expose the Group to cash flow interest rate risk. Borrowings at fixed rate represent 27% (2016: 32%) of the Group's borrowings at 31 December 2017.

Interest rate risk is reported internally to key management personnel via a sensitivity analysis, which is prepared based on the exposure to variable interest rates for non-derivative instruments at the statement of financial position date. For variable rate borrowings, the analysis is prepared assuming that the amount of liabilities outstanding at the statement of financial position date will be outstanding for the whole year. A 100 basis point increase or decrease is used and represents the management's assessment of the reasonable possible change in interest rate.

Sensitivity analysis for floating rate instrument

At 31 December 2017, if the interest rate had been 100 basis point lower/ higher and all other variables were held constant, this would (decrease)/increase the Group loss for the year by approximately (US$674,000)/US$674,000 (2016: increase/(decrease) the Group profit for the year by US$572,000/(US$572,000)).

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.5 Fair Values

The carrying amount of trade and other receivables, deposits, cash and cash equivalents, trade and other payables and accruals of the Group and Company approximate their fair values in the current and prior years due to relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value, along with their carrying amounts shown in the statement of financial position:

2017 Group US$'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial liabilities										
Amount due to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(13,400)**	**(13,400)**	**(13,400)**	**(13,400)**
Bank loans and borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**(67,454)**	**(67,454)**	**(67,454)**	**(67,454)**
Medium term notes	**–**	**–**	**–**	**–**	**–**	**–**	**(23,896)**	**(23,896)**	**(23,896)**	**(24,324)**
	–	**–**	**–**	**–**	**–**	**–**	**(104,750)**	**(104,750)**	**(104,750)**	**(105,178)**

2016 Group US$'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial liabilities										
Amount due to non-controlling interests	–	–	–	–	–	–	(12,573)	(12,573)	(12,573)	(12,573)
Bank loans and borrowings	–	–	–	–	–	–	(57,209)	(57,209)	(57,209)	(57,209)
Finance lease liabilities	–	–	–	–	–	–	(3)	(3)	(3)	(3)
Medium term notes	–	–	–	–	–	–	(26,073)	(26,073)	(26,073)	(26,343)
	–	–	–	–	–	–	(95,858)	(95,858)	(95,858)	(96,128)

Notes to The Financial Statements (cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.5 Fair Values (cont'd)

Policy on transfer between levels

The fair value on an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in an active market for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either direction).

Transfers between Level 2 and Level 3 fair values

There has been no transfer in either direction during the financial year (2016: no transfer in either direction).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. At 31 December 2017, the interest rate used to discount estimated cash flows of the medium term notes is 8.10% (2016: 8.19%).

4.6 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consisted of cash and cash equivalents, loans and borrowings, medium term notes and equity attributable to equity holders of the parent, comprising issued share capital and reserves, were as follows:

Group	2017 US$'000	2016 US$'000
Capital structure analysis:		
Cash and cash equivalents	**25,984**	26,650
Loans and borrowings and finance lease liabilities	**(67,454)**	(57,212)
Medium term notes	**(24,324)**	(26,343)
Equity attributable to equity holders of the parent	**(137,670)**	(143,362)
Total capital	**(203,464)**	(200,267)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of net debt-to-equity ratio.

Notes to The Financial Statements (cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.6 Capital Management (cont'd)

Net debt-to-equity ratio is calculated as a total of interest-bearing borrowings less held-for-trading financial instrument and cash and cash equivalents to the total equity.

The net debt-to-equity ratios at 31 December 2017 and 31 December 2016 were as follows:

Group	2017 US$'000	2016 US$'000
Total borrowings and finance lease liabilities	**91,778**	83,555
Less: Cash and cash equivalents (Note 23)	**(25,984)**	(26,650)
Net debt	**65,794**	56,905
Total equity	**134,454**	142,214
Net debt-to-equity ratio	**0.49**	0.40

5 REVENUE AND SEGMENTAL INFORMATION

The Company is an investment holding company and has no operating revenue. The Group's operating revenue for the year was mainly attributable to the sale of completed units in Malaysia and land held for property development in Vietnam.

Income earned from hotel, mall and hospital operations are included in other income in line with management's intention to dispose of the properties.

5.1 Revenue recognised during the year as follows:

	Group		Company	
	2017 US$000	2016 US$000	2017 US$'000	2016 US$'000
Sales of land held for property development	**13,132**	411	**–**	–
Sale of completed units	**5,966**	112,124	**–**	–
	19,098	112,535	**–**	–

5.2 Segmental Information

The Group's assets and business activities are managed by Ireka Development Management Sdn. Bhd. ("IDM") as the Development Manager under a Management Agreement dated 27 March 2007.

Segmental information represents the level at which financial information is reported to the Executive Management of IDM, being the chief operating decision maker as defined in IFRS 8. The Executive Management consists of the Chief Executive Officer, the Chief Financial Officer, Chief Operating Officer and Chief Investment Officer of IDM. The management determines the operating segments based on reports reviewed and used by the Executive Management for strategic decision making and resource allocation. For management purposes, the Group is organised into project units.

The Group's reportable operating segments are as follows:
i) Investment Holding Companies – investing activities;
ii) Ireka Land Sdn. Bhd. – develops Tiffani ("Tiffani") by i-ZEN;
iii) ICSD Ventures Sdn. Bhd. – owns and operates Harbour Mall Sandakan ("HMS") and Four Points by Sheraton Sandakan Hotel ("FPSS");
iv) Amatir Resources Sdn. Bhd. – develops SENI Mont' Kiara ("SENI");
v) Iringan Flora Sdn. Bhd. – owns and operates Aloft Kuala Lumpur Sentral Hotel ("AKLS");
vi) Urban DNA Sdn. Bhd.– develops The RuMa Hotel and Residences ("The Ruma"); and
vii) Hoa Lam Shangri-La Healthcare Group – master developer of International Healthcare Park ("IHP"); owns and operates the City International Hospital ("CIH").

Other non-reportable segments comprise the Group's development projects. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

Information regarding the operations of each reportable segment is in Note 5.3. The Executive Management monitors the operating results of each segment for the purpose of performance assessments and making decisions on resource allocation. Performance is based on segment gross profit/(loss) and profit/(loss) before taxation, which the Executive Management believes are the most relevant in evaluating the results relative to other entities in the industry. Segment assets are presented inclusive of inter-segment balances and inter-segment pricing is determined on an arm's length basis.

The Group's revenue generating development projects are in Malaysia and Vietnam.

Notes to The Financial Statements (cont'd)

5 REVENUE AND SEGMENTAL INFORMATION (cont'd)

5.3 Analysis of the group's reportable operating segments is as follows:

Operating Segments – ended 31 December 2017

	Investment Holding Companies US$'000	Ireka Land Sdn. Bhd. US$'000	ICSD Ventures Sdn. Bhd. US$'000	Amatir Resources Sdn. Bhd. US$'000	Urban DNA Sdn. Bhd. US$'000	Hoa Lam Shangri-La Healthcare Group US$'000	Total US$'000
Segment profit/ (loss) before taxation	**1,077**	**(432)**	**(1,554)**	**193**	**(1,413)**	**(2,852)**	**(4,981)**
Included in the measure of segment profit/ (loss) are:							
Revenue	**–**	**935**	**–**	**5,031**	**–**	**13,132**	**19,098**
Other income from hotel operations	**–**	**–**	**3,842**	**–**	**–**	**–**	**3,842**
Other income from mall operations	**–**	**–**	**1,440**	**–**	**–**	**–**	**1,440**
Other income from hospital operations	**–**	**–**	**–**	**–**	**–**	**8,234**	**8,234**
Disposal of intangible assets	**–**	**–**	**–**	**(53)**	**–**	**(2,827)**	**(2,880)**
Marketing expenses	**–**	**–**	**–**	**(8)**	**(488)**	**–**	**(496)**
Expenses from hotel operations	**–**	**–**	**(3,939)**	**–**	**–**	**–**	**(3,939)**
Expenses from mall operations	**–**	**–**	**(1,488)**	**–**	**–**	**–**	**(1,488)**
Expenses from hospital operations	**–**	**–**	**–**	**–**	**–**	**(10,491)**	**(10,491)**
Depreciation of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(84)**	**(84)**
Finance costs	**–**	**–**	**(1,713)**	**–**	**–**	**(4,031)**	**(5,744)**
Finance income	**6**	**2**	**236**	**12**	**23**	**113**	**392**
Segment assets	**735**	**523**	**83,525**	**15,438**	**106,355**	**104,829**	**311,405**

