MYANMAR STRATEGIC HOLDINGS

ANNUAL REPORT 2018/2019



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STRATEGIC REPORT

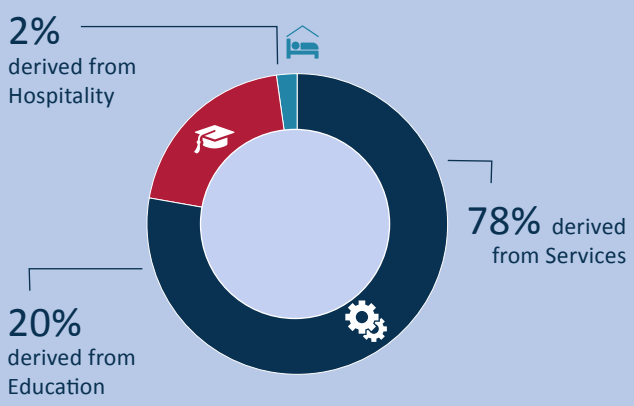
FINANCIAL HIGHLIGHTS

All dates refer to the financial year ended 31 March 2019 ("2019"), unless otherwise stated.

- Group revenues increased 459% year on year ("YOY") to US$4.4 million, of which 78% derived from Services, 20% from Education and 2% from Hospitality.
- Created a "Services" division following the successful acquisition in May 2018 of EXERA, one of Myanmar's leading providers of integrated security and risk management services, for US$2.2 million.
- Received an investment permit from the Myanmar Investment Commission ("MIC") in April 2019 in relation to the Company's first international school, the Yangon American International School, which has been launched in June 2019.
- Adjusted EBITDA loss widened to US$2.1 million (2018: US$1.5 million), primarily due to the pre-opening operating losses of Yangon American (US$0.4 million), the reorganisation of EXERA and a slower tourism market.
- Net loss amounted to US$2.5 million (2018: US$2.1 million).
- Underlying revenues, an indicator of the volume of business generated by the managed and owned businesses, increased 130% YOY to ca. US$7.3 million of which 47% derived from Services, 36% from Education and 17% from Hospitality.
- The Company raised US$3.07 million (153,500 new shares at a price of US$20 per share) as part of its share issuance programme announced in March 2018.
- A new share issuance programme of up to 480,000 shares at a price of not less than US$20 per share was launched in July 2018.
- Loans of up to US$3 million with Macan Pte. Ltd., of which US$2 million was drawn immediately, were also secured in July 2019.
- Additional details are provided in the Financial Review.

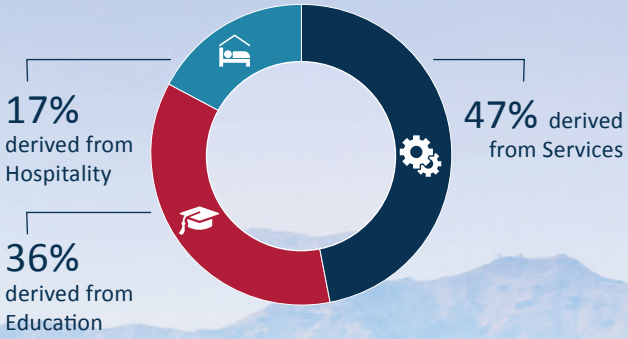
459% increase in group revenues to

US$4.4 million



130% increase in underlying revenues of managed and owned businesses to

US$7.3 million





STRATEGIC REPORT

OPERATIONAL HIGHLIGHTS

EDUCATION

- Group revenues arising from the management of the education businesses for the year were US$874,737 (2018: US$611,870).
- Through its Education division, the Group is currently active in (i) English language learning (Wall Street English), (ii) higher education (Auston College Myanmar) and (iii) K-12 international school (Yangon American International School).
- Under the Wall Street English brand ("WSE"), the Group manages three retail English language centres and one corporate centre. As at 31 March 2019, WSE served ca. 1,400 registered students across its retail and corporate centres and has established itself as the leading private English language education provider in Myanmar.
- The Group continues to seek opportunities to expand the WSE franchise as it holds the exclusive rights to develop a further seven WSE retail centres (up to a total of 10) over the next eight years. In December 2018 the Company also purchased the remaining minority non-controlling interest of 8% in MS English, yielding full ownership.
- Within its higher education portfolio, MSH manages Auston College Myanmar ("Auston"), a private school offering foundation and diploma programs in engineering. The first campus opened in Yangon in May 2018, spans over three floors and covers 700 sqm.
- In April 2019, the Group has also received the MIC investment permit in relation to its first international school, the Yangon American International School ("Yangon American"). The school is centrally located in Yangon in a campus of over 3,000 sqm. Its planned capacity is 400 students and operations will commence on time in August 2019.
- During the financial year, the education businesses generated underlying revenues of US$2.6 million (2018: US$1.5 million).

SERVICES

- Group revenues arising from rendering of services from the date of acquisition to the reporting date were US$3.4 million (For the financial year ended 31 March 2019: US$4.1 million; 2018: US$4.0 million).
- Through its Services division, the Group provides a range of integrated security, risk management, journey management and cash in transit services under the EXERA brand.
- Acquired by the Group in May 2018, EXERA is an internationally managed provider of security and risk management services, operating exclusively in Myanmar. With an experienced workforce of over 1,000 security officers as at 31 March 2019, EXERA provides guarding, protective services, transportation, training, and nationwide risk consulting, to a wide range of international and local clients.
- Its customer base includes multi-national corporations, large oil and gas companies, established local businesses and governmental bodies and international organisations such as WFP, UNHCR, UNICEF and the EU. It is worth noting that, since its acquisition in May 2018, EXERA has been able to retain 80% of the contracts that came up for renewal or retention.
- In May 2019 EXERA has been awarded the prestigious contract for the provision of security guarding services at the Singapore Embassy in Yangon for a period of three years. The total tendered price was ca. US$478,000 for the initial period of three years.

HOSPITALITY

- Management and technical assistance fees to the Group for the year were US$105,000 (2018: US$180,000). The reduction in fees was mainly due to a broader decline in tourist arrivals in Myanmar linked to the political uncertainty and the conflicts in Rakhine State.
- Under its Hospitality division, the Group manages four boutique hostels across three of the most popular tourist destinations in Myanmar. Following the opening of its fourth boutique hostel, Ostello Bello Bagan Pool, the Group raised the number of beds under management to 474, spread over 108 rooms in 4 locations across Bagan, Mandalay and Nyaung Shwe.
- During the financial period, the number of beds sold amounted to 65,763 (2018: 84,824) and the underlying revenues of managed businesses were US$1.2 million (2018: US$1.7 million).
- The Group's main focus is to maintain a strong operating performance and generate operational synergies to offset the currently challenging operating environment in the Myanmar tourism sector.
- Management maintains a positive outlook on the long-term prospects of the Myanmar tourism sector and is pursuing expansion opportunities in both established tourist hubs (e.g. Yangon and Ngapali) as well as up and coming destinations (e.g. Hpa-An and Ngwe Saung).
- It is worth noting that in July 2019, Bagan was approved for inclusion on UNESCO's World Heritage List, more than two decades after it was first nominated. This strong vote of confidence is expected to drive an increase in overall tourism inflows in the next 12 months.

NEW BUSINESS DEVELOPMENT

- As demonstrated by the post period events listed below, MSH continues to develop its business network and expand its pipeline within the Company's existing sectors (e.g. Services, Education and Hospitality) and new sectors (e.g. Technology).
- On 21 May 2018, MSH agreed to make a strategic minority investment of US$150,000 in NEXLABS, one of Myanmar's leading digital consulting firms. The firm was founded in 2013 in Yangon by Ye Myat Min, one of Forbes Asia's 30 under 30 in 2016 and employs over 80 experienced professionals.
- Management will also routinely conduct in-depth studies of new sectors (e.g. Healthcare, Retail and Financial Services) and determine whether to allocate additional human and financial resources to selected initiatives.

STRATEGIC REPORT

POST PERIOD END EVENTS

PROPOSED ACQUISITION OF MYANMAR INVESTMENTS LIMITED

- On 18 June 2019, the Board of MSH announced that it had made an indicative proposal to the Board of Myanmar Investments International Limited ("MIL") suggesting a combination of MSH and MIL.
- The Board of MSH believes that a combination of MSH and MIL would generate significant value to both companies and their respective shareholders by:
  - preserving the legacy and the goodwill of the MIL and the MSH franchises;
  - unlocking further value within the MIL and MSH investment portfolios;
  - leveraging the experience of the MSH team and the combined investor base in Mergers and Acquisitions and Equity Capital Markets transactions to maximise the value of each company's investments;
  - accessing a portfolio of attractive investment and consolidation opportunities in high-growth sectors such as microfinance, consumer retail, education, hospitality and security;
  - attracting, developing and retaining high quality talent as one of the leading employers in Myanmar;
  - driving significant revenue and cost synergies through the cross-fertilisation of customer bases and the removal of duplicated functions and expenses;
  - potentially generating greater liquidity for shareholders by virtue of a larger market capitalisation; and
  - improving the overall attractiveness of the combined business to new investors thanks to the significantly larger size and a diversified portfolio of operating businesses and strategic investments.
- MSH's indicative proposal to the Board of MIL comprised a cash and share offer to be effected by way of a British Virgin Islands Scheme of Arrangement or Takeover Offer. MSH's indicative proposal would value MIL at US$0.75 per share, an implied premium of 23% vs. the block trade conducted on 30 April 2019 at US$0.61 per share, and comprised of: (i) Cash: US$0.10 per MIL share, and (ii) MSH shares: one newly issued MSH share for 16 MIL shares (equivalent to ca. US$0.65 per MIL share based on MSH's closing share price of US$10.50 (as at 17 June 2019) or ca. US$1.25 per MIL share based on MSH's latest share issuance at US$20.00 per share).
- On 18 and 19 June 2019, MIL issued statements in which the Board of MIL and its Shareholders rejected MSH's unsolicited approach "as it significantly undervalues the Company and does not attribute fair value to the Company's assets, nor their future upside".

SHARE ISSUANCE PROGRAMME AND LOAN FACILITY

- On 1 July 2019, the Company announced the launch of a share issuance programme (the "Share Issuance Programme") for up to four hundred and eighty thousand (480,000) new ordinary shares in the Company over the next 12 months at a an issue price which is not less than US$20 per share.
- The Share Issuance Programme is being implemented to provide the Company with flexibility should it wish to raise further capital as new investment opportunities arise in Myanmar over the next 12 months and to provide the Company with additional working capital.
- In addition to the Share Issuance Programme, the Company has put in place a Loan Facility of up to US$3.0 million with MACAN Pte. Ltd., the Company's largest shareholder and a related party. The Loan Facility will have a tenure of up to 3 years, may be repayable earlier at the Company's discretion and will have an interest rate of 6.0% per annum. The Company has drawn down US$2.0 million immediately.

MIC PERMIT IN RELATION TO YANGON AMERICAN AND OPENING OF THE INTERNATIONAL SCHOOL

- In April 2019, the Group received an investment permit from the Myanmar Investment Commission.
- The permit was granted under the 2016 Investment Law, following the issue of MIC Notification No. 7 of 2018 for carrying out investment activities in education services and private international school(s) and provides the Company with additional investment protection and tax benefits.
- Yangon American was officially launched in June 2019 and is scheduled to commence full operations in August 2019.

MYANMAR MACROECONOMIC HIGHLIGHTS

- The World Bank projects global economic growth to slow down to 2.6% in 2019 from 3.0% in 2018, reflecting a broad-based weakness in the global economy, global trade uncertainty and global financial markets volatility.
- The World Bank expects Myanmar's economic growth to pick up to 6.8% in 2018/2019. The Asian Development Bank expects similar rates of 6.6% for 2019 and 6.8% in 2020. This is a testament to the stability of Myanmar's growth, despite unrest in relation to the conflict in Rakhine State, of which the Company is acutely aware.
- Core inflation remains stable, with the Asian Development Bank forecasting inflation rates of 6.8% in 2019 and 7.5% in 2020 (vs. 7.1% in 2018).
- Opening of the Myanmar insurance sector in April 2019, as Myanmar's government provisionally authorised five multinational insurance companies to establish wholly owned subsidiaries. Operations are expected to commence by the end of 2019.
- Further liberalisation of the Myanmar banking and financial services sector announced. Plans to award additional foreign bank branch licenses and allow foreign banks to apply for and operate as a subsidiary of a foreign bank. In June 2019 the International Finance Corporation ("IFC") also converted a loan to Yoma Bank into a 5% equity shareholding.
- Relaxation of visa requirements for citizens of Australia, Germany, Italy, Russia, Spain and Switzerland, with effect from 1 October 2019, and approval for inclusion of Bagan on UNESCO's World Heritage List in July 2019 expected to further boost international tourism arrivals.
- Significant increase in subsidised power tariffs, with effect from 1 July 2019, showing the strong commitment of Myanmar's government towards sustainability. This is also expected to attract additional investment into the energy sector.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT



STRATEGY

Myanmar Strategic Holdings' vision is to become the leading developer and manager of consumer businesses in Myanmar while maintaining an asset light strategy.

Since the Company's inception, our focus has been on building committed and experienced management teams capable of starting and growing businesses, while benefiting from the tailwinds of a positive macroeconomic environment. I am very pleased to report that all the businesses we manage are now in their expansion phase and we are generating synergies across the different products and divisions. We are confident that our growth will continue both organically and through acquisitions.

Focused diversification is and will remain at the core of our strategy as it allows MSH to stabilise its expected growth while at the same time capitalising on the opportunities currently available in Myanmar's dynamic economy. In line with this strategy, in May 2018 MSH concluded the acquisition of EXERA, one of Myanmar's leading providers of security and risk management services. EXERA brings to the Group a large base of corporate customers with opportunities for cross fertilisation across the divisions of the Group.

It is also key for MSH to source and evaluate transformational acquisition opportunities that can deliver scale and liquidity to MSH's businesses and stakeholders in the next 24 to 36 months. In June 2019, MSH announced the proposed acquisition of Myanmar Investments International Limited ("MIL"), an investing company listed on the AIM segment of the London Stock Exchange. We believe that a combination of MSH and MIL would create one of the largest listed companies focused on Myanmar and deliver significant strategic benefits and increased liquidity to the combined shareholder base. While the MIL Board has announced its initial rejection of our approach, we continue to believe that a combination of MSH and MIL would benefit both companies and be attractive to both our and MIL's shareholders.

BOARD'S RESPONSIBILITY

The Board is fully aware of the responsibility that it carries in ensuring that all of our businesses operate in a manner that reflects our corporate and social responsibility to all of our stakeholders. We target sectors that positively contribute to the overall development of Myanmar and within these sectors we aim to build businesses that embody the best terms of business, environmental, social and governance practices.

The Board and the Group's management actively promote sustainability and diversity as we believe it is a core strategic advantage that will enable the Group to maintain its leading competitive position in the future.

Equal opportunities are promoted across the Group and we are proud to report that female representation across our workforce is approximately 46% (excluding EXERA).

Training programs are being implemented across the Group to foster an environment where talent can emerge and flourish. We are proud to report that the local workforce represents over 95% of MSH's workforce.

OUTLOOK

In the financial year ended 31 March 2019, MSH focused on the growth of its Education division and the integration of EXERA into its newly created Services division. Key appointments have been made across the organisation, the most senior being Alain Thibault as CEO of Wall Street English Myanmar, Mark Wakeford as CEO of EXERA Myanmar and Francesco Romagnoni as General Manager of Ostello Bello Myanmar.

The expansion of our business portfolio and the growth of our management team has lead to a temporary growth in the Group's net losses. This trend may revert in 2019/2020.

The next twelve months will be dedicated to expanding MSH's customer base while at the same time adding complementary products (e.g. English for children) and capabilities (e.g. facilities management) to MSH's portfolio.

While we are acutely aware of the complex political and social environment, we continue to maintain an optimistic stance on Myanmar's economic prospects, and we aim to contribute to its positive development as a responsible investor in the region.

As Myanmar's economy continued to develop at high single digit rates, management will increasingly focus on businesses targeting the population's primary needs such as education, security and healthcare.

I am very confident that Myanmar Strategic Holdings is building one of the most committed and aligned management teams in Myanmar. This will enable us to evaluate and approach investment opportunities with a unique strategic and data driven angle, which will significantly differentiate MSH from the other providers of capital and / or technical expertise in the country.

Our management depth will also enable the Group to evaluate its involvement in minority investment opportunities in which it could play a significant role as a strategic shareholder. As local companies evolve, the Board expects in fact more sophisticated and structured companies to approach the market looking for strategic investors.

The Board wants to thank our shareholders, for their continued support and encouragement, and our staff and partners, for their relentless commitment and effort.



