



**ASEANA PROPERTIES LIMITED**

**ANNUAL REPORT**

**2020**

## CONTENTS

### **3**

Corporate Information

### **4**

Corporate Strategy

### **6**

Chairman's Statement

### **9**

Property Portfolio

### **10**

Performance Summary

### **11**

Financial Review

### **14**

Corporate Social Responsibility

### **16**

Board of Directors

### **19**

Directors' Report

### **26**

Report of Directors' Remuneration

### **28**

Corporate Governance Statement

### **35**

Independent Auditor's Report

## FINANCIAL STATEMENTS

### **43**

Consolidated Statement of  
Comprehensive Income

### **44**

Consolidated Statement of  
Financial Position

### **46**

Consolidated Statement of  
Changes In Equity

### **47**

Consolidated Statement of  
Cash Flows

### **49**

Notes to the Financial Statements

## **CORPORATE INFORMATION**

### **NON-EXECUTIVE CHAIRMAN**

Nicholas Paris

### **NON-EXECUTIVE DIRECTORS**

Thomas Holland

Monica Lai Voon Huey

Christopher Lovell

Helen Wong Siu Ming

### **COMPANY SECRETARY AND REGISTERED OFFICE**

**Apex Financial Services (Secretaries) Limited**

12 Castle Street, St. Helier

Jersey JE2 3RT

Channel Islands

### **WEBSITE**

[www.aseanaproperties.com](http://www.aseanaproperties.com)

### **LISTING DETAILS**

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

### **AUDITOR**

**PKF Littlejohn LLP**

15 Westferry Circus

London E14 4HD

United Kingdom

### **CORPORATE BROKER**

**Liberum Capital Limited**

Ropemaker Place

25 Ropemaker Street

London ECY 9LY

United Kingdom

### **REGISTRAR**

**Computershare Investor Services (Jersey) Limited**

Queensway House

Hilgrove Street, St. Helier

Jersey JE1 1ES

Channel Islands

Tel: +44(0) 370 707 4040

Fax: +44(0) 370 873 5851

## CORPORATE STRATEGY

### KEY FACTS

|                            |   |                                         |
|----------------------------|---|-----------------------------------------|
| Exchange                   | : | London Stock<br>Exchange Main Market    |
| Symbol                     | : | ASPL                                    |
| Lookup                     | : | Reuters - ASPL.L<br>Bloomberg - ASPL:LN |
| Domicile                   | : | Jersey                                  |
| Shares Issued              | : | 212,025,002                             |
| Shares Held<br>in Treasury | : | 13,334,000                              |
| Voting Share<br>Capital    | : | 198,691,002                             |
| Share<br>Denomination      | : | US Dollars                              |
| Admission<br>Date          | : | 5 April 2007                            |

Aseana Properties Limited (“Aseana Properties” or “the Company”) is a London-listed company incorporated in Jersey. The Company and its subsidiary undertakings (together with the “Group”) were focused on property development opportunities in Malaysia and Vietnam.

Following the termination of management agreement between the Company and Ireka Development Management Sdn. Bhd. (“IDM”) on 30 June 2019, the Board had decided to internalise the management of the Company. The Board identified and appointed a Chief Executive Officer to strengthen the capability and capacity of the Board to oversee and manage the operations of the Company. Certain IDM employees were also seconded to the Company to assist with the operation of the assets, and certain services were out-sourced to IDM to carry out the day-to-day administration of the Company. A Divestment Director was nominated from the existing Board with a specific focus to sell the Company’s remaining assets, in line with the Divestment Investment Policy. Following the resignation of the Chief Executive Officer on 17 January 2020, all of his responsibilities were assumed by the Chairman and the Board.

On 31 May 2020, the Company terminated the services agreement with IDM and ceased the staff secondment arrangements from IDM. Since then, the Company had engaged a team of finance professionals directly to run our finances and operations.

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. At a general meeting of the Company held on 28 May 2021, Shareholders voted in favour of the Board’s proposals to reject the 2021 Discontinuation Resolution and enabled the Company to continue to pursue the new divestment strategy rather than placing the Company into liquidation. This will enable the 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.

Shareholders supported the Board’s recommendation to vote against the 2021 Discontinuation Resolution proposed at the general meeting, in order to allow a policy of orderly realisation of the Company’s assets over a period of at least twelve months from the date of the approval of these financial statements for the year ended 31 December 2020 in order to maximise the value of the

Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company. As a result, the Company will hold another discontinuation vote at a general meeting in May 2023, meanwhile the Company continued to seek for disposal of its assets in a measured manner.

To the extent that the Company has not disposed of all of its assets by May 2023, 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.

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 strategy or a change to an alternative strategy.

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

### **INTRODUCTION**

Your Company has continued to be impacted by the COVID-19 pandemic and the movement control orders that were established by the governments of both Malaysia and Vietnam to deal with the growing cases of infections. These controls severely reduced foreign travel into those countries as well as the internal movement of their citizens. The impact on tourism and hospitality related businesses globally was negatively affected similar to our hotels in Kuala Lumpur and Sandakan and on retail businesses like our shopping mall in Sandakan. The impact has been significant and our operating revenues from these assets performed well below planned budget for the year. In addition, our hospital in Vietnam struggled with reduced patient numbers as local citizens opted to defer non-urgent procedures and health tourism by foreign patients was impossible due to the prohibition of foreign visitors.

In response, management cut operating and Group costs and cash outflows as much as possible without affecting operations, however, our assets still delivered operating losses and negative cash flow for the full fiscal year.

The COVID-19 pandemic also adversely impacted our asset divestment plans which had been gathering momentum resulting in a change of strategy to attract prospective buyers in the respective local markets, reducing the universe of buyers. The pandemic affect has resulted in a challenging pricing environment for asset sales.

### **ECONOMIC OVERVIEW**

In 2020, the Malaysian economy contracted by 5.6% because of the impact of COVID-19 pandemic. As of the time of writing this, it is forecasted to rebound by a similar percentage in 2021.

The Vietnamese economy managed to grow by 2.9% in 2020 which was its lowest rate for years but a rare positive growth number in the world. Its National Assembly targets GDP growth of 6% for 2021.

The pandemic situation remains fluid with governments declaring a lock down of their citizenry due to sporadic outbreaks of clusters of infection within their countries. With such a fluid situation, business conditions for the fiscal year ending 2021 will remain challenging.

### **PERFORMANCE REVIEW**

During 2020, the Company recorded a net loss before taxation of US\$13.3 million compared to a net loss before taxation of US\$28.7 million for the previous financial year. The loss was largely due to finance costs of US\$11.2 million, mainly attributable to the financing requirements of the City International Hospital, the International Healthcare Park, the RuMa Hotel & Residences, the Sandakan hotel asset and the Harbour Mall in Sandakan. The Net Loss attributable to equity holders was US\$10.3 million for FY 2020 (2019: US\$27.1 million) and the loss per share was 5.16 US cents (2019: 13.64 US cents). Our NAV per Share as at 31 December 2020 fell to 51 US cents (2019: 55 US cents).

Our net cash outflow for the year was US\$1.7 million (2019: US\$6.5 million) which reflected net cash outflows from operating activities of US\$10.6 million (2019: US\$8.7 million) offset by a cash inflow from investing and financing activities of US\$8.9 million (2019: US\$2.3 million).

## **THE DEMERGER PROPOSAL**

In May 2020, the Board announced plans to demerge approximately 50 per cent of the Company's assets to a number of Participating Shareholders including Ireka Corporation Berhad ("Ireka") and Legacy Essence Limited ("Legacy") who are classified as a Concert Party and who own in aggregate approximately 42% of the Company's shares ("De-merger"). Despite extensive efforts by all parties since then, the De-merger was terminated by your Board in February 2021 as the bankers who had lent money to finance the construction of our shopping mall and hotel in Sandakan and our hospital in Ho Chi Minh City declined to approve the De-merger as it would have resulted in a material impact to their security package.

The De-merger was the means chosen by your Board to recover various debts owed by Ireka to the Company amounting to approximately US\$6.7 million as at the end of 2020 (2019: US\$23 million). We are now seeking to recover these debts from the sale proceeds of The RuMa Hotel and the remaining RuMa Residences which are owned 70% by ASEANA and 30% by Ireka.

The De-merger would have delivered a complete separation of the interests of Ireka and Legacy from our Company. Since this did not happen, the parties are working together to sell all the assets of Aseana in an orderly fashion,

## **OUR ASSET DIVESTMENT PROGRAMME**

The Company has been divesting assets since it came to the end of its initial mandated life in June 2015. Approximately half of the value of the gross assets were then sold by Ireka Development Manager ("IDM") who served as our former Development Manager until their resignation on 30<sup>th</sup> June 2019. In September 2019, Ms Helen Wong who has experience in Asian real estate investments was asked to take on the role of Divestment Director on the Board. She and her team have carried out extensive work since then to improve the saleability of our assets and market them to interested investors. This work was significantly impacted by the COVID-19, but it nevertheless continued, and we are now in sale negotiations on a number of our key assets in both Malaysia and Vietnam.

In July 2020, we sold two of our three plots of undeveloped beachfront land in Kota Kinabalu in Sabah, Malaysia in a transaction for approximately US\$4 million. The transaction is pending final completion.

## **THE NEXT DIS-CONTINUATION VOTE**

Shareholders have been given several opportunities to consider the future of the Company, the next such occasion will be in May 2023.

## **ACKNOWLEDGMENTS**

I became Chairman of the Company upon the retirement of Gerald Ong on 29 July 2020, having previously been a Non-Executive Director. I would like to welcome Thomas Holland who joined the Board on 23 November 2020. Tom is based in Hong Kong and has a wealth of experience in real estate investment and restructuring in Asia, specifically in emerging markets such as Vietnam. I would also like to take this opportunity to thank all of my colleagues on the Board and in our Company as well as

our external advisors and service providers for their tireless efforts on behalf of the Company and its Shareholders.

This has been a very challenging period in the life of our Company but despite the failure to complete the proposed De-merger, I believe that our Company is in a position to survive whilst our revised asset divestment plans are executed. Sale proceeds from divestments will be used to pay down the Company's project related debts and then we will be returning surplus cash direct to our Shareholders.

Thank you.

A handwritten signature in black ink, appearing to read 'NICK PARIS', written over a horizontal line.

**NICK PARIS**  
Chairman

2 August 2021

## PROPERTY PORTFOLIO AS AT 31 DECEMBER 2020

| Project                                                                                                                         | Type                                                             | Effective Ownership | Approximate Gross Floor Area (sq m) | Approximate Land Area (sq m) |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------|-------------------------------------|------------------------------|
| <b>Completed projects</b>                                                                                                       |                                                                  |                     |                                     |                              |
| The RuMa Hotel and Residences<br>Kuala Lumpur, Malaysia                                                                         | Luxury residential tower and bespoke hotel                       | 70.0%               | 40,000                              | 4,000                        |
| Sandakan Harbour Square<br>Sandakan, Sabah, Malaysia                                                                            | Retail lots, hotel and retail mall                               | 100.0%              | 126,000                             | 48,000                       |
| Phase 1: City International Hospital, International Healthcare Park,<br>Ho Chi Minh City, Vietnam                               | Private general hospital                                         | 73.04%              | 48,000                              | 25,000                       |
| <b>Undeveloped projects</b>                                                                                                     |                                                                  |                     |                                     |                              |
| Other developments in International Healthcare Park, Ho Chi Minh City, Vietnam (formerly International Hi-Tech Healthcare Park) | Commercial development with healthcare theme                     | 73.04%              | 972,000                             | 351,000                      |
| Kota Kinabalu Seafront resort & residences                                                                                      | (i) Boutique resort hotel and resort villas<br>(ii) Resort homes | 80.0%               | n/a                                 | 172,900                      |
| <b>Divested projects</b>                                                                                                        |                                                                  |                     |                                     |                              |
| Kota Kinabalu Seafront resort & residences                                                                                      | (i) Boutique resort hotel and resort villas<br>(ii) Resort homes | 100.0%              | n/a                                 | 141,900                      |

## PERFORMANCE SUMMARY

|                                                      | Year ended<br>31 December 2020 | Year ended<br>31 December 2019 |
|------------------------------------------------------|--------------------------------|--------------------------------|
| <b>Total Returns since listing</b>                   |                                |                                |
| Ordinary share price                                 | -68.35%                        | -52.77%                        |
| FTSE All-share index                                 | 14.43%                         | 35.53%                         |
| FTSE 350 Real Estate Index                           | -18.89%                        | 19.30%                         |
| <b>One Year Returns</b>                              |                                |                                |
| Ordinary share price                                 | -30.43%                        | -15.21%                        |
| FTSE All-share index                                 | -7.42%                         | 23.92%                         |
| FTSE 350 Real Estate Index                           | -14.19%                        | 38.78%                         |
| <b>Capital Values</b>                                |                                |                                |
| Total assets less current liabilities (US\$ million) | 156.17                         | 164.02                         |
| Net asset value per share (US\$)                     | 0.51                           | 0.55                           |
| Ordinary share price (US\$)                          | 0.32                           | 0.46                           |
| FTSE 350 Real Estate Index                           | 491.43                         | 602.06                         |
| <b>Debt-to-equity ratio</b>                          |                                |                                |
| Debt-to-equity ratio <sup>1</sup>                    | 139.45%                        | 122.00%                        |
| Net debt-to-equity ratio <sup>2</sup>                | 133.16%                        | 114.80%                        |
| <b>(Loss)/ Earnings Per Share</b>                    |                                |                                |
| Earnings per ordinary share - basic (US cents)       | -5.16                          | -13.64                         |
| - diluted (US cents)                                 | -5.16                          | -13.64                         |

Notes:

<sup>1</sup> Debt-to-equity ratio = (Total Borrowings ÷ Total Equity) x 100%

<sup>2</sup> Net debt-to-equity ratio = (Total Borrowings less Cash and Cash Equivalents ÷ Total Equity) x 100%

## **FINANCIAL REVIEW**

### **INTRODUCTION**

The Group recorded a consolidated comprehensive loss of US\$11.4, million for the financial year ended 31 December 2020, largely due to the finance costs in relation to the City International Hospital, the International Healthcare Park, The RuMa Hotel & Residences, the Sandakan hotel asset and the Harbour Mall in Sandakan.

### **STATEMENT OF COMPREHENSIVE INCOME**

The Group recognised revenue of US\$1.3 million, compared to US\$9.7 million for the previous financial year. Revenue of US\$39.8 million has been deferred until control of sold units in a leaseback program is passed to the buyer.

The Group recorded a net loss before taxation of US\$13.3 million compared to a net loss before taxation of US\$28.7 million for the previous financial year. The loss was largely due to the finance cost in relation to the City International Hospital, the International Healthcare Park, the RuMa Hotel & Residences, the Sandakan hotel asset and the Harbour Mall in Sandakan.

Net loss attributable to equity holders of the parent company was US\$10.3 million, compared to a net loss of US\$27.1 million for the previous financial year. Tax expenses for the year at US\$0.2 million (2019: Tax expenses of US\$1.3 million).

The consolidated comprehensive loss was US\$11.4 million (2019: US\$29.4 million), which included a gain of US\$2.1 million (2019: US\$0.6 million) arising from foreign currency translation differences for foreign operations due to a weakening of the US Dollar against the Ringgit, during the year.

Basic and diluted loss per share were both US cents 5.16 (2019: US cents 13.64).

### **STATEMENT OF FINANCIAL POSITION**

Total assets were US\$270.9 million, compared to US\$270.2 million for the previous year, representing an increase of US\$0.7 million. This was mainly due to an increase of US\$3.3m in trade and other receivables.

Total liabilities were US\$176.4 million, compared to US\$164.4 million for the previous year, representing an increase of US\$12.0 million. This was mainly due to an increase of US\$10.4 million in trade and other payables.

Net Asset Value per share was US\$ 0.51 (31 December 2019: US\$ 0.55).

## **CASH FLOW AND FUNDING**

Cash flow generated from operations before interest and tax paid was US\$1.6 million, compared to cash flow from operation of US\$2.2 million for the previous year.

The Group generated net cash flow of US\$6.9 million from investing activities, compared to US\$2.2 million in the previous year.

The borrowings of the Group undertakings were used to fund property development projects and for working capital. As at 31 December 2020, the Group's gross borrowings stood at US\$91.8 million (31 December 2019: US\$89.8 million). Net debt-to-equity ratio was 91% (31 December 2019: 78%).

Finance income was US\$3.3 million for financial year ended 31 December 2020 (2019: US\$5.79 million) and it included accrued income of US\$0.3 million (2019: US\$3.6 million). Finance costs were US\$11.2 million (2019: US\$9.5 million), which were mostly incurred by its operating assets.

## **EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

Despite extensive efforts by all parties, the bankers who financed the construction of the Group's Sandakan assets (hotel and shopping mall) and hospital in Ho Chi Minh City declined to approve the De-merger as it would have materially impacted their security package. As a result, the De-merger was formally terminated by the Board on 8 February 2021. Since then, the Board turned its focus to divesting all assets of the Group.

On 28 May 2021, shareholders voted to extend the life of the Company by a further two years to May 2023 and a further dis-continuation vote must be put to shareholders by the end of May 2023.

## **DIVIDEND**

No dividend was declared or paid in the financial years 2020 and 2019.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

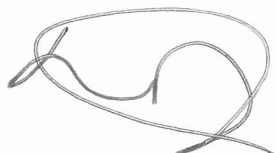
A review of the principal risks and uncertainties facing the Group is set out in the Directors' Report of the Annual Report.

## **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 has been managed by the Board of Directors since the Development Manager resigned as of 30 June 2019 and the Board are closely 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.

**NICK PARIS**  
Director

A handwritten signature in dark ink, consisting of a series of loops and a final horizontal stroke, positioned to the right of the name and title.

2 August 2021

## **CORPORATE SOCIAL RESPONSIBILITY (“CSR”)**

Aseana Properties is committed to making a positive difference in the world, whether it is for the local community or whether it is building a better working environment. The Company believes that being socially and environmentally responsible is good for people, the planet and for business. The following six 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 recognizes 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, with 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 Board works hard to ensure that 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 organized 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 events, roadshows, briefings, conference calls and timely release of annual reports. Aseana Properties also maintains an updated and informative website, [www.aseanaproperties.com](http://www.aseanaproperties.com) that is accessible to stakeholders and members of the public.

### **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 consultants such as 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. Maintaining and sustaining local Malaysian heritage is the essence of the RuMa Hotel so decorative elements like batik prints throughout are recycled from a local batik factory. The Kelelai (a type of bamboo) ornaments and ceiling panels at the pool area of Level 6 of the hotel are cultivated from a dying weaving art by Kelantanese women.

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 recognized green rating tool for buildings to promote sustainability in the building industry.