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

Profit or loss	**US$'000**
Total profit for reportable segments	**(4,981)**
Other non-reportable segments	**(30)**
Consolidated profit before taxation	**(5,011)**

Operating Segments – ended 31 December 2016

	Investment Holding Companies US$'000	Ireka Land Sdn. Bhd. US$'000	ICSD Ventures Sdn. Bhd. US$'000	Amatir Resources Sdn. Bhd. US$'000	Iringan Flora Sdn. Bhd. US$'000	Urban DNA Sdn. Bhd. US$'000	Hoa Lam Shangri-La Healthcare Group US$'000	Total US$'000
Segment profit/ (loss) before taxation	(4,410)	135	(6,237)	515	37,223	(1,338)	(9,359)	16,529
Included in the measure of segment profit/ (loss) are:								
Revenue	–	1,306	–	6,529	104,289	–	411	112,535
Other income from hotel operations	–	–	3,435	–	8,762	–	–	12,197
Other income from mall operations	–	–	1,041	–	–	–	–	1,041
Other income from hospital operations	–	–	–	–	–	–	5,754	5,754
Impairment of inventory *	–	–	(2,408)	–	–	–	–	(2,408)
Disposal of intangible assets	–	–	–	(79)	–	–	(73)	(152)
Marketing expenses	–	–	–	–	–	(99)	–	(99)
Expenses from hotel operations	–	–	(3,763)	–	(5,719)	–	–	(9,482)
Expenses from mall operations	–	–	(1,399)	–	–	–	–	(1,399)
Expenses from hospital operations	–	–	–	–	–	–	(9,039)	(9,039)
Depreciation of property, plant and equipment	–	–	(6)	–	(3)	–	(89)	(98)
Finance costs	–	–	(2,992)	–	(1,957)	–	(4,363)	(9,312)
Finance income	57	2	258	9	2	7	66	401
Segment assets	12,160	1,843	76,174	18,722	–	69,618	97,833	276,350

* The amount relates to impairment of Four Points by Sheraton Sandakan Hotel as the recoverable amount, estimated based on its net realisable value, is below its carrying amounts (refer to Note 20).

Notes to The Financial Statements (cont'd)

5 REVENUE AND SEGMENTAL INFORMATION (cont'd)

5.3 Analysis of the group's reportable operating segments is as follows (cont'd):

Operating Segments – ended 31 December 2016 (cont'd)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

Profit or loss	US$'000
Total profit for reportable segments	16,529
Other non-reportable segments	(61)
Finance cost	(304)
Consolidated profit before taxation	16,164

There were no additions to non-current assets other than financial instruments and deferred tax assets for the financial year ended 2016.

2017 US$'000	Revenue	Depreciation	Finance cost	Finance income	Segment assets	Additions to non-current assets
Total reportable segment	**19,098**	**(84)**	**(5,744)**	**392**	**311,405**	**–**
Other non-reportable segments	**–**	**–**	**–**	**–**	**14,267**	**5**
Consolidated total	**19,098**	**(84)**	**(5,744)**	**392**	**325,672**	**5**

2016 US$'000	Revenue	Depreciation	Finance cost	Finance income	Segment assets	Additions to non-current assets
Total reportable segment	112,535	(98)	(9,312)	401	276,350	–
Other non-reportable segments	–	–	(304)	–	18,030	–
Consolidated total	112,535	(98)	(9,616)	401	294,380	–

There were no additions to non-current assets other than financial instruments and deferred tax assets for financial year ended 2016.

Geographical Information – ended 31 December 2017

	Malaysia US$'000	Vietnam US$'000	Consolidated US$'000
Revenue	**5,966**	**13,132**	**19,098**
Non-current assets	**4,954**	**4,178**	**9,132**

Included in the revenue of the Group for the financial year ended 31 December 2017 is revenue from the sale of two plots of land (Lot D2 and D3) at the International Healthcare Park ("IHP").

For the year ended 31 December 2017, two customers exceeded 10% of the Group's total revenue as follows:

	US$'000	Segments
Tien Phat Consultancy Investment Co. Ltd	**5,399**	**Hoa Lam Shangri-La Healthcare Group**
Tri Hanh Consultancy Co. Ltd	**7,733**	**Hoa Lam Shangri-La Healthcare Group**

Geographical Information – ended 31 December 2016

	Malaysia US$'000	Vietnam US$'000	Consolidated US$'000
Revenue	112,124	411	112,535
Non-current assets	2,359	7,088	9,447

Included in the revenue of the Group for the financial year ended 31 December 2016 is revenue from the sale of Aloft Kuala Lumpur Sentral Hotel ("AKLS") and a plot of land (Lot GD1) at the IHP.

For the year ended 31 December 2016, one customer exceeded 10% of the Group's total revenue as follows:

	US$'000	Segments
Prosper Group Holdings Limited	104,289	Iringan Flora Sdn. Bhd.

Notes to The Financial Statements (cont'd)

6 COST OF SALES

	Group		Company	
	2017 US$000	2016 US$000	2017 US$'000	2016 US$'000
Direct costs attributable to:				
Completed units (Note 20)	**5,212**	74,796	**–**	–
Sales of land held for property development (Note 20)	**5,291**	191	**–**	–
Disposal/impairment of intangible assets (Note 18)	**2,880**	152	**–**	–
Impairment of inventory (Note 20)	**–**	2,408	**–**	–
	13,383	77,547	**–**	–

Included in the cost of sales of the Group for the financial year ended 31 December 2017 is cost of sales related to the sale of two plots of land (Lot D2 and D3) at the IHP (2016: sale of Aloft Kuala Lumpur Sentral and a plot of land (Lot GD1) at the IHP).

7 OTHER INCOME

	2017 US$'000	2016 US$'000
Dividend income	**–**	208
Gain on disposal of available-for-sale investments	**–**	2,285
Gain on disposal of property, plant and equipment	**–**	5
Rental income	**260**	211
Other income from hotel operations (a)	**3,842**	12,197
Other income from mall operations (b)	**1,440**	1,041
Other income from hospital operations (c)	**8,234**	5,754
Sundry income	**400**	262
	14,176	21,963

a) Other income from hotel operations
The income in 2017 relates to the hotel operations of FPSS which is owned by a subsidiary of the Company, ICSD Ventures Sdn. Bhd. The income in 2016 includes the income from hotel operations of FPSS and AKLS amounting to US$3,435,000 and US$8,762,000 respectively. AKLS was owned by a subsidiary of the Company, Iringan Flora Sdn. Bhd which was disposed of in 2016. The income earned from hotel operations is included in other income in line with management's intention to dispose of the hotel.

b) Other income from mall operations
The income relates to the operations of HMS which is owned by a subsidiary of the Company, ICSD Ventures Sdn. Bhd.. The income earned from mall operations is included in other income in line with management's intention to dispose of the mall.

c) Other income from hospital operations
The income relates to the operations of CIH which is owned by a subsidiary of the Company, City International Hospital Company Limited. The income earned from hospital operations is included in other income in line with management's intention to dispose of the hospital.

8 FOREIGN EXCHANGE GAIN/(LOSS)

	Group		Company	
	2017 US$000	2016 US$000	2017 US$'000	2016 US$'000
Foreign exchange gain/(loss) comprises:				
Realised foreign exchange gain/ (loss)	**446**	(112)	**4**	(100)
Unrealised foreign exchange gain/(loss)	**2,973**	(4,939)	**1,970**	(3,442)
	3,419	(5,051)	**1,974**	(3,542)

Notes to The Financial Statements (cont'd)

9 MANAGEMENT FEES

	Group 2017 US$000	Group 2016 US$000	Company 2017 US$'000	Company 2016 US$'000
Management fees	**3,129**	3,331	**1,002**	1,259

The management fees payable to the Development Manager are based on 2% per annum of the Group's net asset value calculated on the last business day of June and December of each calendar year and payable quarterly in advance. The management fees were allocated to the subsidiaries and the Company based on where the service was provided.

In addition to the annual management fee, the Development Manager is entitled to a performance fee calculated at 20% of the out performance net asset value over a total compounded return hurdle rate of 10% per annum. No performance fee has been paid or accrued during the year (2016: US$Nil).

10 STAFF COSTS

Group	2017 US$'000	2016 US$'000
Wages, salaries and others (including key management personnel)	**7,498**	9,144
Employees' provident fund, social security and other pension costs	**292**	497
	7,790	9,641

The Company has no Executive Directors or employees under its employment. As of year ended 2017, the subsidiaries of the Group have a total of 613 (2016: 612) employees.