RICHARD GREER

Independent Non-executive Chairman

29 July 2019

STRATEGIC REPORT

COMPANY OVERVIEW

EDUCATION (SINCE 2H'16)

WSE – JUNCTION SQUARE (YANGON)
- Launch date: Feb'17
- Size: 800 sqm
- Capacity: 1,100+

WSE – CITY MALL ST. JOHN (YANGON)
- Launch date: Dec'17
- Size: 600 sqm
- Capacity: 900+

WSE - MYANMAR PLAZA (YANGON)
- Launch date: Aug'18
- Site 350 sqm
- Capacity: 600+

WSE - MCTA:RVI (MANDALAY)
- Launch date: Nov'18
- Corporate WSE centre

AUSTON COLLEGE (YANGON)
- Launch date: May'18
- Strategic collaboration with Auston Institute of Management

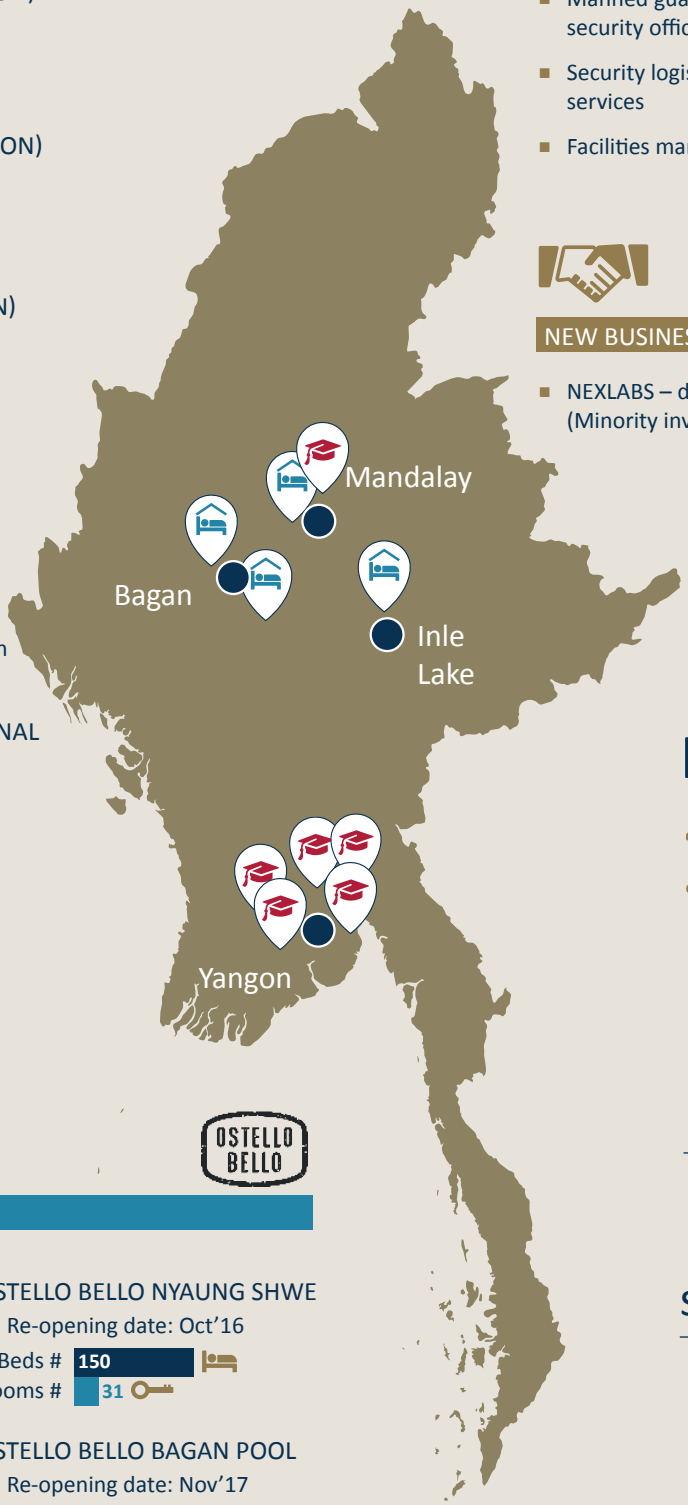
YANGON AMERICAN INTERNATIONAL SCHOOL (YANGON)
- Launch date: Jun'19
- Private K-12 international school
- MIC approval: Apr'19

SERVICES (SINCE 1H'18)

- Manned guarding services: 1,000+ security officers across 130 sites
- Security logistics and cash in transit services
- Facilities management

NEW BUSINESS DEVELOPMENT

- NEXLABS – digital consultancy firm (Minority investment, May'18)



HOSPITALITY (SINCE 2H'14)

OSTELLO BELLO BAGAN
- Re-opening date: Dec'14

Beds # 112
Rooms # 27

OSTELLO BELLO NYAUNG SHWE
- Re-opening date: Oct'16

Beds # 150
Rooms # 31

OSTELLO BELLO MANDALAY
- Re-opening date: Jul'16

Beds # 154
Rooms # 37

OSTELLO BELLO BAGAN POOL
- Re-opening date: Nov'17

Beds # 58
Rooms # 13

HIGHLIGHTS

1,400+ students as at Mar'19

across **3** English language centres

1,000+ security officers

4 boutique hostels

1st Myanmar firm listed on LSE Main Market

REVIEW OF OPERATIONS

FOCUS ON EDUCATION

1,400+ STUDENTS ACROSS THREE LANGUAGE CENTRES



The Group's objective is to become **one of the leading private operators of educational institutions in Myanmar** through the identification and expansion of opportunities in the sector, focusing initially on English language learning and higher education.

Within its Education division, the Group is currently active in (i) English language learning (Wall Street English), (ii) higher education (Auston College) and (iii) K-12 international school (Yangon American International School).

The Group generates revenues through management fees, technical assistance fees, royalty fees and other one-off fees ("Fees to the Group") from the operations it manages. These fees are variable in nature and typically linked to the operating performance and, ultimately, the revenue generation of the underlying managed operations (hereby reported as "Underlying Revenues").

Wall Street English

During the financial period, the Group's Education division managed three English language retail centres and one corporate centre under the well-established Wall Street English brand. As at 31 March 2019, **total registered students amounted to ca. 1,400.**

The flagship WSE centre opened in Yangon at the Junction Square Shopping Centre in February 2017 and spans five floors over 800 sqm. The second WSE centre opened in Yangon at City Mall St. John in December 2017 and is located on an open floor of ca. 600 sqm. A third WSE centre opened in Yangon at Myanmar Plaza in August 2018 and is located on an open floor of 350 sqm.

Pursuant to a strategic partnership with MCTA:RVi Academy Mandalay announced in July 2018, WSE has also agreed to provide English language training within the premises of MCTA's Mandalay campus.

Over the financial year ended 31 March 2019, the Wall Street English business generated **underlying revenues of US$2.6 million** (2018: US$1.5 million) **with fees and royalties to the Group of US$874,737 (2018: US$611,870).**

From an operational perspective, we are proud to report that Myanmar currently ranks as one of the top countries in the Wall Street English network in terms of student progress: student satisfaction is key to establishing Wall Street English as the leading English language education provider in Myanmar. From a global perspective, it is also worth noting that in May 2019, Wall Street English was awarded "Best Education Platform of the Year" at the EducationInvestor Asia Awards 2019.

Management is in the process of assessing further growth opportunities for Wall Street English business in order to meet the average development targets stated under the area development agreement with Pearson of approximately one new centre per year up to a total of ten centres. Further sub-franchising opportunities in Myanmar will be evaluated in due course.

Finally, the Board is also evaluating how to further expand nationwide coverage through innovative digital solutions such as WSE's digital classroom.

Auston College Myanmar

Auston College ("Auston") is the result of a strategic collaboration signed in April 2018 between Myanmar Strategic Holdings (70% equity interest) and Auston Institute of Management (30% equity interest), an operator of private schools in Singapore and Sri Lanka that prepares students for careers in Engineering, IT Technology and Project management through higher education learning.

The first campus opened in Yangon in May 2018, spans over three floors and covers 700 sqm. The initial product portfolio



includes foundation programs and diplomas in Infrastructure & Networks, Mechanical Engineering, Engineering Technology and Construction Project Management.

Auston has also partnered with WSE for Auston's students to achieve a high level of English proficiency to ensure they are qualified to take on roles at leading local and international companies.

No fees and royalties to the Group were generated by Auston as the business is still in its ramp-up phase.

Yangon American

In December 2018, the Group announced its intention to launch its first international school, the Yangon American International School.

The first Yangon American campus, with planned capacity of up to 400 students, will be positioned as a leading educational institution. The school is centrally located and only 4 km from MSH's educational hub of Wall Street English and Auston Institute of Management in Junction Square.

It has 17 classrooms spread over 2,000 sqm, plus a multi-use playground of more than 1,000 sqm. In its first year of operation, Yangon American will operate classes from nursery through to the third grade, serving students from the age of two to eight with revenues for MSH being generated from student fees, admission fees and ancillary services.

In April 2019, the Group received an investment permit from the Myanmar Investment Commission. The permit granted under the 2016 Investment Law, following the issue of MIC Notification No. 7 of 2018 for carrying out investment activities in education services and private international school(s) and allows the Group to directly own and operate the School business.

Yangon American will also become an **IB-PYP candidate** in August 2019 and may receive full accreditation by June 2020.

Yangon American has been officially opened on schedule and on budget in June 2019. Operations are scheduled to commence in August 2019.

For the financial period ended 31 March 2019, Yangon American incurred pre-opening losses (mainly rental expenses, salaries and other pre-opening expenses) of US$0.4 million. Yangon American is expected to continue to incur operating losses for the next 18-24 months as the number of students ramps up towards capacity.

Capital expenditures in relation to Yangon American were forecasted at up to US$1 million and management expects to complete the project on budget.

KEY MANAGEMENT

ALAIN THIBAULT
CHIEF EXECUTIVE OFFICER
WALL STREET ENGLISH



- 15+ years' hands-on experience at driving business transformation and sustainable performance through analytics
- 10+ years South-East Asia experience with global and regional companies, including Lazada, Accenture and Air Asia
- MBA from INSEAD, Bachelor in Industrial Engineering at Ecole Polytechnique de Montreal

REVIEW OF OPERATIONS

FOCUS ON **SERVICES**

ONE OF MYANMAR'S LARGEST SECURITY SERVICES COMPANIES

- The Group's objective is to become the leading provider of integrated security services in Myanmar.
- Founded in 2012 and acquired by the Group in May 2018 for US$2.2 million, resulting in goodwill of US$1.4 million and other intangibles of US$0.3 million. EXERA provides risk management, consulting, integrated security, manned guarding, secure logistics and cash in transit services to a wide range of international and local clients across Myanmar. EXERA is seeking to acquire other Myanmar businesses that will build capability and accelerate its strategy of targeting key growth sectors including Oil & Gas, Mining, Energy and Telecoms.
- As the business is fully owned, the Group generates revenues through the provision of security services to its clients. Typical contracts have a term of 1-3 years with predictable monthly revenues, particularly for core manned guarding services.
- Risk management services are also provided on a consulting basis.
- Since the completion of its acquisition at the end of May 2018, **EXERA generated revenues of US$3.4 million** (For the financial year ended 31 March 2019: US$4.1 million; 2018: US$4.0 million).

Security Officers and Manned Guarding Services

- Through an experienced network of over 1,000 security officers active across 130 sites as at 31 March 2019, EXERA is the largest provider of security services in Myanmar.
- EXERA's customer base includes multi-national corporations, large oil and gas companies, established local businesses and governmental bodies and international organisations such as WFP, UNHCR, UNICEF and the EU.
- Most recently EXERA was awarded the prestigious contract for the provision of security guarding services at the Singapore Embassy in Yangon for a period of three years. The total tendered price was ca. US$478,000 for the initial period of three years.
- EXERA's **Security Officers are highly trained in accordance with the guidelines from the British Security Industry Association.** Furthermore, EXERA strives to achieve excellence in its systems and processes and has been awarded ISO 9001, OHSAS 18000 and ASNSI/ASIS PSC 1. EXERA is also the **only company in Myanmar accredited to "ISO 18788 Management System for Private Security Companies".** These accreditations are the hallmark of a company intent on delivering high quality services for the benefit of our customers.



Secured Logistics and Cash in Transit Services

- EXERA provides a number of customers with English speaking security trained drivers and vehicles on a long-term contract basis. Our services include emergency management and crisis intervention designed to help our clients in the event of a serious accident, medical emergency or natural disaster.
- EXERA was one of the very first international providers of cash-in-transit ("CIT") services in Myanmar. EXERA's CIT services are fully insured from pick-up to drop-off and are executed by a highly trained team including an operations manager and Cash Escort Officers.
- Our cash in transit operations are continuously monitored by EXERA's 24/7 command centre. This combination of international standards with local expertise and knowledge makes our team perfectly tailored to conduct CIT operations in Myanmar. The team's training and knowledge spans all elements of CIT services, including equipment and vehicle use, standard operating procedures and fail-safe systems designed to prevent theft and thwart any attempted robberies.
- EXERA operates the most sophisticated and secure CIT vehicle in Myanmar. Security features include:
  - Remote-authorised access control facilitated by Salto™, one of the world's top manufacturers of electronic access control systems
  - 360° CCTV camera coverage (internal & external)
  - Air-lock multi-stage entry system and anti-cut panels
  - Geofencing / distance limitations paired with continuous tracking
- EXERA is currently in discussion with a number of financial institutions to **evaluate transformational outsourcing opportunities in relation to cash management and movement services.**

Facilities Management and New Services

- EXERA's strategy is to develop new services that differentiate it from its competitors, build barriers to entry and provide a wider range of support services to existing and new customers. As part of this strategy, EXERA is developing a comprehensive facilities management capability. **EXERA is now providing Facility Management services to Yangon American International School and the wider MSH Group.**

KEY MANAGEMENT

MARK WAKEFORD
CHIEF EXECUTIVE OFFICER
EXERA



- 17+ years' experience in security in the UK and in SE Asia
- Various Business Development and Managing Director roles within G4S (one of the world's largest security solutions providers)
- Extensive experience in Integrated Security, Manned Guarding, Facilities Management, Secure Logistics, Cash in Transit and large, complex B2B/B2G outsourcing opportunities including PFI Prisons, Immigration Detention Centres and Prisoner Logistics
- Chartered Mechanical Engineer with an MBA



REVIEW OF OPERATIONS

FOCUS ON HOSPITALITY

65,800 BEDS SOLD ACROSS 4 PROPERTIES



- **The Group's objective is to become a leading independent hospitality operator in Myanmar** by initially focusing on boutique hostels and expanding into other categories as new opportunities are identified.
- The Group generates revenues through management fees, technical assistance fees, royalty fees and other one-off fees ("Fees to the Group") from the operations it manages. These fees are variable in nature and typically linked to the operating performance and, ultimately, revenue generation of the underlying managed operations (hereby reported as "Underlying Revenues").
- During the previous financial year, the Group signed up a fourth boutique hostel, the second in New Bagan. The property re-opened as Ostello Bello Bagan Pool in November 2017, featuring 58 beds across 13 rooms with en-suite bathrooms. Following the opening of this fourth hostel, the Group currently manages 474 beds over 108 rooms in four hostels across three of the most popular tourist destinations in Myanmar. No new properties have been opened in 2019 as management expect further pressure on prices.
- The four hostels under management generated **underlying revenues of US$1.2 million** (2018: US$1.7 million) with **Fees to the Group of US$105,000** (2017: US$180,000) for the financial year ended 31 March 2019. In line with the previous year all the Fees to the Group for the Hospitality division were generated by Ostello Bello Bagan as the other three properties were still in a start-up phase. The US$75,000 decline in the fees generated by Ostello Bello Bagan was due, primarily, to a contraction in its underlying revenues by ca. US$0.5 million (-46% vs. the previous financial year) which was partially offset by a range of cost control initiatives and operational synergies.
- The properties sold **65,763 beds** (2018: 84,824) generating a **revenue per bed of US$18.4** (2018: US$19.8). Occupancy rates sustained a much stronger decline than prices, mainly due to the overall slowdown in Myanmar's tourism market. It is worth noting that the decline in bed revenues was partially offset by the increase in food and beverage and ancillary revenues, such as travel and tours, sold to guests.
- International visitor arrivals for the first five months of 2019 have shown a strong increase of ca. 28% (Source: Myanmar's Ministry of Hotel and Tourism), though this trend is mainly driven by an increase in arrivals from China (+137% YOY). Arrivals from Europe and the U.S. have remained depressed: U.S. (+3% YOY), Canada (-4% YOY), Western Europe (-2.5% YOY). This trend is expected to partially reverse in 2019-2020 as the unrest in Rakhine State moves towards a long-term resolution.
- The Board also notes that in July 2019 Bagan was finally approved for inclusion on UNESCO's World Heritage List, more than two decades after it was first nominated. The Board believes that this will drive a renewed wave of interest in Myanmar and its heritage sites.
- The Group intends to expand its boutique hostel model across Myanmar focusing on core locations (such as Bagan, Mandalay and Inle Lake/Nyaung Shwe) and secondary locations (Hpa-An, Hsipaw, Pyin Oo Lwin, Mrauk-U, Nat Ma Taung and Ngwe Saung). While being optimistic on the long-term opportunity, Management is currently evaluating new locations on an opportunistic basis.

KEY MANAGEMENT

FRANCESCO ROMAGNONI
GENERAL MANAGER
OSTELLO BELLO



- 10+ years experience in hospitality and customer service
- Several roles within Ostello Bello Italy and Ostello Bello Myanmar.
- Studied International Relations at Università degli Studi di Milano

STRATEGIC REPORT

SUMMARY

In 2019 MSH has gone through tremendous growth, both organically (Education) and through acquisitions (Services).