**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.

## **BOARD OF DIRECTORS**

---

### **NICHOLAS JOHN PARIS**

#### **NON-EXECUTIVE NON-INDEPENDENT CHAIRMAN**

**Nicholas (Nick) John Paris** was re-appointed as a Non-Executive Director of Aseana Properties Limited in September 2019 and became Chairman on 29 July 2020 following the retirement of Gerald Ong. He had previously been a Non-Executive Director of Aseana from 22 June 2015 to 20 March 2019.

Nick is a director of LIM Advisors (London) Limited which is part of an Asian-focused investment management firm, headquartered in Hong Kong. Based in London, he specializes in investing in closed ended investment funds. He graduated from Newcastle University with a Bachelor of Science (Hons) Degree in Agricultural Economics. Nick is a fellow of the Institute of Chartered Accountants England & Wales 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, between 1994 and 2001 he worked at Baring Securities, Peregrine Securities and then Credit Lyonnais Asia Securities. Nick 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 ten years.

Nick is currently Managing Director of Myanmar Investments International Limited (a fund investing in private equity in Myanmar which is traded on the main market of the London Stock Exchange) and a Non-Executive Director of Fondul Proprietatea (a fund investing in private and quoted equity in Romania which is traded on the Bucharest and London Stock Exchanges). He is also a former Non-Executive Director of Global Resources Investment Trust plc (a fund investing in a diverse portfolio of primarily small and mid-capitalization natural resources and mining companies which is traded on the main market of the London Stock Exchange), RDL Realisation PLC (a London listed fund investing in US loan platforms which is traded on the main market of the London Stock Exchange), The India IT Fund Limited (a fund investing in Indian software companies which was listed on the Channel Islands Stock Exchange) and TAU Capital Plc (a fund investing in public and private equity in Kazakhstan which was traded on AIM).

### **THOMAS HOLLAND**

#### **NON-EXECUTIVE INDEPENDENT DIRECTOR**

**Thomas Holland** was appointed as a Non-Executive Director of Aseana Properties Limited on 23 November 2020.

He has been based in Asia for 23 years with experience working in leadership positions in a number of financial firms. Tom has been active in Vietnam since 2006, having led the investments in large real estate developments as well as privatising state owned enterprises. Prior to founding his current platform, Development Finance Asia, a boutique investment firm, Tom was head of Asia for Cube Capital and a senior investment manager for Income Partners Asset Management. Tom has a track record of successfully managing private investments in Vietnam, Malaysia, China, Indonesia, Myanmar, Mongolia and Cambodia.

He holds a number of non-executive director roles for financial services, logistics and consumer companies across Asia and he was appointed to the Board of APU Joint Stock Company (“APU”), Mongolia, on 26 April 2019, and currently holds this position. APU, a fast moving consumer goods company, is the largest company by market capitalisation on the Mongolian Stock Exchange.

**MONICA LAI VOON HUEY**

**NON-EXECUTIVE NON-INDEPENDENT DIRECTOR**

**Monica Lai** was appointed as a Non-Executive Director of Aseana Properties Limited in September 2019.

Monica Lai is the Group Deputy Managing Director of Ireka Corporation Berhad, listed on the Main Board of Bursa Malaysia. She graduated from City University, London with a Bachelor of Science (Hons) Degree in Accountancy and Economics. Monica worked for EY London and KPMG Hong Kong before joining Ireka in 1993. Her professional qualifications include The Institute of Chartered Accountants England & Wales, The Malaysian Institute of Accountants and the Malaysian Institute of Taxation.

**CHRISTOPHER HENRY LOVELL**

**NON-EXECUTIVE INDEPENDENT DIRECTOR**

**Christopher Henry Lovell** was re-appointed as a Non-Executive Director of Aseana Properties in June 2019. He was first appointed as a Non-Executive Director of Aseana Properties in March 2007 and he retired at the 2018 Annual General Meeting as part of the Company’s strategy to reduce its ongoing costs and bring the size of the Board in line with the objectives of the realisation process.

Christopher practised as an English Solicitor in Jersey between 1979 and 2008: he was a partner in the law firm Theodore Goddard from 1983 until 1993 when he set up his own practice. In 2000, he was one of the founding partners of Channel House Trustees Limited, a Jersey regulated trust company which was acquired by Capita Group plc in 2005. He was subsequently appointed as a director of Capita’s regulated trust company.

Christopher has acted as an independent non-executive director for over 20 years and specialises in property holding groups. He is personally registered with the Jersey Financial Services Commission to act as a non-executive director.

**HELEN WONG SIU MING**  
NON-EXECUTIVE INDEPENDENT DIRECTOR

**Helen Wong Siu Ming** was appointed as a Non-Executive Director of Aseana Properties in June 2019. Helen has over 27 years of financial and operational experience in the United States and Asia. She is Chief Executive Officer and founder of LAPIS Global Limited, a Hong Kong based investment management and advisory firm. She was formerly the CEO of Cushman & Wakefield Capital Asia where she established the Asia Investment Management and Investment Banking platform.

In addition, Helen has held numerous executive positions including Chief Operating Officer of Lazard Asia Investment Management HK Limited, Managing Director of IFIL Asia (renamed EXOR S.p.A), where she was responsible for the Asian direct investment activities and Chief Financial Officer of the Singapore listed investment vehicle, Pacific Century Regional Developments Limited.

Helen also has extensive experience in infrastructure and transport through her prior roles at the Provisional Airport Authority, Hong Kong and the Port Authority of New York & New Jersey.

## **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of Aseana Properties Limited (the “Company”) and its subsidiary undertakings (together with the “Group”) for the year ended 31 December 2020.

## **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 assets in Malaysia and Vietnam. It is currently carrying out its divestment program which consists of selling the group's assets, repaying its debts and distributing the remaining proceeds to its shareholders.

## **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The consolidated statement of comprehensive income for the year is set out on page 43. A review of the development and performance of the business has been set out in the Chairman's Statement, the Director'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. At a general meeting of the Company held on 28 May 2021, Shareholders voted in favour of the Board's proposals to reject the 2021 Discontinuation Resolution and enabled the Company to continue to pursue the new divestment strategy rather than placing the Company into liquidation. This will enable the 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.

Shareholders supported the Board's recommendation to vote against the 2021 Discontinuation Resolution proposed at the general meeting, in order to allow a policy of orderly realisation of the Company's assets over a period of at least twelve months from the date of the finalisation of 2020 audit report in order to maximise the value of the Company's assets and returns to Shareholders, both up to and upon the eventual liquidation of the Company. As a result, the Company will hold another discontinuation vote at a general meeting in May 2023, meanwhile the Company continued to seek for disposal of its assets in a measured manner.

To the extent that the Company has not disposed of all of its assets by May 2023, 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            | The COVID-19 pandemic led to movement controls in both Malaysia and Vietnam from March 2020 onwards which affected our key properties as our two hotels had to be closed, only food operations were permissible at our shopping mall and patient bookings at our hospital decreased. There can be no certainty as to how quickly operations at these properties can be resumed and what overall effect this will have on our revenues, costs and valuations. Failure of the Company's accounting system and disruption to the business, or to that of 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 Company 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.                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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 32 to 33.

## RESULTS AND DIVIDENDS

The results for the year ended 31 December 2020 are set out in the attached financial statements.

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

## SHARE CAPITAL

No shares were issued in 2020. 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:

- Nicholas John Paris - Chairman
- Thomas Holland
- Monica Lai Voon Huey
- Christopher Henry Lovell
- Helen Wong Siu Ming

On 29 July 2020, Gerald Ong resigned as Board Chairman of Aseana and Nicholas Paris assumed the role with immediate effect. On 23 November 2020, Thomas Holland was appointed as an independent Non-Executive Director.

## DIRECTORS' INTERESTS

The interests of the directors in the Company's shares as at 31 December 2020 and as at the date of this report were as follows:

| DIRECTOR                 | ORDINARY SHARES OF US\$0.05 EACH |                   |
|--------------------------|----------------------------------|-------------------|
|                          | As at 31 Dec 2019                | As at 31 Dec 2020 |
| Gerald Ong Chong Keng    | 2,108,467                        | 2,108,467         |
| Nicholas John Paris      | 36,654,192                       | 36,654,192        |
| Christopher Henry Lovell | 48,000                           | 48,000            |
| Monica Lai Voon Huey     | 82,465,876                       | 82,465,876        |

Notes: Nicholas John Paris is associated with the holdings of clients of LIM Advisors Limited. Monica Lai Voon Huey is associated with the holdings of Ireka Corporation Berhad and Legacy Essence Limited.

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

Following the resignation and termination of the management agreement between the Company and Ireka Development Management Sdn. Bhd. on 30 June 2019, the Board had internalised the

management of the Company. The Board identified and appointed a Chief Executive Officer to strengthen the capability and capacity of the Board to oversee and manage the operations of the Company. Certain IDM employees were seconded to the Company to assist with the operation of the assets, and certain services were out-sourced to IDM to carry out the day-to-day administration of the Company. Ms Helen Wong was nominated as the Divestment Director with a specific focus to sell the Company's remaining assets, in line with the Divestment Investment Policy. Following the resignation of the Chief Executive Officer on 17 January 2020, all of his responsibilities were assumed by the Chairman and the Board.

On 31 May 2020, the Company terminated the services agreement with IDM and ceased the staff secondment arrangements from IDM. Since then, the Company has engaged a team of finance professionals directly to run our finances and operations.

## **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 as at 31 December 2020:

|                                                | <b>NUMBER OF<br/>ORDINARY<br/>SHARES HELD</b> | <b>PERCENTAGE OF<br/>ISSUED SHARE<br/>CAPITAL</b> |
|------------------------------------------------|-----------------------------------------------|---------------------------------------------------|
| Ireka Corporation Berhad.                      | 45,837,504                                    | 23.07%                                            |
| Legacy Essence Limited and its related parties | 36,628,282                                    | 18.43%                                            |
| LIM Advisors                                   | 36,654,192                                    | 18.45%                                            |
| SIX SIS                                        | 18,366,118                                    | 9.24%                                             |
| Progressive Capital Partners                   | 14,393,372                                    | 7.24%                                             |
| Dr. Thong Kok Cheong                           | 12,775,532                                    | 6.43%                                             |
| Credit Suisse                                  | 12,024,891                                    | 6.05%                                             |

## **EMPLOYEES**

The Company had no executive Directors during the year, and a team of four finance professionals were engaged to run our finances and operations. The subsidiaries of the Group had a total of 620 employees as at 31 December 2020, of which 23, 382 and 211 were employed by (i) the Sandakan hotel asset and Harbour Mall Sandakan, (ii) City International Hospital and Hoa Lam Shangri-La Healthcare in Ho Chi Minh City and (iii) The RuMa Hotel and Residences in Kuala Lumpur respectively.

## **GOING CONCERN**

As the Group had not disposed of all of its assets by May 2021, the shareholders were provided a further opportunity to review the future of the Group, including a shareholder vote on the discontinuation of the Company. The Board procured at a general meeting of the Company held in May 2021, an ordinary resolution that the company continue until May 2023 at which time a continuation vote will be had by shareholders. In connection with, or at the same time as, the proposal that the

Company be wound up voluntarily the Board shall be entitled to make proposals for the reconstruction of the Company. Until then, the Company will continue to seek to dispose of its assets in a measured manner.

As disclosed in Note 2.1 to the financial statements, it refers to the assumptions made by the Directors including the uncertainty regarding the divestment of certain assets will be completed as planned and the loans and borrowing can be discharged in a timely manner when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

## **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 2020 amounted to 505 days (2019: 199 days) of property development cost and interest expenses accrued by the Group.

## **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' 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 applicable law and regulations. Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these 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 IFRSs; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. 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 Company'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 financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the sections of this Report, including the Chairman's Statement, Director'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**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he is obliged to take as a Director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

## **RE-APPOINTMENT OF AUDITOR**

The auditor, PKF Littlejohn 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 and Nomination & Remuneration Committee is included in the Corporate Governance section of the Annual Report on pages 30 to 32.

## ANNUAL GENERAL MEETING

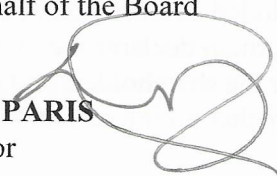
The tabling of the 2020 Annual Report and Financial Statements to shareholders will be at an Annual General Meeting (“AGM”) to be held on 1 September 2021.

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

**NICK PARIS**

Director

A handwritten signature in black ink, appearing to be 'NICK PARIS', written over the printed name and title.

2 August 2021

## REPORT OF DIRECTORS' REMUNERATION

### DIRECTORS' EMOLUMENTS

The Company has no executive Directors, with a few employees who are mainly focused on the divestment process. The Nomination & Remuneration Committee ("NRC") 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 NRC 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.

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

| Directors                                                   | Year ended<br>31 December 2020<br>(US\$) | Year ended<br>31 December 2019<br>(US\$) |
|-------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Nicholas John Paris<br>(Chairman of the Board) <sup>1</sup> | 58,902                                   | 15,255                                   |
| Helen Wong Siu Ming<br>(Chairman of the Audit Committee)    | 67,270                                   | 40,197                                   |
| Gerald Ong Chong Keng <sup>2</sup>                          | 17,404                                   | 53,288                                   |
| Mohammed Azlan Hashim                                       | -                                        | 21,875                                   |
| Christopher Henry Lovell                                    | 41,918                                   | 28,142                                   |
| Monica Lai Voon Huey                                        | 42,000                                   | 15,255                                   |
| Thomas Holland <sup>3</sup>                                 | 5,299                                    | -                                        |
| Richard Michael Boleat                                      | -                                        | 12,033                                   |
| Ferheen Mahomed                                             | -                                        | -                                        |

<sup>1</sup> Nicholas John Paris became Chairman of the Board on 29 July 2020.

<sup>2</sup> Gerald Ong Chong Keng was the Chairman of the Board w.e.f. 1 June 2019 until his retirement on 29 July 2020.

<sup>3</sup> Thomas Holland was appointed on 23 November 2020.

### SHARE OPTIONS

The Company did not operate any share option schemes during the years ended 31 December 2020 and 2019.

## SHARE PRICE INFORMATION

- High for the year - US\$0.46
- Low for the year - US\$0.32
- Close for the year - US\$0.32

## 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.



**CHRISTOPHER LOVELL**

Chairman of the Nomination & Remuneration Committee

2 August 2021

## **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 five non-executive directors, including the non-executive Chairman.

The brief biographies of the following Directors appear on pages 16 to 18 of the Annual Report 2020:

- Nicholas John Paris (Non-Executive Chairman)
- Thomas Holland
- Monica Lai Voon Huey
- Christopher Lovell
- Helen Wong Siu Ming

Gerald Ong retired from the Board and as the Non-Executive Chairman on 29 July 2020 and Nicholas Paris was appointed as Non-Executive Chairman in his place. Thomas Holland was appointed as a Non-Executive Director on 23 November 2020.

The Board appointed a Chief Executive Officer to strengthen the capability and capacity of the Board to oversee and manage the operations of the Company, with certain employees from Ireka Development Management Sdn. Bhd. (“IDM”), the former Development Manager, seconded to the Company to assist with the operation of the assets, and certain services were out-sourced to IDM to carry out the day-to-day administration of the Company. Ms Helen Wong was nominated as the Divestment Director with a specific focus to sell the Company’s remaining assets, in line with the Divestment Investment Policy. Following the resignation of the Chief Executive Officer on 17 January 2020, all of his responsibilities were assumed by the Chairman and the Board.

On 31 May 2020, the Company terminated the services agreement with IDM and ceased the staff secondment arrangements from IDM. Since then, the Company has engaged a team of finance professionals directly to run the finances and operations.

### **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 Board has adopted a divestment strategy since 2015.

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 (4) times a year and at such other times as the Chairman shall require. During the year ended 31 December 2020, the Board met fourteen (14) times and their respective attendance are as follows:

| <u>Name of Directors</u>                                           | <u>Attendance</u> |
|--------------------------------------------------------------------|-------------------|
| Gerald Ong Chong Keng ( <i>resigned w.e.f 29 July 2020</i> )       | 5/5               |
| Helen Wong Siu Ming ( <i>appointed w.e.f. 17 June 2019</i> )       | 14/14             |
| Christopher Henry Lovell ( <i>appointed w.e.f. 1 June 2019</i> )   | 14/14             |
| Nicholas John Paris ( <i>reappointed w.e.f. 7 September 2019</i> ) | 14/14             |
| Thomas Holland ( <i>appointed w.e.f 23 November 2020</i> )         | 4/4               |
| Monica Lai Voon Huey ( <i>appointed w.e.f. 7 September 2019</i> )  | 14/14             |

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 Company Secretary and advisers, who are responsible to the Board on matters of corporate governance, board procedures and regulatory compliance.

## **BOARD BALANCE AND INDEPENDENCE**

Following the resignation of our former Development Manager as of 30 June 2019, ASEANA has been a self-managed company. The Board consists solely of non-executive directors of which Nicholas Paris is the non-executive Chairman. Monica Lai is a representative of Legacy Essence Limited and Ireka Corporation Berhad, Nicholas Paris is the representative of LIM Advisors Limited, and they are therefore classified as Non-Independent Non-Executive Directors of the Company. The Board considers the majority of 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. During 2020, 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 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 18 August 2020, Monica Lai and Nicholas Paris retired, having been newly appointed and Christopher Lovell retired by rotation and each of them offered themselves for re-election by the shareholders. All of these Directors were re-elected at the AGM.

At the forthcoming Annual General Meeting, Thomas Holland will be offering himself for re-election having recently been appointed, and Nicholas Paris and Helen Wong will be retiring by rotation and offering themselves for re-election.

## BOARD COMMITTEES

The Board has established Audit and Nomination & Remuneration 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 currently chaired by Helen Wong. The other members are Christopher Lovell and Thomas Holland. Nick Paris resigned as a member on 1 December 2020 and Thomas Holland replaced him. The Committee members have no links with the Company's external auditor and Helen Wong, Thomas Holland and Christopher Lovell are independent Directors. 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.

## MEETINGS OF THE AUDIT COMMITTEE

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 six times during the year and their respective attendance are as follows:

| <u>Name</u>                                                    | <u>Attendance</u> |
|----------------------------------------------------------------|-------------------|
| Helen Wong Siu Ming                                            | 6/6               |
| Christopher Henry Lovell                                       | 6/6               |
| Nicholas John Paris ( <i>Resigned on 1 December 2020</i> )     | 6/6               |
| Thomas Holland ( <i>Appointed w.e.f from 1 December 2020</i> ) | 6/6               |

Representatives of the auditor 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;
- 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 ending 31 December 2020, 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 & REMUNERATION COMMITTEE**

The Nomination & Remuneration Committee is chaired by Christopher Lovell. The other committee members are Monica Lai Voon Huey and Nicholas Paris. The Committee meets annually and at any such times as the Chairman of the Nomination & Remuneration 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 & Remuneration Committee.

