

**MYANMAR STRATEGIC HOLDINGS LIMITED
AND ITS SUBSIDIARIES**

Company Registration Number: 201302159D

UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
1 APRIL 2017 TO 30 SEPTEMBER 2017

CONTENTS**PAGE**

| | |
|---|---------|
| Operational and Financial Highlights | 3 |
| Chairman's Statement | 5 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 9 |
| Condensed Consolidated Statement of Financial Position | 10 |
| Condensed Consolidated Statement of Changes in Equity | 11 – 12 |
| Condensed Consolidated Statement of Cash Flows | 13 |
| Notes to the Condensed Financial Statements | 14 – 40 |

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

OPERATIONAL AND FINANCIAL HIGHLIGHTS

For the financial period from 1 April 2017 to 30 September 2017

Operational Highlights

All dates refer to 2017 unless otherwise stated.

- Successful admission on the Main Market of the London Stock Exchange on 22 August 2017. The price at admission was US\$10 per share giving a market capitalisation of US\$22.7 million on admission

Hospitality

- Improved operating performance as Ostello Bello Bagan, Ostello Bello Mandalay and Ostello Bello Nyaung Shwe are now fully operational
 - Underlying revenues of ca. US\$0.7 million for the period (H1 2016: ca. US\$0.4 million) and fees to the Group of US\$90,000 (in line with the previous period)
- Ostello Bello Bagan continued to trade in line with the previous year notwithstanding a moderate slowdown in overall tourism influx across Myanmar
 - 13,353 beds sold in the period (H1 2016: 13,437) yielding an occupancy rate of 61.8% (H1 2016: 62.2%) and generating revenues of US\$333,291 (H1 2016: US\$332,924)
- Opened Ostello Bello Bagan Pool, MSH's fourth boutique hostel, on 21 November 2017

Education

- Wall Street English continues to entrench itself as one of the leading English language players in Myanmar. As at 30 September 2017, the flagship Wall Street English centre in Junction Square, Yangon, had approximately 500 students
- During the period the centre generated contracted sales (being the volume sold) of ca. US\$1.2 million, underlying revenues of ca. US\$539,150 and fees and royalties of US\$235,490 were paid to the Group
- Second Wall Street English centre set to open in December 2017 within the City Mall at St. John in Yangon

New Business Development

- Continued development of MSH's business network and expansion of MSH's pipeline both within existing sectors and in technology and services

Financial Highlights (Unaudited)

- Underlying revenues of ca. US\$1.2 million (+213% year on year) of which 56% are derived from Hospitality and 44% from Education
- Group revenues of US\$325,490 (+262% year on year) of which 28% are derived from Hospitality and 72% from Education
- EBITDA loss of US\$557,900 (H1 2016: US\$493,000)

Post Period End Event

- On 17 November 2017, the Group held its Annual General Meeting in Singapore. All ordinary resolutions were duly passed

Myanmar Macro-Economic Highlights

- The Myanmar parliament approved a new Myanmar Companies Law in November 2017, now awaiting the President's signature to become law
- Continued significant interest from regional strategic players as demonstrated by the buyout of 75% of Myanmar Distillery Co., the producer of whisky Grand Royal, and its supply chain by Thai Bev for US\$742 million in October 2017
- Trade between Myanmar and members of the Association of Southeast Asian Nations (ASEAN) reached US\$5.7 billion in the first half of the current fiscal year 2017-2018

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

- Continued economic growth despite unrest in relation to the conflicts in Rakhine, of which we are acutely aware

Richard Greer, Non-Executive Chairman of Myanmar Strategic Holdings, said:

"I am delighted to announce the Company's first interim results as a public company, following its listing on the London Stock Exchange in August. The admission has expedited the execution of our growth strategy and we now look to further progress our education and hospitality divisions in Myanmar. The openings of a fourth boutique hostel (the second in Bagan) and a second Wall Street English centre (the second in Yangon) demonstrate MSH's ability to build on its foundations and strengthen its Myanmar-focused platform. The business expansion, coupled with increased focus on cost control, is expected to further enhance the Group's profitability going forward."

Enquiries

Richard Greer
Chairman of the Board
Myanmar Strategic Holdings Ltd.

Enrico Cesenni
Chief Executive Officer
Myanmar Strategic Holdings Ltd.

Broker: Allenby Capital Limited
Nick Naylor / Nick Athanas
+44 20 3328 5656
n.athanas@allenbycapital.com

PR Agency: Yellow Jersey PR
Georgia Colkin / Joe Burgess
+44 (0)203 735 8825
msh@yellowjerseypr.com

Further information can be obtained from the company's website www.ms-holdings.com

CHAIRMAN'S STATEMENT

For the financial period from 1 April 2017 to 30 September 2017

Introduction

I am pleased to report that Myanmar Strategic Holdings has continued to trade in line with the Board's expectations during the period under review notwithstanding the relatively unstable political and economic environment in Myanmar.

Our managed operations generated underlying revenues of US\$1.2 million for the six months to 30 September 2017 vs. US\$ 0.4 million for the six months to 30 September 2016. The fees generated by the Group also grew to US\$325,500 for the six months to 30 September 2017 vs. US\$90,000 for the previous period. The Group generated EBITDA losses of US\$557,900 for the six months to 30 September 2017 vs. US\$493,000 for the previous period, mainly as a result of higher employee benefit expenses with the recruitment of divisional CEOs and Non-Executive Directors. This negative impact was partially offset by cost control initiatives that reduced other expenses, such as rents and professional fees.

Operational Review

In line with its stated strategy the Group has continued to build up its platform as a leading developer and operator of consumer businesses in Myanmar.

Hospitality

The Group's objective is to become one of the leading independent hospitality operators in Myanmar through the identification and expansion of opportunities in the sector, focusing initially on boutique hostels.

During the financial period the Group signed up a fourth boutique hostel, the second in New Bagan. The property re-opened as Ostello Bello Bagan Pool on 21 November 2017 and features 58 beds across 13 rooms with en-suite bathrooms.

Following the opening of Ostello Bello Bagan Pool, the Group now manages 472 beds across 108 rooms in four hostels across three of the most popular tourist destinations in Myanmar.