The Board and I have focused on strengthening the top management team and building a strong first line of local managers. Key appointments have been made with Alain Thibault joining as CEO for Wall Street English Myanmar and Mark Wakeford joining as CEO for EXERA Myanmar.

Processes are being improved across all divisions and innovative systems are being deployed. This will enable management to **better set and track goals and objectives, ultimately driving accountability**.

Recovering from a year of significant global volatility (e.g. trade wars and Brexit), the Myanmar economy is picking up speed and regaining stability. The World Bank has a positive outlook with **growth expected to reach 6.7% in the medium term.**

In this buoyant environment, MSH will continue to establish high quality brands and operations in Myanmar, **growing a committed and aligned management team and driving synergies across its divisions.**

MSH is also targeting profitability across its existing businesses. New businesses, such as Yangon American, may temporarily lead to an increase in Group losses, while being established and ramped up.



ENRICO CESENNI

Chief Executive Officer

29 July 2019



STRATEGIC REPORT

FINANCIAL REVIEW

The revenues generated by the Group in relation to the businesses owned and managed grew to US$4.4 million for the financial year ended 31 March 2019 (a 459% YOY increase) as a result of the acquisition of EXERA at the end of May 2018 and the higher fees generated by the Education businesses under management, following the expansion of Wall Street English.

The fees generated by the Group in relation to the businesses under management were US$1.0 million for the financial year ended 31 March 2019 (2018: US$0.8 million). The 43% YOY increase in the fees generated by Wall Street English was partially offset the 42% decline in the fees generated by Ostello Bello Bagan as outlined in the Review of Operations.

RESULTS OF OPERATIONS

The Group's Adjusted EBITDA loss, which excludes expenditure of a one-off nature and therefore shows a clearer picture of the performance of the operations, widened to US$2.1 million (2018: US$1.5 million), mainly due to (i) Yangon American pre-opening losses US$0.4 million, (ii) the re-organisation of EXERA and (iii) certain one-off expenses.

The Group's net loss amounted to US$2.5 million for the financial year ended 31 March 2019 vs. US$2.1 million for the previous financial year.

	Audited Year ended 31 March 2017 US$	Audited Year ended 31 March 2018 US$	Audited Year ended 31 March 2019 US$
Revenue	330,074	791,870	4,424,892
Other income	1,255	13,182	4,932
Employee benefits expense	(504,379)	(1,236,442)	(3,847,090)
Other expenses (Excl. one-off expenses pursuant to the listing application, deal-related expenses and losses on disposals)	(1,741,010)	(1,100,624)	(2,638,392)
Adjusted EBITDA	**(1,914,060)**	**(1,532,014)**	**(2,055,658)**
One-off expenses pursuant to the listing application, deal-related expenses and loss on disposals	(428,476)	(360,994)	(321,523)
Depreciation expense	(7,295)	(11,406)	(61,484)
Finance cost	(31,522)	(140,718)	-
Amortisation expense	(3,611)	(21,667)	(128,229)
Loss before income tax	(2,384,964)	(2,066,799)	(2,566,894)
Income tax	553	-	30,330
Loss for the financial year, representing total comprehensive income for the financial year	(2,384,411)	(2,066,799)	(2,536,564)
Loss and total comprehensive income attributable to:			
Owner of the parent	(2,372,969)	(2,050,432)	(2,534,646)
Non-controlling interests	(11,442)	(16,367)	(1,918)
Loss per share			
– Basic	(1.28)	(0.95)	(1.03)
– Diluted	(1.28)	(0.95)	(1.03)

STRATEGIC REPORT

FINANCIAL REVIEW (CONTINUED)

While revenues grew by 459% vs. the previous year, the acquisition of EXERA and the expansion of the existing businesses, lead to a 211% YOY increase in employee benefit expenses and a 140% YOY increase in other expenses, as detailed in page 14.

Direct and indirect Full Time Employees ("FTEs") increased to ca. 1,400 (ca. 250 as at 31 March 2018), of which ca. 300 FTEs (2018: ca. 230) employed within the operations under management and ca. 1,100 FTEs (2018: ca. 20) employed in the owned operations. Such exponential growth was due to the acquisition of EXERA (over 1,000 security officers as at 31 March 2019) and the growth in the education businesses, including Yangon American.

As detailed in the Financial Statements, the growth in other expenses, was mainly due to the additional expenses in relation to EXERA (e.g. operating leases of motor vehicles of US$0.3 million in 2019), higher rental expenses for the international school and the offices (US$0.3 million in 2019 vs. US$0.1 million in 2018) and higher hostel related expenses (US$0.3 million in 2019 vs. US$0.2 million in 2018).

The Group also incurred one-off expenses and losses on disposals of US$0.3 million (2018: US$0.4 million) as detailed on page 14, mainly due to the one-off deal-related expenses for the acquisition of EXERA.

During the financial year, the Company raised US$3.07 million (153,500 shares at a price of US$20 per share) within the Share Issuance Programme announced in March 2018.

In line with the Group's dividend policy, the Board is not declaring the payment of a dividend.

UNDERLYING REVENUE

The Underlying Revenues are an indicator of the total volume of business generated in each division. The operating businesses managed and owned by the Group generated revenues ("Underlying Revenues") of US$7.3 million for the financial year ended 31 March 2019 (2018: US$3.2 million), an increase of ca. 130% YOY.

The growth of the existing Education and Hospitality businesses was further enhanced by (i) the opening of Auston College Myanmar in May 2018, (ii) the opening of a third WSE retail centre in August 2018 and (ii) the launch of the MCTA:RVi WSE corporate centre in November 2018.

The businesses owned by the Group generated revenues of US$3.4 million since EXERA's acquisition (For the financial year ended 31 March 2019: US$4.1 million, 2018: US$4.0 million). This relates exclusively to EXERA, the integrated security services company operating within MSH's Services division.

	Unaudited Year ended 31 March 2017	Unaudited Year ended 31 March 2018	Unaudited Year ended 31 March 2019
Underlying Revenue	**US$**	**US$**	**US$**
Managed Businesses			
Hospitality	1,238,046	1,679,852	1,209,258
Education	33,041	1,483,851	2,618,741
Food and Beverage (Discontinued Operations)	105,914	-	-
Total managed businesses	**1,377,001**	**3,163,703**	**3,827,999**
Owned Businesses	**-**	**-**	**3,445,155**
Total underlying revenues	**1,377,001**	**3,163,703**	**7,273,154**
Growth %	*59%*	*130%*	*130%*

GROUP REVENUE

The operating businesses managed by the Group generated Fees to the Group of US$1.0 million in the financial year ended 31 March 2019 (2018: US$0.8 million). The Fees to the Group comprised of US$0.9 million fees generated by Wall Street English and US$0.1 million generated by Ostello Bello Bagan. No fees were generated by the other hostels and education businesses as they are still in a start-up phase.

Group revenues are formed by the Fees generated by the Managed Businesses and the Revenues generated by the Owned Businesses. Group revenues for the financial year ended 31 March 2019 amounted to US$4.4 million (+459% YOY) and were composed of US$1.0 million in fees generated by the Managed Businesses and US$3.4 million in revenues generated by the Owned Businesses.

	Audited Year ended 31 March 2017	Audited Year ended 31 March 2018	Audited Year ended 31 March 2019
Fees Generated by Managed Businesses	**US$**	**US$**	**US$**
Hospitality	227,000	180,000	105,000
Education	93,074	611,870	874,737
Food & Beverage (Discontinued Operations)	10,000	-	-
Fees Generated by Managed Businesses	**330,074**	**791,870**	**979,737**
Growth %	*400%*	*140%*	*24%*

The operations under management for the financial year ended 31 March 2017 included two Indian restaurants. These Food and Beverage activities were discontinued in March 2017 as they were not generating the targeted Fees to the Group and were deemed by management to be non-core.

LIQUIDITY AND CAPITAL RESOURCES

With regards to the investing activities, the Group advances funds to the owners of the relevant managed operations to fund refurbishment expenses, improvements and general working capital. Such advances are unsecured and interest free and there is a risk that the Group may not be repaid some or all of these monies.

The significant growth in cash used in investing activities in 2019 was mainly due to the acquisition of EXERA for US$2.2 million in cash and shares (impact of US$1.9 million on cash flow, net of cash acquired), the purchase of plant and equipment for Yangon American and the fit-out of the WSE corporate centre at MCTA:RVi.

With regards to the Group's financing activities, the Group's principal sources of liquidity in the financial year ended 31 March 2019 has been the issuance of ordinary shares. It is worth noting that in 2019 the Company purchased a 8% non-controlling interest in MS English.

During the financial year, the net reduction in cash and cash equivalents was US$2.6 million. This negative trend was due to the negative operating cash flow and the continued investments in the managed operations as demonstrated by the increase in advances to related parties and third parties for the build-up of further Wall Street English centres and Auston college Myanmar.

On 1 July 2019, the Company announced a new Share Issuance Programme for up to US$480,000 shares at a price of not less than US$20 per share. On the same date, the Company put in place a Loan Facility of up to US$3.0 million with MACAN Pte. Ltd., the Company's largest shareholder and a related party. The Loan Facility will have a tenure of up to 3 years, may be repayable earlier at the Company's discretion and will have an interest rate of 6.0% per annum. The Company has drawn down US$2.0 million since the year end.

	Audited Year ended 31 March 2017 US$	Audited Year ended 31 March 2018 US$	Audited Year ended 31 March 2019 US$
Operating activities			
Loss before income tax	(2,384,964)	(2,066,799)	(2,566,894)
Adjustment for:			
Share-based compensation	-	180,893	138,675
Amortisation of intangible assets	3,611	21,667	128,229
Impairment loss of financial assets	12,000	-	28,657
Allowance for impairment of receivable	550,327	-	-
Depreciation of plant and equipment	7,295	11,406	61,484
Interest income	(1,255)	(2,380)	(2,099)
Interest expense	31,522	140,718	-
Loss on disposal of plant and equipment	-	430	1,015
Plant and equipment written off	-	893	19,801
Gain on liquidation of a subsidiary	-	-	(1,663)
Operating cash flows before working capital changes	**(1,781,464)**	**(1,713,172)**	**(2,192,795)**
Working capital changes:			
Trade and other receivables	(15,353)	(70,151)	(344,546)
Trade and other payables	64,761	186,080	139,077
Deferred revenue	-	-	184,525
Cash used in operations	**(1,732,056)**	**(1,597,243)**	**(2,213,739)**
Interest received	1,255	2,380	2,099
Income tax paid	(9,947)	-	(51,512)
Net cash used in operating activities	**(1,740,748)**	**(1,594,863)**	**(2,263,152)**
Investing activities			
Purchase of plant and equipment	(13,006)	(12,677)	(480,279)
Purchase of intangible assets	(170,000)	-	(90,000)
Advances to related parties	(1,065,681)	(856,153)	(770,811)
Advances to third parties	(265,869)	(90,585)	29,112
Net cash outflow on acquisition of a subsidiary	-	-	(1,937,040)
Purchase of other investments	-	-	(150,000)
Net cash used in investing activities	**(1,514,556)**	**(959,415)**	**(3,399,018)**
Financing activities			
Acquisition of equity interest from non-controlling interest	(1)	-	(80)
Proceeds from subscription of shares by non-controlling interests	-	-	300
Proceeds from issuance of convertible loans	1,717,300	40,000	-
Proceeds from issuance of ordinary shares	3,711,400	1,421,353	3,070,000
Proceeds from disposal of interest in a subsidiary without loss of control	-	80	-
Net cash generated from financing activities	**5,428,699**	**1,461,433**	**3,070,220**
Net changes in cash and cash equivalents	2,173,395	(1,092,845)	(2,591,950)
Cash and cash equivalents at beginning of financial year	2,289,247	4,462,642	3,369,797
Cash and cash equivalents at end of financial year	**4,462,642**	**3,369,797**	**777,847**

OUTLOOK

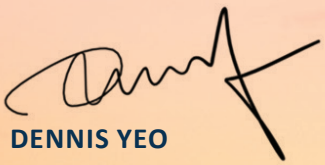
The Company's **ambition is to become the leading developer and manager of consumer businesses in Myanmar.**

In line with this vision, management is looking at opportunities to grow the Group through both organic and acquisitive means, in sectors which target the population's primary needs. The Group will **continue to pursue an asset light strategy and increase the portfolio of businesses under management.**

As the scale of the operations under management grows, the Group may decreasingly rely on external financing and instead finance its organic growth through the Fees to the Group generated by the managed operations and the profits earned by the owned businesses.

Management will also continue to build and train the relevant human resources to sustain and accelerate the Group's growth. Operational and financial sustainability are key strategic priorities communicated at all levels within the organisation.

Notwithstanding the recent political and economic uncertainty, **the Board and management continue to remain positive on the overall macroeconomic environment** underpinning the broader investment opportunity.



DENNIS YEO

Chief Financial Officer

29 July 2019



STRATEGIC REPORT

SUSTAINABILITY AND DIVERSITY

DIVERSITY

Maintaining diversity at all levels is pivotal to the Group's success. Myanmar Strategic Holdings believes that an inclusive, service-oriented culture is fundamental to attracting and retaining skilled and talented people, generate long-term value to its shareholders and make lasting and meaningful contributions to the surrounding communities.

As at 31 March 2019, the Group directly and indirectly employed over 1,400 full- time employees ("FTEs") (incl. 300 FTEs employed within the businesses under management) with over 10 nationalities. Female representation amount to ca. 46% of the total workforce (excluding EXERA), a remarkable achievement for a market at this stage of development. While female participation is lower in MSH's integrated security services business, management encourages higher female participation through targeted hiring initiatives.

With regards to gender pay, we believe that men and women with similar roles and similar responsibilities should be paid equally. At this stage we are not aware of any gap between the pay of male and female employees.

While the representation of female employees in senior management roles is already significant, Myanmar Strategic Holdings remains committed to increase participation of women in senior roles by developing specific training and talent programmes in line with the organisation's size and stage.

ENVIRONMENT

Myanmar Strategic Holdings is very aware of the environment it operates in. Its managed Hospitality operations are spread across Bagan, Nyaung Shwe and Mandalay, some of the country's most beautiful and untarnished touristic sights.

The preservation of the natural environment and respect for the local community is key to the Group's long-term sustainability. In its operations, MSH seeks to have as low an impact on its surroundings as possible, limiting the use of plastic and sorting waste. During the course of 2018, Ostello Bello substituted plastic water bottles with water jars and joined the "No Straw" and "Bring your own bottle" campaigns. Furthermore, MSH's staff frequently participate in local litter collection initiatives such as "Trash hero" in Mandalay and environmental workshops in Bagan.

MSH will seek to introduce similar initiatives across the Group. Our ultimate objectives are to reduce overall plastic usage and eradicate single-use plastics.



EXERA
Securing Myanmar









COMMUNITY

In addition to reducing its environmental footprint, the Group remains also committed to contributing to the development of Myanmar's society. MSH works closely with village leaders to support the communities in which it operates and has sponsored multiple activities benefiting the local communities including, among others, health and safety trainings such as the Red Cross' first aid training.

Ostello Bello often partners with leading international NGOs to promote sustainable development. For example, all Ostello Bello locations offer MBoutik souvenirs manufactured by independent women producers in villages across Myanmar.

MBoutik is a social enterprise initiative of Action Aid Myanmar, whereby women were trained in artisan crafts of weaving, tailoring, jewellery making and rattan, with the ultimate objective of promoting women's and local communities' development.

Through its Wall Street English language centres, MSH is also contributing to accelerating capacity building through the provision of English language courses. A partnership with the Directorate of Investment and Corporate Administration to train ten of its senior officials was announced in July 2018.

Finally, throughout the education division, the Group routinely offers scholarships for underprivileged and talented students.



OSTELLO BELLO

Wall Street English®







GOVERNANCE REPORT

BOARD OF DIRECTORS AND TOP MANAGEMENT



RICHARD GREER

Independent Non-executive Director and Chairman

Richard has over 40 years's of experience working in investment banking, of which 17 years were spent in Asian and cross-border investments.

He is a non-executive director of Schroder Japan Growth Fund, a UK listed investment trust, and an active venture capital investor in China, Israel and the Middle East.

From 1978 to 1993, Richard worked in Japan, initially for Jardine Matheson and later as branch manager for Baring Securities Limited (Japan). He has extensive research experience and was appointed to head the Japanese Ministry of Finance's group to represent EU investment banks and brokerages. Since returning to London, Richard has served as global head of research at Barings, Caspian Limited and Commerzbank AG, before becoming a partner at WMG Limited, a wealth management group.

Richard earned a bachelor's degree in History from Corpus Christi College, Cambridge.



CHRISTOPHER CLARKE

Independent Non-executive Director

Christopher has practiced law for over 40 years, of which over 30 were spent in Asia, including the People's Republic of China.

Christopher currently serves as a non-executive director at Gama Aviation, London Power Networks, Eastern Power Networks South Eastern Power Networks and Arnhold Holdings.

He previously served as an independent non-executive director at Baltrans Holdings and Arnhold Holdings, both of which were quoted on the Hong Kong Stock Exchange. Christopher started his career in Hong Kong, eventually becoming partner and managing partner of Denton Hall (Asia), CMS Cameron McKenna (Asia) and DLA Piper (Hong Kong).