During the year ended 31 December 2020, the Nomination & Remuneration Committee carried out its functions as set out in its terms of reference which are summarised below:

- 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;
- considering any matter relating to the continuation in office of any Director at any time;
- determining and agreeing with the Board the framework for the remuneration of the Directors; and
- setting the remuneration for all Directors.

## **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, 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 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, 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, PKF Littlejohn LLP who had been appointed on 6 October 2020.

Pursuant to audit and ethical standards, the auditor is required to assess and confirm to the Board their independence, integrity and objectivity. The Auditor had carried out this assessment and considered themselves to be independent, objective and in compliance with the Ethical Standard for Auditors published by the UK Financial Reporting Council and the Code of Ethics issued by the Institute of Chartered Accountants in England and Wales.

## **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, assurance against material misstatement or loss.

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 employees of the Company, 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 Company has 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 senior management and employees. Compliance reviews are 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 Chairman and certain members of its senior management as the principal spokespersons 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. 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](http://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 2020 AGM, either in person or by telephone, which was held on 18 August 2020 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



**NICK PARIS**  
Director

2 August 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASEANA PROPERTIES LIMITED**

### **Qualified opinion**

We have audited the financial statements of Aseana Properties Limited and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Basis for qualified opinion**

As a result of the movement restrictions imposed throughout Malaysia due to COVID-19, we were unable to obtain sufficient audit evidence in relation to the following audit areas.

- Bank confirmations for two bank accounts with a total cash amount of US\$426k.
- Post year end general ledgers and bank statements for subsequent events review.

Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Material uncertainty related to going concern

We draw attention to note 2.1 in the financial statements, which indicates that the success of the group relies on the repayment, re-negotiation and/or continuance of significant value of borrowings including medium terms loan notes which are due to expire in the twelve months from 31 December 2020.

As at 31 December 2020, the group's loans and borrowings and medium term notes amounted to US\$92 million, of which US\$30 million of loans and borrowings are due for repayment as at 31 December 2021, and US\$42 million medium term notes have a final expiry date of December 2021. The directors had expected to repay the borrowings through the de-merger plan and sale of group's various group assets in Malaysia and Vietnam.

In February 2021, the group announced that its de-merger plan can no longer take place as a result of the failure to secure the required approval from the banking syndicates who had lent the funds for the construction of two of the Company's investments, the hospital in Vietnam and the hotel and shopping mall in Sandakan, Malaysia.

Subsequent interests have been generated from prospective buyers. The impact of COVID-19 meant that movement restrictions were imposed throughout Malaysia from March 2020 and foreign travel into and out of Vietnam was also prohibited which negatively affected sales efforts. Therefore, there is no certainty that the sale of the assets will be completed as planned and the loans and borrowings and medium term notes can be repaid in a timely manner.

As stated in note 2.1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included a review of management's assessment of the going concern status of the group, including a cash flow forecast for the twelve months from the anticipated approval of the group financial statements. Our audit procedures included checking the integrity of the underlying formulas and calculations within the going concern model; and reviewing the reasonableness of the key assumptions used by the directors to prepare the cash flow forecast and consideration of the impact of COVID-19.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

|                         |                                                                                         |
|-------------------------|-----------------------------------------------------------------------------------------|
|                         | Group financial statements                                                              |
| Overall materiality     | US\$1,900,000                                                                           |
| Performance materiality | US\$1,235,000                                                                           |
| Basis of materiality    | 0.7% of gross assets                                                                    |
| Rationale               | A key determinant of the group's value is property assets held within inventory. Due to |

|  |                                                                                                                                                                                                                                                                        |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | this, the key area of focus in the audit is the valuation of inventory. On this basis, we consider gross assets to be a critical financial performance measure for the group on the basis that it is a key metric used by management, investors, analysts and lenders. |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between US\$50,000 and US\$750,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$95,000 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Our approach to the audit**

As part of designing our audit, we determined materiality and assessed risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimate and judgment by the directors and considered future events that are inherently uncertain such as the carrying value of inventory. We also addressed the risk of management override of controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The group has thirteen trading companies consolidated within in the group financial statements, nine of which are based in Malaysia and four based in Vietnam. We identified ten significant components, which were subject to a full scope of audit by PKF network firms in Malaysia and Vietnam. We were not able to visit PKF network firms in order to carry out audit file reviews due to the COVID travel restrictions in place, instead, we reviewed component audit working papers electronically. In addition to this, significant components were subject to audits under our direction and supervision.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 addition to the matter described in the basis for qualified opinion section and the material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | How our scope addressed this matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Carrying value of inventory</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>Refer to note 21 Inventory.</p> <p>The group owns a portfolio of land held for property development and completed property units in Malaysia and Vietnam held for sale. The total carrying value of inventory for the group was US\$237.3 million.</p> <p>Inventory amounted to US\$231 million were valued by third party valuers C H Williams Talhar &amp; Wong Sdn Bhd ("CBRE WTW"), Knight Frank Malaysia Sdn Bhd ("Knight Frank"), JLL and Dong Dong Appraisal and Investment Consultant Joint Stock Company (together "the valuers") who are engaged by the directors.</p> <p>The valuers have included a material valuation uncertainty clause in their valuation reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of inventory.</p> <p>The valuation report issued by Knight Frank dated 10<sup>th</sup> March 2021 shows a write down of US\$15.7 million in the carrying value of Sandakan Harbour Square located in Malaysia, a 26% discount from their valuation report issued on 5<sup>th</sup> March 2020. Management believe Knight Frank has taken into account the negative effects of the COVID-19 pandemic and therefore only reflects a "snapshot in time". In the directors' opinion the value in an orderly sales process is equal to or in excess of its current carrying value. As such, no impairment is recognised.</p> <p>Valuation reports issued by CBRE WTW, JLL and Dong Dong Appraisal and Investment Consultant Joint Stock Company in March 2021 have no indication of impairment of the carrying value of inventory. However, in directors' opinion, the previous valuation reports issued in January to March 2020 reflect fair market value of inventory. Therefore, directors placed reliance on the valuation report issued for prior period and disclosed key assumption and sensitivity analysis accordingly in note 21.</p> | <p>We performed testing of the inventory valuation and critically assessed the key assumptions and estimates made. The procedures performed were summarised below:</p> <p>Assessed the valuers' qualifications and expertise and read their terms of engagement with the group to determine whether there are matters that might have affected their objectivity or may have imposed scope of limitations upon their work. We also considered fees and other contractual arrangements that might exist between the group and the valuers. We found no evidence to suggest that the objectivity of the valuers was compromised.</p> <p>Read all valuation reports including workings which support the net realisable value assessment of inventory.</p> <p>Tested the underlying data used by the valuers in forming their valuation including benchmarking, validating key assumptions to supporting third party evidence or market activity and considering contrary evidence.</p> <p>Assessed and challenged the key estimates and assumptions used in the valuation methodology, noted and performed analysis on changes from prior year where relevant.</p> <p>Evaluated a range of key estimates and assumptions used in the valuations and profit and cash flow forecasts.</p> <p>In respect of the valuation on The RuMa Hotel &amp; Residences carried out by CBRE WTW, we were unable to perform the above audit procedures due to not being able to obtain some of the underlying data used by CBRE WTW in forming their valuation due to the impact of COVID-19 movement restrictions imposed throughout Malaysia. A Letter of Intent was provided by management to us which indicate a potential sale price that is higher than the carrying value of The RuMa Hotel. At the date of this report no legally binding contract has been entered into.</p> <p>In respect of the valuation of Sandakan Harbour Square carried out by Knight Frank,</p> |

A parcel of land located in Kota Kinabulu, Sabah in Malaysia with a carrying value of US\$6.6 million as at 31 December 2020 was not valued by any third party valuer.

In addition to this, and consistent with the market conditions observed, we note there continued to be a higher level of judgement associated with certain asset valuations, notably those with a significant retail and hospitality element. COVID-19 further increased judgment in relation to assumptions around:

- occupier demand and solvency;
- asset liquidity; and
- the relative impact on the different sectors including retail, hospitality and leisure.

In determining the carrying value of inventory, the valuers take into account property specific information such as the current lease agreements and occupancy rates. They apply assumptions for yields and expected future income growth rates, which are influenced by prevailing market yields and comparable market transactions, to arrive at final valuation.

The valuation of inventory requires significant judgment and estimation by management and their valuers. Inaccuracies in inputs or unreasonable bases used in these judgements could result in a material misstatement in the financial statements. There is also a risk that management may influence the significant judgments and estimates in respect of inventory valuations in order to meet market expectations.

The wider challenges currently facing the property markets as a result of COVID-19 further contributed to the subjectivity for the year ended 31 December 2020. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.

we were unable to perform the above audit procedures due to not being able to obtain some of the underlying data used by Knight Frank in forming their valuation due to the impact of COVID-19 movement restrictions imposed throughout Malaysia.

No audit procedures were carried out in respect of valuation reports issued for the comparative period as no underlying information was provided. due to the impact of COVID-19 movement restrictions imposed throughout Malaysia.

In respect of the land located in Kota Kinabulu, Sabah in Malaysia with a carrying value of US\$6.6 million as at 31 December 2020 where no third party valuation has been carried out, we performed a sensitivity analysis based on the selling price of two adjacent parcels of lands disposed in July 2020. Our analysis showed a potential impairment of US\$1 million. This impairment is not recognised in the financial statements as directors believe the land will be sold more than its current carrying value.

Except for the issues identified in relation to The RuMa Hotel & Residences, Sandakan Harbour Square and land located in Kota Kinabulu, Sabah, we concluded that the assumptions used in the valuations by the valuers were supportable in light of the evidence obtained and the disclosures in relation to the material uncertainty within the valuation reports are sufficient and appropriate to highlight the increased estimation uncertainty as a result of COVID-19.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning some audit areas. We have concluded that a material misstatement of the other information could exist.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the directors' report the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions

with management, industry research, application of cumulative audit knowledge and experience of the sector. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including significant component audit teams, and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit.

- We determined the principal laws and regulations relevant to the group in this regard to be those arising from:
  - o The Companies (Jersey) Law 1991
  - o Disclosure and Transparency Rules
  - o The Bribery Act 2010
  - o Market Abuse Regulations
  - o Anti Money Laundering Legislation
  - o Local Tax and Employment Law
  - o International Financial Reporting Standards (“IFRSs”) as adopted by European Union (“EU”)
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to:
  - o Making enquiries of management,
  - o Reviewing of minutes,
  - o Reviewing of accounting ledgers; and
  - o Reviewing of RNS announcements
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and reviewing transactions through bank statements to identify potentially large and unusual transactions that do not appear to be in line with our understanding of the business operations. Aside from the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 6 October 2020. 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.

A handwritten signature in black ink, appearing to read 'M Ling', with a stylized flourish at the end.

**Mark Ling (Engagement partner)**  
**For and on behalf of PKF Littlejohn LLP**  
**Registered Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

2 August 2021

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

| <b>Continuing activities</b>                                                       | <b>Notes</b> | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|------------------------------------------------------------------------------------|--------------|--------------------------|--------------------------|
| Revenue                                                                            | 5            | 1,329                    | 9,725                    |
| Cost of sales                                                                      | 6            | (950)                    | (29,799)                 |
| <b>Gross profit/(loss)</b>                                                         |              | <b>379</b>               | <b>(20,074)</b>          |
| Other income                                                                       | 7            | 18,271                   | 26,989                   |
| Administrative expenses                                                            |              | (1,658)                  | (1,122)                  |
| Management fees                                                                    | 9            | -                        | (1,157)                  |
| Other operating expenses                                                           |              | (20,657)                 | (29,859)                 |
| Loss on disposal of subsidiaries                                                   |              | (784)                    | -                        |
| Foreign exchange (loss)/gain                                                       | 8            | (1,051)                  | 287                      |
| Operating loss                                                                     |              | (5,500)                  | (24,936)                 |
| Finance income                                                                     |              | 3,323                    | 5,793                    |
| Finance costs                                                                      |              | (11,152)                 | (9,514)                  |
| Net finance costs                                                                  | 11           | (7,829)                  | (3,721)                  |
| <b>Net loss before taxation</b>                                                    | 12           | <b>(13,329)</b>          | <b>(28,657)</b>          |
| Taxation                                                                           | 13           | (187)                    | (1,349)                  |
| <b>Loss for the year</b>                                                           |              | <b>(13,516)</b>          | <b>(30,006)</b>          |
| <b><i>Other comprehensive income/(loss), net of tax</i></b>                        |              |                          |                          |
| <b><i>Items that are or may be reclassified subsequently to profit or loss</i></b> |              |                          |                          |
| Foreign currency translation differences<br>for foreign operations                 | 14           | 2,078                    | 615                      |
| <b>Total other comprehensive<br/>income for the year</b>                           | 14           | <b>2,078</b>             | <b>615</b>               |
| <b>Total comprehensive loss<br/>for the year</b>                                   |              | <b>(11,438)</b>          | <b>(29,391)</b>          |
| <b>Loss attributable to:</b>                                                       |              |                          |                          |
| Equity holders of the parent company                                               | 15           | (10,260)                 | (27,106)                 |
| Non-controlling interests                                                          | 16           | (3,256)                  | (2,900)                  |
| <b>Loss for the year</b>                                                           |              | <b>(13,516)</b>          | <b>(30,006)</b>          |
| <b>Total comprehensive loss attributable to:</b>                                   |              |                          |                          |
| Equity holders of the parent company                                               |              | (8,371)                  | (26,485)                 |
| Non-controlling interests                                                          |              | (3,067)                  | (2,906)                  |
| <b>Total comprehensive loss for the year</b>                                       |              | <b>(11,438)</b>          | <b>(29,391)</b>          |
| <b>Loss per share</b>                                                              |              |                          |                          |
| <b>Basic and diluted (US cents)</b>                                                | 15           | <b>(5.16)</b>            | <b>(13.64)</b>           |

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

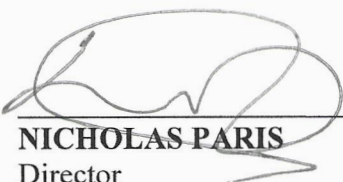
# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

|                                         | Notes | 2020<br>US\$'000 | 2019<br>US\$'000 |
|-----------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>               |       |                  |                  |
| Property, plant and equipment           | 17    | 565              | 620              |
| Intangible assets                       | 18    | 4,097            | 4,097            |
| Right of use                            | 19    | 160              | 544              |
| Deferred tax assets                     | 20    | 5,111            | 5,066            |
| <b>Total non-current assets</b>         |       | <b>9,933</b>     | <b>10,327</b>    |
| <b>Current assets</b>                   |       |                  |                  |
| Inventories                             | 21    | 237,394          | 238,863          |
| Trade and other receivables             | 22    | 16,211           | 12,902           |
| Prepayments                             |       | 415              | 524              |
| Current tax assets                      |       | 956              | 3                |
| Cash and cash equivalents               | 23    | 5,948            | 7,615            |
| <b>Total current assets</b>             |       | <b>260,924</b>   | <b>259,907</b>   |
| <b>TOTAL ASSETS</b>                     |       | <b>270,857</b>   | <b>270,234</b>   |
| <b>Equity</b>                           |       |                  |                  |
| Share capital                           | 24    | 10,601           | 10,601           |
| Share premium                           | 25    | 208,925          | 208,925          |
| Capital redemption reserve              | 26    | 1,899            | 1,899            |
| Translation reserve                     | 27    | (19,655)         | (21,644)         |
| Accumulated losses                      |       | (100,433)        | (90,135)         |
| <b>Shareholders' equity</b>             |       | <b>101,337</b>   | <b>109,646</b>   |
| Non-controlling interests               | 16    | (6,877)          | (3,848)          |
| <b>Total equity</b>                     |       | <b>94,460</b>    | <b>105,798</b>   |
| <b>Non-current liabilities</b>          |       |                  |                  |
| Trade and other payable                 | 28    | 39,789           | 39,253           |
| Loans and borrowings                    | 30    | 21,926           | 18,968           |
| <b>Total non-current liabilities</b>    |       | <b>61,715</b>    | <b>58,221</b>    |
| <b>Current liabilities</b>              |       |                  |                  |
| Trade and other payables                | 28    | 33,300           | 23,549           |
| Amount due to non-controlling interests | 29    | 11,371           | 10,587           |
| Loans and borrowings                    | 30    | 29,811           | 34,713           |
| Medium term notes                       | 31    | 40,200           | 36,142           |
| Current tax liabilities                 |       | -                | 1,224            |
| <b>Total current liabilities</b>        |       | <b>114,682</b>   | <b>106,215</b>   |
| <b>Total liabilities</b>                |       | <b>176,397</b>   | <b>164,436</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |       | <b>270,857</b>   | <b>270,234</b>   |

The financial statements were approved on  
Board and were signed on its behalf by

2 August 2021

and authorised for issue by the



---

**NICHOLAS PARIS**

Director

---

**HELEN SIU MING WONG**

Director

2 August 2021

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

The financial statements were approved on  
Board and were signed on its behalf by