The three hostels under management generated underlying revenues of US\$0.7 million and fees to the Group of US\$90,000 for the six months to 30 September 2017.

Ostello Bello Bagan continued to generate the majority of underlying revenues US\$333,291 for the six months to 30 September 2017 vs. US\$332,924 for the previous period) and the entirety of the hospitality management fees to the Group (US\$90,000 for 2017 vs. US\$ 90,000 for 2016).

In the six months to 30 September 2017, the property sold 13,353 beds (13,437 for the previous period), yielding an occupancy rate of 61.8% (vs. 62.2% for the previous period) and generating a revenue per bed of US\$25.0 (vs. US\$24.8 for the previous period) and a RevPAR of US\$15.4 (in line vs. previous period).

While there has been limited impact from the current political unrest, management acknowledges the significant decrease in tourism influx in Myanmar and has put in place marketing initiatives and promotions to mitigate this decline.

The Group intends to deploy its cash generative 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). Management has commenced negotiations in order to add new locations for the next financial year.

Education

On 1 February 2017, the Group opened its first flagship Wall Street English centre in Junction Square, Yangon. The first centre spans five floors over 800 sqm and as at 30th September 2017 it hosted approximately 500 students.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

Over the six months to 30 September 2017, the centre generated contracted sales (being the volume sold) of US\$1.2 million, underlying revenues of US\$539,149 and fees and royalties to the Group of US\$235,490.

From an operational perspective, we are proud to say 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.

A suitable site of over 600 square metres has already been selected for a second Wall Street English centre which will be located in the City Mall St. John in downtown Yangon. The refurbishment works are almost completed, and we intend to open the centre in December.

Management is in the process of assessing further growth opportunities for the Wall Street English in order to meet the average development targets under the area development agreement with Pearson of one new centre per year.

Furthermore, management continues to build a pipeline of opportunities in the Education sector, focusing initially on vocational training in engineering and hospitality.

Financial Review

All managed businesses have generated revenues ("Underlying Revenues") for the period ended 30 September 2017. Underlying Revenues increased by 213% year on year driven mainly by the full impact of Ostello Bello Bagan, Ostello Bello Mandalay, Ostello Bello Nyaung Shwe and Wall Street English.

| | | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Unaudited Year ended 31 March 2017 |
|--|-------------|---|---|---|
| Underlying Revenues | Note | US\$ | US\$ | US\$ |
| Hospitality | | 691,489 | 356,044 | 1,238,046 |
| <i>Ostello Bello Bagan</i> | | 333,291 | 332,924 | 902,904 |
| <i>Ostello Bello Mandalay</i> | | 177,161 | 20,761 | 190,873 |
| <i>Ostello Bello Nyaung Shwe</i> | | 181,037 | 2,359 | 144,269 |
| Education | | 539,149 | - | 33,041 |
| Underlying Revenues (excl. Discontinued Operations) | | 1,230,638 | 356,044 | 1,271,087 |
| Food & Beverage | | - | 37,080 | 105,914 |
| Underlying Revenues | | 1,230,638 | 393,124 | 1,377,001 |

Management fees of US\$235,490 and US\$90,000 were generated from Wall Street English and Ostello Bello Bagan respectively. No fees were generated by Ostello Bello Mandalay and Ostello Bello Nyaung Shwe for the six-month period to 30 September 2017 coincided with the low season in the Myanmar's tourism market.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

This compares to management fees of US\$90,000 generated only by Ostello Bello for the six months ended 30 September 2016.

| | Note | Unaudited 6 months ended 30 September 2017 US\$ | Unaudited 6 months ended 30 September 2016 US\$ | Audited Year ended 31 March 2017 US\$ |
|---|-------------|---|---|---|
| Fees Generated by Managed Businesses | | | | |
| Hospitality | | 90,000 | 90,000 | 227,000 |
| Education | | 235,490 | - | 93,074 |
| Fees Generated by Managed Businesses (Excl. Discontinued Operations) | | 325,490 | 90,000 | 320,074 |
| Food & Beverage | | - | - | 10,000 |
| Fees Generated by Managed Businesses | | 325,490 | 90,000 | 330,074 |

The Group recorded an EBITDA loss of ca. US\$557,900 for the period ended 30 September 2017 (vs. US\$493,000 for the period ended 30 September 2016). While revenues to the Group increased, employee benefit expenses increased significantly vs. the previous year as a result of (i) the hiring of senior personnel for the finance function, (ii) the hiring of divisional CEOs, (iii) the establishment of an independent Board of Directors and (iv) the grant of share options to certain employees.

During the relevant period the Company completed its initial public offering on the Main Market of the London Stock Exchange. The Company raised US\$0.4 million in addition to the US\$3.8 million raised through a mandatory convertible in March 2017 and July 2017.

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES
 Company Registration No.: 201302159D

| | | Unaudited | Unaudited | Audited |
|--|------|---------------------------------|---------------------------------|-----------------------------|
| | | 6 months ended | 6 months ended | Year ended |
| | Note | <u>30 September 2017</u> | <u>30 September 2016</u> | <u>31 March 2017</u> |
| | | US\$ | US\$ | US\$ |
| Revenue | 4 | 325,490 | 90,000 | 330,074 |
| Other income | | 23,153 | 6,119 | 15,392 |
| Employee benefit expense | 5 | (549,467) | (191,500) | (504,379) |
| Other expenses (<i>excl. expenses pursuant to the listing application</i>) | | (357,046) | (397,636) | (1,755,147) |
| EBITDA | | (557,870) | (493,017) | (1,914,060) |
| Expenses pursuant to the listing application | | (362,641) | (166,507) | (428,476) |
| Depreciation expense | | (5,467) | (4,790) | (7,295) |
| Finance cost | 6 | (140,718) | - | (31,522) |
| Amortisation expense | 8 | (10,833) | - | (3,611) |
| Loss before income tax | 7 | (1,077,529) | (664,314) | (2,384,964) |
| Income tax credit | | - | 553 | 553 |
| Loss for the financial period/year, representing total comprehensive loss for the financial period/year | | (1,077,529) | (663,761) | (2,384,411) |
| Loss and total comprehensive loss attributable to: | | | | |
| Owner of the parent | | (1,081,427) | (653,200) | (2,372,969) |
| Non-controlling interests | | 3,898 | (10,561) | (11,442) |
| | | (1,077,529) | (663,761) | (2,384,411) |
| Loss per share | | | | |
| - Basic and diluted (US\$) | 16 | (0.56) | (0.38) | (1.34) |

Outlook

The Company's ambition is to become one of the leading operators and developers of consumer businesses in Myanmar.