Christopher attended Fettes College and then The College of Law and qualified as solicitor of the Supreme Court of England and Wales in 1974 and as a Solicitor in Hong Kong in 1975.



ENRICO CESENNI

Executive Director Chief Executive Officer

Before founding the Company in 2013, Enrico spent a decade in investment banking, specifically mergers and acquisitions based in London.

He initially covered financial institutions at Lehman Brothers and Nomura before focusing on the consumer retail sector at Goldman Sachs.

With a longstanding interest in entrepreneurial opportunities in Asia, Enrico spent some time at Upstream Ventures in 2009, a Singapore-based early stage venture capital fund, before founding MACAN in 2012, a company to hold a growing portfolio of operating assets and investments in Europe and the Far East, including Myanmar Strategic Holdings.

Enrico earned an MBA from INSEAD and an undergraduate degree in Institutions and Financial Markets Management from Università Commerciale Luigi Bocconi.



DENNIS YEO

Executive Director
Chief Financial Officer

Before joining MSH in 2016, Dennis spent over 18 years in accounting and finance roles across South East Asia.

Dennis started his career at Asia Pacific Breweries where he worked in different finance, planning, and control functions.

He continued his career at Heineken, serving most recently as Head of Finance and ICT for Heineken's greenfield operations in Myanmar.

Dennis earned a bachelor's degree in Business (Accountancy) from the Royal Melbourne Institute of Technology and obtained his CPA designation while in Australia.



U AUNG MYO THEIN

Partner,
Business Development

U Aung Myo Thein ("Adrian Tike") has been one of the Company's Myanmar-based partners since 2014 and is responsible for sourcing and evaluating business opportunities as well as building relationships and liaising with local authorities and communities.

Following a period based in the U.S. working for Walmart and Visa in a financial reporting capacity, Adrian relocated to Myanmar in 2014 as head of finance for Yoma Bank, a leading Myanmar financial institution.

Adrian has been a CPA for 13 years and earned a bachelor's degree in Accounting from the University of Southern California, Los Angeles.



JONATHAN KOLB

Partner,
Business Development

Jonathan has been one of the Company's Myanmar-based partners since 2015 and is responsible for sourcing and evaluating business and investment opportunities as well as reviewing the performance of the existing portfolio of businesses.

Prior to joining MSH, he spent over 10 years in finance, of which the last four were based in South East Asia. With a focus on real estate, Jonathan spent five years as a listed real estate fund manager at Center Square Investment Management, initially based in Philadelphia. He relocated to Singapore in 2012 to establish the Asian office and operations. Prior to attending business school, he analysed companies and their cash flows as a commercial lending underwriter at Bank of America in Chicago.

Jonathan has an MBA from INSEAD and bachelor's degrees in Finance and Accountancy from the University of Illinois – Urbana/Champaign. He is also a registered CPA in the state of Illinois and a CFA Charterholder, but is not currently active.

GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

Myanmar Strategic Holdings is committed to maintaining the highest standards of business conduct and ethics, as well as full compliance with all applicable laws, rules and regulations, corporate reporting and disclosure, and all other matters deemed to protect the best interests of the Company's shareholders.

As an LSE quoted company with a standard listing, Myanmar Strategic Holdings is not required to comply with the UK Corporate Governance Code (the "Code") and has not elected to voluntarily comply with the Code. However, the Board fully supports the principles on which the Code is based and intends that the Group will comply with the provisions of the Corporate Governance Code and the QCA Guidelines, insofar as they are appropriate given the Group's size, stage of development, and resources.

Effective corporate governance is a priority of the Board and outlined below are details of how the Company has applied the principles of corporate governance as set out in the Code, as far as they are relevant to Myanmar Strategic Holdings.

As the Group continues to grow, the Board carries out regular reviews of its corporate governance policy and practices, with the objective that these will continue to evolve and be enhanced in line with the Group's increasing size and stature. Integral to these reviews are appraisals of the Group's system of internal controls, including financial, operational and compliance controls and risk management systems.

BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including (but not limited to) formulating the Group's strategic direction, setting remuneration, appointing Directors and senior management, establishing goals for management and monitoring the achievement of these goals; approving and monitoring annual financial and operating budgets and capital expenditure; and ensuring the integrity of internal control and management information systems. The Board is also ultimately responsible for approving and monitoring financial and other reporting.

BOARD PROCESS

The full Board meets formally at regular intervals throughout the year (at least 4 times per year) and at such other times as may be necessary to address any significant matters that may arise. The Board communicates regularly between these meetings.

On a regular basis the Board is provided with appropriate and timely information relating to all aspects of the Group. In addition, the Directors are free to seek any further information or request specific presentation on matters that they consider necessary in order to discharge their duties effectively.

The Non-executive Directors are familiar with the Group's operations and conduct site visits at regular intervals with one Non-executive Director travelling to Myanmar at least once per year. On these occasions the divisional CEOs and managers are encouraged to conduct specific presentations on the performance of each business.

The collective responsibility of the Board ensures that all Directors are involved in the process of arriving at significant decisions.

HOW THE BOARD OPERATES

A detailed schedule of matters reserved for the Board has been established and is periodically reviewed. The key matters reserved are the consideration and approval of:

- The Group's overall strategy and objectives;
- Material acquisitions and disposals and major expenditure commitments;
- Borrowing and hedging arrangements where relevant;
- The issuance of equity and options;
- Annual work programmes and budgets;
- The Group's annual and half-yearly financial statements;
- Board appointments, remuneration and roles;
- Key risks including, among others, health and safety and cyber security; and
- Corporate policies and corporate governance arrangements.

Through the publication of regular announcements, corporate presentations posted to the Company website, and face to face meetings, the Board has sought to communicate its strategy, objectives and performance to all shareholders on a timely basis.

COMPOSITION OF THE BOARD

The Board of Directors is composed of four members, two Executive Directors (the Chief Executive Officer and the Chief Financial Officer) and two Non-executive Directors. One of the Non-executive Directors serves as the Group Chairman.

The Board has established Audit and Remuneration Committees with formally delegated duties, responsibilities and written terms of reference.

The Board constantly evaluates whether it may appropriate, from time to time, to set up separate committees to consider specific issues as and when the need arises.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information and to the Company's senior management.

The Executive and Non-executive Directors have access to advice from the Company's retained auditors, legal advisers as well as to other independent professional advisers (as appropriate), at the expense of the Company, if considered necessary in the performance of their duties.

Directors are expected to bring independent judgement to bear on issues of strategy, performance and standards of conduct.

DIRECTOR EDUCATION

On an ongoing basis, the Group educates Directors about the nature of the business, current issues, the corporate strategy and timeline for key objectives to be met, and the expectations of the Group concerning the performance of the Directors.

Directors also have the opportunity to visit Group facilities and meet with the operational management to gain a better understanding of the Group's business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group provides comprehensive education to new directors both prior to and following appointment consistent with the principles of continuing education outlined above.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on.

It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The audit committee meets at least twice in each financial year and has unrestricted access to the Group's external auditors.

It also assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

The members of the audit committee are Richard Greer, who acts as Chairman of the committee, and Christopher Clarke. If the Company appoints an additional Non-executive Director with relevant accounting experience in the future, it is anticipated that such director would become a member of and potentially the chairman of the audit committee.

REMUNERATION COMMITTEE

The remuneration committee reviews the performance of the executive directors and the Group's senior management and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The committee also makes recommendations to the Board on proposals for the granting of share awards and other equity incentives pursuant to any share award scheme or equity incentive scheme in operation from time to time. The remuneration committee meets at least once a year.

The members of the remuneration committee are Christopher Clarke, who acts as Chairman of the committee, and Richard Greer.

INTERNAL CONTROLS AND RISK MANAGEMENT IN RELATION TO FINANCIAL REPORTING

The Board is responsible for the Group's system of internal control environment over the financial reporting process and for reviewing its effectiveness.

It should be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

The Group has not established a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Group's operations, ensures financial reporting risks are identified, assessed and appropriately managed. Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Control self-assessment exercises are conducted regularly across the Group's operations to ensure risks are identified and managed as an integral party of any business transaction workflow.

Practices have been established to ensure:

- A comprehensive delegation of authority is in place that includes approval limits for Directors and senior management and specifically matters reserved for the Board;
- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed; and
- Financial reporting accuracy and compliance with the financial reporting regulatory framework.

In addition, the Board has adopted policies covering anti-corruption, bribery, share dealing and social media.

The Group's management team assists the Board in monitoring the application of the Group's policies.

ENVIRONMENT AND SUSTAINABILITY

At Myanmar Strategic Holdings, the Board acknowledges the importance of our sustainability commitments.

The Group's principles, business practices, and management decisions are driven by a full commitment to sustainable development and to create a sustainable business.

ETHICAL STANDARDS

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer issues arising from their employment. A formal Code of Conduct encourages employees to raise any concern in relation to unethical conduct. An open-door policy is implemented across the Company with top management being available to address any of the employees' concerns.

EXTERNAL AUDITORS

The Board and the Audit Committee review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact on the financial statements and to review the fees proposed for the audit work to be performed.
- Review the periodic reports prior to lodgment and release, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- Review the draft financial report and recommend Board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

The Board and Audit Committee specifically assess the independence of the Group's external auditors and in doing so consider the level and nature of non-audit services provided and associated fees, the auditors rotation arrangements for key audit personnel and areas of potential conflicts of interest.

COMMUNICATION WITH SHAREHOLDERS AND CONTINUOUS DISCLOSURE

The Directors attach importance to the provision of clear and timely information to shareholders and the broader investment community. Information about the Company is available on its website (www.ms-holdings.com).

Financial reporting – the Company reports to shareholders half-yearly and annually, as required by the LSE Rules. The Chairman states to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Equal access policy – the Company has a policy, based on existing policies and practices as a company quoted on the LSE market, that all shareholders and investors have equal access to the Company's information, and has procedures to ensure that all price- sensitive information will be disclosed to the LSE in accordance with the continuous disclosure requirements of the LSE Rules. These procedures include:

- A comprehensive process to identify matters that may have a material effect on the price of the Company's shares, notifying them to the LSE, posting them on the Company's website, and issuing media releases
- All information provided to the LSE, and related information (including information provided to analysts and the media), being immediately posted to the Company's website

The Annual Report is made available to all shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, as well as all required disclosures.

News releases are issued throughout the year and the Company maintains a website (www.ms-holdings.com) on which press releases, corporate presentations and the Annual Report and financial statements are available to view together with the half-yearly financial statements. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the Company via email. In addition, the Executive Director meets with major shareholders to discuss the progress of the Company and provide periodic feedback to the Board following meetings with shareholders.

GOVERNANCE REPORT

DIRECTORS' STATEMENT

The Directors of Myanmar Strategic Holdings Ltd. have pleasure in submitting their Report with the audited financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

Myanmar Strategic Holdings Ltd. is an independent developer and manager of consumer business in Myanmar. It is currently active in Hospitality (Ostello Bello), Education (Wall Street English, Auston and Yangon American) and most recently Services (EXERA).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A summary of the Group's main business developments for the year ended 31 March 2019 and potential future developments is contained within the Chairman's Statement, the Review of Operations and the Financial Review.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

SHARE CAPITAL AND RESERVES

Details of the Group's issued share capital and reserves as at 31 March 2019 are contained in the Consolidated Statement of Changes in Equity.

RESULTS AND DIVIDENDS

An overview of the Group's results, covering the year ended 31 March 2019, is provided in the Financial Statements on page 32. The Directors do not propose the payment of dividends.

EVENTS AFTER THE REPORTING DATE

There were no reportable events arising after the reporting date other than the post period events disclosed in the Strategic Report.

DIRECTORS REMUNERATION

Directors' remuneration for the year ended 31 March 2019 was as follows:

(US$)	Fees	Salaries	Bonuses	Share-based compensation	Other emoluments (benefits)	Total 2019	Total 2018
Executive Directors							
Enrico Cesenni	–	106,042	40,000	5,158	5,335	156,535	129,183
Dennis Yeo Ting Teck	–	79,858	30,000	44,406	12,281	166,545	163,928
Sub-total	–	*185,900*	*70,000*	*49,564*	*17,616*	*323,080*	*293,111*
Non-executive Directors							
Richard Edgar Greer	24,000	–	–	17,905	–	41,905	38,920
Christopher John David Clarke	18,000	–	–	17,905	–	35,905	32,920
Sub-total	*42,000*	–	–	*35,810*	–	*77,810*	*71,840*
Total	**42,000**	**185,900**	**70,000**	**85,374**	**17,616**	**400,890**	**364,951**

DIRECTORS AND THEIR INTERESTS (INCL. SHARE OPTIONS)

The table below sets out the interests of the Directors in Myanmar Strategic Holdings as at 31 March 2019.

As at 31 March 2019	Shareholdings in which the Directors are deemed to have an Interest (Shares)	Shareholdings in which the Directors are deemed to have an Interest (%)	Share Options
Enrico Cesenni (CEO)*	1,062,000	42.9%	6,000
Dennis Yeo Ting Teck (CFO)	-	-	30,000
Richard Greer (Chairman, NED)	7,700	0.3%	10,000
Christopher John David Clarke (NED)	-	-	10,000

*The beneficial interest of Enrico Cesenni is held through MACAN Pte. Ltd. ("MACAN"), which owns 860,000 ordinary shares. In addition MACAN also administers the voting rights over an additional 202,000 ordinary shares held in the names of Jonathan Kolb and U Aung Myo Thein.

SHARE OPTIONS

The Group operates a share option scheme pursuant to which the Directors, senior management and key employees and consultants of the Group may be granted options to acquire Ordinary Shares in the Company at a fixed option exercise price of US$11 per share.

The Group had on 23 May 2017, 1 December 2017 and 17 October 2018 entered into share option agreements with the employees and Directors of the Group to allot and issue 117,000, 13,000 and 72,000 share options, respectively. During the financial year, 40,000, 8,000 and 1,000 share options which were granted on 23 May 2017, 1 December 2017 and 17 October 2018, respectively had forfeited as these participants ceased to be employees of the Company. In the previous financial year, 4,000 share options which were granted on 23 May 2017 forfeited as a participant ceased to be an employee of the Company. No share options were exercisable during the financial year. Further details of the above share option scheme can be found in note 20 of the Financial Statements.

SUBSTANTIAL SHAREHOLDINGS

To the best of the knowledge of the Company, the following notifiable positions of ordinary shares and holdings of Directors of the Company as at 31 March 2019 were as follows:

As at 31 March 2019	Number of Ordinary Shares	Percentage of Ordinary Shares
MACAN Pte. Ltd*	860,000	34.7%
Oneiros Investments S.A.	211,621	8.5%
SOAI Ltd.	156,945	6.3%
Jonathan Geoffrey Kolb****	151,500	6.1%
BF&F s.r.l.	117,500	4.7%
NDC Advisors Limited	101,019	4.1%
SEVIAN s.r.l.**	100,000	4.0%
Gaudenzio Roveda	100,000	4.0%
Giovanni Govi***	74,463	3.0%
Phidias s.r.l.	69,116	2.8%
U Aung Myo Thein****	50,500	2.0%
Richard Greer (Chairman, NED)	7,700	0.3%

*MACAN is a company in which Enrico Cesenni, CEO of the Company, holds 26.1 per cent. of the issued share capital of the company and 35.1 per cent of the voting rights.

** SEVIAN s.r.l. also holds 48.9 per cent. of the current issued share capital of MACAN

*** Giovanni Govi also holds 4.9 per cent. of the current issued share capital of MACAN

**** Members of senior management team of MSH

The Board of Directors is composed of four members, two Executive Directors and two Non-executive Directors. One of the Non-executive Directors serves as the Group Chairman.

The Board has established Audit and Remuneration Committees with formally delegated duties, responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues as and when the need arises.

RELATIONS WITH SHAREHOLDERS

The Directors attach importance to the provision of clear and timely information to shareholders and the broader investment community.

Information about the Company is available on its website (www.ms-holdings.com). The Group's Annual and Interim Reports will also be sent to shareholders and be made available through the Group's website.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Group has in place a Directors and Officers insurance policy to cover relevant individuals against claims arising from their work on behalf of the Company. The cost of providing this cover is US$10,165 (2018: US$10,165). The Board intends to maintain the level of cover provided under annual or more frequent review, as appropriate.

GOING CONCERN

As noted in the Group's Financial Review , as the scale the operations under management grows the Group may decreasingly rely on external financing and instead finance its organic growth through the Fees to the Group generated by the managed operations and the profits generated by the owned businesses.

As noted in the Review of Operations, the Group has issued 153,500 new ordinary shares in May 2018 for an amount of US$3.07 million. In addition to this, in July 2019 the Company has put in place a Loan Facility of up to US$3.0 million with MACAN Pte. Ltd., the Company's largest shareholder. The Company has drawn down US$2.0 million immediately.

Based on the Group's budgets and cash flow projections, the Directors are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future.

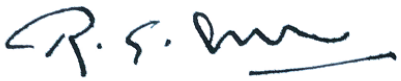
ANNUAL GENERAL MEETING

Details of the 2019 Annual General Meeting will be announced in due course. The Notice of Meeting, together with an explanation of the items of special business if any, is to be provided separately to shareholders.