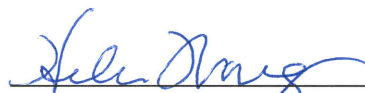
2 August 2021

and authorised for issue by the

---

**NICHOLAS PARIS**

Director



---

**HELEN SIU MING WONG**

Director

2 August 2021

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

| <b>Consolidated</b>                                          | <b>Redeemable<br/>Ordinary<br/>Shares<br/>US\$'000</b> | <b>Management<br/>Shares<br/>US\$'000</b> | <b>Share<br/>Premium<br/>US\$'000</b> | <b>Capital<br/>Redemption<br/>Reserve<br/>US\$'000</b> | <b>Translation<br/>Reserve<br/>US\$'000</b> | <b>Accumulated<br/>Losses<br/>US\$'000</b> | <b>Total Equity<br/>Attributable<br/>to Equity<br/>Holders of the<br/>Parent<br/>US\$'000</b> | <b>Non-<br/>Controlling<br/>Interests<br/>US\$'000</b> | <b>Total Equity<br/>US\$'000</b> |
|--------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------|---------------------------------------|--------------------------------------------------------|---------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------|
| Balance at 1 January 2019                                    | 10,601                                                 | -                                         | 208,925                               | 1,899                                                  | (22,265)                                    | (63,005)                                   | 136,155                                                                                       | (966)                                                  | 135,189                          |
| Changes in ownership interests in subsidiaries (Note 32)     | -                                                      | -                                         | -                                     | -                                                      | -                                           | (24)                                       | (24)                                                                                          | 24                                                     | -                                |
| Non-controlling interests contribution                       | -                                                      | -                                         | -                                     | -                                                      | -                                           | -                                          | -                                                                                             | -                                                      | -                                |
| Loss for the year                                            | -                                                      | -                                         | -                                     | -                                                      | -                                           | (27,106)                                   | (27,106)                                                                                      | (2,900)                                                | (30,006)                         |
| Total other comprehensive loss for the year                  | -                                                      | -                                         | -                                     | -                                                      | 621                                         | -                                          | 621                                                                                           | (6)                                                    | 615                              |
| Total comprehensive loss for the year                        | -                                                      | -                                         | -                                     | -                                                      | 621                                         | (27,106)                                   | (26,485)                                                                                      | (2,906)                                                | (29,391)                         |
| As at 31 December 2019/ 1 January 2020                       | 10,601                                                 | -                                         | 208,925                               | 1,899                                                  | (21,644)                                    | (90,135)                                   | 109,646                                                                                       | (3,848)                                                | 105,798                          |
| Impact of change in accounting policy (Note 36)              | -                                                      | -                                         | -                                     | -                                                      | -                                           | -                                          | -                                                                                             | -                                                      | -                                |
| <b>Adjusted balance at 31 December 2019 / 1 January 2020</b> | <b>10,601</b>                                          | <b>-#</b>                                 | <b>208,925</b>                        | <b>1,899</b>                                           | <b>(21,644)</b>                             | <b>(90,135)</b>                            | <b>109,646</b>                                                                                | <b>(3,848)</b>                                         | <b>105,798</b>                   |
| Changes in ownership interests in subsidiaries (Note 32)     | -                                                      | -                                         | -                                     | -                                                      | -                                           | (38)                                       | (38)                                                                                          | 38                                                     | -                                |
| Non-controlling interests contribution                       | -                                                      | -                                         | -                                     | -                                                      | -                                           | -                                          | -                                                                                             | -                                                      | -                                |
| Loss for the year                                            | -                                                      | -                                         | -                                     | -                                                      | -                                           | (10,260)                                   | (10,260)                                                                                      | (3,256)                                                | (13,516)                         |
| Total other comprehensive loss for the year                  | -                                                      | -                                         | -                                     | -                                                      | 1,889                                       | -                                          | 1,889                                                                                         | 189                                                    | 2,078                            |
| Total comprehensive loss for the year                        | -                                                      | -                                         | -                                     | -                                                      | 1,889                                       | (10,260)                                   | (8,371)                                                                                       | (3,067)                                                | (11,428)                         |
| Disposal of subsidiaries                                     | -                                                      | -                                         | -                                     | -                                                      | 100                                         | -                                          | 100                                                                                           | -                                                      | 100                              |
| <b>Shareholders' equity at 31 December 2020</b>              | <b>10,601</b>                                          | <b>-#</b>                                 | <b>208,925</b>                        | <b>1,899</b>                                           | <b>(19,655)</b>                             | <b>(100,433)</b>                           | <b>101,337</b>                                                                                | <b>(6,877)</b>                                         | <b>94,460</b>                    |

# Represents 2 management shares at US\$0.05 each

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 2020**

|                                                                      | <b>2020</b>     | <b>2019</b>     |
|----------------------------------------------------------------------|-----------------|-----------------|
|                                                                      | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>Cash Flows from Operating Activities</b>                          |                 |                 |
| Net loss before taxation                                             | (13,329)        | (28,657)        |
| Finance income                                                       | (3,323)         | (5,793)         |
| Finance costs                                                        | 11,151          | 9,514           |
| Loss on disposal of subsidiaries                                     | 784             | -               |
| Unrealised foreign exchange gain                                     | (546)           | (292)           |
| Write down/Impairment of goodwill                                    | -               | 51              |
| Depreciation of property, plant and equipment and right-of-use asset | 479             | 105             |
| Net realisation value adjustments of inventory                       | -               | 23,287          |
| <b>Operating loss before changes in working capital</b>              | <b>(4,784)</b>  | <b>(1,785)</b>  |
| Changes in working capital:                                          |                 |                 |
| Decrease in inventories                                              | 856             | 6,931           |
| (Increase)/Decrease in trade and other receivables and prepayments   | (2,607)         | 7,949           |
| Increase/(Decrease) in trade and other payables                      | 8,164           | (10,794)        |
| <b>Cash generated from operations</b>                                | <b>1,629</b>    | <b>2,294</b>    |
| Interest paid                                                        | (9,932)         | (9,514)         |
| Tax paid                                                             | (2,309)         | (1,568)         |
| <b>Net cash used in operating activities</b>                         | <b>(10,612)</b> | <b>(8,788)</b>  |
| <b>Cash Flows From Investing Activities</b>                          |                 |                 |
| Purchase of property, plant and equipment                            | (39)            | (54)            |
| Proceeds from disposal property, plant and equipment                 | -               | 6               |
| Proceeds from disposal of subsidiaries                               | 3,936           | -               |
| Finance income received                                              | 3,013           | 2,221           |
| <b>Net cash from investing activities</b>                            | <b>6,910</b>    | <b>2,173</b>    |

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

|                                                                                            | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash Flows From Financing Activities</b>                                                |                  |                  |
| Advances (from)/to non-controlling interests                                               | 728              | (2,666)          |
| Repayment of finance lease liabilities                                                     | (463)            | (873)            |
| Repayment of loans and borrowings                                                          | (4,879)          | (12,162)         |
| Drawdown of loans and borrowings and Medium Term Notes                                     | 6,526            | 17,448           |
| Net increase/(decrease) in pledged deposits for loans and borrowings and Medium Term Notes | 75               | (1,651)          |
| <b>Net cash generated from financing activities</b>                                        | <b>1,987</b>     | <b>96</b>        |
| <b>Net changes in cash and cash equivalents during the year</b>                            | <b>(1,715)</b>   | <b>(6,519)</b>   |
| Effect of changes in exchange rates                                                        | 48               | (109)            |
| <b>Cash and cash equivalents at the beginning of the year</b>                              | <b>7,615</b>     | <b>9,863</b>     |
| <b>Cash and cash equivalents at the end of the year (i)</b>                                | <b>5,948</b>     | <b>3,235</b>     |

- (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:

|                              | 2020<br>US\$'000 | 2019<br>US\$'000 |
|------------------------------|------------------|------------------|
| Cash and bank balances       | 3,052            | 2,380            |
| Short term bank deposits     | 2,896            | 5,235            |
|                              | 5,948            | 7,615            |
| Less: Deposits pledged (iii) | (2,619)          | (4,380)          |
| Cash and cash equivalents    | 3,329            | 3,235            |

- (ii) Included in short term bank deposits and cash and bank balance is US\$2,619,000 (2019: US\$4,380,000) 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 GENERAL INFORMATION**

Aseana Properties Limited (the “Company”) was incorporated in Jersey as a limited liability par value company. The Company’s registered office is 12 Castle Street, St Helier, Jersey JE2 3RT.

The consolidated financial statements comprise the financial information of the Company and its subsidiary undertakings (together the “Group”). Details of the entities of the Group are described in Note 34.

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 assets in Malaysia and Vietnam. It is currently carrying out its divestment program which consists of selling the group’s assets, repaying its debts and distributing the remaining proceeds to its shareholders.

The financial statements are presented in US Dollar (“US\$”), which is the Group’s presentation currency. All financial information is presented in US\$ and has been rounded to the nearest thousand (US\$’000), unless otherwise stated.

### **2 BASIS OF PREPARATION**

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by European Union (“EU”), and IFRIC interpretations issued, and effective, or issued and early adopted, at the date of these financial statements.

As permitted by Companies (Jersey) Law 1991 only the consolidated financial statements are presented.

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.

#### **2.1 Going Concern**

The financial statements have been prepared on the historical cost basis and on the assumption that the Group is a going concern.

The Directors expect to raise sufficient funds to finance the operation of the Group’s existing projects via the disposal of its development lands in Vietnam and East Malaysia, its existing units of condominium inventories at The RuMa Residences in West Malaysia, and through the disposals of the City International Hospital, the Sandakan hotel asset (formerly Four Points Sheraton Sandakan Hotel), the Harbour Mall Sandakan and the RuMa Hotel and re-focused these disposal efforts by nominating a Divestment Director at the Board level in July 2019.

Significant new interest was then generated from prospective buyers. However the impact of the COVID-19 pandemic meant that movement restrictions were imposed throughout Malaysia from March 2020 and foreign travel into and out of Vietnam was also prohibited which negatively affected sales efforts. Operations at our hotels and our shopping mall in Malaysia were severely constrained and income fell considerably; as a result, the former hotel manager at the Sandakan hotel asset proposed to terminate the hotel management agreement with the Group, which was agreed by the Group and with effect from 16 July 2020. Patient admissions at our hospital in Ho Chi Minh City also fell as patients avoided attending the premises fearing that they might expose themselves to the virus. In addition, detailed due diligence and site visits by prospective buyers became impossible and sales interest therefore stalled. The Directors intend to revive that interest as the movement restrictions ease.

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\$59]million as at 31 December 2020. 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 December 2021 which is their final expiry date and if they have not been repaid by then the Directors intend to either extend the MTN programme or re-finance the notes with other bank borrowings.

The Group also has significant borrowings in Vietnam secured by the City International Hospital and adjacent development lands. The Directors expect to repay the borrowings via the sale of the hospital and its adjacent land in Vietnam, or to re-structure the repayment dates of the borrowings or to re-finance the loan.

As at 31 December 2019, one of the Group’s subsidiary undertakings had not complied with the Debt to Equity ratio covenant in respect of a loan of US\$23.4 million, in accordance with the terms set out in the facility agreement. In the event of a breach of this covenant, the loan shall be immediately due and payable together with accrued interest thereon upon notification by the lenders. The Group’s subsidiary undertaking requested a non-compliance waiver from the lenders in respect of this non-compliance with approval of the waiver received on 5 June 2020. Subsequently the loan was restructured and its maturity date is now 12 months from 22 July 2020 or upon completion of the hospital disposal, whichever is the earlier.

The Group has prepared and considered prospective financial information based on assumptions and events (including effect of the COVID-19 pandemic) 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 30 and 31). 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.

On 7 May 2020, the Group announced that it was considering proposals to demerge certain assets held by the Group in exchange for the buyback and cancellation of a significant percentage of the issued ordinary shares of US\$0.05 each in the capital of the Company (“De-

Merger”). The De-Merger transaction would have resulted in approximately 50% in aggregate of the outstanding shares in the Company being bought back from Ireka Corporation Berhad (“ICB”) and its concert party Legacy Essence Limited (“Legacy Essence”) along with certain other shareholders (the “Participating Shareholders”). The consideration would have been an in specie distribution of certain assets owned by the Group to the Participating Shareholders together with a balancing cash payment from Participating Shareholders to the Group to reflect the relative value of the assets to be distributed and the value of the shareholding of the Participating Shareholders as at the date of the buyback. The Group assessed the net book value of the Group's assets for the purposes of the transaction based on the unaudited net asset value as at 31 December 2019 and had agreed with Ireka that adjustments should be made, where appropriate, to reflect the settlement of potential claims that the Group may have had against Ireka or its group companies in connection with the Group's projects, including the settlement of amounts owing by a subsidiary of Ireka to the Group relating to the construction of The RuMa Hotel and Residences in Kuala Lumpur (“RuMa”). However on 8 February 2021, the De-Merger transaction was cancelled as the banks that had financed the construction of certain of the Company’s assets would not give their approval for it to proceed.

Following the termination of the De-Merger Transaction the business plan remained unchanged and the Directors anticipate the sale of the Group’s remaining assets, comprising of the hospital and adjacent development lands in Ho Chi Minh City, the hotel asset and shopping mall in Sandakan and a plot of development land in Kota Kinabalu, can be sold as COVID-19 related movement restrictions ease in both Malaysia and Vietnam. These asset sales will collectively enable the repayment of the Group’s bank debts as or before they fall due.

In addition, as described in Note 2.1.1 below, on 28 May 2021, shareholders voted to extend the life of the Company by a further two years to May 2023 and a further dis-continuation vote will be put to shareholders by the end of May 2023.

After considering the forecasts and the business risks, there is no certainty the divestment of certain assets will be completed as planned and the loans and borrowing can be discharged in a timely manner. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company’s ability to continue as a going concern.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **2.1.1 May 2021 Resolution**

At a general meeting of the Company held on 28 May 2021, Shareholders voted in favour of the Board’s proposals to reject the 2021 Discontinuation Resolution and enabled the Company to continue to pursue the new divestment strategy rather than placing the Company into liquidation. This should enable the 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.

## **2.2 Statement of Compliance**

A number of new standards and amendments to standards and interpretations have been issued by International Accounting Standards Board but are not yet effective and in some cases have not yet been adopted by the EU. The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

## **2.3 Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS 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) Going concern**

The Extraordinary General Meeting that was held on 28 May 2021 extended the Company's life until May 2023 and the Directors anticipate holding a similar vote at that time. It is too early to be able to forecast how the Company's shareholders will vote on a continuation resolution which would be a special resolution needing to be passed by two-thirds majority of those voting. The Company and the Group continue to adopt the going concern basis in preparing the financial statements.

As described in Note 2.1 the Directors consider the company to be a going concern while the Directors continue with the agreed divestment and realisation process in an orderly manner under their control and they expect to be able to continue to meet all finance obligations as they fall due.

### **(b) Net realisable value of inventories**

The Group assesses the net realisable value of inventories under development, land held for 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.

The COVID-19 pandemic began in late 2019 and continues to this day, during this period, many countries implemented varying degrees of lockdown or movement control measures in attempt to contain the spread of infections. The pandemic and the lockdown measures has made significant impact to different industries and businesses worldwide.

In determining market values of the Group's inventories, valuers typically take into account the prevailing economy as one of the factors. However, any such snapshot at the end of 2020 would inevitably reflect the negative effects of the global pandemic and lockdown measures implemented by governments. As such, the management of the Group believed that the market values indicated by valuations for the year ended 31 December 2020 only represented a worst-case scenario; these were not reflective of an orderly market nor the objectives of the Group as a going concern; the management believed that the valuations as at 31 December 2019 were more reflective of an orderly market condition without the COVID-19 pandemic and its effects.

As described in Note 2.1.1, the shareholders of the Group had voted to support the Group to sell its assets in a controlled manner in order to maximize shareholder value, the Board will not sell at a prices below their carrying amounts at 31 December 2019. Therefore, the management believed that the various assumptions used to prepare the valuations for the year ended 31 December 2019 are still relevant and appropriate for the sale condition.

The methods and key assumptions in relation to the calculation of the net realisable value of inventories are described in Note 21. At 31 December 2020, the carrying value of inventories were approximately US\$238 million (31 December 2019: US\$239 million).

**(c) Revenue – sale and leaseback arrangements**

The Group entered into agreements with the buyers of The RuMa Hotel Suites for a sale and leaseback arrangement. The sold hotel suites will be leased back to the Group for the hotel operation over the lease term period of 10 years.

The Group considers that the control of the sold hotel suites, under the sale and leaseback arrangement, has yet to be transferred to the buyer and the transfer of the asset is therefore not a sale. No revenue is recognised in the financial statements.

The nature of this leaseback transaction represents, in substance, a temporary financing arrangement. Any contractual payment made to the buyer was recognised as finance costs. The proceeds of the revenue received from these buyers were recognised as amounts owed to contract buyers, amounted to US\$40 million and is disclosed in Note 28.

**(d) Classification of assets as inventory**

The Directors 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.

As described in the Note 3.3(c) and (d), as a result of this classification all income generating from the operations of these developments is recognised as other income in Note 6.

**(e) 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(b) and Note 18). 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.

**(f) Pandemic of Coronavirus Disease 2019 (COVID-19)**

The current outbreak of COVID-19 pandemic has resulted in the occurrence of a multitude of associated events such as temporary closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities at 31 December 2020.

### **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.

**(b) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial information 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.

**(c) 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.

**(d) 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.

## **3.2 Foreign Currencies**

### **(a) Foreign currency transactions**

The consolidated financial statements are presented in United States Dollar (“US\$”), which is 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 completed properties**

Revenue from sale of completed 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) Sale of development properties**

Revenue from sale of development properties is recognised as and when the control of the asset is transferred to the buyer 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 buyer. 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 is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. This is determined based on the actual cost incurred to date to estimated total cost for each contract.

Where the outcome of a contract cannot be reliably estimated, revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**(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.

**(e) 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.

### **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 estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property and equipment as at the reporting date is disclosed in Note 17 to the financial statements.

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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

- |                                   |          |
|-----------------------------------|----------|
| • Furniture, Fittings & Equipment | 4 – 33⅓% |
| • Motor Vehicles                  | 20%      |
| • Leasehold Building              | 4 - 10%  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as described in Note 3.10(b).

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 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.

### **3.6 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.

**(i) Loans and receivables**

Loans and receivables are held with an objective to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. 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 and other receivables.

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost, less any impairment losses.

**(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 are discussed in Note 3.3 (e) and 3.12 respectively.

**(c) De-recognition**

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 de-recognition 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 expires. On de-recognition 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.

### **3.7 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 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.

### **3.8 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 relationship is attached to (refer to Notes 2.3(b), 18 and 21).

#### **(b) Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to 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(e), 18 and 21).

Where it is not possible to estimate the recoverable amount of an intangible asset, the impairment test is carried out on the smallest Group of assets to which it belongs for

which there are separately identifiable cash flows; its Cash Generating Units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. Impairment charges would be included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

The carrying values of assets, other than those to which IAS 36-Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

### **3.9 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(b)).

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.

### **3.10 Impairment**

#### **(a) 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 (excluding future credit losses that had not been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognised in the statement of comprehensive income within administrative expenses.

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.

#### **(b) 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.

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.

**(c) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not re-measured 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.

**3.11 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.

### **3.12 Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised to the cost of those assets. 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.

Any unsold unit is not a qualifying asset because the asset is ready for its intended sale in its current condition. The unsold unit fails to meet the definition of qualifying asset under IAS 23 and accordingly, no capitalisation of borrowing costs.

All sold units are not a qualifying asset to the developer as the control of the asset has been transferred to customers over time. No capitalisation borrowing costs relating to assets that it no longer controls and recognises.

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

### **3.13 Commitments and Contingencies**

Commitments and contingent liabilities are disclosed in the financial statements and described in Note 35. 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.

### **3.14 Segment Reporting**

Segmental information represents the level at which financial information is reported to the Board of Directors, being the chief operating decision makers as defined in IFRS 8. The Directors determine the operating segments based on reports prepared by their staff for strategic decision making and resource allocation. For management purposes, the Group is organised into project units as operation segments set out in Note 5.2.