In line with this vision, management is actively looking at opportunities to grow the Group's platform through both organic and acquisitive means.

At the same time, management remains focused on building and upskilling the relevant human resources to sustain and accelerate the Group's growth.

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

Richard Greer
Chairman of the Board
 4 December 2017

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial period from 1 April 2017 to 30 September 2017

| | | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|--|-------------|---|---|---|
| | Note | US\$ | US\$ | US\$ |
| Revenue | 4 | 325,490 | 90,000 | 330,074 |
| Other income | | 23,153 | 6,119 | 15,392 |
| Employee benefit expense | 5 | (549,467) | (191,500) | (504,379) |
| Depreciation expense | | (5,467) | (4,790) | (7,295) |
| Finance cost | 6 | (140,718) | - | (31,522) |
| Other expenses | | (719,687) | (564,143) | (2,183,623) |
| Amortisation expense | 8 | (10,833) | - | (3,611) |
| Loss before income tax | 7 | (1,077,529) | (664,314) | (2,384,964) |
| Income tax credit | | - | 553 | 553 |
| Loss for the financial period/year, representing total comprehensive loss for the financial period/year | | (1,077,529) | (663,761) | (2,384,411) |
| Loss and total comprehensive loss attributable to: | | | | |
| Owner of the parent | | (1,081,427) | (653,200) | (2,372,969) |
| Non-controlling interests | | 3,898 | (10,561) | (11,442) |
| | | (1,077,529) | (663,761) | (2,384,411) |
| Loss per share | | | | |
| - Basic and diluted (US\$) | 16 | (0.56) | (0.38) | (1.34) |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES
Company Registration No.: 201302159D

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

| | Unaudited As at <u>30 September 2017</u> US\$ | Unaudited As at <u>30 September 2016</u> US\$ | Audited As at <u>31 March 2017</u> US\$ |
|--|--|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Plant and equipment | 19,199 | 25,677 | 17,255 |
| Intangible assets | 8 155,556 | 150,000 | 166,389 |
| Total non-current assets | <u>174,755</u> | <u>175,677</u> | <u>183,644</u> |
| Current assets | | | |
| Trade and other receivables | 9 1,586,710 | 1,548,817 | 1,383,997 |
| Cash and cash equivalents | 10 3,953,518 | 2,248,350 | 4,462,642 |
| Total current assets | <u>5,540,228</u> | <u>3,797,167</u> | <u>5,846,639</u> |
| Total assets | <u><u>5,714,983</u></u> | <u><u>3,972,844</u></u> | <u><u>6,030,283</u></u> |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 270,817 | 127,536 | 162,704 |
| Convertible bonds | 12 - | - | 3,742,922 |
| Total current liabilities | <u>270,817</u> | <u>127,536</u> | <u>3,905,626</u> |
| Equity | | | |
| Share capital | 13 9,746,042 | 5,401,049 | 5,401,049 |
| Share option reserve | 14 51,965 | - | - |
| Equity reserves | 14 (47,012) | (57,793) | (47,492) |
| Accumulated losses | 14 (4,310,327) | (1,509,131) | (3,228,900) |
| Equity attributable to owners of the parent | <u>5,440,668</u> | <u>3,834,125</u> | <u>2,124,657</u> |
| Non-controlling interest | 3,498 | 11,183 | - |
| Total equity | <u>5,444,166</u> | <u>3,845,308</u> | <u>2,124,657</u> |
| Total liabilities and equity | <u><u>5,714,983</u></u> | <u><u>3,972,844</u></u> | <u><u>6,030,283</u></u> |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period from 1 April 2017 to 30 September 2017

Unaudited**6 months ended 30 September 2017**

| | Note | Equity attributable to the owners of the Parent | | | | Total US\$ | Non-controlling interest US\$ | Total US\$ |
|--|-------|---|---------------------------------|---------------------------|-------------------------------|---------------|-------------------------------------|---------------|
| | | Share capital US\$ | Share option reserve US\$ | Other reserves US\$ | Accumulated losses US\$ | | | |
| Equity | | | | | | | | |
| Balance at 1 April 2017 | | 5,401,049 | - | (47,492) | (3,228,900) | 2,124,657 | - | 2,124,657 |
| Loss for the financial period, representing total comprehensive loss for the financial period | | - | - | - | (1,081,427) | (1,081,427) | 3,898 | (1,077,529) |
| Change in ownership interest in a subsidiary | | | | | | | | |
| Non-controlling interest | | - | - | 480 | - | 480 | (400) | 80 |
| Contribution by owners of the parent | | | | | | | | |
| Conversion of bonds to share capital | 12,13 | 3,923,640 | - | - | - | 3,923,640 | - | 3,923,640 |
| Issuance of shares | 13 | 423,000 | - | - | - | 423,000 | - | 423,000 |
| Share issuance expense | 13 | (1,647) | - | - | - | (1,647) | - | (1,647) |
| Grant of equity-settled share options to employees | 5,14 | - | 51,965 | - | - | 51,965 | - | 51,965 |
| Balance at 30 September 2017 | | 9,746,042 | 51,965 | (47,012) | (4,310,327) | 5,440,668 | 3,498 | 5,444,166 |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period from 1 April 2017 to 30 September 2017