AUDITORS

BDO LLP has expressed its willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



Mr. Richard Greer
Non-Executive Chairman
29 July 2019

GOVERNANCE REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements for the Group which 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 the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Stock Exchange.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

Financial information is published on the company's website. The maintenance and integrity of this website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

Legislation in Singapore governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MYANMAR STRATEGIC HOLDINGS LIMITED

OPINION

We have audited the financial statements of Myanmar Strategic Holdings Limited ("the Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2019 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 a summary of 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, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

BASIS FOR OPINION

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 opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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.

KEY AUDIT MATTER	AUDIT RESPONSE
REVENUE RECOGNITION: Assessment of the appropriate amounts of revenue to be recognised and the related disclosures in the financial statements requires a degree of judgement. As described in note 2.4, the Group's revenues include management fees and other fees from businesses that the Group manages under contract. As described in note 3.1, Management have considered whether the legal agreements in place with the managed entities might constitute control of the operations. Revenue would be materially misstated if the operations of the managed businesses of these entities are judged as controlled by the Group.	In relation to management and other fees receivable which are derived from the management agreements relating to each managed business, we examined all the relevant documentation to check appropriate accounting policies are being applied to revenues being recognised. We have carefully considered the requirements of IFRS 10 and have assessed the judgement of Management that the group does not control the managed businesses. We re-calculated the management and other fees with reference to the contracts, based on the underlying revenues and trading results of the managed businesses. We noted no exceptions through performing these procedures.

KEY AUDIT MATTER (CONTINUED)	AUDIT RESPONSE (CONTINUED)
RECOVERABILITY OF TRADE AND OTHER RECEIVABLES: As described in note 3.2, the Group has significant trade and other receivables from the managed businesses of a related party, which may not be fully recoverable.	We considered the directors' assessment of whether there was an impairment of the related party's balances due to an increase of credit risk. We examined the projected revenues, expenditure and resultant cash flows of the managed businesses to check that they are credible. We have considered the impact of reasonable sensitivities to key assumptions including growth, inflation and discount rates used. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range.
ACCOUNTING FOR ACQUISITIONS AND INTANGIBLES: As described in note 12 (b), the Group acquired EXERA Myanmar Limited and EXERA Journey Management Limited (collectively "EXERA") during the year resulting in intangibles (including goodwill) arising from the acquisition of US$1.7 million. The calculation of fair values of intangibles including goodwill involves the use of judgements and estimates by management. These are subjective in nature and are therefore susceptible to bias and errors.	We examined the methodology used by management in identifying the intangibles assets acquired for completeness. We also assessed the key inputs and assumptions used for the calculation of their fair values, such as growth and discount rates used in the cash flow forecast for reasonableness by reference to external sources. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range.
IMPAIRMENT REVIEW OF GOODWILL: As described in note 12(b), goodwill has arisen from the acquisition of EXERA. Goodwill is subject to annual review for indicators of impairment that requires the use of assumptions involving judgement and estimates that are susceptible to bias and errors.	We examined the forecast used by Management in the review for indications of impairment of goodwill at the year end and checked that the revenues and expenditures used in the forecast are reasonable. We have considered the impact of reasonable sensitivities to key assumptions including growth, inflation and discount rates used in the cash flow forecast. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for the Group financial statements as a whole was calculated at US$128,000 (2018: US$100,000) based on 2% (2018: 2%) of net assets on the basis that the Group is in its early stages of trading. Performance materiality, a lower level of materiality applied when determining the nature and extent of testing applied to individual balances and classes of transactions, was calculated at US$96,000 (2018: US$75,000) based on 75% (2018: 75%) of materiality. Materiality for significant components other than the parent company were calculated as between US$30,000 and US$62,000 (2018: US$30,000).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$6,400, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group consists of the Parent Company located in Singapore and a number of trading components in Singapore and Myanmar. There is one significant component in Singapore and five significant components in Myanmar, with 4 other components regarded as non-significant. All components were subject to full scope audits by BDO network firms.

The group audit team issued detailed group audit instructions to the significant component auditors which included a risk assessment and directions for work on key areas. The group audit team visited Group operations in Myanmar and also met the component auditors and reviewed their working papers. The group audit team attended the audit clearance meetings and certain Board meetings.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of directors' responsibilities, 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 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 the Parent Company 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.

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. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO LLP

Chartered Accountants

London

United Kingdom

29 July 2019

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		US$	US$
Revenue	4	4,424,892	791,870
Other income	5	4,932	13,182
Employee benefits expense	6	(3,847,090)	(1,236,442)
Depreciation expense	10	(61,484)	(11,406)
Amortisation expense	11	(128,229)	(21,667)
Other expenses		(2,931,258)	(1,461,618)
Impairment loss on financial assets	8	(28,657)	-
Finance cost	7	-	(140,718)
Loss before income tax	8	(2,566,894)	(2,066,799)
Income tax	9	30,330	-
Loss for the year, representing total comprehensive income for the year		(2,536,564)	(2,066,799)
Loss and total comprehensive income attributable to:			
Owners of the Company		(2,534,646)	(2,050,432)
Non-controlling interests		(1,918)	(16,367)
		(2,536,564)	(2,066,799)
Loss per share attributable to the owners of the Company (US$)			
- Basic and diluted	21	(1.03)	(0.95)

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019	2018
ASSETS		**US$**	**US$**
Non-current assets			
Plant and equipment	10	536,556	17,203
Intangible assets	11	1,839,608	144,722
Financial asset at FVOCI	13	150,000	-
Total non-current assets		**2,526,164**	**161,925**
Current assets			
Trade and other receivables	14	4,166,647	2,400,886
Cash and cash equivalents	15	777,847	3,369,797
Total current assets		**4,944,494**	**5,770,683**
Total assets		**7,470,658**	**5,932,608**
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Deferred revenue	4	57,291	-
Deferred tax liabilities	16	46,196	-
Total non-current liabilities		**103,487**	**-**
Current liabilities			
Trade and other payables	17	783,766	348,784
Deferred revenue	4	173,692	-
Total current liabilities		**957,458**	**348,784**
Total liabilities		**1,060,945**	**348,784**
Equity			
Share capital	19	14,016,058	10,746,042
Equity reserves	20	(118,061)	(37,457)
Share option reserve	20	319,568	180,893
Accumulated losses	20	(7,860,436)	(5,279,332)
Equity attributable to owners of the Company		**6,357,129**	**5,610,146**
Non-controlling interests		52,584	(26,322)
Total equity		**6,409,713**	**5,583,824**
Total liabilities and equity		**7,470,658**	**5,932,608**

The financial statements were authorised and approved by the Board on 29 July 2019 and signed on their behalf by



Enrico Cesenni

Director and Chief Executive officer

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2019	Note	Share capital	Equity reserves	Share option reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		US$	US$	US$	US$	US$	US$	US$
Equity								
Balance as at 1 April 2018, as previously stated		10,746,042	(37,457)	180,893	(5,279,332)	5,610,146	(26,322)	5,583,824
Effect of transition to IFRS 15	2.1	-	-	-	(46,458)	(46,458)	-	(46,458)
Balance as at 1 April 2018, as restated		**10,746,042**	**(37,457)**	**180,893**	**(5,325,790)**	**5,563,688**	**(26,322)**	**5,537,366**
Loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(2,534,646)	(2,534,646)	(1,918)	(2,536,564)
Contribution by owners of the Company								
Issuance of shares	19	3,270,016	-	-	-	3,270,016	-	3,270,016
Recognition of share-based payments	20(iii)	-	-	138,675	-	138,675	-	138,675
		3,270,016	**-**	**138,675**	**-**	**3,408,691**	**-**	**3,408,691**
Change in ownership interest in a subsidiary								
Issuance of shares	12(a)	-	(60,541)	-	-	(60,541)	60,841	300
Acquisition of non-controlling interest	12(c)	**-**	(20,063)	-	-	(20,063)	19,983	(80)
Balance as at 31 March 2019		**14,016,058**	**(118,061)**	**319,568**	**(7,860,436)**	**6,357,129**	**52,584**	**6,409,713**

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Share capital	Equity reserves	Share option reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
2018		**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Equity								
Balance as at 1 April 2017		**5,401,049**	**(47,492)**	**-**	**(3,228,900)**	**2,124,657**	**-**	**2,124,657**
Loss for the financial year, representing total comprehensive income for the financial year		-	-	-	(2,050,432)	(2,050,432)	(16,367)	(2,066,799)
Contribution by owners of the Company								
Issuance of shares	19	5,344,993	-	-	-	5,344,993	-	5,344,993
Recognition of share-based payments	20(iii)	-	-	180,893	-	180,893	-	180,893
		5,344,993	**-**	**180,893**	**-**	**5,525,886**	**-**	**5,525,886**
Change in ownership interest in a subsidiary								
Disposal of interest in a subsidiary without loss of control		-	10,035	-	-	10,035	(9,955)	80
Balance as at 31 March 2018		**10,746,042**	**(37,457)**	**180,893**	**(5,279,332)**	**5,610,146**	**(26,322)**	**5,583,824**

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		US$	US$
Operating activities			
Loss before income tax		(2,566,894)	(2,066,799)
Adjustments for:			
Interest income	5	(2,099)	(2,380)
Gain on liquidation of a subsidiary	5	(1,663)	-
Share-based compensation	6	138,675	180,893
Interest expense	7	-	140,718
Impairment loss of financial assets	8	28,657	-
Loss on disposal of plant and equipment	8	1,015	430
Plant and equipment written off	8	19,801	893
Depreciation of plant and equipment	10	61,484	11,406
Amortisation of intangible assets	11	128,229	21,667
Operating cash flows before working capital changes		(2,192,795)	(1,713,172)
Working capital changes:			
Trade and other receivables		(344,546)	(70,151)
Deferred revenue		184,525	-
Trade and other payables		139,077	186,080
Cash used in operations		(2,213,739)	(1,597,243)
Interest received		2,099	2,380
Income tax paid		(51,512)	-
Net cash used in operating activities		(2,263,152)	(1,594,863)
Investing activities			
Purchase of plant and equipment	10	(480,279)	(12,677)
Purchase of intangible assets	11	(90,000)	-
Advances to related parties		(770,811)	(856,153)
Advances to third parties		29,112	(90,585)
Acquisition of subsidiaries, net of cash acquired	12(b)(i)	(1,937,040)	-
Purchase of financial asset, at FVOCI	13	(150,000)	-
Net cash used in investing activities		(3,399,018)	(959,415)

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		US$	US$
Financing activities			
Acquisition of equity interest from non-controlling interests	12(c)	(80)	-
Proceeds from subscription of shares by non-controlling interests	12(a)	300	-
Proceeds from issuance of convertible bonds	A	-	40,000
Proceeds from issuance of ordinary shares	19	3,070,000	1,421,353
Proceeds from disposal of interest in a subsidiary without loss of control		-	80
Net cash generated from financing activities		3,070,220	1,461,433
Net changes in cash and cash equivalents		(2,591,950)	(1,092,845)
Cash and cash equivalents at beginning of year		3,369,797	4,462,642
Cash and cash equivalents at end of year	15	777,847	3,369,797

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	Balance as at 1 April 2017	Financing cash flows	Interest expense	Conversion of convertible bonds	Balance as at 31 March 2018
As at end of reporting period 31 March 2018	US$	US$	US$	US$	US$
Convertible bonds (Note 18)	3,742,922	40,000	140,718	(3,923,640)	-

The accompanying notes form an integral part of these financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Myanmar Strategic Holdings Limited (the "Company") (Registration Number 201302159D) is a public company limited by shares incorporated and domiciled in Singapore with its principal place of business and registered office 80 Raffles Place #32-01, UOB Plaza, Singapore 048624. The Company was listed on Main Market of London Stock Exchange on 22 August 2017.

The principal activities of the Company is investment and trading in Myanmar related investment projects. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The Company's immediate and ultimate holding company is Macan Pte. Ltd., a company incorporated and domiciled in Singapore. Related companies in these financial statements refer to the members of the Macan Pte. Ltd. Group.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements of the Group are presented in United States dollar ("US$") which is the functional currency and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

(a) Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Changes in accounting policy and disclosures

In the current financial year, the Group has adopted all the new IFRS that are relevant to its operations and effective for the current financial year. The adoption of the new IFRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years, except for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as disclosed below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was effective for accounting periods commencing on or after 1 April 2018. The standard addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. A revised expected credit loss model replaces the incurred loss impairment model used in IAS 39. As at the date of initial application, the adoption of the expected credit loss model has no material effect on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

The effect of transition to IFRS 15 as at 1 April 2018 was as follows:

	Increase/(Decrease) US$
Non-current liabilities	
Deferred revenue	41,458
Current liabilities	
Deferred revenue	5,000
Equity	
Accumulated losses	(46,458)

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The following shows the amount by which each financial statement line item is affected for the financial year ended 31 March 2019 as a result of the transition to IFRS 15. The third column shows amounts prepared under IFRS 15 and the first column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of comprehensive income

	Reported under IAS 18 2019	IFRS 15 adjustments	Reported under IFRS 15 2019
	US$	US$	US$
Revenue	4,429,892	(5,000)	4,424,892
Loss before income tax	(2,561,894)	(5,000)	(2,566,894)
Loss for the year, representing total comprehensive income for the financial year	(2,531,564)	(5,000)	(2,536,564)

The following shows the amount by which each financial statement line item is affected as at 31 March 2019 as a result of the adoption of IFRS 15:

Consolidated statement of financial position

	Reported under IAS 18 2019	IFRS 15 adjustments	Reported under IFRS 15 2019
	US$	US$	US$
Non-current liabilities			
Deferred revenue	-	(36,458)	(36,458)
Current liabilities			
Deferred revenue	-	(5,000)	(5,000)
Equity			
Accumulated losses	(7,855,436)	(5,000)	(7,860,436)

The nature of the adjustment as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 and the statements of comprehensive income for the financial year ended 31 March 2019 are described below:

New centre fee

New centre fee was received for the opening of new "Wall Street English" language centres in Myanmar. Under IAS 18, the revenue was recognised upon the new opening of language centres. Upon adopting IFRS 15, the Company recognised the new centre fee as deferred revenue and will recognise income over the period of 10 years, representing the rights to develop and operate the "Wall Street English" language centre in Myanmar.

On 1 April 2018, advanced payment received from customers of US$46,458 was recognised as deferred revenue. The adjustment was made against accumulated losses.

There was no impact on other revenue streams on the adoption of IFRS 15 as the point of transfer of risks and rewards under IAS 18 is the same as when the control was transferred under IFRS 15, and that both methods are over time.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

IFRS issued but not yet effective

At the date of authorisation of these financial statements, the following IFRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
IFRS 16	: Leases	1 January 2019
IFRIC 23	: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards		
- IFRS 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
- IAS 28 (Amendments)	: Long-term interests in Associates and Joint Ventures	1 January 2019
- IAS 19 (Amendments)	: Plan Amendment, Curtailment or Settlement	1 January 2019

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above IFRS and IFRIC in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except as disclosed below.

IFRS 16 LEASES

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost. IFRS 16 also requires enhanced disclosures by the lessees.

The Group has performed an assessment on the adoption of IFRS 16 based on currently available information as well as recognition exemptions under IFRS 16. The Group expects to capitalise the operating lease of the international school on the statement of financial position by recognising a 'right-of-use' asset of US$3,533,000 and the corresponding lease liabilities present valued based on the future lease payments of US$4,560,000. The lease liability was calculated with consideration of the likelihood of exercising the first and second extension period of 3 years and 5 years, respectively. This assessment may be subject to changes from the ongoing analysis until the finalisation transition entries.

The Group plans to adopt the standard in the financial year beginning on 1 April 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 April 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 March 2020.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

NON-CONTROLLING INTERESTS

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2.3 BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

2.4 REVENUE RECOGNITION

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers are derived from fixed price contracts.

Deferred revenue comprise management fees, new centre fee and other advance consideration received from customers and a related party. Deferred revenue are recognised as revenue when performance obligations under its contracts are satisfied.

Rendering of services
The Group provides security guarding, risk management and security training services to the customer over a specified contract period. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's performance in providing the security services. As the Group's efforts or inputs are expended throughout the performance period, revenue is recognised on a straight-line basis over the specified contract period.

For certain contracts where the Group supplies security equipment and provides ad-hoc services such as journey management, revenue is recognised at point in time when goods and services are delivered.

Technical support service fees
Technical support service fees earned from hostels and language centres managed by the Group are recognised over time and when services are rendered with reference to the terms of the contracts.

Management fees
Management fees earned from hostels, engineering college and language centres managed by the Group, under long-term contracts with the owners, are recognised over time as and when services are rendered with reference to the terms of the contracts. The fees are incentive fees, which are based on the profitability of these business operations and the amount of course modules to be delivered.

Royalty income
Royalty income is recognised over time on an accrual basis with reference to the terms of the "Wall Street English" Centre Franchise Agreement. Royalty is determined based on the agreed royalty rate and the annual total gross revenue of the managed language centres in Myanmar.

New centre fee
New centre fee for the opening of new "Wall Street English" language centre in Myanmar are recognised over the exclusive rights to develop and operate for a period of 10 years.