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

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

### **3.15 Right-of-use assets and lease liabilities**

A right-of-use asset and a lease liability are recognized at the commencement date of a lease. The right-of-use asset is initially measured at cost comprising the initial amount of the lease liability plus payments made before the lease commenced and any direct costs less any incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is also reduced for impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date discounted using the Group's incremental borrowing rate of between 1% and 6%, and is subsequently measured at amortised cost using the effective interest method. The lease liability is re-measured when there is a change in the future lease payments, and a corresponding adjustment is made to the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of plant and machinery that have a lease term of 12 months or less and leases of low value including leases of office equipment. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

## **4 FINANCIAL INSTRUMENTS**

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payable, amount due to non-controlling interest, medium term notes, loan and borrowings. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in Note 3.6.

### **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 2020, 98.47% (2019: 97.60%) 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 1.53% (2019: 2.40%) with local banks, in the case of Vietnam. Management does not expect any counterparty to fail to meet its obligations.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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 2020, 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 22 and totals US\$16.2 million (2019: US\$12.9 million). The Group's exposure to credit risk arising from deposits and balances with banks is set out in Note 23 and totals US\$5.9 million (2019: US\$7.6 million).

### **Financial guarantees**

The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to certain subsidiaries, as set out in Notes 31.

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:

| <b>Company</b>                                                         | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|------------------------------------------------------------------------|--------------------------|--------------------------|
| Financial institutions for bank facilities granted to its subsidiaries | <b>78,507</b>            | 76,010                   |

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

## **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 2020 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.

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

|                                         | Carrying<br>amount<br>US\$'000 | Contractual<br>interest rate | Contractual<br>cash flows<br>US\$'000 | Under<br>1 year<br>US\$'000 | 1 - 2 years<br>US\$'000 | 2 - 5 years<br>US\$'000 | More than<br>5 years<br>US\$'000 |
|-----------------------------------------|--------------------------------|------------------------------|---------------------------------------|-----------------------------|-------------------------|-------------------------|----------------------------------|
| <b>At 31 December 2020</b>              |                                |                              |                                       |                             |                         |                         |                                  |
| Finance lease liabilities               | 181                            | 2.50% - 3.50%                | 184                                   | 183                         | 1                       | -                       | -                                |
| Interest bearing loans and borrowings   | 91,756                         | 6.10% - 12.0%                | 103,734                               | 74,826                      | 20,464                  | 8,444                   | -                                |
| Trade and other payables                | 33,300                         | -                            | 33,300                                | 33,300                      | -                       | -                       | -                                |
| Amount due to non-controlling interests | 11,371                         | -                            | 11,371                                | 11,371                      | -                       | -                       | -                                |
|                                         | <b>136,608</b>                 | <b>-</b>                     | <b>148,589</b>                        | <b>119,680</b>              | <b>20,465</b>           | <b>8,444</b>            | <b>-</b>                         |
| <b>At 31 December 2019</b>              |                                |                              |                                       |                             |                         |                         |                                  |
| Finance lease liabilities               | 611                            | 2.50% - 3.50%                | 637                                   | 456                         | 180                     | 1                       | -                                |
| Interest bearing loans and borrowings   | 89,212                         | 5.55% - 11.3%                | 99,959                                | 44,925                      | 35,022                  | 20,012                  | -                                |
| Trade and other payables                | 23,549                         | -                            | 23,549                                | 23,549                      | -                       | -                       | -                                |
| Amount due to non-controlling interests | 10,587                         | -                            | 10,587                                | 10,587                      | -                       | -                       | -                                |
|                                         | <b>123,959</b>                 | <b>-</b>                     | <b>134,732</b>                        | <b>79,517</b>               | <b>35,202</b>           | <b>20,013</b>           | <b>-</b>                         |

The above table excludes current tax liabilities and contract liabilities

## 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.

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:

|                  | 2020<br>US\$'000 | 2019<br>US\$'000 |
|------------------|------------------|------------------|
| US Dollar        | 411              | 320              |
| Ringgit Malaysia | 4,988            | 74               |
| Others           | -                | -                |
|                  | 5,399            | 394              |

At 31 December 2020, 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\$538,900/ (US\$539,900) (2019: US\$39,400/ (US\$39,400) ).

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 significant interest-bearing financial instrument, based on carrying amounts at the end of the reporting period was:

|                                   | 2020<br>US\$'000 | 2019<br>US\$'000 |
|-----------------------------------|------------------|------------------|
| <b>Fixed rate instruments:</b>    |                  |                  |
| Financial assets                  | 5,939            | 5,235            |
| Financial liabilities             | 42,124           | 36,753           |
| <b>Floating rate instruments:</b> |                  |                  |
| Financial liabilities             | 49,817           | 53,070           |

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 46% (2019: 41%) of the Group's total borrowings at 31 December 2020.

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 2020, 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\$498,100)/US\$498,100 ((2019: would (decrease)/increase the Group loss for the year by approximately (US\$530,700)/US\$530,700).

## 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 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:

| 2020                                    | 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     |                  |                 |
| US\$'000                                |                                                           |         |         |       |                                                               |         |           |           |                  |                 |
| <b>Financial liabilities</b>            |                                                           |         |         |       |                                                               |         |           |           |                  |                 |
| Amount due to non-controlling interests | -                                                         | -       | -       | -     | -                                                             | -       | (11,371)  | (11,371)  | (11,371)         | (11,371)        |
| Bank loans and borrowings               | -                                                         | -       | -       | -     | -                                                             | -       | (51,737)  | (51,737)  | (51,737)         | (51,737)        |
| Finance lease liabilities               | -                                                         | -       | -       | -     | -                                                             | -       | (181)     | (181)     | (181)            | (181)           |
| Medium term notes                       | -                                                         | -       | -       | -     | -                                                             | -       | (40,200)  | (40,200)  | (40,200)         | (40,200)        |
|                                         | -                                                         | -       | -       | -     | -                                                             | -       | (103,489) | (103,489) | (103,489)        | (103,489)       |
|                                         |                                                           |         |         |       |                                                               |         |           |           |                  |                 |
| 2019                                    | 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     |                  |                 |
| US\$'000                                |                                                           |         |         |       |                                                               |         |           |           |                  |                 |
| <b>Financial liabilities</b>            |                                                           |         |         |       |                                                               |         |           |           |                  |                 |
| Amount due to non-controlling interests | -                                                         | -       | -       | -     | -                                                             | -       | (10,587)  | (10,587)  | (10,587)         | (10,587)        |
| Bank loans and borrowings               | -                                                         | -       | -       | -     | -                                                             | -       | (53,070)  | (53,070)  | (53,070)         | (53,070)        |
| Finance lease liabilities               | -                                                         | -       | -       | -     | -                                                             | -       | (611)     | (611)     | (611)            | (611)           |
| Medium term notes                       | -                                                         | -       | -       | -     | -                                                             | -       | (35,734)  | (35,734)  | (35,734)         | (36,142)        |
|                                         | -                                                         | -       | -       | -     | -                                                             | -       | (100,002) | (100,002) | (100,002)        | (100,410)       |

### **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 (2019: 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 (2019: 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 2020, the interest rate used to discount estimated cash flows of the medium term notes is 7.90% (2019: 7.90%).

## **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:

|                                                     | <b>2020</b>      | <b>2019</b>     |
|-----------------------------------------------------|------------------|-----------------|
|                                                     | <b>US\$'000</b>  | <b>US\$'000</b> |
| Cash and cash equivalents                           | <b>5,948</b>     | 7,615           |
| Loans and borrowings and finance lease liabilities  | <b>(51,737)</b>  | (53,681)        |
| Medium term notes                                   | <b>(40,200)</b>  | (36,142)        |
| Equity attributable to equity holders of the parent | <b>(101,337)</b> | (109,646)       |
| <b>Total capital</b>                                | <b>(187,326)</b> | (191,854)       |

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.

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 2020 and 31 December 2019 were as follows:

|                                                | <b>2020</b>     | <b>2019</b>     |
|------------------------------------------------|-----------------|-----------------|
|                                                | <b>US\$'000</b> | <b>US\$'000</b> |
| Total borrowings and finance lease liabilities | <b>91,937</b>   | 89,823          |
| Less: Cash and cash equivalents (Note 23)      | <b>(5,948)</b>  | (7,615)         |
| Net debt                                       | <b>85,989</b>   | 82,208          |
| Total equity                                   | <b>94,460</b>   | 105,798         |
| <b>Net debt-to-equity ratio</b>                | <b>0.91</b>     | 0.78            |

## **5 REVENUE AND SEGMENTAL INFORMATION**

The Group's operating revenue for the year was mainly attributable to the sale of completed units in Malaysia.

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:**

|                         | <b>2020</b>     | <b>2019</b>     |
|-------------------------|-----------------|-----------------|
|                         | <b>US\$'000</b> | <b>US\$'000</b> |
| Sale of completed units | <b>1,329</b>    | 9,725           |
|                         | <b>1,329</b>    | 9,725           |

### **5.2 Segmental Information**

|                                           | <b>2020</b>     | <b>2019</b>     |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>Timing of revenue recognition</b>      |                 |                 |
| Properties transferred at a point in time | <b>1,329</b>    | 9,725           |
| Properties transferred over time          | -               | -               |
|                                           | <b>1,329</b>    | 9,725           |

Segmental information represents the level at which financial information is reported to the Board of Directors, being the chief operating decision makers as defined in IFRS 8. The Directors determine the operating segments based on reports reviewed and used by their staff 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. – developed Tiffani (“Tiffani”) by i-ZEN;
- (iii) ICSD Ventures Sdn. Bhd. – owns and operates Harbour Mall Sandakan (“HMS”) and the Sandakan hotel asset (formerly Four Points by Sheraton Sandakan Hotel) (“SHA”);
- (iv) Amatir Resources Sdn. Bhd. – developed SENI Mont’ Kiara (“SENI”);
- (v) Urban DNA Sdn. Bhd.– developed The RuMa Hotel and Residences (“The RuMa”); and
- (vi) 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 2020 and 2019.

Information regarding the operations of each reportable segment is in Notes 5.3. The Directors monitor 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 and liabilities 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.

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

#### Operating Segments – ended 31 December 2020

|                                                              | Investment<br>Holding<br>Companies<br>US\$'000 | Ireka Land<br>Sdn. Bhd.<br>US\$'000 | ICSD<br>Ventures<br>Sdn. Bhd.<br>US\$'000 | Amatir<br>Resources<br>Sdn. Bhd.<br>US\$'000 | The RuMa<br>Hotel KL<br>Sdn. Bhd.<br>US\$'000 | Urban<br>DNA<br>Sdn. Bhd.<br>US\$'000 | Hoa Lam<br>Shangri-La<br>Healthcare<br>Group<br>US\$'000 | Total<br>US\$'000 |
|--------------------------------------------------------------|------------------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------------|-----------------------------------------------|---------------------------------------|----------------------------------------------------------|-------------------|
| <b>Segment (loss)/profit before taxation</b>                 | <b>(1,483)</b>                                 | <b>14</b>                           | <b>(1,314)</b>                            | <b>171</b>                                   | <b>(2,774)</b>                                | <b>(1,976)</b>                        | <b>(4,208)</b>                                           | <b>(11,570)</b>   |
| <i>Included in the measure of segment (loss)/profit are:</i> |                                                |                                     |                                           |                                              |                                               |                                       |                                                          |                   |
| Revenue                                                      | -                                              | -                                   | -                                         | -                                            | -                                             | 1,329                                 | -                                                        | 1,329             |
| Other income from hotel operations                           | -                                              | -                                   | 655                                       | -                                            | 2,323                                         | -                                     | -                                                        | 2,978             |
| Other income from mall operations                            | -                                              | -                                   | 1,754                                     | -                                            | -                                             | -                                     | -                                                        | 1,754             |
| Other income from hospital operations                        | -                                              | -                                   | -                                         | -                                            | -                                             | -                                     | 11,800                                                   | 11,800            |
| Expenses from hotel operations                               | -                                              | -                                   | (1,814)                                   | -                                            | (4,638)                                       | -                                     | -                                                        | (6,452)           |
| Expenses from mall operations                                | -                                              | -                                   | (1,380)                                   | -                                            | -                                             | -                                     | -                                                        | (1,380)           |
| Expenses from hospital operations                            | -                                              | -                                   | -                                         | -                                            | -                                             | -                                     | (11,094)                                                 | (11,094)          |
| Depreciation of property, plant and equipment                | -                                              | -                                   | -                                         | -                                            | (48)                                          | -                                     | (47)                                                     | (95)              |
| Finance costs                                                | -                                              | -                                   | (1,517)                                   | (326)                                        | -                                             | (1,635)                               | (6,425)                                                  | (9,903)           |
| Finance income                                               | 310                                            | -                                   | 68                                        | 456                                          | -                                             | 22                                    | 1,218                                                    | 2,074             |
| <b>Segment assets</b>                                        | <b>4,464</b>                                   | <b>203</b>                          | <b>60,999</b>                             | <b>3,094</b>                                 | <b>1,255</b>                                  | <b>104,524</b>                        | <b>86,169</b>                                            | <b>260,708</b>    |
| <b>Segment liabilities</b>                                   | <b>596</b>                                     | <b>3</b>                            | <b>1,911</b>                              | <b>1,138</b>                                 | <b>2,277</b>                                  | <b>51,087</b>                         | <b>16,568</b>                                            | <b>73,580</b>     |

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

| <b>Profit or loss</b>                    | <b>US\$'000</b> |
|------------------------------------------|-----------------|
| Total loss for reportable segments       | (11,570)        |
| Other non-reportable segments            | (1,759)         |
| Finance income                           | 1,249           |
| Finance costs                            | (1,249)         |
| <b>Consolidated loss before taxation</b> | <b>(13,329)</b> |

## Operating Segments – ended 31 December 2019

|                                                              | Investment<br>Holding<br>Companies<br>US\$'000 | Ireka Land<br>Sdn. Bhd.<br>US\$'000 | ICSD<br>Ventures<br>Sdn. Bhd.<br>US\$'000 | Amatir<br>Resources<br>Sdn. Bhd.<br>US\$'000 | The RuMa<br>Hotel KL<br>Sdn. Bhd.<br>US\$'000 | Urban<br>DNA<br>Sdn. Bhd.<br>US\$'000 | Hoa Lam<br>Shangri-La<br>Healthcare<br>Group<br>US\$'000 | Total<br>US\$'000 |
|--------------------------------------------------------------|------------------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------------|-----------------------------------------------|---------------------------------------|----------------------------------------------------------|-------------------|
| <b>Segment (loss)/profit before taxation</b>                 | <b>1,354</b>                                   | <b>94</b>                           | <b>(23,929)</b>                           | <b>1,205</b>                                 | <b>(3,962)</b>                                | <b>491</b>                            | <b>(3,862)</b>                                           | <b>(28,609)</b>   |
| <i>Included in the measure of segment (loss)/profit are:</i> |                                                |                                     |                                           |                                              |                                               |                                       |                                                          |                   |
| Revenue                                                      | -                                              | -                                   | -                                         | 6,427                                        | -                                             | 3,298                                 | -                                                        | 9,725             |
| Other income from hotel operations                           | -                                              | -                                   | 3,909                                     | -                                            | 3,882                                         | -                                     | -                                                        | 7,791             |
| Other income from mall operations                            | -                                              | -                                   | 1,880                                     | -                                            | -                                             | -                                     | -                                                        | 1,880             |
| Other income from hospital operations                        | -                                              | -                                   | -                                         | -                                            | -                                             | -                                     | 15,092                                                   | 15,092            |
| Provision for allowance of inventory                         | -                                              | -                                   | (22,355)                                  | (932)                                        | -                                             | -                                     | -                                                        | (23,287)          |
| Disposal of intangible assets                                | -                                              | -                                   | -                                         | (50)                                         | -                                             | -                                     | -                                                        | (50)              |
| Marketing expenses                                           | -                                              | -                                   | -                                         | (1)                                          | -                                             | (170)                                 | -                                                        | (171)             |
| Expenses from hotel operations                               | -                                              | -                                   | (3,879)                                   | -                                            | (6,970)                                       | -                                     | -                                                        | (10,849)          |
| Expenses from mall operations                                | -                                              | -                                   | (1,326)                                   | -                                            | -                                             | -                                     | -                                                        | (1,326)           |
| Expenses from hospital operations                            | -                                              | -                                   | -                                         | -                                            | -                                             | -                                     | (13,454)                                                 | (13,454)          |
| Depreciation of property, plant and equipment                | -                                              | -                                   | -                                         | -                                            | (35)                                          | -                                     | (70)                                                     | (105)             |
| Finance costs                                                | (180)                                          | (14)                                | (1,634)                                   | (678)                                        | (40)                                          | (1,009)                               | (5,960)                                                  | (9,515)           |
| Finance income                                               | -                                              | 1                                   | 104                                       | 708                                          | -                                             | 45                                    | 969                                                      | 1,827             |
| <b>Segment assets</b>                                        | <b>3,973</b>                                   | <b>481</b>                          | <b>60,217</b>                             | <b>6,318</b>                                 | <b>1,085</b>                                  | <b>85,571</b>                         | <b>86,511</b>                                            | <b>244,156</b>    |
| <b>Segment liabilities</b>                                   | <b>251</b>                                     | <b>196</b>                          | <b>2,735</b>                              | <b>4,099</b>                                 | <b>1,626</b>                                  | <b>5,379</b>                          | <b>65,222</b>                                            | <b>79,508</b>     |

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

| <b>Profit or loss</b>                    | <b>US\$'000</b> |
|------------------------------------------|-----------------|
| Total loss for reportable segments       | (28,609)        |
| Other non-reportable segments            | (441)           |
| Finance income                           | 393             |
| <b>Consolidated loss before taxation</b> |                 |

| <b>2020</b>                   |                |                     |                      |                       |                       |                            | <b>Additions to</b>       |
|-------------------------------|----------------|---------------------|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|
| <b>US\$'000</b>               | <b>Revenue</b> | <b>Depreciation</b> | <b>Finance costs</b> | <b>Finance income</b> | <b>Segment assets</b> | <b>Segment liabilities</b> | <b>non-current assets</b> |
| Total reportable segment      | 1,329          | (461)               | (9,903)              | 2,074                 | 260,708               | 73,580                     | 39                        |
| Other non-reportable segments | -              | 366                 | (1,249)              | 1,249                 | 10,149                | 102,817                    | -                         |
| <b>Consolidated total</b>     | <b>1,329</b>   | <b>(95)</b>         | <b>(11,152)</b>      | <b>3,323</b>          | <b>270,857</b>        | <b>176,397</b>             | <b>39</b>                 |

| <b>2019</b>                   |                |                     |                      |                       |                       |                            | <b>Additions to</b>       |
|-------------------------------|----------------|---------------------|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|
| <b>US\$'000</b>               | <b>Revenue</b> | <b>Depreciation</b> | <b>Finance costs</b> | <b>Finance income</b> | <b>Segment assets</b> | <b>Segment liabilities</b> | <b>non-current assets</b> |
| Total reportable segment      | 9,725          | (105)               | (9,514)              | 1,827                 | 244,156               | 79,508                     | -                         |
| Other non-reportable segments | -              | -                   | -                    | 394                   | 26,078                | 84,928                     | 54                        |
| <b>Consolidated total</b>     | <b>9,725</b>   | <b>(105)</b>        | <b>(9,514)</b>       | <b>2,221</b>          | <b>270,234</b>        | <b>164,436</b>             | <b>54</b>                 |

**Geographical Information – ended 31 December 2020**

|                    | <b>Malaysia<br/>US\$'000</b> | <b>Vietnam<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|--------------------|------------------------------|-----------------------------|----------------------------------|
| Revenue            | <b>1,329</b>                 | <b>-</b>                    | <b>1,329</b>                     |
| Non-current assets | <b>9,489</b>                 | <b>444</b>                  | <b>9,933</b>                     |

In the financial year ended 31 December 2020, no single customer exceeded 10% of the Group's total revenue.