Unaudited

6 months ended 30 September 2016

| | Note | Equity attributable to the owners of the Parent | | | Non-controlling interest US\$ | Total US\$ |
|--|------|---|-------------------------|----------------------------|----------------------------------|---------------|
| | | Share capital US\$ | Equity reserves US\$ | Accumulated losses US\$ | | |
| Equity | | | | | | |
| Balance at 1 April 2016 | | 3,683,749 | (57,793) | (855,931) | 21,744 | 2,791,769 |
| Loss for the financial period, representing total comprehensive loss for the financial period | | - | - | (653,200) | (10,561) | (663,761) |
| Contribution by owners of parent | | | | | | |
| Issuance of shares | 13 | 1,717,300 | - | - | - | 1,717,300 |
| Balance at 30 September 2016 | | 5,401,049 | (57,793) | (1,509,131) | 11,183 | 3,845,308 |

Audited

Year ended 31 March 2017

| | Note | Equity attributable to the owners of the Parent | | | Non-controlling interest US\$ | Total US\$ |
|--|------|---|-------------------------|----------------------------|----------------------------------|---------------|
| | | Share capital US\$ | Equity reserves US\$ | Accumulated losses US\$ | | |
| Equity | | | | | | |
| Balance at 1 April 2016 | | 3,683,749 | (57,793) | (855,931) | 21,744 | 2,791,769 |
| Loss for the financial year, representing total comprehensive loss for the financial year | | - | - | (2,372,969) | (11,442) | (2,384,411) |
| Change in ownership interest in a subsidiary | | | | | | |
| Acquisition of non-controlling interest | | - | 10,301 | - | (10,302) | (1) |
| Contribution by owners of parent | | | | | | |
| Issuance of shares | 13 | 1,717,300 | - | - | - | 1,717,300 |
| Balance at 31 March 2017 | | 5,401,049 | (47,492) | (3,228,900) | - | 2,124,657 |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES
Company Registration No.: 201302159D
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period from 1 April 2017 to 30 September 2017

| | Note | Unaudited 6 months ended <u>30 September 2017</u> US\$ | Unaudited 6 months ended <u>30 September 2016</u> US\$ | Audited Year ended <u>31 March 2017</u> US\$ |
|---|------|---|---|---|
| Operating activities | | | | |
| Loss before income tax | | (1,077,529) | (664,314) | (2,384,964) |
| Adjustments for: | | | | |
| Interest income | 5 | (1,353) | (350) | (1,255) |
| Share-based compensation | 12 | 51,965 | - | - |
| Interest expense | | 140,718 | - | 31,522 |
| Depreciation of plant and equipment | | 5,467 | 4,790 | 7,295 |
| Amortisation of intangible assets | 8 | 10,833 | - | 3,611 |
| Allowance for impairment of other receivables | | - | - | 550,327 |
| Bad debts written off | | - | - | 12,000 |
| Operating cash flows before working capital changes | | (869,899) | (659,874) | (1,781,464) |
| Working capital changes: | | | | |
| Trade and other receivables | | (10,307) | (155,943) | (15,353) |
| Trade and other payables | | 108,113 | 30,147 | 64,761 |
| Cash used in operations | | (772,093) | (785,670) | (1,732,056) |
| Interest received | | 1,353 | 350 | 1,255 |
| Income tax paid | | - | (10,500) | (9,947) |
| Net cash flows used in operating activities | | (770,740) | (795,820) | (1,740,748) |
| Investing activities | | | | |
| Advances to third parties | | (231,403) | (430,102) | (265,869) |
| Advances to related parties | | 38,997 | (363,351) | (1,065,681) |
| Purchase of plant and equipment | | (7,411) | (18,923) | (13,006) |
| Purchase of intangible assets | | - | (150,000) | (170,000) |
| Net cash flows used in investing activities | | (199,817) | (962,376) | (1,514,556) |
| Financing activities | | | | |
| Acquisition of equity interest from non-controlling interest | | - | - | (1) |
| Proceeds from minority shareholder | | 80 | - | - |
| Proceeds from issuance of ordinary shares | | 423,000 | 1,717,299 | 1,717,300 |
| Share issuance expense | 13 | (1,647) | - | - |
| Proceeds from issuance of convertible loans | | 40,000 | - | 3,711,400 |
| Net cash generated from financing activities | | 461,433 | 1,717,299 | 5,428,699 |
| Net changes in cash and cash equivalents | | (509,124) | (40,897) | 2,173,395 |
| Cash and cash equivalents at beginning of financial period/year | | 4,462,642 | 2,289,247 | 2,289,247 |
| Cash and cash equivalents at end of financial period/year | 10 | 3,953,518 | 2,248,350 | 4,462,642 |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

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") is a public company limited by shares incorporated and domiciled in Singapore with its principal place of business and registered office at 69B Boat Quay, #03-00, Singapore 049857. The Company was listed on the Main Market of the London Stock Exchange on 22 August 2017.

The principal activities of the Company is investment and trading in Myanmar related to investment projects.

The Company's immediate and ultimate holding company is Macan Pte. Ltd., a company incorporated and domiciled in Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") which comprise standards and interpretations approved by IASB and International Financial Reporting Interpretations Committee ("IFRIC"), and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Approval has been granted to the Company for the relief of preparation of financial statements in accordance with Singapore Financial Reporting Standards by Accounting and Corporate Regulatory Authority ("ACRA") under section 202 of the Companies Act, Chapter 50.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollar ("US\$") which is the functional currency of the Company 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.

The Group has adopted all the new and revised IFRS that are relevant to its operations and effective for the current financial period. The adoption of these new/revised IFRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial periods.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS issued but not yet effective

At the date of authorisation of these financial statements, the following IFRS and IFRIC of the IASB that may be 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 2 (Amendments) | : Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| IFRS 9 | : Financial instruments | 1 January 2018 |
| IFRS 15 | : Revenue from contracts with customers | 1 January 2018 |
| IFRS 15 (Amendments) | : Clarification to IFRS 15 Revenue from contracts with customers | 1 January 2018 |
| IFRS 16 | : Leases | 1 January 2019 |
| IFRIC 22 | : Foreign currency transactions and advance consideration | 1 January 2018 |

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

The management anticipates that, based on the Group's and the Company's current operations, 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 discussed below.