Accounting policy for revenue recognition prior to 1 April 2018
Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of discounts, other similar allowances and sales related taxes. The revenue recognition policies for management fees, technical support services fees and royalty income are the same as the current financial year.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2.5 EMPLOYEE BENEFITS

Retirement benefit costs
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and Myanmar Social Security Benefit, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.6 SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to the share-based payment reserve, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with a corresponding adjustment to the share-based payment reserve.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.7 TAXES

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax
Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax
Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.8 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.9 PLANT AND EQUIPMENT

All items of plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure on an item of plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight line method to allocate the depreciable amounts over their estimated useful lives on the following basis:

Computers	3 years
Furniture and fittings	3 years
Motor vehicles	5 years

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the reporting period.

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.10 INTANGIBLE ASSETS

Area development and centre fees
An area development fee is paid for the exclusive rights to develop and operate the "Wall Street English" language centres in Myanmar while the centre fee is required to be paid in respect for the opening of a new "Wall Street English" language centre in Myanmar. The area development fee and centre fee are capitalised and amortised over the period of 10 years from the date operation commences and when the new centre commences operations, respectively.

The area development fee and centre fee are initially capitalised at cost and subsequently measured at cost less any accumulated amortisation and any accumulated losses.

Set-up fee and brand licensing fee
Set-up fee is paid for the exclusive rights to develop and operate the "Auston" college in Myanmar. Brand licensing fee is paid for the exclusive, irrecoverable, non-transferrable rights of use of the licensed intellectual property and trademark for the operations of the Auston college. The set-up and brand licensing fees are capitalised and amortised over the period of 10 years from the date operation commences.

The set-up and brand licensing fees are initially capitalised at cost and subsequently measured at cost less any accumulated amortisation and any accumulated losses.

Computer software licence
Acquired computer software licence is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licence is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

Customer-related assets (Services segment)
Customer-related assets comprise customer contracts and customer relationship arising from business combinations. These assets are capitalised at fair value as at acquisition date and subsequently measured at cost less any accumulated amortisation and any accumulated losses.

Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives of 3 years.

Goodwill (Services segment)
Goodwill arising on the acquisition of a subsidiary or business represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill on subsidiary is recognised separately as intangible assets. Goodwill is initially recognised at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Intangible assets except goodwill with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss or expected category consistent with the function of the intangible asset.

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

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12 FINANCIAL INSTRUMENTS

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

FINANCIAL ASSETS

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from provision of services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being presented in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables and amounts due from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial

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recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding prepayment and advances for hostel operations) and cash and cash equivalents in the consolidated statement of financial position.

Financial asset at fair value through other comprehensive income ("FVOCI")
The Group has a strategic investment in the equity securities of an unlisted entity which is not accounted for as a subsidiary, associate or jointly controlled entity. The Group has made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

ACCOUNTING POLICY FOR FINANCIAL ASSETS PRIOR TO 1 APRIL 2018

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

FINANCIAL ASSETS

All financial assets are initially recognised at fair value, plus transaction costs which are initially recognised at fair value.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables
Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding prepayments and advances for hostel operations) and cash and cash equivalents.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Company classifies ordinary shares as equity instruments.

Financial liabilities
The Group classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables
Trade and other payables, excluding advances received, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

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Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise of cash on hand, cash at bank and demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.14 LEASES

OPERATING LEASES

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.15 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.16 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer who makes strategic decisions.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 CRITICAL JUDGEMENTS MADE IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

EVALUATION OF CONTROL OVER MANAGED HOSTELS, ENGINEERING COLLEGE AND LANGUAGE CENTRES

Management has assessed if the management contracts with the owners of hostels, engineering college and language centres provide the Group control over these managed operations which would require these operations to be consolidated under IFRS 10. Management has determined that the Group does not control the underlying businesses or assets as the hostels, engineering college and language centres are owned by and licensed to their respective owners. The management arrangement is common in the leisure and hospitality sector and does not indicate control of the business or assets.

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

I) LOSS ALLOWANCE FOR TRADE AND OTHER RECEIVABLES

The Group determines the expected loss arising from default for third party trade receivables, by categorising them based on its historical loss pattern and historical payment profile as well as credit risk profile of customers. There was no significant exposure to the expected credit loss on the third parties trade receivables based on the simplified approach. Accordingly, no loss allowance was recognised as at 31 March 2019.

For trade and other receivables arising from related parties, the Group reviewed information available internally for the past, current and expected operating performance and cash flow

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position. Counterparties are monitored and assessed at each reporting date on any indicator of significant increase in credit risk. The Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

Notwithstanding the above, the Group evaluates the expected credit loss on counterparties in financial difficulties separately. Counterparties in financial difficulties have been impaired in prior years and written off during the current financial year amounting to US$270,000. In addition, other receivables due from counterparties amounting to US$280,327 have been impaired since the prior years.

The Group's carrying amount of trade and other receivables as at 31 March 2019 is disclosed in Note 14 to the financial statements.

II) VALUATION OF INTANGIBLE ASSETS

On 28 May 2018, the Group completed the acquisition of EXERA Group for a total consideration of US$2,200,016. The acquisition was accounted for using the acquisition method and management performed a Purchase Price Allocation ("PPA") exercise which involved identification and valuation of the acquired assets and liabilities as well as estimating the residual goodwill. Management identified and valued customer-related assets and goodwill of US$273,913 and US$1,438,990, respectively. The valuation of the intangible assets involved significant estimates and key assumptions on the future market conditions, growth rates and discount rates used in the revenue forecasts prepared by management.

The Group's carrying amount of intangible assets recognised as at 31 March 2019 is disclosed in Note 11 to the financial statements.

III) IMPAIRMENT OF GOODWILL

Management performs impairment test on goodwill on an annual basis and whenever there is indication of impairment. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgement. The carrying values of the cash generating units are then compared against the recoverable amounts using value-in-use. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

The Group's carrying amount of goodwill as at 31 March 2019 is disclosed in Note 11 to the financial statements.

4. REVENUE

DISAGGREGATION OF REVENUE

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 25 to the financial statements.

	Hospitality		Education		Security		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	US$	US$	US$	US$	US$	US$	US$	US$
Rendering of services	-	-	-	-	3,445,155	-	3,445,155	-
Technical support service fees	105,000	180,000	306,550	244,998	-	-	411,550	424,998
Management fees	-	-	329,085	170,936	-	-	329,085	170,936
Royalty income	-	-	232,435	170,936	-	-	232,435	170,936
New centre fee	-	-	6,667	25,000	-	-	6,667	25,000
	105,000	180,000	874,737	611,870	3,445,155	-	4,424,892	791,870
Timing of transfer of services								
Point in time	-	-	-	-	243,174	-	243,174	-
Over time	105,000	180,000	874,737	611,870	3,201,981	-	4,181,718	791,870
	105,000	180,000	874,737	611,870	3,445,155	-	4,424,892	791,870

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The timing of revenue recognition would affect the amount of revenue and deferred revenue recognised as at the reporting date in the statements of financial position.

	2019	2018
	US$	US$
Deferred revenue	230,983	-
Analysed as:		
Current	173,692	-
Non-current	57,291	-
	230,983	-

The non-current deferred revenue relates to new centre fee which will be recognised over the remaining exclusive rights to develop and operate ranging from 8 to 10 years.

Significant changes in deferred revenue during the reporting period are as detailed below:

	2019	2018
	US$	US$
At 1 April	-	-
Effect of transition to IFRS 15 (Note 2.1)	46,458	-
Cash received in advance of performance	305,692	-
Amount recognised as revenue	(121,167)	-
At 31 March	230,983	-

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5. OTHER INCOME

	2019	2018
	US$	US$
Foreign exchange gain, net	1,170	10,802
Interest income from bank deposits	2,099	2,380
Gain on liquidation of a subsidiary (Note 12(b)(ii))	1,663	-
	4,932	13,182

6. EMPLOYEE BENEFITS EXPENSE

	2019	2018
	US$	US$
Salaries and bonus *	3,649,126	1,027,406
Contributions to defined contribution plans	59,289	28,143
Share-based compensation (Note 20(iii))	138,675	180,893
	3,847,090	1,236,442

* Included in these expenses are Directors' fees and remuneration as disclosed in Note 22 to the financial statements.

7. FINANCE COST

Finance cost relates to interest charged on the convertible bonds in the previous financial year.

8. LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, the Loss before Income Tax includes the following charges:

	2019	2018
	US$	US$
Professional fees	894,816	475,561
Hostel related operating expenses	328,186	151,373
Operating lease of motor vehicle	291,098	-
Rental of office and international school	263,447	72,862
Royalty expenses	248,300	177,708
Expenses pursuant to the on-going listing	175,743	96,222
Travelling expenses	130,631	79,835
Marketing expenses	34,337	715
Impairment loss on financial assets	28,657	-
Plant and equipment written off	19,801	893
Loss on disposal of plant and equipment	1,015	430
Expenses pursuant to the listing application	-	360,994

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9.INCOME TAX

	2019	2018
	US$	US$
Current income tax		
- over provision in respect of prior financial years	(8,048)	-
Deferred income tax		
- current financial year	(22,282)	-
Total income tax credit recognised in profit or loss	(30,330)	-

The corporate income tax rate applicable to the Company and its subsidiaries in Singapore is at 17% (2018: 17%).

The Group has significant operations in Myanmar, for which the corporate income tax rate applicable is 25% (2018: 25%).

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Myanmar income tax rate of 25% (2018: 25%) to loss before income tax as a result of the following differences:

RECONCILIATION OF EFFECTIVE INCOME TAX RATE	2019	2018
	US$	US$
Loss before income tax	(2,566,894)	(2,066,799)
Income tax calculated at Myanmar statutory tax rate of 25% (2018: 25%)	(641,724)	(516,700)
Effect of different income tax rates in other countries	100,429	126,756
Tax effect of non-allowable expenses	29,713	80,418
Deferred tax assets not recognised	489,300	309,526
Over provision of income tax in prior financial year	(8,048)	-
Total income tax credit recognised in profit or loss	(30,330)	-

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

	2019		2018	
	Singapore	Myanmar	Singapore	Myanmar
	US$	US$	US$	US$
Unutilised tax losses	3,629,281	1,512,996	2,609,125	451,709
Other temporary differences	138,600	205,291	74,818	46,458
	3,767,881	1,718,287	2,683,943	498,167
Unrecognised deferred tax assets on the above temporary differences	640,540	429,572	456,270	124,542

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The unutilised tax losses above are subject to the agreement by the Myanmar and Singapore tax authorities. Deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements of the Group in accordance with the accounting policy in Note 2.7 to the financial statements.

The unutilised tax losses of Myanmar subsidiaries may be carried forward for a maximum period of 3 years and the unutilised tax losses of Singapore subsidiaries may be carried indefinitely subject to the conditions imposed by law.

The expiry dates of the Myanmar unutilised tax losses are as follows:

	2019	2018
	US$	US$
Expiring on 31 March 2020	346,565	366,669
Expiring on 31 March 2021	32,193	85,040
Expiring on 31 March 2022	1,134,238	-
	1,512,996	451,709

The unutilised tax losses for the financial year ended 31 March 2018 for Myanmar subsidiaries have been revised from US$1,702,199 to US$451,709 based on the latest approved tax assessment of the Inland Revenue of Myanmar to enhance the comparability with the current year's financial statements.

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10. PLANT AND EQUIPMENT

	Computers	Furniture and fittings	Motor vehicles	Construction-in-progres	Total
	US$	US$	US$	US$	US$
2019					
Cost					
Balance as at 1 April 2018	16,808	20,777	-	-	37,585
Acquisition of subsidiaries (Note 12(b)(i))	-	67,747	53,627	-	121,374
Additions	43,417	73,024	40,243	323,595	480,279
Disposals	(1,239)	-	-	-	(1,239)
Written off	-	(39,389)	-	-	(39,389)
Balance as at 31 March 2019	58,986	122,159	93,870	323,595	598,610
Accumulated depreciation					
Balance as at 1 April 2018	6,306	14,076	-	-	20,382
Depreciation	11,901	37,631	11,952	-	61,484
Disposals	(224)	-	-	-	(224)
Written off	-	(19,588)	-	-	(19,588)
Balance as at 31 March 2019	17,983	32,119	11,952	-	62,054
Net carrying amount					
Balance as at 31 March 2019	41,003	90,040	81,918	323,595	536,556
2018					
Cost					
Balance as at 1 April 2017	9,601	18,712	-	-	28,313
Additions	7,690	4,987	-	-	12,677
Disposals	(483)	-	-	-	(483)
Written off	-	(2,922)	-	-	(2,922)
Balance as at 31 March 2018	16,808	20,777	-	-	37,585
Accumulated depreciation					
Balance as at 1 April 2017	2,018	9,040	-	-	11,058
Depreciation	4,341	7,065	-	-	11,406
Disposals	(53)	-	-	-	(53)
Written off	-	(2,029)	-	-	(2,029)
Balance as at 31 March 2018	6,306	14,076	-	-	20,382
Net carrying amount					
Balance as at 31 March 2018	10,502	6,701	-	-	17,203
Balance as at 1 April 2017	7,583	9,672	-	-	17,255

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS

	Area development and centre fees	Set-up fee and brand licensing fee	Computer software licence	Customer-related assets	Goodwill	Total
	US$	US$	US$	US$	US$	US$
2019						
Cost						
Balance as at 1 April 2018	150,000	-	20,000	-	-	170,000
Acquisition of subsidiaries (Note 12(b)(i))	-	-	20,212	273,913	1,438,990	1,733,115
Additions	50,000	40,000	-	-	-	90,000
Written off	-	-	(4,725)	-	-	(4,725)
Balance as at 31 March 2019	200,000	40,000	35,487	273,913	1,438,990	1,988,390
Accumulated amortisation						
Balance as at 1 April 2018	17,500	-	7,778	-	-	25,278
Amortisation	18,333	4,000	16,766	89,130	-	128,229
Written off	-	-	(4,725)	-	-	(4,725)
Balance as at 31 March 2019	35,833	4,000	19,819	89,130	-	148,782
Net carrying amount						
Balance as at 31 March 2019	164,167	36,000	15,668	184,783	1,438,990	1,839,608

	Area development fees	Computer software licence	Total
	US$	US$	US$
2018			
Cost			
Balance as at 1 April 2017 and 31 March 2018	150,000	20,000	170,000
Accumulated amortisation			
Balance as at 1 April 2017	2,500	1,111	3,611
Amortisation	15,000	6,667	21,667
Balance as at 31 March 2018	17,500	7,778	25,278
Net carrying amount			
Balance as at 31 March 2018	132,500	12,222	144,722
Balance as at 1 April 2017	147,500	18,889	166,389

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS (CONTINUED)

The Group's intangible assets are mainly exclusive rights to develop and operate the education segment, exclusive rights of use of the licensed intellectual property and trademarks for the operations of the engineering college and other intangible assets arising from the Group's acquisitions of subsidiaries.

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination, which is also the reportable operating segment. The carrying amount of goodwill had been allocated to the Group's services segment in Myanmar.

The recoverable amount of the CGU is determined from value-in-use calculations based on cash flow forecasts derived from the most recent financial budgets approved by management. The key assumptions for these value-in-use calculations are based on revenue growth rates of 3% and discount rate at 16% for first five years and growth rates of 0% beyond the first five years.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates beyond the first 5 years are based on country growth forecasts and historical performance of the subsidiary.

The Group tests the CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired.

There is no reasonable possible change in key assumptions on which management has based its determination of the CGU's recoverable amount that would cause the CGU's recoverable amount to fall below its carrying value.

12. INVESTMENTS IN SUBSIDIARIES

The following are all the subsidiary companies of the group that have been included in the group financial statements.

The particulars of the subsidiaries are as follows:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Effective interest held by Company	
		2019	2018
		%	%
Held by the Company			
Myanmar Strategic Services Pte. Ltd. ("MSS") (Previously known as Myanmar Strategic Energy Pte. Ltd.) [1] (Singapore)	Investing and trading in Myanmar-related investment projects and providing consultancy services	100.00	100.00
Myanmar Strategic Leisure Pte. Ltd. ("MSL") [1] (Singapore)	Investing and trading in Myanmar-related investment projects and providing consultancy services	100.00	100.00
MS English Pte. Ltd. ("MS English") [1] (Singapore)	Investing and trading in Myanmar-related investment projects and providing consultancy services	100.00	92.00
MS Auston Pte. Ltd. ("MS Auston") [1] (Singapore)	Investing and trading in Myanmar-related investment projects and providing consultancy services	70.00	-
American International Partners Limited ("AIP") (Previously known as Orwell Consulting Partners Limited) [2][3] (Myanmar)	Providing consultancy and advisory service and project management for international and national companies and organisation in Myanmar	100.00	99.99

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company (Country of incorporation and principal place of business)	Principal activities	Effective interest held by Company 2019 %	2018 %
Held through Myanmar Strategic Services Pte. Ltd.			
EXERA Myanmar Limited ("EXERA Myanmar") [2]	Providing safety and security services	100.00	-
EXERA Journey Management Limited ("EXERA Journey") [2] (Myanmar)	In liquidation	100.00	-
Held through Myanmar Strategic Leisure Pte. Ltd.			
L Partners Limited ("L Partners") [2][3] (Myanmar)	Providing consultancy, advisory and project management services in the leisure and hospitality sector in Myanmar	100.00	100.00
Kipling Global Hospitality Group Limited ("Kipling") [2][3] (Myanmar)	Provision of consultancy and advisory services and project management for international and national companies and organisations in the food and beverage and leisure and hospitality sectors in Myanmar.	100.00	100.00
Held through MS English Pte. Ltd.			
E Partners Limited ("E Partners") [2][3] (Myanmar)	Providing consultancy, advisory and project management services in the education sector in Myanmar	100.00	92.00
Held through MS Auston Pte. Ltd.			
A Partners Limited ("A Partners") [2] (Myanmar)	Providing consultancy, advisory and project management services in the education sector in Myanmar	70.00	-

[1] Audited by BDO LLP, Singapore.