**Geographical Information – ended 31 December 2019**

|                    | <b>Malaysia<br/>US\$'000</b> | <b>Vietnam<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|--------------------|------------------------------|-----------------------------|----------------------------------|
| Revenue            | 9,725                        | -                           | 9,725                            |
| Non-current assets | 6,319                        | 4,008                       | 10,327                           |

In the financial year ended 31 December 2019, no single customer exceeded 10% of the Group's total revenue.

**6 COST OF SALES**

|                                                          | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|----------------------------------------------------------|--------------------------|--------------------------|
| <b>Direct costs attributable to:</b>                     |                          |                          |
| Completed units (Note 21)                                | <b>950</b>               | 6,461                    |
| Disposal/impairment of intangible assets (Note 18)       | -                        | 51                       |
| Net realisable value adjustment of inventories (Note 21) | -                        | 23,287                   |
|                                                          | <b>950</b>               | 29,799                   |

**7 OTHER INCOME**

|                                           | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|-------------------------------------------|--------------------------|--------------------------|
| Rental income                             | <b>16</b>                | 525                      |
| Other income from hotel operations (a)    | <b>2,978</b>             | 7,791                    |
| Other income from mall operations (b)     | <b>1,753</b>             | 1,880                    |
| Other income from hospital operations (c) | <b>11,800</b>            | 15,092                   |
| Sundry income                             | <b>1,724</b>             | 1,701                    |
|                                           | <b>18,271</b>            | 26,989                   |

**(a) Other income from hotel operations**

The income in 2020 and 2019 relates to the hotel operations of the SHA which is owned by a subsidiary of the Company, ICSD Ventures Sdn. Bhd. 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 operation 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 operation 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)**

|                                         | <b>2020</b>     | <b>2019</b>     |
|-----------------------------------------|-----------------|-----------------|
|                                         | <b>US\$'000</b> | <b>US\$'000</b> |
| Foreign exchange (loss)/gain comprises: |                 |                 |
| Realised foreign exchange loss          | <b>(24)</b>     | <b>(6)</b>      |
| Unrealised foreign exchange gain/(loss) | <b>(1,027)</b>  | <b>293</b>      |
| Other income from mall operations (b)   | <b>(1,051)</b>  | <b>287</b>      |

**9 MANAGEMENT FEES**

|                 | <b>2020</b>     | <b>2019</b>     |
|-----------------|-----------------|-----------------|
|                 | <b>US\$'000</b> | <b>US\$'000</b> |
| Management fees | <b>-</b>        | <b>1,157</b>    |

From 1 January 2019 to 30 April 2019, the management fees paid to the Development Manager were US\$75,000 per month, payable in advance, following which the base fee payable to the Manager reduced to US\$50,000 per month, again payable in advance. The Manager resigned with effect from 30 June 2019. The management fees have been allocated to the subsidiaries and the Company based on where the relevant service was provided.

## 10 STAFF COSTS

|                                                                    | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------------------------------------------------------|------------------|------------------|
| Wages, salaries and others (including key management personnel)    | 5,589            | 8,683            |
| Employees' provident fund, social security and other pension costs | 396              | 382              |
|                                                                    | 5,985            | 9,065            |

The Company has no executive Directors or employees under its employment. As of year ended 31 December 2020, the subsidiaries of the Group have a total of 620 (2019: 887) employees.

## 11 FINANCE (COSTS)/ INCOME

|                               | 2020<br>US\$'000 | 2019<br>US\$'000 |
|-------------------------------|------------------|------------------|
| Interest income from banks    | 3,013            | 2,221            |
| Accrued interest              | 310              | 3,572            |
| Agency fees                   | -                | (695)            |
| Interest on bank loans        | (8,387)          | (7,038)          |
| Lease interest                | (5)              | (59)             |
| Interest on medium term notes | (2,760)          | (1,722)          |
|                               | (7,829)          | (3,721)          |

Accrued interest represents interest on unpaid shareholder advances due from Ireka Corporation Berhad relating to the development and construction of The RuMa Hotel and Residences and interest on a contract payment by a subsidiary of Ireka Corporation Berhad. For more detailed information see Note 33.

## 12 NET LOSS BEFORE TAXATION

Net loss before taxation is stated after charging/(crediting):

|                                               | 2020<br>US\$'000 | 2019<br>US\$'000 |
|-----------------------------------------------|------------------|------------------|
| Auditor's remuneration                        | 161              | 202              |
| Directors' fees/emoluments                    | 233              | 186              |
| Depreciation of property, plant and equipment | 95               | 105              |
| Expenses of hotel operations                  | 6,452            | 10,849           |
| Expenses of mall operations                   | 1,380            | 1,326            |
| Expenses of hospital operations               | 11,094           | 13,454           |
| Unrealised foreign exchange loss/(gain)       | 1,027            | (293)            |
| Realised foreign exchange loss                | 24               | 6                |
| Disposal/impairment of intangible assets      | -                | 51               |
| Disposal of subsidiaries                      | 784              | -                |

## 13 TAXATION

|                                                | 2020<br>US\$'000 | 2019<br>US\$'000 |
|------------------------------------------------|------------------|------------------|
| Current tax expense – Current year             | 20               | 172              |
| – Prior year                                   | 119              | -                |
| Deferred tax charge – Current year             | 48               | 1,177            |
| – Prior year                                   | -                | -                |
| <b>Total tax expense/(income) for the year</b> | <b>187</b>       | <b>1,349</b>     |

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

|                                                                                           | <b>2020</b><br><b>US\$'000</b> | <b>2019</b><br><b>US\$'000</b> |
|-------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Net loss before taxation                                                                  | <b>(13,329)</b>                | (28,657)                       |
| Income tax at a rate of 24% (2019: 24%)                                                   | <b>(3,199)</b>                 | (6,878)                        |
| <b>Add :</b>                                                                              |                                |                                |
| Tax effect of expenses not deductible in determining taxable profit                       | <b>3,781</b>                   | 1,327                          |
| Current year losses and other tax benefits for which no deferred tax asset was recognised | <b>3,076</b>                   | 4,911                          |
| Tax effect of different tax rates in subsidiaries                                         | <b>162</b>                     | 713                            |
| <b>Less :</b>                                                                             |                                |                                |
| Tax effect of income not taxable in determining taxable profit                            | <b>(3,752)</b>                 | (2,997)                        |
| Under provision in respect of prior period/year                                           | <b>119</b>                     | 4,273                          |
| <b>Total tax expense/(income) for the year</b>                                            | <b>187</b>                     | 1,349                          |

The applicable corporate tax rate in Malaysia is 24% (2019: 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% (2019: 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.

#### 14 OTHER COMPREHENSIVE (LOSS)/INCOME

| Items that are or may be reclassified subsequently to<br>profit or loss, net of tax | 2020<br>US\$'000 | 2019<br>US\$'000 |
|-------------------------------------------------------------------------------------|------------------|------------------|
| <i>Foreign currency translation differences for foreign<br/>operations</i>          |                  |                  |
| Gain/(losses)/arising during the year                                               | 2,078            | 615              |
|                                                                                     | 2,078            | 615              |

#### 15 LOSS PER SHARE

##### Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share for the year ended 31 December 2020 was based on the loss attributable to equity holders of the parent and ordinary shares outstanding and held by shareholders of the Company, calculated as below:

|                                                   | 2020<br>US\$'000 | 2019<br>US\$'000 |
|---------------------------------------------------|------------------|------------------|
| Loss attributable to equity holders of the parent | (10,260)         | (27,106)         |
| Number of shares (thousand shares) *              | 198,691          | 198,691          |
| <b>Loss per share</b>                             |                  |                  |
| <b>Basic and diluted (US cents)</b>               | <b>(5.16)</b>    | <b>(13.64)</b>   |

\* The Company currently holds 13,334,000 Treasury Shares which are deducted from the total number of shares for the purpose of calculating loss per share. For details of the Treasury Shares, please refer to the description at Note 25.

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

## 16 NON-CONTROLLING INTERESTS

### Non-controlling interests in subsidiaries

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

|                                                                | Hoa Lam<br>Services Co<br>Ltd | Shangri-La<br>Healthcare<br>Investment<br>Pte Ltd | Urban DNA<br>Sdn. Bhd. | The RuMa<br>Hotel KL<br>Sdn. Bhd. | Other<br>individually<br>immaterial<br>subsidiaries | Total    |
|----------------------------------------------------------------|-------------------------------|---------------------------------------------------|------------------------|-----------------------------------|-----------------------------------------------------|----------|
| 2020                                                           | US\$'000                      | US\$'000                                          | US\$'000               | US\$'000                          | US\$'000                                            | US\$'000 |
| NCI percentage of<br>ownership interest and<br>voting interest | 49%                           | 17.51%                                            | 30%                    | 30%                               |                                                     |          |
| Carrying amount of NCI                                         | 1,331                         | 7,008                                             | 1,988                  | (3,506)                           | (13,736)                                            | (6,915)  |
| Profit/(loss) allocated<br>to NCI                              | 13                            | (1)                                               | (643)                  | (832)                             | (1,757)                                             | (3,220)  |

### Summarised financial information before intra-group elimination

|                                                          | Hoa Lam<br>Services Co<br>Ltd | Shangri-La<br>Healthcare<br>Investment<br>Pte Ltd | Urban DNA<br>Sdn. Bhd. | The RuMa<br>Hotel KL<br>Sdn. Bhd. |
|----------------------------------------------------------|-------------------------------|---------------------------------------------------|------------------------|-----------------------------------|
|                                                          | US\$'000                      | US\$'000                                          | US\$'000               | US\$'000                          |
| <b>As at 31 December 2020</b>                            |                               |                                                   |                        |                                   |
| Non-current assets                                       | 21,062                        | 28,557                                            | 5,161                  | 236                               |
| Current assets                                           | 22                            | 15                                                | 100,317                | 719                               |
| Non-current liabilities                                  | (8,708)                       | -                                                 | (39,789)               | -                                 |
| Current liabilities                                      | (9,467)                       | (840)                                             | (59,063)               | (12,580)                          |
| Net assets                                               | 2,909                         | 27,732                                            | 6,626                  | (11,625)                          |
| <b>Year ended 31 December 2020</b>                       |                               |                                                   |                        |                                   |
| Revenue                                                  | -                             | -                                                 | 1,329                  | -                                 |
| Profit(loss) for the year                                | 27                            | (4)                                               | (2,143)                | (2,716)                           |
| Total comprehensive profit/(loss)                        | 27                            | (4)                                               | (2,143)                | (2,716)                           |
| Cash flows used in operating activities                  | (1)                           | (1)                                               | (525)                  | (1,756)                           |
| Cash flows from investing activities                     | (1,108)                       | (761)                                             | 1,679                  | (37)                              |
| Cash flows from financing activities                     | 1,048                         | 761                                               | (1,092)                | 1,803                             |
| Net increase /(decrease) in cash<br>and cash equivalents | (63)                          | (1)                                               | 62                     | 10                                |

| <b>2019</b>                                                             | <b>Hoa Lam<br/>Services Co<br/>Ltd<br/>US\$'000</b> | <b>Shangri-La<br/>Healthcare<br/>Investment<br/>Pte Ltd<br/>US\$'000</b> | <b>Urban DNA<br/>Sdn. Bhd.<br/>US\$'000</b> | <b>The RuMa<br/>Hotel KL<br/>Sdn. Bhd.<br/>US\$'000</b> | <b>Other<br/>individually<br/>immaterial<br/>subsidiaries<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|-------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------------|---------------------------|
| <b>NCI percentage of<br/>ownership interest and<br/>voting interest</b> | <b>49%</b>                                          | <b>17.78%</b>                                                            | <b>30%</b>                                  | <b>30%</b>                                              |                                                                            |                           |
| Carrying amount of NCI                                                  | (5,475)                                             | 1,409                                                                    | 2,611                                       | (2,588)                                                 | 195                                                                        | (3,848)                   |
| Loss allocated to NCI                                                   | (908)                                               | (794)                                                                    | (2)                                         | (1,188)                                                 | (8)                                                                        | (2,900)                   |

### **Summarised financial information before intra-group elimination**

|                                                          | <b>Hoa Lam<br/>Services Co<br/>Ltd<br/>US\$'000</b> | <b>Shangri-La<br/>Healthcare<br/>Investment<br/>Pte Ltd<br/>US\$'000</b> | <b>Urban DNA<br/>Sdn. Bhd.<br/>US\$'000</b> | <b>The RuMa<br/>Hotel KL<br/>Sdn. Bhd.<br/>US\$'000</b> |
|----------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------|
| <b>As at 31 December 2019</b>                            |                                                     |                                                                          |                                             |                                                         |
| Non-current assets                                       | 33,764                                              | 76,375                                                                   | 5,066                                       | 577                                                     |
| Current assets                                           | 38,409                                              | 87,152                                                                   | 80,503                                      | 508                                                     |
| Non-current liabilities                                  | (5,677)                                             | (13,246)                                                                 | (39,253)                                    | (134)                                                   |
| Current liabilities                                      | (53,562)                                            | (86,062)                                                                 | (37,613)                                    | (9,577)                                                 |
| Net assets                                               | 12,934                                              | 64,219                                                                   | 8,703                                       | (8,626)                                                 |
| <b>Year ended 31 December 2019</b>                       |                                                     |                                                                          |                                             |                                                         |
| Revenue                                                  | -                                                   | -                                                                        | -                                           | -                                                       |
| Loss for the year                                        | (1,854)                                             | (4,331)                                                                  | (4)                                         | (3,962)                                                 |
| Total comprehensive loss                                 | (1,862)                                             | (4,350)                                                                  | 85                                          | (3,962)                                                 |
| Cash flows used in operating activities                  | (1,584)                                             | (3,270)                                                                  | (4,299)                                     |                                                         |
| Cash flows from investing activities                     | 934                                                 | 3,910                                                                    | -                                           |                                                         |
| Cash flows from financing activities                     | 4,250                                               | 9,953                                                                    | 3,399                                       |                                                         |
| Net increase /(decrease) in cash and<br>cash equivalents | 3,600                                               | 10,593                                                                   | (900)                                       |                                                         |

**17 PROPERTY, PLANT AND EQUIPMENT**

|                                                    | <b>Furniture,<br/>Fittings &amp;<br/>Equipment<br/>US\$'000</b> | <b>Motor<br/>Vehicles<br/>US\$'000</b> | <b>Leasehold<br/>Building<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|----------------------------------------------------|-----------------------------------------------------------------|----------------------------------------|--------------------------------------------|---------------------------|
| <b>Cost</b>                                        |                                                                 |                                        |                                            |                           |
| At 1 January 2020                                  | 435                                                             | 206                                    | 751                                        | 1,392                     |
| Exchange adjustments                               | 4                                                               | 1                                      | 1                                          | 6                         |
| Addition                                           | 39                                                              | -                                      | -                                          | 39                        |
| Disposal                                           | -                                                               | -                                      | -                                          | -                         |
| <b>At 31 December 2020</b>                         | <b>478</b>                                                      | <b>207</b>                             | <b>752</b>                                 | <b>1,437</b>              |
| <b>Accumulated Depreciation</b>                    |                                                                 |                                        |                                            |                           |
| At 1 January 2020                                  | 297                                                             | 150                                    | 325                                        | 772                       |
| Exchange adjustments                               | 3                                                               | 1                                      | 1                                          | 5                         |
| Charge for the year                                | 53                                                              | 11                                     | 31                                         | 95                        |
| Disposal                                           | -                                                               | -                                      | -                                          | -                         |
| <b>At 31 December 2020</b>                         | <b>353</b>                                                      | <b>162</b>                             | <b>357</b>                                 | <b>872</b>                |
| <b>Net carrying amount at<br/>31 December 2020</b> | <b>125</b>                                                      | <b>45</b>                              | <b>395</b>                                 | <b>565</b>                |
| <b>Cost</b>                                        |                                                                 |                                        |                                            |                           |
| At 1 January 2019                                  | 462                                                             | 203                                    | 788                                        | 1,453                     |
| Exchange adjustments                               | (9)                                                             | 10                                     | (16)                                       | (15)                      |
| Addition                                           | 54                                                              | -                                      | -                                          | 54                        |
| Disposal                                           | (72)                                                            | (7)                                    | (21)                                       | (100)                     |
| <b>At 31 December 2019</b>                         | <b>435</b>                                                      | <b>206</b>                             | <b>751</b>                                 | <b>1,392</b>              |
| <b>Accumulated Depreciation</b>                    |                                                                 |                                        |                                            |                           |
| At 1 January 2019                                  | 312                                                             | 143                                    | 320                                        | 775                       |
| Exchange adjustments                               | (6)                                                             | (3)                                    | (6)                                        | (15)                      |
| Charge for the year                                | 63                                                              | 10                                     | 32                                         | 105                       |
| Disposal                                           | (72)                                                            | -                                      | (21)                                       | (93)                      |
| <b>At 31 December 2019</b>                         | <b>297</b>                                                      | <b>150</b>                             | <b>325</b>                                 | <b>772</b>                |
| <b>Net carrying amount at<br/>31 December 2019</b> | <b>138</b>                                                      | <b>56</b>                              | <b>426</b>                                 | <b>620</b>                |

## 18 INTANGIBLE ASSETS

|                                                            | <b>Licence<br/>Contracts and<br/>Related<br/>Relationships<br/>US\$'000</b> | <b>Goodwill<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|---------------------------|
| <b>Cost</b>                                                |                                                                             |                              |                           |
| At 1 January 2019 / 31 December 2019 /<br>31 December 2020 | <b>10,695</b>                                                               | <b>6,479</b>                 | <b>17,174</b>             |
| <b>Accumulated impairment</b>                              |                                                                             |                              |                           |
| At 1 January 2019                                          | <b>7,176</b>                                                                | <b>5,850</b>                 | <b>13,026</b>             |
| Disposals                                                  | -                                                                           | 51                           | 51                        |
| At 31 December 2019 / 1 January 2020                       | <b>7,176</b>                                                                | <b>5,901</b>                 | <b>13,077</b>             |
| Disposals                                                  | -                                                                           | -                            | -                         |
| At 31 December 2020                                        | <b>7,176</b>                                                                | <b>5,901</b>                 | <b>13,077</b>             |
| <b>Carrying amount</b>                                     |                                                                             |                              |                           |
| At 31 December 2019                                        | <b>3,519</b>                                                                | <b>578</b>                   | <b>4,097</b>              |
| <b>At 31 December 2020</b>                                 | <b>3,519</b>                                                                | <b>578</b>                   | <b>4,097</b>              |

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 2018, the Group disposed of its undeveloped land in the IHP Lot D2 and D3 to third party purchasers.