IFRS 9 Financial Instruments

IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and financial liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS issued but not yet effective (Continued)

Impairment

IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. The Group will initially provide 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt IFRS 9 in the financial year beginning on 1 April 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include additional disclosures in its financial statements in the year when IFRS 9 is adopted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under IFRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard, the Group has preliminarily assessed that there will be no significant impact on the timing and pattern on the revenue recognition.

The Group plans to adopt IFRS 15 in the financial year beginning 1 April 2018 with full or cumulative retrospective effect in accordance with transitional provisions, and will include the required additional disclosures in its financial statements for the financial year.

IFRS 16 Leases

IFRS 16 supersedes IFRS 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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under IFRS 16. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be an insignificant impact on the accounting treatment for leases, particularly rented office premises, which the Group, as lessee, currently accounts for as operating leases. On adoption of IFRS 16, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 April 2019 using modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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 may be an impairment indicator of the asset concerned.

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investment in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Management fees

Management fees earned from hotels, restaurants and language centre managed by the Group, usually under long-term contracts with the hotel, restaurant and language centre owners, are recognised when services are rendered with reference to the terms of the contracts. The fees are incentive fees, which are based on the hotels' restaurants' and language centre's profitability.

The Group may commit to provide annual or monthly advances to the owners of the managed hotels pursuant to each operation and management agreement. These advances are considered, together with all other relevant operating expenses, a deduction to the revenues of the underlying operations in the calculation of the management fee. If the Group is not entitled to any management fee, such advances are recognised as hotel related operating expense in the profit or loss.

Technical support service fees

Technical support service fees earned from hotels and language centre managed by the Group are recognised as and when services are rendered with reference to the terms of the contracts.

Royalty fees

Royalty fee income is determined based on the agreed royalty rate with reference to the operations of "Wall Street English" language centre in Myanmar based on the total gross revenue for the year.

2.4 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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Share-based payments

The Group issues equity-settled 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 estimated life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restoration and behavioural considerations.

2.6 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes 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 used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group operates by the end of the financial year.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Taxes (Continued)

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.

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.

2.7 Foreign currency transactions and translations

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency transactions and translations (Continued)

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.8 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 charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|------------------------|---|---------|
| Computers | : | 3 years |
| Furniture and fittings | : | 3 years |

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.

2.9 Intangible assets

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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

Area development fees and centre fees

An area development fee is paid for the exclusive rights to develop and operate the “Wall Street English” language centre in Myanmar. The area development fee is capitalised and amortised over the period of 10 years from the date operation commences.

Centre fees are required to be paid in respect of the opening of a new “Wall Street English” language centre in Myanmar. The centre fees paid are capitalised and amortised over the period of 10 years from the date when the respective centre commences operations.

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

2.10 Impairment of non-financial assets

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.

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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, 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 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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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 classified its financial liabilities as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments

Other financial liabilities (Continued)

Convertible bonds

Convertible bonds with conversion option are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract. On issuance of convertible bonds, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption. When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

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.

2.12 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.

2.13 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.

2.14 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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Related party

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 CRITICAL ACCOUNTING JUDGEMENTS 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.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgments, 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.

i) Evaluation of control over managed hotels, restaurants and language centre

Management has assessed if the management contracts with the hotel owners provide the company control over the hotel operations which would require the hotel operations to be consolidated under IFRS 10. Whilst the management contracts have initial terms of up to 10 years and give the Group key decision making rights in operating the hotels, management is of the view that the management fees, consisting of fixed fees and variable fees, fee are in line with the industry practice and provide a market-based remuneration for the services provided. Consolidation of the operating results, assets and liabilities under IFRS 10 is therefore not required.

ii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the cash generating unit by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows.

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) Allowance for trade and other receivables

The management establishes allowance for trade and other receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of customers were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amount of trade and other receivables (excluding prepayments) for the Group is disclosed in Note 9 to the financial statements.

ii) Impairment of intangible assets

The management determines whether intangible assets are impaired at least on an annual basis. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's intangible asset is disclosed in Note 8 to the financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

4 REVENUE

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|--------------------------------|---|---|---|
| | US\$ | US\$ | US\$ |
| Management fees | 70,641 | - | 101,037 |
| Technical support service fees | 191,720 | 90,000 | 210,000 |
| Royalty fee | 63,129 | - | 19,037 |
| | <u>325,490</u> | <u>90,000</u> | <u>330,074</u> |

5 EMPLOYEE BENEFITS EXPENSE

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|---|---|---|---|
| | US\$ | US\$ | US\$ |
| Salaries and bonus * | 485,454 | 185,912 | 478,219 |
| Contributions to defined contribution plans | 12,048 | 5,588 | 26,160 |
| Share-based compensation | 51,965 | - | - |
| | <u>549,467</u> | <u>191,500</u> | <u>504,379</u> |

* Included in these expenses are Directors' fees and remuneration as disclosed in Note 17 to the financial statements.

Equity-settled employee share options

On 23 May 2017, share options were granted by the Company to certain employees. The exercise price of the options is US\$11 per ordinary share. The options vest i) with effect from the second anniversary of the date of the agreement in respect of fifty percent (50%) of the share options, ii) with effect from the third anniversary of the date of the agreement in respect of a further thirty percent (30%) of the share options and iii) with effect from the fourth anniversary of the date of the Agreement in respect of a further twenty percent (20%) of the share options. The share options will only be exercisable in respect of share options that have already vested. The contractual life of the share options granted is 10 years. The share options will immediately lapse and cease to have effect if the employees give or are given notice of termination of their employment. There are no cash settlement alternatives.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

5 EMPLOYEE BENEFITS EXPENSE (Continued)**Employee share options** (Continued)Movement of share options during the financial period/year

The following table illustrates the number and movements in share options during the financial period/year:

| | Unaudited 6 months ended <u>30 September 2017</u> No. of shares | Unaudited 6 months ended <u>30 September 2016</u> No. of shares | Audited Year ended <u>31 March 2017</u> No. of shares |
|---|---|---|---|
| Outstanding at beginning of financial period/year | - | - | - |
| - Granted | 117,000 | - | - |
| - Exercised | - | - | - |
| - Expired | - | - | - |
| Outstanding at end of financial period/year | <u>117,000</u> | - | - |
| Exercisable at end of financial period/year | <u>-</u> | <u>-</u> | <u>-</u> |

Fair value of the share options granted

The estimated fair value of each share option granted on 23 May 2017 was US\$3.33. The fair value of the share options granted is estimated at the grant date using Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted.