11 FINANCE (COSTS)/ INCOME

	Group 2017 US$000	Group 2016 US$000	Company 2017 US$'000	Company 2016 US$'000
Interest income from banks	**392**	401	**6**	56
Arrangement fee	**–**	(621)	**–**	–
Agency fees	**(34)**	(194)	**–**	–
Bank guarantee commission	**–**	(50)	**–**	–
Interest on bank loans	**(4,031)**	(4,313)	**–**	–
Interest on financial liabilities at amortised cost	**–**	(1)	**–**	–
Interest on medium term notes	**(1,679)**	(4,437)	**–**	–
	(5,352)	(9,215)	**6**	56

12 NET (LOSS)/ PROFIT BEFORE TAXATION

	Group 2017 US$000	Group 2016 US$000	Company 2017 US$'000	Company 2016 US$'000
Net (loss) /profit before taxation is stated after charging/(crediting):				
Auditor's remuneration	**202**	205	**105**	101
Directors' fees/emoluments	**235**	297	**235**	297
Depreciation of property, plant and equipment	**84**	98	**–**	–
Expenses of hotel operations	**3,939**	9,482	**–**	–
Expenses of mall operations	**1,488**	1,399	**–**	–
Expenses of hospital operations	**10,491**	9,039	**–**	–
Impairment of amounts due from subsidiaries	**–**	–	**10,238**	14,376
Reversal of impairment of amount due from a subsidiary	**–**	–	**(1,877)**	–
Unrealised foreign exchange (gain)/loss	**(2,973)**	4,939	**(1,970)**	3,442
Realised foreign exchange (gain)/loss	**(446)**	112	**(4)**	100
Disposal/impairment of intangible assets	**2,880**	152	**–**	–
Gain on disposal of available–for–sale investments	**–**	(2,285)	**–**	–
Gain on disposal of property, plant and equipment	**–**	(5)	**–**	–
Gain on disposal of a subsidiary	**–**	–	**–**	(34,895)
Loss on disposal of an indirectly held subsidiary (Note 34)	**1,298**	–	**–**	–
Tax services	**13**	8	**–**	–

Notes to The Financial Statements (cont'd)

13 TAXATION

Group		2017 US$'000	2016 US$'000
Current tax	– Current year	**3,096**	796
	– Prior year	**412**	262
Deferred tax credit	– Current year	**(2,046)**	(354)
	– Prior year	**(599)**	(18)
Total tax expense for the year		**863**	686

The numerical reconciliation between the income tax expenses and the product of accounting results multiplied by the applicable tax rate is computed as follows:

Group	2017 US$'000	2016 US$'000
Net (loss)/profit before taxation	**(5,011)**	16,164
Income tax at a rate of 24% (2016: 24%)	**(1,203)**	3,879
Add:		
Tax effect of expenses not deductible in determining taxable profit	**592**	6,854
Current year losses and other tax benefits for which no deferred tax asset was recognised	**1,742**	2,029
Tax effect of different tax rates in subsidiaries	**590**	1,521
Less:		
Tax effect of income not taxable in determining taxable profit	**(671)**	(13,841)
(Over)/under provision in respect of prior years	**(187)**	244
Total tax expense for the year	**863**	686

The applicable corporate tax rate in Malaysia is 24% (2016: 24%).

The Company is treated as a tax resident of Jersey for the purpose of Jersey tax laws and is subject to a tax rate of 0%.

The applicable corporate tax rates in Singapore and Vietnam are 17% and 20% (2016: 17% and 20%) respectively.

A subsidiary of the Group, CIH is granted preferential corporate tax rate of 10% for the results of the hospital operations. The preferential income tax is given by the government of Vietnam due to the subsidiary's involvement in the healthcare industry.

A Goods and Services Tax was introduced in Jersey in May 2008. The Company has been registered as an International Services Entity so it does not have to charge or pay local GST. The cost for this registration is £200 per annum.

The tax effect of income not taxable in determining taxable profit for the prior year mainly relates to the net gain on disposal from the sale of the AKLS (refer to Note 17).

The Directors intend to conduct the Group's affairs such that the central management and control is not exercised in the United Kingdom and so that neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. The Company and its subsidiaries will thus not be residents in the United Kingdom for taxation purposes. On this basis, they will not be liable for United Kingdom taxation on their income and gains other than income derived from a United Kingdom source.

14 OTHER COMPRENHENSIVE INCOME/(LOSS)

Group Items that are or may be reclassified subsequently to profit or loss, net of tax	2017 US$'000	2016 US$'000
Foreign currency translation differences for foreign operations		
Gains/(Losses) arising during the year	**8,944**	(3,522)
Reclassification to profit or loss on disposal of land held for property development	**61**	988
Reclassification to profit or loss on disposal of an indirectly held subsidiary	**(1,142)**	–
	7,863	(2,534)
Fair value of available-for-sale investment		
Losses arising during the year	**–**	(233)
Reclassification adjustments for gain on disposal included in profit or loss	**–**	(2,208)
	–	(2,441)
	7,863	(4,975)

Notes to The Financial Statements (cont'd)

15 (LOSS) /EARNINGS PER SHARE

Basic and diluted (loss)/ earnings per ordinary share
The calculation of basic and diluted (loss)/ earnings per ordinary share for the year ended 31 December 2017 was based on the (loss)/ profit attributable to equity holders of the parent and a weighted average number of ordinary shares outstanding, calculated as below:

Group	2017	2016
(Loss)/Profit attributable to equity holders of the parent (US$'000)	**(4,176)**	18,856
Weighted average number of shares	**199,019,784**	212,025,002
(Loss)/Earnings per share Basic and diluted (US cents)	**(2.10)**	8.89

Company	2017	2016
(Loss)/Profit for the year (US$'000)	**(8,215)**	14,516
Weighted average number of shares	**199,019,784**	212,025,002
(Loss)/Earnings per share Basic and diluted (US cents)	**(4.13)**	6.85

Weighted average number of ordinary shares

Group	2017	2016
Issued ordinary shares at 1 January	**212,025,002**	212,025,002
Effect of share buy back (Note 25)	**(13,005,218)**	–
Weighted average number of ordinary shares at 31 December	**199,019,784**	212,025,002

16 PROPERTY, PLANT AND EQUIPMENT

Group	Furniture, fittings & equipment US$'000	Motor vehicles US$'000	Leasehold building US$'000	Total US$'000
Cost				
At 1 January 2017	**344**	**204**	**795**	**1,343**
Exchange adjustments	**1**	**3**	**2**	**6**
Addition	**5**	**–**	**–**	**5**
At 31 December 2017	**350**	**207**	**797**	**1,354**
Accumulated Depreciation				
At 1 January 2017	**245**	**105**	**250**	**600**
Exchange adjustments	**3**	**3**	**1**	**7**
Charge for the year	**32**	**18**	**34**	**84**
At 31 December 2017	**280**	**126**	**285**	**691**
Net carrying amount at 31 December 2017	**70**	**81**	**512**	**663**
Cost				
At 1 January 2016	348	270	804	1,422
Exchange adjustments	(4)	(6)	(9)	(19)
Disposal	–	(60)	–	(60)
At 31 December 2016	344	204	795	1,343
Accumulated Depreciation				
At 1 January 2016	213	131	217	561
Exchange adjustments	(3)	(4)	(3)	(10)
Charge for the year	35	27	36	98
Disposal	–	(49)	–	(49)
At 31 December 2016	245	105	250	600
Net carrying amount at 31 December 2016	99	99	545	743

Notes to The Financial Statements (cont'd)

17 INVESTMENT IN SUBSIDIARIES

Company	Notes	2017 US$'000	2016 US$'000
Unquoted shares, at cost		**66,428**	66,428
Discount on loans to subsidiaries	17.1	**14,518**	14,518
Less: Impairment losses	17.2	**(12,713)**	(12,713)
		68,233	68,233

17.1 Discount on loans to subsidiaries relates to a historic fair value adjustment on a non-current portion of amount due from subsidiaries recognised as investment in subsidiaries.

17.2 This represents accumulated impairment losses recognised on investment in subsidiaries where there is an indicator of impairment.

A list of subsidiaries is provided in Note 37.

The investments in subsidiaries will be recovered through realisation of subsidiaries' assets and liabilities, including the sale of the underlying assets in the Group. The key sensitivities in relation to the recovery of these assets have been set out in Note 20.

Disposal of indirectly held subsidiaries in Financial Year Ended 2017

During the financial year, the Group disposed the following indirectly held subsidiaries:

a) Hoa Lam Shangri-La 3 Limited Liability Co.