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:

|                                                    | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|----------------------------------------------------|--------------------------|--------------------------|
| <i>Licence contracts and related relationships</i> |                          |                          |
| International Healthcare Park                      | <b>3,519</b>             | 3,519                    |
| <i>Goodwill</i>                                    |                          |                          |
| SENI Mont’ Kiara                                   | <b>28</b>                | 28                       |
| Sandakan Harbour Square                            | <b>550</b>               | 550                      |
|                                                    | <b>578</b>               | 578                      |

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 21).

## 19 RIGHT OF USE

| <b>Cost</b>                                 | <b>US\$'000</b> |
|---------------------------------------------|-----------------|
| At 1 January 2019                           | 4,498           |
| Exchange adjustments                        | (62)            |
| <b>At 31 December 2019 / 1 January 2020</b> | <b>4,436</b>    |
| Exchange adjustments                        | -               |
| <b>At 31 December 2020</b>                  | <b>4,436</b>    |
| <b>Depreciation charges</b>                 |                 |
| At 1 January 2019                           | -               |
| Charge for the year                         | 3,892           |
| <b>At 31 December 2019 / 1 January 2020</b> | <b>3,892</b>    |
| Charge for the year                         | 384             |
| <b>At 31 December 2020</b>                  | <b>4,276</b>    |
| <b>NET BOOK VALUE</b>                       |                 |
| At 31 December 2019                         | <b>544</b>      |
| At 31 December 2020                         | <b>160</b>      |

### Lease liabilities include in the consolidated statement of financial position

|              | <b>2020</b>     | <b>2019</b>     |
|--------------|-----------------|-----------------|
|              | <b>US\$'000</b> | <b>US\$'000</b> |
| Current      | <b>180</b>      | 432             |
| Non-Current  | <b>1</b>        | 179             |
| <b>Total</b> | <b>181</b>      | 611             |

### Amount recognized in the consolidated income statement

|                                      | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| Depreciation charges on right-of-use | 384              | 3,892            |
| Interest on lease liabilities        | 47               | 59               |
| <b>Total</b>                         | <b>431</b>       | <b>3,951</b>     |

A decrease in depreciation charges of right-of-use assets and interest charges of lease liabilities by US\$3.5 million and US\$12,000 respectively, for the financial year ended 31 December 2020.

## 20 DEFERRED TAX ASSETS

|                                                                                      | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------------------------------------------------------------------------|------------------|------------------|
| At 1 January                                                                         | 5,066            | 5,186            |
| Exchange adjustments                                                                 | 93               | 52               |
| Deferred tax credit relating to origination of temporary differences during the year | (48)             | (172)            |
| <b>At 31 December</b>                                                                | <b>5,111</b>     | <b>5,066</b>     |

The deferred tax assets comprise:

|                                                                                                               | 2020<br>US\$'000 | 2019<br>US\$'000 |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Taxable temporary differences between accounting profit and taxable profit of property development units sold | 5,111            | 5,066            |
| <b>At 31 December</b>                                                                                         | <b>5,111</b>     | <b>5,066</b>     |

Deferred tax assets have not been recognised in respect of unused tax losses of US\$14 million (31 December 2019: US\$82 million) 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\$ Nil (31 December 2019: US\$5,980,000) which are available for offset against future taxable profits. The unrecognised deferred tax asset at effective tax rates of the group would be approximately US\$ 3.0 (31 December 2019: US\$10.6 million)

## 21 INVENTORIES

|                                    | Notes | 2020<br>US\$'000 | 2019<br>US\$'000 |
|------------------------------------|-------|------------------|------------------|
| Land held for property development | (a)   | 15,149           | 18,950           |
| Stock of completed units, at cost  | (b)   | 221,708          | 219,334          |
| Consumables                        |       | 537              | 579              |
| <b>At 31 December</b>              |       | <b>237,394</b>   | <b>238,863</b>   |

|                                                                                                   | Notes | 2020<br>US\$'000 | 2019<br>US\$'000 |
|---------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Carrying amount of inventories pledged as security for Loans and borrowings and Medium Term Notes |       | 133,926          | 132,599          |

### (a) Land held for property development

|                                                                                                    | 2020<br>US\$'000 | 2019<br>US\$'000 |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
| At 1 January                                                                                       | 18,950           | 18,674           |
| Add :                                                                                              |                  |                  |
| Exchange adjustments                                                                               | (30)             | 123              |
| Additions                                                                                          | -                | 153              |
| Disposals                                                                                          | (3,736)          | -                |
| <b>At 31 December</b>                                                                              | <b>15,184</b>    | <b>18,950</b>    |
| Less:                                                                                              |                  |                  |
| Costs recognised as expenses in the consolidated statement of comprehensive income during the year | (35)             | -                |
| <b>At 31 December</b>                                                                              | <b>15,149</b>    | <b>18,950</b>    |

(b) **Stock of completed units, at cost**

|                                                                                                    | <b>2020</b>     | <b>2019</b>     |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                    | <b>US\$'000</b> | <b>US\$'000</b> |
| At 1 January                                                                                       | <b>219,334</b>  | 247,937         |
| Transfer (to)/from work in progress                                                                | <b>1,136</b>    | (2,501)         |
| Less :                                                                                             |                 |                 |
| Exchange adjustments                                                                               | <b>2,851</b>    | 3,646           |
| Disposals                                                                                          | <b>(663)</b>    | -               |
| Costs recognised as expenses in the consolidated statement of comprehensive income during the year | <b>(950)</b>    | (6,461)         |
| Net realisable value adjustments of inventories                                                    | -               | (23,287)        |
| <b>At 31 December</b>                                                                              | <b>221,708</b>  | 219,334         |

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.

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

**Sandakan hotel asset (“SHA”)**

The recoverable amount of SHA was determined based on a valuation by an external, independent valuer with appropriate recognised professional qualification. The recoverable amount of US\$28,126,000 (RM113,000,000) (2019: US\$27,606,000 (RM113,000,000)) for SHA was determined to approximate with its carrying amount.

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

- (1) Cash flows were projected based on past experience, past actual operating results of the asset and a 10 years operating results projection;
- (2) The occupancy rate of SHA will improve to 78% in 10 years which is when the hotel’s operations are expected to stabilize;
- (3) Average daily rates of the hotel will improve to US\$104.54 (RM420) in 10 years 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 8% 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 increased/(decreased) the recoverable amount by approximately US\$2,240,000 / (US\$2,489,000);
- (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\$498,000 / (US\$498,000); 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\$977,000 / (US\$977,000).

**Harbour Mall Sandakan (“HMS”)**

The recoverable amount of HMS was determined based on a valuation by an external, independent valuer with appropriate recognised professional qualification. The recoverable amount of US\$31,113,000 (RM125,000,000) (2019: US\$30,537,000 (RM125,000,000)) for HMS was determined to approximate with its carrying amount. .

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

- (1) Cash flows were projected based on past experience, past actual operating results of the asset and a 10 years operating results projection;
- (2) Occupancy rate will improve to an optimum rate of 95%;
- (3) Capitalisation rate assumed at 6%; and
- (4) Capitalisation period of 82 years covering the period of HMS achieving optimum operations to expiration of the title term.
- (5) Pre-tax discount rate of 8% 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 0.25% in capitalization rate used would have (decreased) /increased the recoverable amount by approximately (US\$996,000) / US\$747,000;
- (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\$498,000 / (US\$747,000); and
- (c) an increase/(decrease) of 5% in average rental rate used would have increased /(decreased) the recoverable amount by approximately US\$2,738,000 / (US\$2,738,000).

### **City International Hospital (“CIH”)**

The recoverable amount US\$75,000,000 (2019: US\$75,000,000) 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.

The valuation of CIH was adopted from the results of discounted cash flow approach as calculated 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 actual operating results from 2015 to 2019 and references to the 5 years budget of CIH, as 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 14.8% from 2025 to 2029;
- (3) Pre-tax discount rate of 12% was applied in discounting the cash flows. The discount rates take into the prevailing market condition of the hospital industry in Vietnam, development time frame and scale of the property; and
- (4) Terminal yield rate of 10% was applied to reflect the uncertainty and risk associated with remaining lease term of the asset.

### **The RuMa Hotel and Residences (“The RuMa”)**

The recoverable amount of The RuMa was determined based on a valuation by an external, independent valuer with appropriate recognised professional qualification. The recoverable

amount US\$105,036,000 (RM422,000,000) (2019: US\$103,095,000 (RM422,000,000)) of The RuMa was determined to be higher than its carrying amount.

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

- (1) Cash flows were projected based on the 10 years projection of The RuMa Hotel;
- (2) The occupancy rate of The RuMa Hotel will improve to 78% in 2029 which is when the hotel's operations are expected to stabilise;
- (3) Average daily rates of the hotel will improve to US\$257.11 (RM1,033) in year 10 which is when the hotel's operations are expected to stabilise;
- (4) Projected gross margin reflects the industry 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 rate takes into the prevailing trend of the hotel industry in Malaysia.

The valuation of The RuMa Residences was determined based on the Comparison Approach as the sole method of valuation.

## 22 TRADE AND OTHER RECEIVABLES

|                   | <b>2020</b>     | <b>2019</b>     |
|-------------------|-----------------|-----------------|
|                   | <b>US\$'000</b> | <b>US\$'000</b> |
| Trade receivables | <b>2,571</b>    | 3,867           |
| Other receivables | <b>13,325</b>   | 8,475           |
| Sundry deposits   | <b>315</b>      | 560             |
|                   | <b>16,211</b>   | 12,902          |

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 30 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 on initial recognition less provision for impairment where it is required.

The loss allowance as at 31 December 2020 and 31 December 2019 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

|                         | <b>Trade<br/>receivable<br/>US\$'000</b> | <b>Contract<br/>asset<br/>US\$'000</b> | <b>Loss<br/>allowance<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|-------------------------|------------------------------------------|----------------------------------------|----------------------------------------|---------------------------|
| <b>31 December 2020</b> |                                          |                                        |                                        |                           |
| Current                 | 704                                      | -                                      | -                                      | 704                       |
| <b>Past due</b>         |                                          |                                        |                                        |                           |
| 0 – 60 days             | -                                        | -                                      | -                                      | -                         |
| 61 –120 days            | -                                        | -                                      | -                                      | -                         |
| More than 120 days      | 1,867                                    | -                                      | -                                      | 1,867                     |
|                         | <b>2,571</b>                             | <b>-</b>                               | <b>-</b>                               | <b>2,571</b>              |
|                         |                                          |                                        |                                        |                           |
|                         | <b>Trade<br/>receivable<br/>US\$'000</b> | <b>Contract<br/>asset<br/>US\$'000</b> | <b>Loss<br/>allowance<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
| <b>31 December 2019</b> |                                          |                                        |                                        |                           |
| Current                 | 3,045                                    | -                                      | -                                      | 3,045                     |
| <b>Past due</b>         |                                          |                                        |                                        |                           |
| 0 – 60 days             | -                                        | -                                      | -                                      | -                         |
| 61 –120 days            | -                                        | -                                      | -                                      | -                         |
| More than 120 days      | 822                                      | -                                      | -                                      | 822                       |
|                         | <b>3,867</b>                             | <b>-</b>                               | <b>-</b>                               | <b>3,867</b>              |

The group uses the simplified approach to estimate credit loss allowance for all trade receivables and contract assets, which will be based on the past payment trends, existing market conditions and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. The loss allowances are also based on assumptions about risk of default. The quantum of any probability of an expected credit loss will occur to be low or not material. No provision is recognised in these financial statements.

Included in trade receivables is US\$1,953,000 representing 76% of the Group's trade receivables which are due from a subsidiary of Ireka Corporation Berhad for the acquisition of SENI units (31 December 2019: US\$1,760,000, representing 25% 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\$ Nil (31 December 2019: US\$1,582,000) due from a subsidiary of Ireka Corporation Berhad for advance payments made to its contractors and US\$135,000 (31 December 2019: US\$235,000) due from Ireka Corporation Berhad for rental expenses paid on its behalf. Furthermore, there was an amount due from Ireka Corporation Berhad in relation to the interest owed on the unpaid shareholder advances to the construction of The RuMa Hotel and Residences, as described in Note 11.

The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position. The Group monitors the repayment of the customers regularly and are confident of the ability of the customers to repay the balance outstanding.

## 23 CASH AND CASH EQUIVALENTS

|                                  | 2020<br>US\$'000 | 2019<br>US\$'000 |
|----------------------------------|------------------|------------------|
| Cash and bank balances           | 3,052            | 2,380            |
| Short term bank deposits         | 2,896            | 5,235            |
|                                  | 5,948            | 7,615            |
| Less: Deposits pledged           | (2,619)          | (4,380)          |
| <b>Cash and cash equivalents</b> | <b>3,329</b>     | <b>3,235</b>     |

Included in short term bank deposits and cash and bank balance is US\$2,619,000 (31 December 2019: US\$4,380,000) pledged for loans and borrowings and Medium Term Notes of the Group.

The interest rate on cash and cash equivalents, excluding deposit pledged with licensed bank of US\$2,619,000 (31 December 2019: US\$4,380,000) pledged for loans and borrowings and Medium Term Notes of the Group, ranges from 1.25% to 3.25% per annum (31 December 2019: 1.20% 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 1.20% to 3.25% per annum (31 December 2019: 2.50% to 4.50% per annum).

## 24 SHARE CAPITAL

|                                    | Number<br>of shares<br>2020<br>'000 | Amount<br>2020<br>US\$'000 | Number<br>of shares<br>2019<br>'000 | Amount<br>2019<br>US\$'000 |
|------------------------------------|-------------------------------------|----------------------------|-------------------------------------|----------------------------|
| <b>Authorised Share Capital</b>    |                                     |                            |                                     |                            |
| 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                    |
| <b>Issued Share Capital</b>        |                                     |                            |                                     |                            |
| 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.

## 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.

In 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 TRADE AND OTHER PAYABLES

|                                | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------------------|------------------|------------------|
| <b>Non-current</b>             |                  |                  |
| Amount owed to contract buyers | 39,789           | 39,253           |
|                                | <b>39,789</b>    | <b>39,253</b>    |
| <b>Current</b>                 |                  |                  |
| Trade payables                 | 1,361            | 1,283            |
| Other payables                 | 19,488           | 11,980           |
| Contract liabilities           | -                | -                |
| Deposits refundable            | 7,977            | 8,750            |
| Accruals                       | 4,474            | 1,536            |
|                                | <b>33,300</b>    | <b>23,549</b>    |
|                                | <b>73,089</b>    | <b>62,802</b>    |

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.

Included in the other payable comprise of the accrued costs for the development of the RuMa project amounted to US\$ 2.8 million (31 December 2019: US\$4.4 million).

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

|                                                                       | <b>2020</b>     | <b>2019</b>     |
|-----------------------------------------------------------------------|-----------------|-----------------|
|                                                                       | <b>US\$'000</b> | <b>US\$'000</b> |
| Revenue recognised in the period from:                                |                 |                 |
| Amounts included in contract liability at the beginning of the period | <b>1,329</b>    | 9,725           |
| Performance obligations satisfied in previous period                  | -               | -               |

Amount owed to contract buyer is of funding received, by way of non-refundable deposits, in advance of completion of the hotel suites which are at 31 December 2020 still controlled by the Group.

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

## **29 AMOUNT DUE TO NON-CONTROLLING INTERESTS**

|                                                      | <b>2020</b>     | <b>2019</b>     |
|------------------------------------------------------|-----------------|-----------------|
|                                                      | <b>US\$'000</b> | <b>US\$'000</b> |
| Minority Shareholder of Bumiraya Impian Sdn. Bhd.:   |                 |                 |
| - Global Evergroup Sdn. Bhd.                         | <b>1,234</b>    | 1,211           |
| Minority Shareholders of Hoa Lam Services Co Ltd:    |                 |                 |
| - Tran Thi Lam                                       | <b>1,723</b>    | 1,720           |
| - Tri Hanh Consultancy Co Ltd                        | <b>3,881</b>    | 4,018           |
| - Hoa Lam Development Investment Joint Stock Company | <b>3,638</b>    | 2,755           |
| - Duong Ngoc Hoa                                     | <b>223</b>      | 222             |
| Minority Shareholder of The RuMa Hotel KL Sdn. Bhd.: |                 |                 |
| - Ireka Corporation Berhad                           | -               | 2               |
| Minority Shareholder of Urban DNA Sdn. Bhd.:         |                 |                 |
| - Ireka Corporation Berhad                           | <b>672</b>      | 659             |
|                                                      | <b>11,371</b>   | 10,587          |

The current amount due to non-controlling interests amounting to US\$11,371,000 (31 December 2019: US\$10,587,000) is unsecured, interest free and repayable on demand.

## 30 LOANS AND BORROWINGS

|                    | 2020<br>US\$'000 | 2019<br>US\$'000 |
|--------------------|------------------|------------------|
| <b>Non-current</b> |                  |                  |
| Bank loans         | 21,925           | 18,789           |
| Lease liabilities  | 1                | 179              |
|                    | <b>21,926</b>    | <b>18,968</b>    |
| <b>Current</b>     |                  |                  |
| Bank loans         | 29,631           | 34,281           |
| Lease liabilities  | 180              | 432              |
|                    | <b>29,811</b>    | <b>34,713</b>    |
|                    | <b>51,737</b>    | <b>53,681</b>    |

### LEASE LIABILITIES

|                                     | 2020<br>US\$,000 | 2019<br>US\$'000 |
|-------------------------------------|------------------|------------------|
| <b>Future minimum lease payment</b> |                  |                  |
| Within one year                     | 180              | 432              |
| Between one and five years          | 1                | 179              |
| Over five years                     | -                | -                |
|                                     | <b>181</b>       | <b>611</b>       |

The effective interest rates on the bank loans for the year ranged from 6.10% to 11.30% (31 December 2019: 5.55% to 11.30%) per annum.