The Black-Scholes option pricing model uses the following assumptions:

| | |
|-------------------------|---|
| | <u>Grant date</u> <u>23 May 2017</u> |
| Grant date share price | US\$10.00 |
| Exercise price | US\$11.00 |
| Expected volatility | 23.15% |
| Expected life of option | 10 years |
| Risk-free interest rate | 2.25% p.a. |
| Dividend yield | <u>0.00%</u> |

The expected life of the share options is based on the contractual life of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcome.

The Group recognised total expenses of US\$51,965 (30 September 2016: NIL, 31 March 2017: NIL) related to equity-settled share-based payment transactions during the period.

6 FINANCE COST

Finance costs relates to interest charged on the convertible bonds (Note 12). The accrued interest was converted into ordinary shares on conversion of the convertible bonds as at the date of initial public offering as detailed in Note 12 to the financial statements.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

7 LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, the above includes the following charges:

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|---|---|---|---|
| | US\$ | US\$ | US\$ |
| Expenses pursuant to the listing application | 362,641 | 166,507 | 428,476 |
| Professional fees | 133,667 | 214,559 | 482,415 |
| Rental of office | 45,521 | 61,796 | 126,917 |
| Travelling expenses | 32,878 | 50,764 | 93,272 |
| Royalty expense | 63,129 | - | 19,037 |
| Allowance for impairment of other receivables | - | - | 550,327 |
| Hotel related operating expenses | - | - | 289,673 |
| Foreign exchange loss | - | - | 79,569 |
| Bad debts written off | - | - | 12,000 |
| Marketing expenses | - | - | 11,344 |

8 INTANGIBLE ASSETS

| | Area development fee | Computer software | Total |
|---|---------------------------------|------------------------------|--------------|
| | US\$ | US\$ | US\$ |
| Cost | | | |
| At 1 April 2016 | - | - | - |
| Additions from 1 April 2016 to 30 September 2016 | 150,000 | - | 150,000 |
| At 30 September 2016 | 150,000 | - | 150,000 |
| Additions from 1 October 2016 to March 2017 | - | 20,000 | 20,000 |
| At 31 March 2017 | 150,000 | 20,000 | 170,000 |
| Additions from 1 April 2017 to 30 September 2017 | - | - | - |
| At 30 September 2017 | 150,000 | 20,000 | 170,000 |
| Accumulated amortisation | | | |
| At 1 April 2016 | - | - | - |
| Amortisation from 1 April 2016 to 30 September 2016 | - | - | - |
| At 30 September 2016 | - | - | - |
| Amortisation from 1 October 2016 to March 2017 | 2,500 | 1,111 | 3,611 |
| At 31 March 2017 | 2,500 | 1,111 | 3,611 |
| Amortisation from 1 April 2017 to 30 September 2017 | 7,500 | 3,333 | 10,833 |
| At 30 September 2017 | 10,000 | 4,444 | 14,444 |
| Net carrying amount | | | |
| At 30 September 2016 | 150,000 | - | 150,000 |
| At 31 March 2017 | 147,500 | 18,889 | 166,389 |
| At 30 September 2017 | 140,000 | 15,556 | 155,556 |

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

9 TRADE AND OTHER RECEIVABLES

| | Unaudited As at 30 September 2017 US\$ | Unaudited As at 30 September 2016 US\$ | Audited As at 31 March 2017 US\$ |
|---|---|---|---|
| <u>Trade receivables</u> | | | |
| Third party | - | 12,000 | - |
| Related party | 191,701 | - | 93,074 |
| Total trade receivables | 191,701 | 12,000 | 93,074 |
| <u>Other receivables</u> | | | |
| Related parties | 1,136,482 | 473,149 | 1,175,479 |
| Less: Allowance for impairment | (270,000) | - | (270,000) |
| | 866,482 | 473,149 | 905,479 |
| Third parties | 562,539 | 495,369 | 331,136 |
| Less: Allowance for impairment | (280,327) | - | (280,327) |
| | 282,212 | 495,369 | 50,809 |
| Advances for hotel operations | 74,001 | 377,558 | 219,538 |
| Sundry receivables | 44,748 | 8,623 | 68,174 |
| Deposits | 2,030 | 3,446 | 3,816 |
| Prepayments | 125,536 | 178,672 | 43,107 |
| Total other receivables | 1,395,009 | 1,536,817 | 1,290,923 |
| Total trade and other receivables | 1,586,710 | 1,548,817 | 1,383,997 |
| Total trade and other receivables (excluding prepayments) | 1,461,174 | 1,370,145 | 1,340,890 |
| Add: Cash and cash equivalents (Note 10) | 3,953,518 | 2,248,350 | 4,462,642 |
| Total loans and receivables | 5,414,692 | 3,618,495 | 5,803,532 |

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 (30 September 2016: 30, 31 March 2017: 15) days credit term. They are measured at their original invoice amounts which represent their fair value on initial recognition.

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 are US\$1,136,482 (30 September 2016: US\$473,149, 31 March 2017: US\$1,175,479) arising from advances to a firm where a Director of the subsidiaries has significant influence in the related party.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES*Company Registration No.: 201302159D***NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the financial period from 1 April 2017 to 30 September 2017***9 TRADE AND OTHER RECEIVABLES (Continued)*****Other receivables*** (Continued)

Allowance for impairment of receivable for a related party amounting US\$270,000 (30 September 2016: NIL, 31 March 2017: US\$270,000) is in respect of advances for the operations of the two managed restaurants. Since both the managed restaurants have ceased operations in March 2017, recoverability is in doubt.

Receivables that are past due but not impaired

The Group has no (30 September 2016: NIL, 31 March 2017: NIL) trade receivables that are past due at the end of the reporting period but not impaired.