During the financial year, the Group disposed Hoa Lam Shangri-La 3 Limited Liability Co. ("HLSL 3"), an indirectly held subsidiary of the Group, for a consideration of US$998,000 (VND23 billion). HLSL 3 did not hold any properties as at the date of disposal. The condition precedent for the completion of the disposal was met on 25 December 2017 when the shares were transferred to the purchaser.

b) Hoa Lam Shangri-La 5 Limited Liability Co.

During the financial year, the Group disposed of a plot of land in IHP through the disposal of its entire interest in Hoa Lam Shangri-La 5 Limited Liability Co. ("HLSL 5") for a consideration of US$5,399,000 (VND122 billion). The condition precedent for the completion of the disposal was met on 24 May 2017 when the shares were transferred to the purchaser.

c) Hoa Lam Shangri-La 6 Limited Liability Co.

During the financial year, the Group disposed of a plot of land in IHP through the disposal of its entire interest in Hoa Lam Shangri-La 6 Limited Liability Co. ("HLSL 6") for a consideration of US$7,733,000 (VND176 billion). The condition precedent for the completion of the disposal was met on 29 August 2017 when the shares were transferred to the purchaser.

Disposal of subsidiaries in Financial Year Ended 2016

a) Disposal of ASPL M3B Limited and Iringan Flora Sdn. Bhd.

In the previous financial year, the Group disposed of Aloft Kuala Lumpur Sentral to Prosper Group Holdings Limited for a net adjusted price of US$104.3 million through disposal of the entire issued share capital of ASPL M3B Limited and Iringan Flora Sdn. Bhd. A gain on disposal of US$34.9million was recognised from the disposal of the subsidiary at Company level.

b) Disposal of Morningstar International Preschool Limited Liability Co.

In the previous financial year, the Group disposed of a plot of land in IHP through disposal of its entire interest in an indirectly held subsidiary, Morningstar International Preschool Limited Liability Company (previously known as Hoa Lam Shangri-La 4 Limited Liability Co.) ("HLSL4"), for a consideration of US$411,000 (VND9 billion). The condition precedent for the completion of the disposal was met on 22 January 2016 when the shares were transferred to the purchaser.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2017	Hoa Lam Services Co Ltd US$'000	Shangri-La Healthcare Investment Pte Ltd US$'000	Urban DNA Sdn. Bhd. US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
NCI percentage of ownership interest and voting interest	**49%**	**18.42%**	**30%**		
Carrying amount of NCI	**(6,205)**	**328**	**(1,948)**	**4,609**	**(3,216)**
Loss allocated to NCI	**(426)**	**(708)**	**(424)**	**(140)**	**(1,698)**

Notes to The Financial Statements (cont'd)

17 INVESTMENT IN SUBSIDIARIES (cont'd)

Non-controlling interests in subsidiaries (cont'd)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (cont'd)

Summarised financial information before intra-group elimination

2017	Hoa Lam Services Co Ltd US$'000	Shangri-La Healthcare Investment Pte Ltd US$'000	Urban DNA Sdn. Bhd. US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
As at 31 December					
Non-current assets	**33,626**	**76,058**	**3,789**		
Current assets	**43,082**	**97,799**	**102,564**		
Non-current liabilities	**(8,008)**	**(18,684)**	**–**		
Current liabilities	**(48,998)**	**(76,840)**	**(112,848)**		
Net assets/ (liabilities)	**19,702**	**78,333**	**(6,495)**		
Year ended 31 December					
Revenue	**–**	**–**	**–**		
Loss for the year	**(869)**	**(3,841)**	**(1,413)**		
Total comprehensive loss	**(851)**	**(3,855)**	**(1,984)**		
Cash flows used in operating activities	**(1,617)**	**(3,346)**	**(4,348)**		
Cash flows from investing activities	**954**	**3,991**	**–**		
Cash flows from financing activities	**4,338**	**10,158**	**3,438**		
Net increase /(decrease) in cash and cash equivalents	**3,675**	**10,803**	**(910)**		

2016	Hoa Lam Services Co Ltd US$'000	Shangri-La Healthcare Investment Pte Ltd US$'000	Urban DNA Sdn. Bhd. US$'000	Other individually immaterial subsidiaries US$'000	Total US$'000
NCI percentage of ownership interest and voting interest	49%	18.50%	30%		
Carrying amount of NCI	(3,083)	3,100	(1,353)	188	(1,148)
Loss allocated to NCI	(1,593)	(1,377)	(401)	(7)	(3,378)

Summarised financial information before intra-group elimination

As at 31 December					
Non-current assets	30,523	68,820	1,219		
Current assets	45,477	103,340	68,398		
Non-current liabilities	(13,921)	(32,483)	–		
Current liabilities	(44,627)	(68,131)	(74,127)		
Net assets/ (liabilities)	17,452	71,546	(4,510)		
Year ended 31 December					
Revenue	–	–	–		
Loss for the year	(3,252)	(7,444)	(1,338)		
Total comprehensive loss	(3,092)	(7,160)	(1,089)		
Cash flows (used in) /from operating activities	(1,699)	(3,974)	1,121		
Cash flows used in investing activities	(5,816)	(4,366)	–		
Cash flows from financing activities	4,774	11,154	781		
Net (decrease)/ increase in cash and cash equivalents	(2,741)	2,814	1,902		

Notes to The Financial Statements (cont'd)

18 INTANGIBLE ASSETS

Group	Licence contracts and related relationships US$'000	Goodwill US$'000	Total US$'000
Cost			
At 1 January 2016/ 31 December 2016 / 31 December 2017	**10,695**	**6,479**	**17,174**
Accumulated impairment			
At 1 January 2016	4,276	5,665	9,941
Disposals	73	79	152
At 31 December 2016 / 1 January 2017	**4,349**	**5,744**	**10,093**
Disposals	2,827	53	2,880
At 31 December 2017	**7,176**	**5,797**	**12,973**
Carrying amounts			
At 31 December 2016	6,346	735	7,081
At 31 December 2017	**3,519**	**682**	**4,201**

The licence contracts and related relationships represent the Land Use Rights ("LUR") for the Group's lands in Vietnam. LUR represents the rights to develop the IHP within a lease period ending on 9 July 2077. In 2017, the Group disposed of its undeveloped land in the IHP (Lot D2 and D3) to third party purchasers (2016: Lot GD1).

For the purpose of impairment testing, goodwill and licence contracts and related relationships are allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill and licence contracts and related relationships are monitored for internal management purposes.

The aggregate carrying amounts of intangible assets allocated to each unit are as follows:

Group	2017 US$'000	2016 US$'000
Licence contracts and related relationships		
International Healthcare Park	**3,519**	6,346
Goodwill		
SENI Mont' Kiara	**132**	185
Sandakan Harbour Square	**550**	550
	682	735

The recoverable amount of licence contracts and related relationships has been tested based on the net realisable value of the LUR owned by the subsidiaries. The key assumption used is the expected market value of the LUR. The Group believes that any reasonably possible changes in the above key assumptions applied is not likely to materially cause the recoverable amount to be lower than its carrying amounts.

The recoverable amount of goodwill has been tested by reference to underlying profitability of the ongoing operations of the developments using discounted cash flow projections (refer to Note 20).

Intangible assets of US$53,000 (2016: US$79,000) and US$2,827,000 (2016: US$73,000) in relation to SENI and IHP projects respectively were written down as certain components from the developments were sold during the year.

19 DEFERRED TAX ASSETS

Group	2017 US$'000	2016 US$'000
At 1 January	**1,623**	1,337
Exchange adjustments	**311**	(86)
Deferred tax credit relating to origination of temporary differences during the year	**2,334**	372
At 31 December	**4,268**	1,623

The deferred tax assets comprise:

Group	2017 US$'000	2016 US$'000
Taxable temporary differences between accounting profit and taxable profit of property development units sold	**4,268**	1,623
At 31 December	**4,268**	1,623

Notes to The Financial Statements (cont'd)

19 DEFERRED TAX ASSETS (cont'd)

Deferred tax assets have not been recognised in respect of unused tax losses of US$72,240,000 (2016: US$65,440,000) and other tax benefits which includes temporary differences between net carrying amount and tax written down value of property, plant and equipment, accrual of construction costs and other deductible temporary differences of US$4,920,000 (2016: US$4,460,000) which are available for offset against future taxable profits. Deferred tax assets have not been recognised due to the uncertainty of the recovery of the losses.