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

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

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

At 31 December 2019, one of the Group's subsidiary undertakings had not complied with the Debt to Equity ratio covenant in respect of a loan of US\$23.5 million. In accordance with the terms set out in the Facility Agreement, in the event of the breach of this financial covenant, the loan shall be immediately due and payable together with accrued interest thereon upon notification by the lenders. In June 2020, the Group's subsidiary received a non-compliance waiver from the lenders in respect of this non-compliance. Subsequently, the loan was restructured and extended a further 12 months from 22 July 2020, the initial maturity date.

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

|              | <b>As at 1<br/>January<br/>2020</b> | <b>Drawdown<br/>of loan</b> | <b>Repayment<br/>of loan</b> | <b>Foreign<br/>exchange<br/>movements</b> | <b>As at 31<br/>December<br/>2020</b> |
|--------------|-------------------------------------|-----------------------------|------------------------------|-------------------------------------------|---------------------------------------|
|              | <b>US\$'000</b>                     | <b>US\$'000</b>             | <b>US\$'000</b>              | <b>US\$'000</b>                           | <b>US\$'000</b>                       |
| Bank loans   | 53,070                              | 3,148                       | (4,879)                      | 217                                       | 51,556                                |
| <b>Total</b> | <b>53,070</b>                       | <b>3,148</b>                | <b>(4,879)</b>               | <b>217</b>                                | <b>51,556</b>                         |

|              | <b>As at 1<br/>January<br/>2019</b> | <b>Drawdown<br/>of loan</b> | <b>Repayment<br/>of loan</b> | <b>Foreign<br/>exchange<br/>movements</b> | <b>As at 31<br/>December<br/>2019</b> |
|--------------|-------------------------------------|-----------------------------|------------------------------|-------------------------------------------|---------------------------------------|
|              | <b>US\$'000</b>                     | <b>US\$'000</b>             | <b>US\$'000</b>              | <b>US\$'000</b>                           | <b>US\$'000</b>                       |
| Bank loans   | 61,272                              | 5,343                       | (12,162)                     | (1,383)                                   | 53,070                                |
| <b>Total</b> | <b>61,272</b>                       | <b>5,343</b>                | <b>(12,162)</b>              | <b>(1,383)</b>                            | <b>53,070</b>                         |

|                   | <b>As at 1<br/>January<br/>2020</b> | <b>Repayment<br/>of lease<br/>payment</b> | <b>Interest<br/>expense</b> | <b>Foreign<br/>exchange<br/>movements</b> | <b>As at 31<br/>December<br/>2020</b> |
|-------------------|-------------------------------------|-------------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------|
|                   | <b>US\$'000</b>                     | <b>US\$'000</b>                           | <b>US\$'000</b>             | <b>US\$'000</b>                           | <b>US\$'000</b>                       |
| Lease liabilities | 611                                 | (463)                                     | 23                          | 10                                        | 181                                   |
| <b>Total</b>      | <b>611</b>                          | <b>(463)</b>                              | <b>23</b>                   | <b>10</b>                                 | <b>181</b>                            |

|                   | <b>As at 1<br/>January<br/>2019</b> | <b>Initial<br/>Application</b> | <b>Repayment<br/>of lease<br/>payment</b> | <b>Interest<br/>expenses</b> | <b>Foreign<br/>exchange<br/>movements</b> | <b>As at 31<br/>December<br/>2019</b> |
|-------------------|-------------------------------------|--------------------------------|-------------------------------------------|------------------------------|-------------------------------------------|---------------------------------------|
|                   | <b>US\$'000</b>                     | <b>US\$'000</b>                | <b>US\$'000</b>                           | <b>US\$'000</b>              | <b>US\$'000</b>                           | <b>US\$'000</b>                       |
| Lease liabilities | -                                   | 1,491                          | (873)                                     | 59                           | (66)                                      | 611                                   |
| <b>Total</b>      | <b>-</b>                            | <b>1,491</b>                   | <b>(873)</b>                              | <b>59</b>                    | <b>(66)</b>                               | <b>611</b>                            |

### 31 MEDIUM TERM NOTES

|                                          | <b>2020<br/>US\$'000</b> | <b>2019<br/>US\$'000</b> |
|------------------------------------------|--------------------------|--------------------------|
| Outstanding medium term notes            | 40,570                   | 36,535                   |
| Net transaction costs                    | (370)                    | (393)                    |
| Less:                                    |                          |                          |
| Repayment due within twelve months *     | (40,200)                 | (36,142)                 |
| <b>Repayment due after twelve months</b> | <b>-</b>                 | <b>-</b>                 |

\* Includes net transaction costs in relation to medium term notes due within twelve months of US\$0.37 million (31 December 2019: US\$0.39 million).

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

|                   | <b>As at 1<br/>January<br/>2020<br/>US\$'000</b> | <b>Drawdown<br/>of loan<br/>US\$'000</b> | <b>Repayment<br/>of loan<br/>US\$'000</b> | <b>Foreign<br/>exchange<br/>movements<br/>US\$'000</b> | <b>As at 31<br/>December<br/>2020<br/>US\$'000</b> |
|-------------------|--------------------------------------------------|------------------------------------------|-------------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Medium Term Notes | <b>36,142</b>                                    | <b>3,378</b>                             | <b>-</b>                                  | <b>680</b>                                             | <b>40,200</b>                                      |

|                   | <b>As at 1<br/>January<br/>2019<br/>US\$'000</b> | <b>Drawdown<br/>of loan<br/>US\$'000</b> | <b>Repayment<br/>of loan<br/>US\$'000</b> | <b>Foreign<br/>exchange<br/>movements<br/>US\$'000</b> | <b>As at 31<br/>December<br/>2019<br/>US\$'000</b> |
|-------------------|--------------------------------------------------|------------------------------------------|-------------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Medium Term Notes | <b>23,761</b>                                    | <b>12,105</b>                            | <b>-</b>                                  | <b>276</b>                                             | <b>36,142</b>                                      |

The medium term notes (“MTNs”) were issued pursuant to a programme with a tenor 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 2016, 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\$96.25 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.

In 2017, Silver Sparrow Berhad (“SSB”) obtained consent from the lenders to utilise proceeds of US\$4.64 million in the Sales Proceeds Account and Debt Service Reserve Account to partially redeem the MTNs in November 2017. SSB also secured “roll-over” for the remaining MTNs of US\$24.43 million which is due on 10 December 2019 and 8 December 2020, it is now repayable on 8 December 2021. The MTNs are rated AAA.

The weighted average interest rate of the MTN was 6.02% per annum at the statement of financial position date. The effective interest rates of the MTN and their outstanding amounts are as follows:

|                     |                       | <b>Interest rate %</b> | <b>As at 31<br/>December 2020<br/>US\$'000</b> |
|---------------------|-----------------------|------------------------|------------------------------------------------|
|                     | <b>Maturity Dates</b> | <b>per annum</b>       |                                                |
| Series 1 Tranche FG | 8 December 2021       | 6.02                   | 14,187                                         |
| Series 1 Tranche BG | 8 December 2021       | 6.02                   | 10,702                                         |
|                     |                       |                        | <b>24,890</b>                                  |

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 the Company;
- (vi) letter of undertaking from the Company 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 favour of Danajamin, Malayan Banking Berhad and OCBC Bank (Malaysia) Berhad (collectively as “the guarantors”) where once exercised, the sale and purchase of HMS and SHA shall take place in accordance with the provision of the Put Option Agreement; and the proceeds from HMS and SHA 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.

Potensi Angkasa Sdn. Bhd. (“PASB”), a subsidiary incorporated on 25 February 2019, has secured a commercial paper and/or medium term notes programme of not exceeding US\$21.99 million (RM90.0 million) (“CP/MTN Programme”) to fund a project known as The RuMa Hotel and Residences. PASB may, from time to time, issue commercial paper and/or medium term notes (“Notes”) whereby the nominal value of outstanding Notes shall not exceed US\$21.99 million (RM90.0 million) at any one time. As at 31 December 2019, a total of US\$12.12 million (RM49.6 million) was issued.

An additional US\$3.82 million (RM15.35 million) was issued on 25 February 2020. Furthermore, on 10 June 2020, the initial tranches of US\$5.59 million (RM22.9 million) matured; two tranches amounting to US\$0.40 million (RM1.90 million) were redeemed, with the remaining tranches of US\$5.21 million (RM21.0 million) rolled-over for another one year. During the year, 2 more issues were rolled-over for another one year when they matured in September and October 2020.

Subsequent to 31 December 2020, 2 issues matured in February and June 2021, they were all rolled-over for another one year.

The weighted average interest rate of the loan was 6.0% per annum at the statement of financial position date. The effective interest rates of the medium term notes and their outstanding amounts were as follows:

|                 | <b>Maturity Dates</b> | <b>Interest rate %<br/>per annum</b> | <b>As at 31<br/>December 2020<br/>US\$'000</b> |
|-----------------|-----------------------|--------------------------------------|------------------------------------------------|
| Tranches 50-62  | 25 February 2021      | 6.0                                  | 3,821                                          |
| Tranches 63-81  | 9 June 2021           | 6.0                                  | 5,214                                          |
| Tranches 84-91  | 1 October 2021        | 6.0                                  | 2,389                                          |
| Tranches 92-109 | 8 October 2021        | 6.0                                  | 4,256                                          |
|                 |                       |                                      | <b>15,680</b>                                  |

#### **Security for CP/MTN Programme**

- (a) A legal charge over the Designated Accounts by the PASB and/or the Security Party (as defined below) (as the case may be) and assignment of the rights, titles, benefits and interests of the PASB and/or the Security Party (as the case may be) thereto and the credit balances therein on a pari passu basis among all Notes, subject to the following:
- (b)
  - (i) In respect of the 75% of the sale proceeds of a Secured Asset (“Net Sale Proceeds”) arising from the disposal of a Secured Asset, the Noteholders of the relevant Tranche secured by such Secured Asset shall have the first ranking security over such Net Sale Proceeds;
  - (ii) In respect of the insurance proceeds from the Secured Assets (“Insurance Proceeds”), the Noteholders of the relevant Tranche secured by such Secured Asset shall have the first ranking security over such Insurance Proceeds;

- (iii) In respect of the sale deposits from the Secured Assets (“Sale Deposits”), the Noteholders of the relevant Tranche secured by such Secured Asset shall have the first ranking security over such Sale Deposits;
  - (iv) In respect of the amount at least equivalent to an amount payable in respect of any coupon payment of that particular Tranche for the next six (6) months to be maintained by the Issuer (“Issuer’s DSRA Minimum Required Balance”), the Noteholders of the relevant Tranche shall have the first ranking security over such Issuer’s DSRA Minimum Required Balance;
  - (v) In respect of the proceeds from the Collection Account (“CA Proceeds”), the Noteholders of the relevant Tranche shall have the first ranking security over such CA Proceeds; and
  - (vi) In respect of any amount deposited by the Guarantor which are earmarked for the purposes of an early redemption of a particular Tranche of the Notes and/or principal payment of a particular Tranche of the Notes (“Deposited Amount”), the Noteholders of the relevant Tranche shall have the first ranking security over such Deposited Amount;
- (c) An irrevocable and unconditional guarantee provided by the Urban DNA Sdn Bhd for all payments due and payable under the CP/MTN Programme (“Guarantee”); and
  - (d) Any other security deemed appropriate and mutually agreed between the PASB and the Principal Adviser/Lead Arranger (“PA/LA”), the latter being Kenanga Investment Bank Berhad.

**Security for each medium term note:**

Each Tranche shall be secured by assets ("Secured Assets") to be identified prior to the issue date of the respective Tranche.

Such Secured Assets may be provided by third party(ies), (which, together with the Guarantor, shall collectively be referred to as “Security Parties” and each a “Security Party”) and/or by the PASB. Subject always to final identification of the Secured Asset prior to the issue date of the respective Tranche, the security for any particular Tranche may include but not limited to the following:

- (a) Legal assignment and/or charge by the PASB and/or the Security Party (as the case may be) of the Secured Assets;
- (b) An assignment over all the rights, titles, benefits and interests of the PASB and/or the Security Party (as the case may be) under all the sale and purchase agreements executed by end-purchasers and any subsequent sale and purchase agreement to be executed in the future by end-purchaser (if any), in relation to the Secured Assets;
- (c) A letter of undertaking from Aseana Properties Limited to, amongst others, purchase the Secured Assets (“Letter of Undertaking”); and/or

- (d) Any other security deemed appropriate and mutually agreed between the Issuer and the PA/LA and/or Lead Manager prior to the issuance of the relevant Tranche.

The security for each Tranche is referred to as “Tranche Security”.

### **32 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 81.66% to 82.49% (2019: 81.59% to 81.66%) arising from an issue of new shares in the subsidiary for cash consideration of US\$0.76 million (2019: US\$1.034 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 73.04% (2019: 72.46%). The Group recognised an increase in non-controlling interests of US\$38,000 (2019: US\$24,000) and an increase in accumulated losses of US\$38,000 (2019: US\$24,000) resulting from the increase in equity interest in the above subsidiaries.

### **33 RELATED PARTY TRANSACTIONS**

Transactions between the Group 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 pages 21 to 22 of the Directors’ Report under the headings of ‘Management’.

In 2009, the Group entered into a Joint Venture Agreement (JVA) with Ireka Corporation Berhad (ICB) for the construction of The RuMa Hotel and Residences (“RuMa”). Under the term of that JVA, the joint venture partners are required to make equity contribution in the proportion to their participating interest for the purpose of the development and construction of the RuMa. In the opinion of the directors, they have considered the JVA allows for the equity contribution to be deferred and paid upon the conclusion of construction. At 31 December 2020, the total amount of equity contribution owed by ICB was US\$12.7 million. The recognition of these amount owed by ICB would be offset by the corresponding entry of the amount owed to ICB, which therefore has no net impact to the consolidated financial statements.

The equity contributions are non-trade in nature and are unsecured and interest bearing.

Furthermore, the Group was entitled to interest receivable from ICB. The interest receivable was calculated based on an annual interest rate of 2% above the Malaysia lending rate and applied to the deferred equity contributions.

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 include all the Directors of the Group, and certain members of senior management of the Group.

|                                                                              | <b>2020</b>     | <b>2019</b>     |
|------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                              | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>ICB Group of Companies</b>                                                |                 |                 |
| Accounting and financial reporting services fee charged by an ICB subsidiary | -               | 96              |
| Accrued interest on shareholders advance payable by ICB                      | <b>227</b>      | 3,572           |
| Accrued interest on a contract payment by an ICB subsidiary                  | <b>83</b>       | -               |
| Hosting and IT support services charged by an ICB subsidiary                 | -               | 66              |
| Construction progress claims charged by an ICB subsidiary                    | -               | 4,733           |
| Reversal of liquidated ascertained damages (“LAD”) claims                    | -               | (1,209)         |
| Provisions for construction delay claims by ICB subsidiary                   | -               | (2,052)         |
| Management fees charged by an ICB subsidiary                                 | -               | 1,157           |
| Marketing commission charged by an ICB subsidiary                            | -               | 139             |
| Project staff cost reimbursed to an ICB subsidiary                           | -               | 280             |
| Rental expenses charged by an ICB subsidiary                                 | -               | 16              |
| Rental expenses paid on behalf of ICB                                        | -               | 489             |
| Secretarial and administrative services fee charged by an ICB subsidiary     | -               | 85              |
| <b>Key management personnel</b>                                              |                 |                 |
| Remuneration of key management personnel - Directors’ fees                   | <b>233</b>      | 186             |
| Remuneration of key management personnel - Salaries                          | <b>67</b>       | 95              |

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

|                                           | <b>2020</b>     | <b>2019</b>     |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>Non-controlling interests</b>          |                 |                 |
| Advances – non-interest bearing (Note 29) | <b>731</b>      | (2,666)         |
| <b>Other related parties</b>              |                 |                 |
| Disposal of subsidiaries                  | <b>3,936</b>    | -               |

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

The outstanding amounts due from/(to) ICB and its group of companies as at 31 December 2020 and 31 December 2019 are as follows:

|                                       | <b>2020</b>     | <b>2019</b>     |
|---------------------------------------|-----------------|-----------------|
|                                       | <b>US\$'000</b> | <b>US\$'000</b> |
| Net amount due from an ICB subsidiary | <b>1,953</b>    | 5,159           |
| Net amount due from ICB               | <b>3,381</b>    | 3,768           |

The outstanding amounts due to the other significant related parties as at 31 December 2019 and 31 December 2018 are as follows:

|                                           | <b>2020</b>     | <b>2019</b>     |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>US\$'000</b> | <b>US\$'000</b> |
| <b>Non-controlling interests</b>          |                 |                 |
| Advances – non-interest bearing (Note 29) | <b>(11,370)</b> | (10,587)        |

Transactions between the parent company and its subsidiaries are eliminated in these consolidated financial statements. A list of subsidiaries is provided in Note 34.

## 34 INVESTMENT IN SUBSIDIARIES

| Name                                                          | Country of incorporation | Principal activities                                                               | Effective ownership interest |      |
|---------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------|------------------------------|------|
|                                                               |                          |                                                                                    | 2020                         | 2019 |
| Subsidiaries                                                  |                          |                                                                                    |                              |      |
| Ireka Land 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% |
| Potensi Angkasa Sdn. Bhd                                      | Malaysia                 | Participating in the transactions contemplated under the Guaranteed MTNs Programme | 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                                                               | 73%                          | 72%  |
| City International Hospital Co Ltd                            | Vietnam                  | Hospital ownership and operation                                                   | 73%                          | 72%  |

## **35 COMMITMENTS AND CONTINGENCIES**

### **Debt service reserve account**

In 2017, Silver Sparrow Berhad obtained consent from the lenders to utilise proceeds of US\$4.89million in the Sales Proceeds Account and Debt Service Reserve Account (“DSRA”) to partially redeem the MTNs. Thereafter, amount equivalent to RM10.0 million (US\$2.41 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.

## **36 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE**

As described in Note 2.1 above, on 8 February 2021, the De-merger was eventually cancelled as the banks that had financed the construction of certain of the Company’s assets would not give their approval for it to proceed. Since then, the Board turned its focus into divesting all assets of the Group.

On 28 May 2021, shareholders voted to extend the life of the Company by a further two years to May 2023 and a further dis-continuation vote must be put to shareholders by the end of May 2023.

### **Copies of the Annual Report**

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