Receivables that are either past due or impaired

The Group has no trade receivables (30 September 2016: NIL, 31 March 2017: NIL) that are impaired at the end of the reporting period.

10 CASH AND CASH EQUIVALENTS

| | Unaudited As at <u>30 September 2017</u> | Unaudited As at <u>30 September 2016</u> | Audited As at <u>31 March 2017</u> |
|--------------|---|---|---|
| | US\$ | US\$ | US\$ |
| Cash at bank | 3,943,554 | 2,241,468 | 4,455,744 |
| Cash on hand | 9,964 | 6,882 | 6,898 |
| | <u>3,953,518</u> | <u>2,248,350</u> | <u>4,462,642</u> |

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

11 TRADE AND OTHER PAYABLES

| | Unaudited As at 30 September 2017 | Unaudited As at 30 September 2016 | Audited As at 31 March 2017 |
|---|--|--|--|
| | US\$ | US\$ | US\$ |
| <u>Trade payables</u> | | | |
| Third party | 19,010 | - | 11,141 |
| Accrued royalty expenses | - | - | 10,321 |
| Total trade payables | <u>19,010</u> | <u>-</u> | <u>21,462</u> |
| <u>Other payables</u> | | | |
| Third parties | 17,121 | 4,879 | 15,240 |
| Immediate holding company | 4,180 | 4,180 | 4,180 |
| Related party | - | 3,237 | 2,528 |
| Accruals | 230,506 | 115,240 | 119,294 |
| Total other payables | <u>251,807</u> | <u>127,536</u> | <u>141,242</u> |
| Total trade and other payables | <u>270,817</u> | <u>127,536</u> | <u>162,704</u> |
| Total trade and other payables | 270,817 | 127,536 | 162,704 |
| Add: Convertible bonds (Note 12) | - | - | 3,742,922 |
| Total financial liabilities carried at amortised cost | <u>270,817</u> | <u>127,536</u> | <u>3,905,626</u> |

Trade payables

Trade payable amount due to third party is unsecured, non-interest bearing and is on 15 (30 September 2016: 15, 31 March 2017: 15) days credit term.

Other payables

The non-trade amount due to third parties, related party and immediate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

12 CONVERTIBLE BONDS

| | Unaudited As at 30 September 2017 | Unaudited As at 30 September 2016 | Audited As at 31 March 2017 |
|---|--|--|--|
| | US\$ | US\$ | US\$ |
| Balance at beginning of financial period/year | 3,742,922 | - | - |
| Issued during the financial period/year | 40,000 | - | 3,711,400 |
| Amortisation of interest charged during the financial period/year | 140,718 | - | 31,522 |
| Converted to share capital during the financial period/year | (3,923,640) | - | - |
| Balance at end of financial period/year | - | - | 3,742,922 |

On 1 March 2017, the Group issued convertible bonds amounting to US\$3,711,400, which were subscribed by existing shareholders and third parties. On 15 July 2017, the Group issued additional convertible bonds amounting to US\$40,000 to third parties. Interest at 10% per annum was charged from the date of issuance until the conversion date. On the date of initial public offering, the principal and the accrued interest were converted into ordinary shares at US\$10 per share (Note 13).

13 SHARE CAPITAL

Issued and fully paid ordinary shares

| | Unaudited As at 30 September 2017 | | Unaudited As at 30 September 2016 | | Audited As at 31 March 2017 | |
|--|--|-----------|--|-----------|--|-------------|
| | No. of shares | US\$ | No. of shares | US\$ | No. of shares | US\$ |
| <u>Class A – Non-voting shares</u> | | | | | | |
| At beginning of financial period/year | - | - | 548,269 | 3,563,749 | 548,269 | 3,563,749 |
| Shares issued during the financial period/year | - | - | 264,200 | 1,717,300 | 264,200 | 1,717,300 |
| Reclassification | - | - | - | - | (812,469) | (5,281,049) |
| At end of financial period/year | - | - | 812,469 | 5,281,049 | - | - |
| <u>Class B – Voting shares</u> | | | | | | |
| At beginning of financial period/year | - | - | 1,020,000 | 120,000 | 1,020,000 | 120,000 |
| Reclassification | - | - | - | - | (1,020,000) | (120,000) |
| At end of financial period/year | - | - | 1,020,000 | 120,000 | - | - |
| <u>Ordinary shares</u> | | | | | | |
| At beginning of financial period/year | 1,832,469 | 5,401,049 | - | - | - | - |
| Conversion of bonds (Note 12) | 392,364 | 3,923,640 | - | - | - | - |
| Shares issued during the financial period/year | 42,300 | 423,000 | - | - | - | - |
| Share issuance expense | - | (1,647) | - | - | - | - |
| Reclassification | - | - | - | - | 1,832,469 | 5,401,049 |
| At end of financial period/year | 2,267,133 | 9,746,042 | - | - | 1,832,469 | 5,401,049 |
| Total share capital | 2,267,133 | 9,746,042 | 1,832,469 | 5,401,049 | 1,832,469 | 5,401,049 |

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

13 SHARE CAPITAL (Continued)

Pursuant to the Company's conversion into a public company as disclosed in Note 1 to the financial statements, 812,469 Class A – Non-voting ordinary shares and 1,020,000 Class B – Voting ordinary shares were reclassified into new ordinary shares of the Company.

Previous Class A shareholders are entitled to distribution of profits and dividends including the voting rights.

Previous Class B shareholders are entitled to distribution of profits and dividends including the voting rights.

During the financial period, the Company issued additional 42,300 ordinary shares at US\$1.00 per share as a result of its initial public offering.

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.

14 RESERVES AND ACCUMULATED LOSSES

Equity reserve which represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

Share options reserve which represents the equity-settled share options granted to employees (Note 5). 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 expiry or exercise of the share options.

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

15 OPERATING LEASE COMMITMENTS

As at the end of the financial period, commitments in respect of non-cancellable operating leases in respect of office premises are as follows:

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|---------------------------|---|---|---|
| | US\$ | US\$ | US\$ |
| Within one financial year | 40,360 | 92,052 | 162,704 |

Leases are negotiated for a term of one year where certain leases have an option to renew.