20 INVENTORIES

Group	Notes	2017 US$'000	2016 US$'000
Land held for property development	(a)	**19,021**	22,514
Work-in-progress	(b)	**95,450**	62,708
Stock of completed units, at cost	(c)	**163,880**	159,334
Consumables		**528**	403
At 31 December		**278,879**	244,959
Carrying amount of inventories pledged as security for Loans and borrowings and Medium Term Notes		**156,857**	148,427

a) Land held for property development

Group	2017 US$'000	2016 US$'000
At 1 January	**22,514**	23,223
Add :		
Exchange adjustments	**925**	(604)
Additions/(disposal)	**873**	86
At 31 December	**24,312**	22,705
Less: Costs recognised as expenses in the statement of comprehensive income during the year (Note 6)	**(5,291)**	(191)
At 31 December	**19,021**	22,514

b) Work-in-progress

Group	2017 US$'000	2016 US$'000
At 1 January	**62,708**	53,182
Add :		
Exchange adjustments	**6,809**	(3,967)
Work-in-progress incurred during the year	**25,933**	13,493
At 31 December	**95,450**	62,708

Included in previous financial year are the borrowing costs capitalised at interest rate ranging from 5.50% to 10.00% per annum of US$0.2 million.

c) Stock of completed units, at cost

Group	2017 US$'000	2016 US$'000
At 1 January	**159,334**	230,436
Less :		
Exchange adjustments	**9,758**	6,102
Costs recognised as expenses in the statement of comprehensive income during the year (Note 6)	**(5,212)**	(74,796)
Impairment of inventory	**–**	(2,408)
At 31 December	**163,880**	159,334

The net realisable value of completed units have been tested by reference to underlying profitability of the ongoing operations of the developments using discounted cash flow projections and/or comparison method with the similar properties within the local market which provides an approximation of the estimated selling price that is expected to be achieved in the ordinary course of business.

Notes to The Financial Statements (cont'd)

20 INVENTORIES (cont'd)

c) Stock of completed units, at cost (cont'd)

Included in the stock of completed units are SENI units as well as the following completed units:

Four Points by Sheraton Sandakan Hotel ("FPSS")

The recoverable amount of FPSS was determined based on an internal valuation performed by management, supported by valuation undertaken by an external, independent valuer with appropriate recognised professional qualification. The recoverable amount US$40,788,000 (2016: US$37,012,000) of FPSS was determined to approximate with its carrying amount. In 2016, impairment loss of US$2,408,000 in relation to inventory amount was included in cost of sales.

The valuation of FPSS was determined by discounting the future cash flows expected to be generated from the continuing operations of FPSS and was based on the following key assumptions:

1) Cash flows were projected based on past experience, actual operating results in 2017 and the 10 years budget of FPSS;

2) The occupancy rate of FPSS will improve to 73% in 2027 which is when the hotel's operations are expected to stabilise;

3) Average daily rates of the hotel will improve to US$103 in 2027 which is when the hotel's operations are expected to stabilise;

4) Projected gross margin reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resources efficiency; and

5) Pre-tax discount rate of 9% was applied in discounting the cash flows. The discount rates takes into the prevailing trend of the hotel industry in Malaysia.

Sensitivity analysis

The above estimates are sensitive in the following key areas:

a) an increase/(decrease) of 1% in discount rate used would have (decreased)/ increased the recoverable amount by approximately (US$5,342,000)/US$6,624,000;

b) an increase/(decrease) of 1% in occupancy rate throughout the entire projection term used would have increased/ (decreased) the recoverable amount by approximately US$758,000/ (US$758,000); and

c) an increase/(decrease) of 5% in average daily rates throughout the entire projection term used would have increased/ (decreased) the recoverable amount by approximately US$3,476,000/ (US$3,476,000).

Harbour Mall Sandakan ("HMS")

The recoverable amount of HMS was determined based on an internal valuation performed by management, supported by valuation undertaken by an external, independent valuer with appropriate recognised professional qualification. The recoverable amount US$43,490,000 (2016: US$41,237,000) of HMS was determined to be higher than its carrying amount and no impairment losses in relation to the inventory amount was recognised.

The valuation of HMS was determined by the capitalisation of net income expected to be generated from the continuing operations of HMS ("investment approach") when the mall operates at an optimum occupancy rate and was based on the following key assumptions:

1) Occupancy rate will improve to 95% by 2020 which is when the mall's operations are expected to stabilise;

2) Projected optimum average rental rates to improve to US$1.44 per square feet over a ten-year period;

3) Outgoing rate projected at 35% against gross annual income;

4) Capitalisation rate assumed at 6%; and

5) Capitalisation period of 84 years covering the period of HMS achieving optimum operations to expiration of the title term.

Sensitivity analysis

The above estimates are sensitive in the following key areas:

a) an increase/(decrease) of 0.25% in capitalisation rate used would have (decreased) /increased the recoverable amount by approximately (US$1,730,000)/ US$1,730,000;

b) an increase/(decrease) of 1% in optimum occupancy rate throughout the entire projection term would have increased/(decreased) the recoverable amount by approximately US$494,000/ (US$494,000); and

c) an increase/(decrease) of 5% in average rental rate used would have increased /(decreased) the recoverable amount by approximately US$1,977,000/ (US$2,224,000).

Notes to The Financial Statements (cont'd)

20 INVENTORIES (cont'd)

c) Stock of completed units, at cost (cont'd)

City International Hospital ("CIH")

The recoverable amount US$75,200,000 (2016: US$75,200,000) of CIH was determined based on a valuation by an external, independent valuer with appropriate recognised professional qualification. The recoverable amount of CIH was determined to be higher than its carrying amount and no impairment losses in relation to the inventory amounts was recognised.

The valuation of CIH was determined by discounting the future cash flows expected to be generated from the continuing operations of CIH. The followings are the key assumptions:

1) Cash flows were projected based on past experience, actual operating results in 2017 and the 5 years budget of CIH adjusted by the valuer;

2) Projected revenue growth reflects the increase in average historical growth figures, adjusted for projected market and economic conditions and internal resources efficiency. Revenue is projected to grow at a compound annual growth rate of 25% from 2018 to 2022;

3) Pre-tax discount rate of 12% was applied in discounting the cash flows. The discount rates take into the prevailing trend of the hospital industry in Vietnam; and

4) Terminal capitalisation rate of 10% was applied. The rates take into the prevailing trend of the hospital industry in Vietnam.

Sensitivity analysis

The above estimates are sensitive in the following key areas:

a) an increase/(decrease) of 1% in revenue growth rates would have increased/(decreased) the recoverable amount by approximately US$2,100,000/(US$3,900,000);

b) an increase/(decrease) of 1% in discount rate used would have (decreased)/increased the recoverable amount by approximately (US$5,502,000)/ US$6,023,000; and

c) an increase/(decrease) of 1% in capital terminalisation rate used would have (decreased)/increased the recoverable amount by approximately (US$3,739,000)/ US$4,481,000.

21 TRADE AND OTHER RECEIVABLES

Group	2017 US$'000	2016 US$'000
Trade receivables	**2,074**	3,303
Other receivables	**8,498**	7,877
Sundry deposits	**440**	391
	11,012	11,571

Company	2017 US$'000	2016 US$'000
Other receivables	**39**	32

Trade receivables represent progress billings receivable from the sale of completed units and land held for property development. Progress billings receivable from the sale of completed units are generally due for settlement within 21 days from the date of invoice and are recognised and carried at the original invoice amount less allowance for any uncollectible amounts. They are recognised at their original invoice amounts which represent their fair values on initial recognition less provision for impairment where it is required.

The ageing analysis of trade receivables past due are set out below. These relate to a number of independent customers for whom there is no recent history of default.

Group 2017	Gross US$'000	Individual Impairment US$'000	Net US$'000
Within credit terms	–	–	–
Stakeholder sums	–	–	–
Past due			
0 – 60 days	**120**	–	**120**
61 –120 days	–	–	–
More than 120 days	**1,954**	–	**1,954**
	2,074	–	**2,074**

Notes to The Financial Statements (cont'd)

21 TRADE AND OTHER RECEIVABLES (cont'd)

Group 2016	Gross US$'000	Individual Impairment US$'000	Net US$'000
Within credit terms	434	–	434
Stakeholder sums	497	–	497
Past due			
0 – 60 days	10	–	10
61 –120 days	–	–	–
More than 120 days	2,362	–	2,362
	3,303	–	3,303

In 2016, the stakeholder sums represent amounts receivable from two customers with sound financial standing. The stakeholder sums were collected during the financial year.