[2] Audited by BDO Consulting (Myanmar) Co. Ltd, for consolidation purposes and JF Group Certified Public Accountants and Auditors, Myanmar for statutory reporting in Myanmar.

[3] In prior years, the Director of the Company holds 1 ordinary share in trust, representing 0.01% equity interest, due to the Myanmar legal requirement to have minimum of 2 shareholders. Pursuant to the new Companies Law (2017), the legal requirement is no longer applicable and the Director of the Company had transferred 1 ordinary share to the Company during the financial year.

a) Newly incorporated subsidiary

MS Auston Pte. Ltd.
MS Auston was incorporated on 6 April 2018 in the Republic of Singapore with an issued paid-up share capital of US$600 which was subscribed equally by the Company and a corporate shareholder, Auston Institute of Management Pte. Ltd.

On 23 May 2018, MS Auston issued 4,000 ordinary shares which were subscribed by the Company for a total consideration of US$200,000. The corporate shareholder did not subscribe for any issuance of shares based on its proportion of equity interest. Accordingly, the Company's equity interest in MS Auston had increased from 50% to 70% and resulted in an accretion of non-controlling interest of US$60,541.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

b) Acquisition and liquidation of subsidiaries

i) EXERA Myanmar Limited and EXERA Journey Management Limited ("EXERA Group")

On 28 May 2018, subsidiary company, MSS acquired 50,000 ordinary shares in the share capital of EXERA Myanmar Limited and acquired 75,000 ordinary shares in the share capital of EXERA Journey Management Limited, representing 100% of the equity interest in both entities for a total consideration of US$2,200,016. Management is in the view that this acquisition demonstrates the objective to expand into strategically important sectors in Myanmar. The consideration for the EXERA Group acquisition was satisfied through the cash payment of US$2 million and the issuance of 7,408 new ordinary shares of the Company at a price of US$27 per share, representing fair value of US$200,016 based on the prevailing quoted share price as at the date of acquisition. The payment on behalf of US$200,016 was recharged to MSS.

	Fair value recognised on date of acquisition
	US$
Plant and equipment	121,374
Intangible asset – Computer software licence	20,212
Intangible asset – Customer contracts, customer relationship and non-compete clause	273,913
Trade and other receivables	708,173
Inventories	5,605
Cash and cash equivalents	62,960
Trade and other payables	(303,173)
Income tax payable	(59,560)
Deferred tax liabilities	(68,478)
Net identifiable assets at fair value	761,026
Cash consideration	2,000,000
Fair value of 7,408 ordinary shares of the Company issued	200,016
Total purchase consideration	2,200,016
Goodwill arising from acquisition	1,438,990

From the date of acquisition, EXERA Group contributed approximately revenue at US$3,445,000 and profit after tax of US$837 to the Group. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss, net of tax would have been approximately US$5,087,000 and US$2,542,000, respectively.

Goodwill of US$1,438,990 arising from the acquisition is attributable to the expected synergies from combining the operations of the Group with those of EXERA Group.

None of the goodwill is expected to be deductible for tax purposes.

Transaction costs (included in Myanmar Strategic Services) related to the acquisition of US$146,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the year ended 31 March 2019.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

b) Acquisition and liquidation of subsidiaries (Continued)

i) EXERA Myanmar Limited and EXERA Journey Management Limited ("EXERA Group")(Continued)

The effects of the acquisition of the subsidiaries on cash flows are as follows:

	US$
Total consideration for equity interest acquired	(2,200,016)
Less: non-cash consideration (Note 19)	200,016
Consideration settled in cash	(2,000,000)
Less: Cash and bank balances of subsidiaries acquired	62,960
Net cash outflow on acquisition	(1,937,040)

ii) EXERA Journey Management Limited

On 11 February 2019, EXERA Journey Management Limited commenced liquidation process. This resulted in a gain on liquidation of US$1,663 recognised in statement of comprehensive income for the year then ended.

c) Acquisition of a non-controlling interests in a subsidiary

MS English Pte. Ltd.
MSH had on 11 December 2018, acquired 80 ordinary shares from the non-controlling interest for a cash consideration of US$80. The carrying value of the net liabilities of MS English as at date of acquisition was US$249,788 and the carrying value of the additional equity interest of 8% acquired was US$19,983. The difference of US$20,063 between the consideration and the carrying value of additional interest acquired resulted in a premium paid on acquisition of non-controlling interests recognised directly in equity reserve.

The following schedule shows the effect of changes in the Group's ownership interests that did not result in loss of control, on the equity attributable to owners of the Company:

	Group 2019
	US$
Amount paid on changes in ownership interest in subsidiary	80
Non-controlling interest comprising of assets acquired	19,983
Total amount recognised in equity reserves (Note 20)	20,063

d) Non-controlling interests ("NCI")

Summarised financial information in respect of MS Auston and its subsidiary, A Partners that has material NCI of 30%, is set out below. The summarised financial information below represents amounts before intragroup eliminations.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

d) Non-controlling interests ("NCI") (Continued)

Name of subsidiary	Loss allocated to NCI 2019	Total comprehensive income attributable to NCI 2019	Accumulated NCI 2019
	US$	US$	US$
MS Auston Pte. Ltd. and its subsidiary	(8,257)*	(8,257)*	52,584

	2019
	US$
Revenue	-
Loss for the financial period, representing total comprehensive income	(25,318)
Cash flows used in operating activities	(6,434)
Cash flows used in investing activities	(183,003)
Cash flows from financing activities	242,151
Net cash inflows	52,714
Assets and liabilities:	
Non-current assets	36,000
Current assets	197,907
Current liabilities	(19,995)
Net assets	213,912

* Loss for the financial period attributable to the NCI is based on 50% and 30% equity interest from 6 April 2018 to 22 May 2018 and from 23 May 2018 to 31 March 2019, respectively.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

13. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	2019	2018
	US$	US$
Unquoted equity security	150,000	-

The Group has designated the investment in unquoted equity security to be measured as fair value through other comprehensive income ("FVOCI") as at 31 March 2019. The Group intends to hold the investment for long-term for appreciation in value as well as strategic investment purposes.

Due to the recent investment in the unquoted equity security, management had assessed that the cost is a reasonable approximation of its fair value as at reporting date.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	US$	US$
Trade receivables		
Third parties	548,705	-
Related party	545,265	283,715
	1,093,970	283,715
Other receivables		
Related parties	2,532,443	2,031,632
Less: Allowance for impairment	-	(270,000)
	2,532,443	1,761,632
Third parties	392,609	421,721
Less: Allowance for impairment	(280,327)	(280,327)
	112,282	141,394
Advances for hostel operations	87,064	90,367
Sundry receivables	12,419	16,326
Deposits	27,987	915
Prepayments	300,482	106,537
Total other receivables	3,072,677	2,117,171
Total trade and other receivables	4,166,647	2,400,886
Less: Prepayments	(300,482)	(106,537)
Less: Advances for hostel operations	(87,064)	(90,367)
Add: Cash and cash equivalents (Note 15)	777,847	3,369,797
Financial assets at amortised costs (2018: Loans and receivables)	4,556,948	5,573,779

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 15 to 60 (2018: 15) days credit term. They are measured at their original invoice amounts which represent their fair value on initial recognition.

Included in the amount due from related parties of US$545,265 (2018: US$283,715) are due from a Company where a Director of the subsidiaries have beneficial interests.

OTHER RECEIVABLES

Amount due from related parties are non-trade in nature, unsecured, interest-free and are repayable on demand.

Included in the amount due from related parties of US$2,532,443 (2018: US$2,031,632) are arising from payments made on behalf of a company where a Director of the subsidiaries have beneficial interests.

Allowances for impairment loss

i) Amount due from related parties

In prior years, loss allowance of US$270,000 was made for amounts due from a related party relating to advances for the operations of the two managed restaurants which had ceased operations in March 2017. As at 31 March 2019, loss allowance of US$298,657 were written off for which US$28,657 was charged to the profit or loss as impairment loss of financial assets due to the liquidation of the related party.

ii) Amount due from third parties

In prior years, allowance for impairment of receivables for third parties of US$280,327 was made in respect of advances to the owners of the hostels under management as two of the hostels under management experienced continuous losses and recoverability is in doubt.

The Group may commit to provide annual or monthly advances to the owners of the managed hostels pursuant to each operation and management agreement. If the managed hostels do not meet the agreed performance measures, such advances are recognised as hostel related operating expense in the profit or loss.

The Group's trade and other receivables balances are denominated in the following currencies:

	2019	2018
	US$	US$
United States dollar	3,956,087	2,400,341
Singapore dollar	10,470	545
Myanmar Kyats	182,237	-
Euro	17,853	-
	4,166,647	2,400,886

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

15. CASH AND CASH EQUIVALENTS

	2019	2018
	US$	US$
Cash at bank	758,535	3,362,975
Cash on hand	19,312	6,822
	777,847	3,369,797

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents are denominated in the following currencies:

	2019	2018
	US$	US$
United States dollar	625,610	3,224,842
Singapore dollar	40,699	119,601
Myanmar Kyat	110,239	24,040
Euro	1,299	1,314
	777,847	3,369,797

16. DEFERRED TAX LIABILITIES

	2019	2018
	US$	US$
At 1 April	-	-
Acquisition of subsidiaries (Note 12(b)(i))	68,478	-
Credited to profit or loss	(22,282)	-
At 31 March	46,196	-

Deferred tax liabilities relates to temporary differences between the tax written down values and the carrying amounts of intangible assets in relation to the acquisition of EXERA Group computed at the prevailing corporate income tax rate in Myanmar of 25%.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

17. TRADE AND OTHER PAYABLES

	2019	2018
	US$	US$
Trade payables		
Third parties	75,610	16,104
Accrued royalty expenses	16,754	29,416
	92,364	45,520
Other payables		
Third parties	68,599	14,515
Immediate holding company	4,180	4,180
Staff claims	19,347	-
Accruals	599,276	284,569
Total trade and other payables, representing financial liabilities carried at amortised cost	783,766	348,784

Trade amounts due to third parties are unsecured, non-interest bearing and is on 15 to 45 (2018: 15) days credit term.

The non-trade amounts due to third parties and immediate holding company are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	2019	2018
	US$	US$
United States dollar	359,794	222,102
Singapore dollar	70,781	47,861
Myanmar Kyat	210,769	-
Pound Sterling	142,422	78,821
	783,766	348,784

18. CONVERTIBLE BONDS

In prior years, the Company issued convertible bonds amounting to US$3,751,400, which were subscribed by existing shareholders and third parties. The convertible bonds have an effective interest rate of 10% per annum on the nominal value of the convertible bonds which are denominated in United States dollar.

The convertible bonds were converted to 392,364 ordinary shares at US$10 per share amounting to US$3,923,640 on the Company's listing on Main Market of London Stock Exchange on 22 August 2017.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

19. SHARE CAPITAL

	2019	2018	2019	2018
		Number of shares	US$	US$
Issued and fully paid ordinary shares:				
Ordinary shares				
At 1 April	2,317,133	1,832,469	10,746,042	5,401,049
Shares issued during the financial year	160,908	484,664	3,270,016	5,346,640
Expenses pursuant to listing application	-	-	-	(1,647)
At 31 March	2,478,041	2,317,133	14,016,058	10,746,042

On 29 May 2018, the Company issued 7,408 ordinary shares at US$27 per share as part of the purchase consideration of EXERA Group, representing fair value of US$200,016 as disclosed in Note 12(b)(i) to the financial statements.

On 31 May 2018, issuance of 153,500 ordinary shares to a group of existing and new shareholders at US$20 per share for a total cash consideration of US$3,070,000.

In the previous financial year, the following shares were issued:-

i) Issuance of 392,364 ordinary shares for the conversion of convertible bonds of US$3,923,640 as disclosed in the Note 18 to the financial statements; and

ii) On 22 August 2017, issuance of 42,300 ordinary shares to a group of existing and new shareholders at US$10 per share for a total cash consideration of US$423,000.

iii) On 19 March 2018, issuance of 50,000 ordinary shares at US$20 per share to an existing shareholder for a total cash consideration of US$1,000,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

20. RESERVES

I) EQUITY RESERVES

The equity reserve represents the effects of changes in ownership interests in subsidiaries when there is no change in control (Note 12).

II) ACCUMULATED LOSSES

Accumulated losses represent all other net gains and losses and transactions with owners not recognised elsewhere.

III) SHARE OPTION RESERVE

Share option reserve represent the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the forfeiture of the share options.

MSH Employee Share Option Scheme ("MSH ESOS")

At an Extraordinary General Meeting held on 28 April 2017, the shareholders approved the share option scheme known as MSH ESOS with effect from the date of conversion of the Company into a public company limited by shares on 6 December 2016. The Group had on 23 May 2017, 1 December 2017 and 17 October 2018 entered into share option agreements with the employees and Directors of the Group to allot and issue 117,000, 13,000 and 72,000 share options, respectively.

STATUTORY AND OTHER INFORMATION REGARDING MSH ESOS ARE SET OUT BELOW:

a. Consideration payable by each option holder for the grant is US$1.

b. Exercise price is US$11.00 per ordinary share.

c. Options can be exercised during the period commencing on the grant date and terminating on the tenth anniversary of the grant date for up to 200,000 ordinary shares with no par value in the capital of the Company ("Option Shares").

d. Options granted will vest with effect as follows:

   i. from the second anniversary in respect of 50 percent of the Option Shares.

   ii. from the third anniversary in respect of a further 30 percent of the Option Shares.

   iii. from the fourth anniversary in respect of a further 20 percent of the Option Shares.

e. Options will only be exercisable in respect of Option Shares that have already vested.

f. If the participants cease to be director or employee of the Company and its subsidiaries at any time, then the Option will only be exercisable in respect of the Option Shares that have vested prior to the date of termination.

The weighted average fair value of the share options granted during the financial year is US$4.90 (2018: US$4.74). These granted share options have a weighted average contractual life of 8.79 years (2018: 9.41 years). The following share-based payment arrangements were in existence during the current financial year:

Option series	Number of share options	Grant date	Expiry date	Exercise price US$	Fair value per option at grant date US$
Tranche 1	117,000	23 May 2017	22 May 2027	11	4.48
Tranche 2	13,000	1 December 2017	30 November 2027	11	7.09
Tranche 3	72,000	17 October 2018	16 October 2028	11	5.18
	202,000				

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

20. RESERVES (CONTINUED)

III) SHARE OPTION RESERVE (CONTINUED)

These fair values were calculated using the Black-Scholes pricing model using the following assumptions:

	Grant dates		
	23 May 2017	**1 December 2017**	**17 October 2018**
Grant date share price (US$)	10	13	10
Exercise price (US$)	11	11	11
Expected volatility	33.91%	36.07%	38.43%
Option life	10 years	10 years	10 years
Risk-free annual interest rate	2.28%	2.36%	3.21%

Expected volatility was determined by calculating the historical volatility share price over a period of ten years of comparable companies in similar industries. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US$138,675 (2018: US$180,893) related to equity-settled share-based payment transactions during the year.

The following reconciles the share options outstanding at the start of the year and at the end of the year.

	2019		2018	
	Number	**Weighted average exercise price (US$)**	**Number**	**Weighted average exercise price (US$)**
		US$		**US$**
At 1 April	126,000	11	-	-
Granted	72,000	11	130,000	11
Forfeited	(49,000)	11	(4,000)	11
At 31 March	149,000	11	126,000	11

During the financial year, 40,000, 8,000 and 1,000 share options which were granted on 23 May 2017, 1 December 2017 and 17 October 2018, respectively had forfeited as these participants ceased to be employees of the Company.

In the previous financial year, 4,000 share options which were granted on 23 May 2017 forfeited as a participant ceased to be an employee of the Company.

No share options were exercisable during the current and previous financial years.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

21. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2019	2018
Loss		
Loss for the financial year attributable to the owners of the Company (US$)	(2,534,646)	(2,050,432)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,453,229	2,157,340
Loss per share (US$)		
Basic and diluted	(1.03)	(0.95)

In the current and previous financial years, diluted loss per share is the same as the basic loss per share because the dilutive potential ordinary shares to be exercised are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties at rates and terms agreed between the parties:

	2019	2018
	US$	US$
With related parties*:		
-Technical support service fees	306,550	244,998
-Management fee	239,585	195,936
-Royalty fee	214,585	170,936
-Advances	770,811	856,153

	2019	2018
	US$	US$
With a Director of the subsidiaries:		
- Professional fees	108,000	98,000

* Related parties refer to entities where a Director of the subsidiaries have beneficial interests.