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

16 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the financial period/year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year.

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|--|---|---|---|
| Loss for the financial period/year attributable to owners of the Company (US\$) | (1,081,427) | (653,200) | (2,372,969) |
| Weighted average number of ordinary shares during the financial period/year applicable to basic loss per share | 1,941,135 | 1,705,936 | 1,773,780 |
| Basic and diluted | (0.56) | (0.38) | (1.34) |

17 SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial period/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:

| | Unaudited 6 months ended 30 September 2017 US\$ | Unaudited 6 months ended 30 September 2016 US\$ | Audited Year ended 31 March 2017 US\$ |
|---|--|--|--|
| With immediate holding company: | | | |
| - Repayments | - | (5,838) | - |
| - Payments on behalf | - | - | 5,838 |
| With related parties*: | | | |
| - Technical support service fees | 101,720 | 90,000 | 30,000 |
| - Management fee | 70,641 | - | 54,037 |
| - Royalty fee | 63,129 | - | 19,037 |
| - Advances to | (38,997) | 363,351 | 1,065,681 |
| With a Director of the subsidiaries: | | | |
| - Advances to | - | - | - |
| - Professional fees | 39,000 | 39,000 | 79,500 |

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

Key management personnel remuneration

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 For the financial period from 1 April 2017 to 30 September 2017

17 SIGNIFICANT RELATED PARTY TRANSACTIONS

Key management personnel remuneration (Continued)

The remuneration of Directors of the Company and its subsidiaries during the financial period/year are as follows:

| | Unaudited 6 months ended 30 September 2017 | Unaudited 6 months ended 30 September 2016 | Audited Year ended 31 March 2017 |
|----------------------------|---|---|---|
| | US\$ | US\$ | US\$ |
| Directors of the Company | | | |
| - short-term benefits | 112,650 | 46,664 | 183,759 |
| - post-employment benefits | 22,093 | - | 9,830 |
| Directors of subsidiaries | | | |
| - short-term benefits | 54,000 | 54,000 | 129,000 |
| | <u>188,743</u> | <u>100,664</u> | <u>322,589</u> |

18 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities have exposure to credit risks, market risks (including foreign currency risks) and liquidity risks arising in the ordinary course of business. The Group has no significant exposure to interest rate risk. 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 is 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.

18.1 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. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

As at reporting date, the Group has significant credit exposure arising from related parties amounting to US\$1,058,183 (30 September 2016: US\$473,149; 31 March 2017: US\$990,365). The management is of the opinion that these receivables are fully recoverable (Note 9).

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's maximum exposure to credit risks.

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

18 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)**18.1 Credit risks (Continued)**

The Group's cash and cash equivalents are mainly deposited with major and reputable banks located in Singapore with good external credit ratings.

18.2 Market risks*Foreign currency risks*

The Group is exposed to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. 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 do not hold or issue derivative financial instruments for speculative purposes.

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

| | Unaudited As at 30 September 2017 | <u>Financial Assets</u> Unaudited As at 30 September 2016 | Audited As at 31 March 2017 |
|----------------------|--|--|--|
| | US\$ | US\$ | US\$ |
| United States Dollar | 5,215,183 | 2,429,236 | 5,427,730 |
| Euro | 14,332 | 1,115,801 | 323,418 |
| Singapore Dollar | 12,019 | 61,783 | 31,852 |
| Myanmar Kyat | 173,158 | 11,675 | 20,532 |
| | 5,414,692 | 3,618,495 | 5,803,532 |
| | | <u>Financial Liabilities</u> | |
| | Unaudited As at 30 September 2017 | Unaudited As at 30 September 2016 | Audited As at 31 March 2017 |
| | US\$ | US\$ | US\$ |
| United States Dollar | 163,946 | 12,296 | 3,867,537 |
| Singapore Dollar | 106,871 | 64,690 | 38,089 |
| | 270,817 | 76,986 | 3,905,626 |

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

18 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

18.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity of the Group's profit before tax and equity to a reasonably possible change in Euro (EUR) and Myanmar Kyat (MMK) against United States dollar (USD), with all variables held constant.

| | Unaudited As at 30 September 2017 US\$ | Profit or loss / Equity Unaudited As at 30 September 2016 US\$ | Audited As at 31 March 2017 US\$ |
|---|--|--|--|
| EUR | | | |
| Strengthened against USD - nil (30 September 2016: 3%, 31 March 2017: 10%) | - | 33,474 | 32,342 |
| Weakened against USD - nil (30 September 2016: 3%, 31 March 2017: 10%) | - | (33,474) | (32,342) |
| MMK | | | |
| Strengthened against USD - 10% (30 September 2016: nil, 31 March 2017: nil) | 17,316 | - | - |
| Weakened against USD - 10% (30 September 2016: nil, 31 March 2017: nil) | (17,316) | - | - |

18.3 Liquidity risks

Liquidity risk 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 period.

19 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's financial assets and financial liabilities include cash and cash equivalents, trade and other receivables (excluding prepayments), trade and other payables and convertible bonds.

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

MYANMAR STRATEGIC HOLDINGS LIMITED AND ITS SUBSIDIARIES

Company Registration No.: 201302159D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the financial period from 1 April 2017 to 30 September 2017

20 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's value.

The capital structure of the Group consists of equity attributable to the equity holder of the Company comprising issued capital, equity reserves 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 the previous financial periods.

The Group is not subject to externally imposed capital requirements for the financial periods ended 30 September 2017, 30 September 2016 and 31 March 2017.

21 SUBSEQUENT EVENTS

On 13 May 2017, the Group signed a ten-year operation and management agreement in relation to the Mya Khan Thar Hotel in New Bagan, Myanmar. Upon completion of the refurbishment, the hotel features 58 beds over 13 rooms and trades under the name Ostello Bello Bagan Pool (subject to regulatory approval). The hotel re-opened on 21 November 2017.

On 6 September 2017, the Group signed a centre franchise agreement in relation to a second Wall Street English centre to be operated within the City Mall at St. John in Yangon. The centre is due to open in December 2017.