Included in trade receivables is US$1.95mil representing 94% of the Group's trade receivables which are due from a subsidiary of Ireka Corporation Berhad, for the acquisition of SENI units (2016: US$2.3mil, representing 85% of the Group's trade receivables, for the acquisition of SENI units and expenses paid on behalf). Other than the abovementioned customers, the Group has a large number of customers whose property purchases are mainly secured by personal bank financing.

Included in other receivables are sums of US$3,993,000 (2016: US$2,903,000) due from a subsidiary of Ireka Corporation Berhad for advance payment made to its contractors and US$137,000 (2016: US$114,000) due from Ireka Corporation Berhad for rental expenses paid on behalf.

The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position. No allowance for impairment loss of trade receivables has been made for the remaining past due receivables as the Group monitors the repayment of the customers regularly and are confident of the ability of the customers to repay the balance outstanding.

22 AMOUNTS DUE FROM / (TO) SUBSIDIARIES

Company	2017 US$'000	2016 US$'000
Due from subsidiaries (Current portion)	**255,619**	239,397
Less : Impairment loss	**(76,489)**	(68,128)
	179,130	171,269
Due to subsidiaries (Current portion)	**(92,599)**	(77,105)

The amounts due from/ (to) subsidiaries are current, unsecured and repayable on demand.

As at the end of the reporting period, inter-company balances that were assessed to be irrecoverable were impaired by US$10,238,000 (2016: US$14,376,000).

In prior years, impairment losses amounting to US$22,420,000 was recognized in relation to subsidiary, ASPL M1 Limited, the immediate holding company of Ireka Land Sdn. Bhd. which is involved in the development and sales of Tiffani units. Reversal of impairment losses amounting to US$1,877,000 were made in line with the repayments by Ireka Land Sdn. Bhd. during the financial year.

23 CASH AND CASH EQUIVALENTS

Group	2017 US$'000	2016 US$'000
Cash and bank balances	**10,343**	14,858
Short term bank deposits	**15,641**	11,792
	25,984	26,650
Less: Deposits subject to restriction in use	**(13,867)**	–
Less: Deposits pledged	**(2,823)**	(10,011)
Cash and cash equivalents	**9,294**	16,639

Included in short term bank deposits in 2017 is US$13,867,000 obtained from the term loan granted to City International Hospital Company Ltd ("CIH") by Vietbank during the year where the utilisation of this balance is restricted solely for the purpose of refinancing the existing syndicated term loan under CIH.

Included in short term bank deposits and cash and bank balance is US$2,823,000 (2016: US$10,011,000) pledged for loans and borrowings and Medium Term Notes of the Group.

Notes to The Financial Statements (cont'd)

23 CASH AND CASH EQUIVALENTS (cont'd)

The interest rate on cash and cash equivalents, excluding deposit pledged with licensed bank of US$2,823,000 (2016: US$10,011,000) pledged for loans and borrowings and Medium Term Notes of the Group, ranges from 1.20% to 2.80% per annum (2016: 0.20% to 2.80% per annum).

The interest rate on short term bank deposits and cash and bank balance pledged for loans and borrowings and Medium Term Notes of the Group, ranges from 2.50% to 4.70% per annum (2016: 3.10% to 4.70% per annum).

Company	2017 US$'000	2016 US$'000
Cash and bank balances	**319**	10,663
Short term bank deposits	**–**	90
	319	10,753

24 SHARE CAPITAL

Group and Company	Number of shares 2017 '000	Amount 2017 US$'000	Number of shares 2016 '000	Amount 2016 US$'000
Authorised Share Capital				
Ordinary shares of US$0.05 each	**2,000,000**	**100,000**	2,000,000	100,000
Management shares of US$0.05 each	**–***	**–***	–*	–*
	2,000,000	**100,000**	2,000,000	100,000
Issued Share Capital				
Ordinary shares of US$0.05 each	**212,025**	**10,601**	212,025	10,601
Management shares of US$0.05 each	**–#**	**–#**	–#	–#
	212,025	**10,601**	212,025	10,601

* represents 10 management shares at US$0.05 each
# represents 2 management shares at US$0.05 each

In 2015, the shareholders of the Company approved the creation and issuance of management shares by the Company as well as a compulsory redemption mechanism that was proposed by the Board.

The Company increased its authorised share capital from US$100,000,000 to US$100,000,000.50 by the creation of 10 management shares of US$0.05 each for cash.

The Company also increased its issued and paid-up share capital from US$10,601,250 to US$10,601,250.10 by way of an allotment of 2 new management shares of US$0.05 each at par via cash consideration.

In accordance with the compulsory redemption scheme, the Company's ordinary shares were converted into redeemable ordinary shares.

The ordinary shares and the management shares shall have attached thereto the rights and privileges, and shall be subject to the limitations and restrictions, as are set out below:

a) Distribution of dividend:

   i) The ordinary shares carry the right to receive all the profits of the Company available for distribution by way of interim or final dividend at such times as the Directors may determine from time to time; and

   ii) The management shares carry no right to receive dividends out of any profits of the Company.

b) Winding-up or return of capital:

   i) The holders of the management shares shall be paid an amount equal to the paid-up capital on such management shares; and

   ii) Subsequent to the payment to holders of the management shares, the holders of the ordinary shares shall be repaid the surplus assets of the Company available for distribution.

c) Voting rights:

   i) The holders of the ordinary shares and management shares shall have the right to receive notice of and to attend and vote at general meetings of the Company; and

   ii) Each holder of ordinary shares and management shares being present in person or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of every full paid share held by him.

Notes to The Financial Statements (cont'd)

25 SHARE PREMIUM

Share premium represents the excess of proceeds raised on the issuance of shares over the nominal value of those shares. The costs incurred in issuing shares were deducted from the share premium.

Group and Company	2017 US$'000	2016 US$'000
At 1 January	**218,926**	218,926
Treasury shares	**(10,001)**	–
As at 31 December	**208,925**	218,926

On 4 January 2017, the Shareholders of the Company at an Extraordinary General Meeting approved a proposal to return US$10,000,500 or US$0.75 per share for 13,334,000 shares representing 6.29 per cent of the Company's share capital to Shareholders. The capital distribution was completed on 10 January 2017 and the repurchased shares of 13,334,000 are currently held as Treasury Shares. The issued and paid up share capital of the Company remains unchanged at 212,025,002.

26 CAPITAL REDEMPTION RESERVE

The capital redemption reserve was incurred after the Company cancelled its 37,475,000 and 500,000 ordinary shares of US$0.05 per share in 2009 and 2013 respectively.

27 TRANSLATION RESERVE

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

28 FAIR VALUE RESERVE

The fair value reserve comprises the fair value adjustment of the Group's available-for-sale investments, namely the investment of shares in Nam Long Investment Corporation until the investment was disposed of in 2016.

29 ACCUMULATED LOSSES

Group	2017 US$'000	2016 US$'000
At 1 January	**(58,922)**	(77,301)
(Loss)/ Profit attributable to equity holders of the parent	**(4,176)**	18,856
Changes in ownership interests in subsidiaries	**484**	(477)
At 31 December	**(62,614)**	(58,922)

Company		
At 1 January	**(58,231)**	(72,747)
(Loss)/ Profit for the year	**(8,215)**	14,516
At 31 December	**(66,446)**	(58,231)

30 TRADE AND OTHER PAYABLES

Group	2017 US$'000	2016 US$'000
Trade payables	**2,717**	2,284
Other payables	**6,351**	4,741
Progress billings	**67,306**	38,346
Deposits refundable	**2,027**	6,087
Accruals	**4,639**	2,422
	83,040	53,880

Company	2017 US$'000	2016 US$'000
Other payables	**2**	90
Accruals	**141**	173
	143	263

Notes to The Financial Statements (cont'd)

30 TRADE AND OTHER PAYABLES (cont'd)

Trade payables represent trade purchases and services rendered by suppliers as part of the normal business transactions of the Group. The credit terms granted by trade suppliers range from 30 to 90 days.

Progress billings represent proceeds received from purchasers of development properties i.e. SENI and The RuMa Hotel and Residences which are pending transfer of vacant possession.

Included within progress billings is US$26,300,000 (2016: US$19,100,000) of funding received, by way of non-refundable deposits, in advance of completion of the hotel suites which are at 31 December 2017 still controlled by the Group.

Deposits and accruals are from normal business transactions of the Group.