The outstanding balances as at 31 March with related parties are disclosed in Notes 14 to the financial statements.

No balance with a director of the subsidiaries was outstanding at the end of the reporting period (2018: Nil).

Key management personnel remuneration

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel are the Directors of the Company and its subsidiaries.

The remuneration of key management personnel of the Company and its subsidiaries during the financial year are as follows:

	2019	2018
	US$	US$
Short-term benefits	429,398	418,475
Post-employment benefits	12,281	11,929
Other staff benefits	16,835	2,865
Share-based compensation	102,923	77,586
	561,437	510,855

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

23. OPERATING LEASE COMMITMENTS

The minimum lease commitment under non-cancellable operating lease is in respect of international school contracted for as at the end of the reporting period are as follows:

	2019	2018
	US$	US$
Within a year	720,000	-
	720,000	-

Leases are negotiated and rentals are fixed for a period of 2 years with the first and second options to renew for another 3 and 5 years, respectively at the prevailing market rates. Apart from the above lease commitment, the Group is required to pay contingent rentals based on percentage of gross revenue derived from operations at the rented premises.

24. CAPITAL COMMITMENTS

Capital expenditure contracted for at each reporting date but not recognised in the financial statements are as follows:

	2019	2018
	US$	US$
Capital expenditure contracted but not provided for		
- Construction-in-progress of international school	330,205	-

25. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services, and has four (2018: three) reportable operating segments as follows:

a. Hospitality – Provision of consultancy, advisory and project management services in the leisure and hospitality sectors in Myanmar;

b. Education – Provision of consultancy, advisory and project management services in the education sector in Myanmar; and

c. Services – Rendering of services and Provision of consultancy, advisory and project management services in the service sector in Myanmar, focusing initially on security services; and

d. Others – Corporate services to provide management and marketing support to respective entities of the Group.

The “Services” segment was included in the current financial year following the acquisition of the EXERA Group as disclosed in Note 12(b)(i) to the financial statements.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before income tax expense not including non-recurring gains and losses and foreign exchange gains or losses. There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment assets comprise primarily plant and equipment, intangible assets, trade and other receivables, and cash and cash equivalent.

Segment liabilities comprise trade and other payables, deferred revenue and deferred tax liabilities.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

25. SEGMENT INFORMATION (CONTINUED)

Business segment

	Hospitality	Education	Services	Others	Total
2019	**US$**	**US$**	**US$**	**US$**	**US$**
Revenue	105,000	874,737	3,445,155	-	4,424,892
Cost of services and royalties	(328,186)	(252,938)	(2,500,315)*	-	(3,081,439)
Transaction cost for acquisitions	-	-	(146,449)	(154,258)	(300,707)
Other expenses	(54,065)	(893,097)**	(1,080,584)	(1,583,993)#	(3,611,739)
Interest income	29	82	919	1,069	2,099
Segment loss	(277,222)	(271,216)	(281,274)	(1,737,182)	(2,566,894)
Income tax credit	(1,262)	-	31,592	-	30,330
Loss for the year	(278,484)	(271,216)	(249,682)	(1,737,182)	(2,536,564)
Other non-cash items:					
Depreciation of plant and equipment	(17,748)	(11,024)	(31,432)	(1,280)	(61,484)
Amortisation of intangible assets	-	(29,000)	(99,229)	-	(128,229)
Impairment loss of financial assets	(17,677)	(8,819)	(2,161)	-	(28,657)
Plant and equipment written off	-	-	(19,801)	-	(19,801)
Assets					
Additions to non-current assets	72,755	488,628	8,461	435	570,279
Segment assets	241,568	4,144,364	2,541,934	542,792	7,470,658
Segment liabilities	228,410	212,195	280,571	339,769	1,060,945

* Cost of services and royalties from "Services" segment comprise mainly employee benefits amounting to US$2,046,899 for the financial year ended 31 March 2019.

** Other expenses from the "Education" segment include US$361,687 pre-opening operating losses in relation to Yangon American.

Other expenses from the "Others" segment comprise mainly employee benefits expense and expenses pursuant to the on-going listing amounting to US$541,073 and US$175,743, respectively for the financial year ended 31 March 2019.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

25. SEGMENT INFORMATION (CONTINUED)

Business segment (Continued)

	Hospitality	Education	Others	Total
	US$	US$	US$	US$
2018				
Revenue	180,000	611,870	-	791,870
Cost of services and royalties	(151,373)	(177,708)	-	(329,081)
Other expenses	(191,109)	(438,798)	(1,761,343)#	(2,391,250)
Interest income	59	47	2,274	2,380
Interest expense	-	-	(140,718)	(140,718)
Loss for the year	(162,423)	(4,589)	(1,899,787)	(2,066,799)
Other non-cash items:				
Depreciation of plant and equipment	(8,900)	-	(2,506)	(11,406)
Amortisation of intangible assets	-	(21,667)	-	(21,667)
Loss on disposal of plant and equipment	(430)	-	-	(430)
Plant and equipment written off	-	-	(893)	(893)
Assets				
Additions to non-current assets	11,366	-	1,311	12,677
Segment assets	474,855	2,196,713	3,261,040	5,932,608
Segment liabilities	35,266	88,494	225,024	348,784

Other expenses from "Others" segment comprise mainly employee benefits expense and expenses pursuant to the listing application amounting to US$846,642 and US$360,994, respectively, for the financial year ended 31 March 2018.

Geographical information

All three business segments of the Group are operating in Myanmar. Revenue is derived from Myanmar in which the customers are located.

Non-current assets consist of plant and equipment and intangible assets as presented in the statement of financial position of the Group.

	2019	2018
	US$	US$
Non-current assets		
Singapore	206,582	146,427
Myanmar	2,169,582	15,498
	2,376,164	161,925

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities have exposure to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risks arising in the ordinary course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors are responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which the risks are managed and measured.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

26.1 CREDIT RISKS

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults or requiring advance payments from customers. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

The Group's major classes of financial assets are cash and cash equivalents and trade and other receivables.

EXPOSURE TO CREDIT RISK

Excluding the amounts due from a related party, the Group has significant credit exposure arising from 5 (2018: Nil) third party trade receivables amounting to US$328,910 (2018: Nil), representing 60% (2018: Nil) of the total trade receivables from third parties.

The Group has significant credit exposure arising from trade and non-trade amounts due from a related party amounting to US$545,265 and US$2,532,443 (2018: US$283,715 and US$1,737,137), respectively as at 31 March 2019.

Comparative information under IAS 39
The age analysis of the Group's trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

	2018
	US$
Past due 1 to 90 days	78,732
Past due 91 to 180 days	56,476
Past due 181 to more days	118,802
	254,010

The Group impaired other receivables arising from third parties as at 31 March 2019 amounting to US$280,327 (2018: US$280,327). The impairments are relating to individually determined customers that has indication and are not likely to repay the outstanding balances mainly due to economic circumstances.

EXPECTED CREDIT LOSS ASSESSMENT FOR TRADE RECEIVABLES FROM THIRD PARTIES

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of the expected credit loss ("ECL") for all balances, and using a provision matrix that is based on its historical credit loss experience, past due status and adjusted with forward looking assumptions, as appropriate. Management also takes into account historical provision trend and other relevant factors.

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and determined that the ECL is insignificant.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

26.1 CREDIT RISKS (CONTINUED)

The following table provides information about the exposure to credit risk and expected credit loss for the Group's trade receivables from third parties as at 31 March 2019.

	2019
	US$
Current	393,774
Past due 1 to 30 days	147,581
Past due 31 to 60 days	3,669
Past due over 60 days	3,681
	548,705

EXPECTED CREDIT LOSS ASSESSMENT FOR TRADE AND OTHER RECEIVABLES DUE FROM A RELATED PARTY

Management has taken into account the available internal information on the related party's past, current and expected operating performance and cash flow position. Management monitors and assesses at each reporting date on any indicator of change in credit risk on the amounts due from the related party, by considering their financial performance and any default in external debts. The risk of default is considered to be minimal as the related party are expected to have sufficient future cash flows to repay its debts.

The receivables balances measured based on the lifetime ECL model by management have been determined to be insignificant.

OTHER RECEIVABLES DUE FROM THIRD PARTIES

The Group has assessed credit risk for other receivables amounts due from third parties based on 12-month expected loss basis which reflects the low credit risk of the exposures. The Group measured the impairment loss allowance and determined that the ECL is insignificant.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are mainly deposits with reputable banks with high credit ratings assigned by international credit rating agencies.

The cash and cash equivalents are held with bank and financial institution which are rated Baa2 to Aaa, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

26.2 MARKET RISKS

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) and interest rates (interest rate risk).

FOREIGN CURRENCY RISKS

The Group is exposed to changes in foreign exchange rates arising from foreign currency transactions and balances. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance and position of the Group. The Group's overall risk management are determined and carried out by the management. The Group does not hold or issue derivative financial instruments for speculative purposes.

The Group is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Singapore dollar, Myanmar Kyat, Euro and Pound Sterling.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Group monitors the movement in foreign currency exchange rates closely to minimise the exposure.

The breakdown of the carrying amounts of financial assets and financial liabilities at the reporting date by currency are as follows:

	2019	2018
	US$	US$
Financial assets		
United States dollar	4,214,349	5,428,279
Singapore dollar	45,442	120,146
Myanmar Kyat	278,005	24,040
Euro	19,152	1,314
Financial liabilities		
United States dollar	(359,794)	(222,102)
Singapore dollar	(70,781)	(47,861)
Myanmar Kyat	(210,769)	-
Pound Sterling	(142,422)	(78,821)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) change in Myanmar Kyat ("MMK") and Pound Sterling ("GBP"), respectively against United States dollar. The sensitivity analysis assumes an instantaneous 10% (2018: 10%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Gain/(Loss)	
	2019	2018
	US$	US$
MMK		
Strengthen against United States dollar	6,724	2,404
Weaken against United States dollar	(6,724)	(2,404)
GBP		
Strengthen against United States dollar	(14,242)	(7,882)
Weaken against United States dollar	14,242	7,882

Interest rate risks

Interest rate risk arises from the fluctuation of interest rates applicable to interest bearing financial assets and liabilities.

The interest rate sensitivity analysis is not presented as the Group does not have significant exposure to interest bearing financial assets and liabilities.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

26. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

26.3 LIQUIDITY RISKS

Liquidity risks refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to ensure that all repayment needs are met. As part of its overall prudent liquidity management, the Group minimises liquidity risk by maintaining sufficient level of cash to meet its working capital requirements.

The financial liabilities are repayable on demand or due within one year from the end of the financial year.

27 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FAIR VALUE HIERARCHY

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

- **Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;**
- **Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and**
- **Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).**

FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE NOT CARRIED AT FAIR VALUE AND WHOSE CARRYING AMOUNTS ARE REASONABLE APPROXIMATE AT FAIR VALUE

The Group's financial assets and financial liabilities include cash and cash equivalents, trade and other receivables (excluding prepayments and advances for hostel operations) and trade and other payables.

The carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values due to their short-term maturity of these financial instruments.

FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Group is exposed to fair value fluctuation arising from equity investment classified as financial assets at FVOCI held for strategic rather than trading purposes as disclosed in Note 13 to the financial statements. As at reporting date, the effect of a 20% increase/(decrease) in the fair value of the unquoted equity security with all other variables held constant, the Group's fair value reserve would have been higher/(lower) by US$30,000 (2018: US$Nil).

There were no transfers between levels during the period.

28. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issues new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to the equity holder of the Company comprising issued capital, equity reserves, share option reserve and accumulated losses.

The Group's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's overall strategy remains unchanged from 31 March 2018.

The Group is not subject to externally imposed capital requirements for the financial years ended 31 March 2019 and 31 March 2018.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

29. SUBSEQUENT EVENTS

a. On 8 April 2019, the Group received an investment permit ("MIC") from the Myanmar Investment Commission in relation to the Group's first international school, the Yangon American International School ("Yangon American"). The permit is granted under the 2016 Investment Law, following the issue of MIC Notification No. 7 of 2018 for carrying out investment activities in education services and private international school(s) and provides the Group with additional investment protection and tax benefits for a period of 10 years.

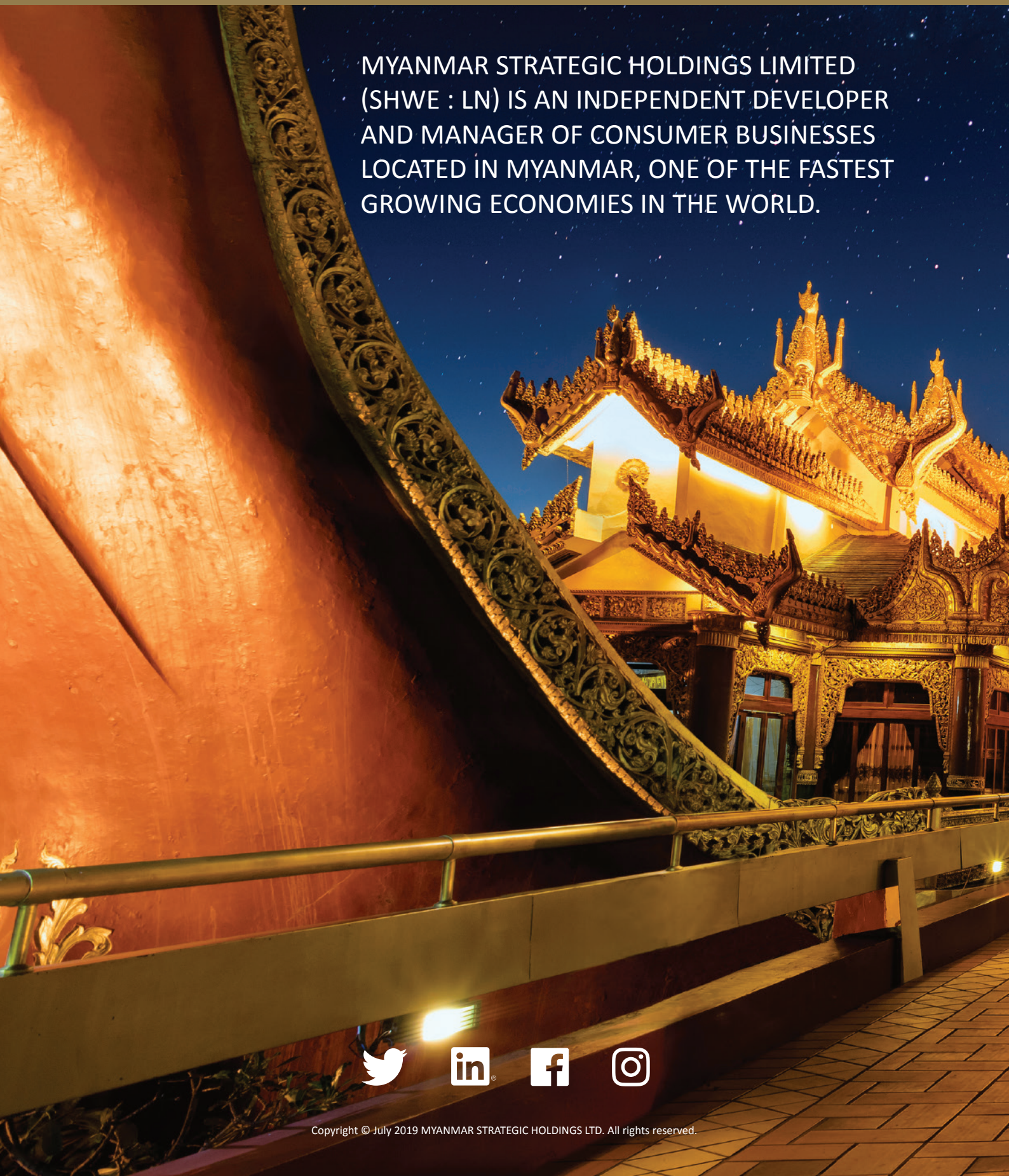
   Pursuant to the MIC permit, the Group has committed to foreign capital inflow of US$1,000,000 into Myanmar within two years from the date of issuance of MIC permit.

   Yangon American was officially launched in June 2019 and is scheduled to commence full operations in August 2019.

b. On 1 July 2019, the Company announced the launch of a share issuance programme (the "Share Issuance Programme") for up to 480,000 new ordinary shares in the Company over the next 12 months at a an issue price which is not less than US$20 per share. The Share Issuance Programme is being implemented to provide the Company to raise further capital as new investment opportunities arise in Myanmar over the next 12 months and the group with additional working capital.

   In addition to the Share Issuance Programme, the Company has entered into a Loan Facility of up to US$3.0 million with its immediate holding company, Macan Pte. Ltd. ("Macan"). The Loan Facility is repayable on demand or no later than 3 years and may be repayable earlier at the Company's discretion and bears interest at 6.0% per annum. Macan has indicated that they will not demand repayment within the next 12 months of the financial year end, unless otherwise notified. The Company has drawn down US$2.0 million subsequent to financial year end.

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MYANMAR STRATEGIC HOLDINGS LIMITED (SHWE : LN) IS AN INDEPENDENT DEVELOPER AND MANAGER OF CONSUMER BUSINESSES LOCATED IN MYANMAR, ONE OF THE FASTEST GROWING ECONOMIES IN THE WORLD.

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