31 AMOUNT DUE TO NON-CONTROLLING INTERESTS

Group	2017 US$'000	2016 US$'000
Current		
Minority Shareholder of Bumiraya Impian Sdn. Bhd.:		
- Global Evergroup Sdn. Bhd.	**1,225**	1,105
Minority Shareholders of Hoa Lam Services Co Ltd:		
- Tran Thi Lam	**1,756**	1,752
- Tri Hanh Consultancy Co Ltd	**3,954**	3,944
- Hoa Lam Development Investment Joint Stock Company	**2,560**	2,228
- Duong Ngoc Hoa	**227**	226
Minority Shareholder of The RuMa Hotel KL Sdn. Bhd.:		
- Ireka Corporation Berhad	**2**	2
Minority Shareholder of Urban DNA Sdn. Bhd.:		
- Ireka Corporation Berhad	**3,676**	3,316
	13,400	12,573

The current amount due to non-controlling interests amounting to US$13,400,000 (2016: US$12,573,000) is unsecured, interest free and repayable on demand.

32 LOANS AND BORROWINGS

Group	2017 US$'000	2016 US$'000
Non-current		
Bank loans	**54,572**	46,405
	54,572	46,405
Current		
Bank loans	**12,882**	10,804
Finance lease liabilities	**–**	3
	12,882	10,807
	67,454	57,212

The effective interest rates on the bank loans for the year ranged from 5.35% to 10.50% (2016: 5.25% to 10.50%) per annum. In 2016, the effective interest rates for finance lease arrangements was at 2.50% per annum.

Borrowings are denominated in Ringgit Malaysia, United State Dollars and Vietnam Dong.

Bank loans are repayable by monthly, quarterly or semi-annually instalments.

Bank loans are secured by land held for property development, work-in-progress, operating assets of the Group, pledged deposits and some by the corporate guarantee of the Company.

Notes to The Financial Statements (cont'd)

32 LOANS AND BORROWINGS (cont'd)

Reconciliation of movement of loan and borrowings to cash flows arising from financing activities:

Group	As at January 2017 US$'000	Drawndown of loan US$'000	Repayment of loan US$'000	Foreign exchange movements US$'000	As at December 2017 US$'000
Bank loans	**57,209**	25,038	(14,770)	(23)	**67,454**
Finance lease liabilities	**3**	–	(3)	–	**–**
Total	**57,212**	**25,038**	**(14,773)**	**(23)**	**67,454**

Finance lease liabilities are payable as follows:

Group	Future minimum lease payment 2017 US$'000	Interest 2017 US$'000	Present value of minimum lease payment 2017 US$'000	Future minimum lease payment 2016 US$'000	Interest 2016 US$'000	Present value of minimum lease payment 2016 US$'000
Within one year	**–***	**–**	**–**	3	–	3
Between one and five years	**–**	**–**	**–**	–	–	–
	–	**–**	**–**	3	–	3

** Finance lease liabilities has been repaid in the current financial year.*

33 MEDIUM TERM NOTES

Group	2017 US$'000	2016 US$'000
Outstanding medium term notes	**24,710**	26,748
Net transaction costs	**(386)**	(405)
Less:		
Repayment due within twelve months*	**(24,324)**	(26,343)
Repayment due after twelve months	**–**	–

Reconciliation of movement of medium term notes to cash flows arising from financing activities:

Group	As at January 2017 US$'000	Drawndown of loan US$'000	Repayment of loan US$'000	Foreign exchange movements US$'000	As at December 2017 US$'000
Medium Term Notes	**26,343**	**–**	**(4,615)**	**2,596**	**24,324**

* Includes net transaction costs in relation to medium term notes due within twelve months of US$0.39 million (2016: US$0.40 million).

The medium term notes ("MTNs") were issued pursuant to a programme with a tenure of ten (10) years from the first issue date of the notes. The MTNs were issued by a subsidiary, to fund two development projects known as Sandakan Harbour Square and Aloft Kuala Lumpur Sentral ("AKLS") in Malaysia.

In the previous financial year, the Group completed the sale of the AKLS. The net adjusted price value for the sale of AKLS, which included the sale of the entire issued share capital of ASPL M3B Limited and Iringan Flora Sdn. Bhd. (the "Aloft Companies") were used to redeem the MTN Series 2 and Series 3. Following the completion of the disposal of AKLS, US$97.35 million (RM394.0 million) of MTN associated with the AKLS (Series 3) and the Four Points Sheraton Sandakan (Series 2) were repaid on 19 August 2016. The charges in relation to AKLS was also discharged following the completion of the disposal.

During the year, Silver Sparrow Berhad ("SSB") obtained consent from the lenders to utilise proceeds of US$4.94 million in the Sales Proceeds Account and Debt Service Reserve Account to partially redeem the MTNs in November 2017. SSB also secured a "roll-over" for the remaining MTNs of US$24.3mil which is due on 8 December 2017 (now repayable on 10 December 2018). The MTNs are rated AAA.

Notes to The Financial Statements (cont'd)

33 MEDIUM TERM NOTES (cont'd)

The weighted average interest rate of the MTN was 6.00% per annum at the statement of financial position date. The effective interest rates of the MTN and their outstanding amounts are as follows:

Group	Maturity dates	Interest rate % per anum	US$'000
Series 1 Tranche FGI	10 December 2018	6.00	10,625
Series 1 Tranche BG	10 December 2018	6.00	14,085
			24,710

The medium term notes are secured by way of:

i) bank guarantee from two financial institutions in respect of the BG Tranches;

ii) financial guarantee insurance policy from Danajamin Nasional Berhad ("Danajamin") in respect to the FG Tranches;

iii) a first fixed and floating charge over the present and future assets and properties of Silver Sparrow Berhad and ICSD Ventures Sdn. Bhd. by way of a debenture;

iv) a third party first legal fixed charge over ICSD Ventures Sdn. Bhd.'s assets and land;

v) a corporate guarantee by Aseana Properties Limited;

vi) letter of undertaking from Aseana Properties Limited to provide financial and other forms of support to ICSD Ventures Sdn. Bhd. to finance any cost overruns associated with the development of the Sandakan Harbour Square;

vii) assignment of all its present and future rights, interest and benefits under the ICSD Ventures Sdn. Bhd.'s Put Option Agreements in favor of Danajamin, Malayan Banking Berhad and OCBC Bank (Malaysia) Berhad (collectively as "the guarantors") where once exercised, the sale and purchase of HMS and FPSS shall take place in accordance with the provision of the Put Option Agreement; and the proceeds from HMS and FPSS will be utilised to repay the MTNs;

viii) assignment over the disbursement account, revenue account, operating account, sale proceed account, debt service reserve account and sinking fund account of Silver Sparrow Berhad, revenue account of ICSD Ventures Sdn. Bhd. and escrow account of Ireka Land Sdn. Bhd.;

ix) assignment of all ICSD Ventures Sdn. Bhd.'s present and future rights, title, interest and benefits in and under the insurance policies; and

x) a first legal charge over all the shares of Silver Sparrow Berhad, ICSD Ventures Sdn. Bhd. and any dividends, distributions and entitlements.

34 DISPOSAL OF AN INDIRECTLY HELD SUBSIDIARY

During the financial year, the Group disposed Hoa Lam Shangri-La 3 Limited Liability Co. ("HLSL 3"), an indirectly held subsidiary of the Group. The condition precedent for the completion of the disposal was met on 25 December 2017 when the shares were transferred to the purchaser.

Details of disposal of the financial position of the Group

Group	2017 US$'000
Trade and other receivables	**16,326**
Current tax assets	**392**
Cash and cash equivalents	**198**
Exchange fluctuation reserve	**1,142**
Trade and other payable	**(15,762)**
Net assets and liabilities	**2,296**
Net disposal proceeds	**(998)**
Loss on disposal to the Group	**1,298**
The net cash flow on disposal was determined as follow:	
Consideration received, satisfied in cash	**998**
Cash and cash equivalent disposed of	**(198)**
Net cash inflow	**800**

Loss on disposal of an indirectly held subsidiary amounting to US$1,298,000 has been included in other operating expense in the consolidated statement of other comprehensive income.

Notes to The Financial Statements (cont'd)

35 CHANGE IN EQUITY INTEREST IN SUBSIDIARIES

During the financial year, the Group increased its equity interest in Shangri-La Healthcare Investment Pte Ltd ("SHIPL") from 81.50% to 81.58% (2016: 79.76% to 81.50%) arising from an issue of new shares in the subsidiary for cash consideration of US$1.5 million. (2016: US$4.3 million). Consequently, the Company's effective equity interest in Hoa Lam Shangri-La Healthcare Ltd Liability Co., City International Hospital Co. Ltd, subsidiaries of SHIPL, increased to 72.41% (2016: 72.35%). The Group recognised a decrease/increase in non-controlling interests of US$484,000 (2016: US$477,000) and a decrease/increase in accumulated losses of US$484,000 (2016: US$477,000) resulting from the decrease/increase in equity interest in the above subsidiaries. The transaction was accounted for using the acquisition method of accounting.

36 RELATED PARTY TRANSACTIONS

Transactions between the Group and the Company with Ireka Corporation Berhad ("ICB") and its group of companies are classified as related party transactions based on ICB's 23.07% shareholding in the Company. ICB's relationship with the Group is also mentioned on page 17 of the Directors' Report under the headings of 'Management'.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

Group	2017 US$'000	2016 US$'000
ICB Group of Companies		
Accounting and financial reporting services fee charged by an ICB subsidiary	**50**	50
Advance payment to the contractors of an ICB subsidiary	**732**	1,591
Construction progress claims charged by an ICB subsidiary	**21,099**	9,960
Management fees charged by an ICB subsidiary	**3,129**	3,331
Marketing commission charged by an ICB subsidiary	**114**	248
Project staff cost reimbursed to an ICB subsidiary	**311**	2
Rental expenses charged by an ICB subsidiary	**4**	–
Rental expenses paid on behalf of ICB	**516**	493
Secretarial and administrative services fee charged by an ICB subsidiary	**50**	50
Key management personnel		
Remuneration of key management personnel - Directors' fees	**235**	297
Remuneration of key management personnel - Salaries	**143**	123

Company	2017 US$'000	2016 US$'000
ICB Group of Companies		
Accounting and financial reporting services fee charged by an ICB subsidiary	**50**	50
Management fees charged by an ICB subsidiary	**1,002**	1,259
Secretarial and administrative services fee charged by an ICB subsidiary	**25**	50
Key management personnel		
Remuneration of key management personnel - Directors' fees	**235**	297

Liquidated and Ascertained Damages ("LADs")
Ireka Engineering & Construction Sdn. Bhd. ("IECSB"), a subsidiary of ICB, is the project contrator of The RuMa Hotel and Residences ("The RuMa"). The expected completion date of the RuMa development has been deferred to 15 June 2018, with vacant possession expected to be issued from 15 June 2018. Based on the Sale and Purchase Agreements ("SPAs") signed, the contractual date of issuance of vacant possession to purchasers starts from June 2017 (48 months from date of signed SPAs). For hotel suites, Urban DNA Sdn. Bhd ("the Developer") is given three months from the date of delivery of vacant possession letter for installation of the furniture and fittings as stipulated in the respective buyers' SPA for hotel suites. The delay will potentially result in Liquidated and Ascertained Damages ("LADs") being imposed to the Developer. However, the Developer is entitled to recover these LADs from the project contractor, IECSB.

Transactions between the Group with other significant related parties are as follows:

Group	2017 US$'000	2016 US$'000
Non-controlling interests		
Advances – non-interest bearing (Note 31)	**327**	2,819

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

Notes to The Financial Statements (cont'd)

36 RELATED PARTY TRANSACTIONS (cont'd)

The outstanding amounts due from/ (to) ICB and its group of companies as at 31 December 2017 and 31 December 2016 are as follows:

Group	Notes	2017 US$'000	2016 US$'000
Amount due from an ICB subsidiary for advance payment to its contractors	(ii)	**3,993**	2,903
Amount due to an ICB subsidiary for construction progress claims charged	(i)	**(2,046)**	(928)
Amount due from an ICB subsidiary for acquisition of SENI Mont' Kiara units	(i)	**1,952**	1,760
Amount due to an ICB subsidiary for management fees	(ii)	**–**	(22)
Amount due to an ICB subsidiary for marketing commissions	(ii)	**(15)**	(13)
Amount due to an ICB subsidiary for reimbursement of project staff costs	(ii)	**(55)**	–
Amount due to an ICB subsidiary for rental expenses	(ii)	**(5)**	–
Amount due from ICB for rental expenses paid on behalf	(ii)	**137**	114
Amount due to an ICB subsidiary for staff cost paid on behalf	(ii)	**(4)**	–

Company		2017 US$'000	2016 US$'000
Amount due from an ICB subsidiary for management fees	(ii)	**–**	12

i) These amounts are trade in nature and subject to normal trade terms.

ii) These amounts are non-trade in nature and are unsecured, interest-free and repayable on demand.

The outstanding amounts due to the other significant related parties as at 31 December 2017 and 31 December 2016 are as follows:

Group	2017 US$'000	2016 US$'000
Non-controlling interests		
Advances – non-interest bearing (Note 31)	**(13,400)**	(12,573)

Transactions between the parent company and its subsidiaries are eliminated in these consolidated financial statements. A list of subsidiaries is provided in Note 37.

37 INVESTMENT IN SUBSIDIARIES

Name	Country of incorporation	Principal activities	Effective ownership interest 2017	Effective ownership interest 2016
Subsidiaries				
Ireka Land Sdn. Bhd.	Malaysia	Property development	**100%**	100%
Bumijaya Mawar Sdn. Bhd.	Malaysia	Property development	**100%**	100%
Bumijaya Mahligai Sdn. Bhd.	Malaysia	Property development	**100%**	100%
Amatir Resources Sdn. Bhd.	Malaysia	Property development	**100%**	100%
ICSD Ventures Sdn. Bhd.	Malaysia	Hotel and mall ownership and operation	**100%**	100%
Priority Elite Sdn. Bhd.	Malaysia	Project management services	**100%**	100%
Silver Sparrow Berhad	Malaysia	Participating in the transactions contemplated under the Guaranteed MTNs Programme	**100%**	100%
Bumiraya Impian Sdn. Bhd.	Malaysia	Property development	**80%**	80%
The RuMa Hotel KL Sdn. Bhd.	Malaysia	Investment holding	**70%**	70%
Urban DNA Sdn. Bhd.	Malaysia	Property development	**70%**	70%
Aseana-BDC Co Ltd	Vietnam	Investment holding	**65%**	65%
Hoa Lam Services Co Ltd	Vietnam	Investment holding	**51%**	51%
Shangri-La Healthcare Investment Pte Ltd and its subsidiaries	Singapore	Investment holding	**82%**	82%
Hoa Lam Shangri-La Healthcare Ltd Liability Co	Vietnam	Property development	**72%**	72%
City International Hospital Co Ltd	Vietnam	Hospital ownership and operation	**72%**	72%
Hoa Lam Shangri-La 3 Ltd Liability Co*	Vietnam	Property development	**–**	72%
Hoa Lam Shangri-La 5 Ltd Liability Co*	Vietnam	Property development	**–**	72%
Hoa Lam Shangri-La 6 Ltd Liability Co*	Vietnam	Property development	**–**	72%

* The entire shareholding was disposed of in 2017

Notes to The Financial Statements (cont'd)

38 COMMITMENTS AND CONTINGENCIES

The Group and Company do not have any contingencies at the statement of financial position date except as follows:

Debt service reserve account

During the year, Silver Sparrow Berhad obtained consent from the lenders to utilise proceeds of US$4.94 million in the Sales Proceeds Account and Debt Service Reserve Account ("DSRA") to partially redeem the MTNs. Thereafter, amount equivalent to RM10.0 million (US$2.47 million) (the "Minimum Deposit") is maintained in the DSRA at all times and the amount is disclosed as deposit pledged (refer to Note 23).

In the event the funds in the DSRA falls below the Minimum Deposit, SSB shall within five (5) Business Days from the date of receipt of written notice from the facility agent or upon SSB becoming aware of the shortfall, whichever is earlier, deposit such sums of money into the DSRA to ensure the Minimum Deposit is maintained.

39 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

At a general meeting of the Company held on 23 April 2018, Shareholders voted in favour of the Board's proposals to reject the 2018 Discontinuation Resolution and to continue with the Company's investment policy, for a period of 18 months from the expected date of the 2018 AGM, to enable a realisation of the Company's assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to Shareholders and maximising the realisation value of the Company's investments. The Board believes this will maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company.

To the extent that the Company has not disposed of all of its assets by 31 December 2019, Shareholders will be provided with an opportunity to review the future of the Company, which would include the option for shareholders to vote for the continuation of the Company.

Copies of the Annual Report

Copies of the annual report will be available on the Company's website at **www.aseanaproperties.com** and from the Company's registered office, 12 Castle Street, St. Helier, Jersey, JE2 3RT, Channel Islands.