MYANMAR STRATEGIC HOLDINGS LIMITED
AND ITS SUBSIDIARIES

Company Registration Number: 201302159D

UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
1 APRIL 2018 TO 30 SEPTEMBER 2018

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FINANCIAL HIGHLIGHTS

All dates refer to six-month financial period ended 30 September 2018, unless otherwise stated.

- Group revenues increased 472% year on year ("YOY") to US$1.86 million, of which 71% was derived from Services, 24% from Education and 5% from Hospitality.
- Underlying revenues of managed and owned businesses grew by 146% YOY to ca. US$3.03 million of which 44% was derived from Services, 41% from Education and 15% from Hospitality.
- Group net loss decreased by 17% YOY to US$0.90 million (6M2017: US$1.08 million).
- Created a "Services" division following the successful acquisition of EXERA, one of Myanmar's leading providers of security and risk management services, for US$2.2 million.
- Raised US$3.07 million (153,500 new shares at a price of US$20 per share) as part of the Company's share issuance programme announced on 19 March 2018.

OPERATIONAL HIGHLIGHTS

All dates refer to the six-months financial period ended 30 September 2018, unless otherwise stated.

<u>Services</u>

- Group revenues arising from rendering services from the date of acquisition to the reporting date were US$1.32 million.
- Through its Services division, the Group provides a range of security, risk management, journey management and cash in transit services under the EXERA brand.
- Acquired by the Group in May 2018, EXERA is an internationally managed provider of security and risk management services, operating exclusively in Myanmar. Through its experienced workforce of over 1,000 guards, EXERA provides guarding, protective services, transportation, training, and nationwide risk consulting, to a wide range of international and local clients. Its customer base includes multi-national corporations, large oil and gas companies, established local businesses and governmental bodies and international organisations such as WFP, UNHCR, UNICEF and the EU.

<u>Education</u>

- Group revenues from the management of the education businesses for the period increased by 91% YOY to US$450,390 (6M2017: US$235,490).
- Through its Education division, the Group currently manages (i) three English language centres under the well-established Wall Street English ("WSE") brand and (ii) a private engineering and technology school under the brand Auston College Myanmar. During the period, the businesses under management generated underlying revenues of US$1.26 million
- WSE has established itself as the leading private English language education provider in Myanmar. As at 30 September 2018, WSE served over 1,400 students across its flagship centre in Junction Square, a second centre in City Mall St. John and a newly opened third centre in Myanmar Plaza. The Group continues to seek opportunities to expand the WSE franchise as it holds the exclusive rights to develop a further seven WSE centres (up to a total of 10) over the next eight years.
- Auston College Myanmar is the result of a strategic joint venture between Myanmar Strategic Holdings and Auston Institute of management ("Auston"), an operator of private schools in Singapore and Sri Lanka that prepares students for careers in Engineering, IT Technology and Project management through higher education learning. Auston College Myanmar commenced operations in May 2018.

<u>Hospitality</u>

- Management and technical assistance fees to the Group for the year were US$90,000 (6M2017: US$90,000), stable vs. the previous financial period.
- Under its Hospitality division, the Group manages four boutique hostels across three of the most popular tourist destinations in Myanmar. Following the opening of its fourth boutique hostel, Ostello Bello Bagan Pool, the Group raised the number of beds under management to 474, spread over 108 rooms in 4 locations across Bagan, Mandalay and Nyaung Shwe.

- During the financial period, the number of beds sold amounted to ca. 25,850 and the underlying revenues of managed businesses were US$0.45 million.
- The Group's main focus is to maintain a strong operating performance and generate revenue and cost synergies to offset the currently challenging operating environment in the Myanmar tourism sector.
- Management maintains a positive outlook on the long-term prospects of the Myanmar tourism sector and is pursuing expansion opportunities in both established tourist hubs (e.g. Yangon and Ngapali) as well as up and coming destinations (e.g. Hpa-An and Ngwe Saung). In the six months to September 2018, Myanmar recorded ca. 1.0 million tourist arrivals (Source: Ministry of Hotels & Tourism), stable vs. the previous year – a decrease in arrivals from Western Europe and North America, was offset by a more sustainable increase in arrivals from Asia, particularly China and Thailand.

<u>New Business Development</u>

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

<u>Post Period Events</u>

- Planned launch of Yangon American International School ("Yangon American"): on 5 December 2018, MSH announced that a US$1 million development project is underway at its first international school, Yangon American, and is due to be completed in Q2 2019 with the school targeted to launch in August 2019. The first Yangon American campus, with planned capacity of up to 400 students, will be positioned as a leading educational institution.
- Grant of stock options: on 17 October 2018, MSH announced that it granted options over a total of 72,000 ordinary shares of no par value to employees of the Group under the Company's existing share option plan.
- Acquisition of non-controlling interest into MS English Pte. Ltd.: on 13 December 2018, Myanmar Strategic Holdings purchased a minority non-controlling interest representing 8% of the issued share capital from a former employee. Following this acquisition, MS English Pte. Ltd. is fully owned by the Company

<u>Myanmar Macro-Economic Highlights</u>

- Economic growth continues to be robust despite unrest in relation to the conflict in Rakhine State, of which the Company is acutely aware. The Asian Development Bank estimates an average annual GDP growth rate of ca. 7% in both 2018-2019 and 2019-2020.
- Foreign direct investments are also expected to remain stable at ca. US$5.8 billion in 2018-2019 (vs. US$5.7 billion in 2017-2018), driven by investments from Singapore, Japan, South Korea and Thailand (Source: DICA).

Enrico Cesenni, Chief Executive Officer of Myanmar Strategic Holdings, said:

"Myanmar Strategic Holdings has continued to experience strong growth that is driven, among other factors, by the opening of new language centres / schools and the acquisition of EXERA, one of the leading providers of security and risk management services in Myanmar."

"At the same time, the Group continues to benefit from a benevolent macroeconomic environment with GDP growth rates of 6%-8% per annum expected in Myanmar in the foreseeable future. While pursuing further growth opportunities, MSH's management remains focused on controlling costs and generating synergies across the Group's divisions, to further enhance the Group's prospects going forward."

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

FINANCIAL REVIEW

All dates refer to the six-month financial period ended 30 September 2018, unless otherwise stated.

- During the financial period ended 30 September 2018, the Group experienced a significant increase in revenue, thanks to the expansion of its managed businesses and the acquisition of a new business within its Services division.
- The fees generated by the Group in relation to the businesses under management grew 66% YOY to US$540,390 for the financial period ended 30 September 2018 (6M2017: US$325,490). The fees generated by the Education division grew 91% YOY thanks to the scale up of the existing languages centres and the opening of new language centre and the Auston College Myanmar. The fees generated by the Hospitality division remained stable.
- Net loss amounted to US$0.90 million for the financial period ended 30 September 2018 vs. US$1.08 million for the previous period.

Results of Operations

- The Group recorded an EBITDA loss of ca. US$0.61 million for the financial period ended 30 September 2018 (6M2017: EBITDA loss US$0.56 million).
- The sustained growth in revenues (+472% YOY) contributed to balance higher employee benefit expenses (+14% vs. YOY) and other expenses (+170% YOY).
- Cost initiatives were introduced across the Group, contributing to a significant decrease in other expenses, particularly rents, travelling expenses and professional fees. On the other hand, (i) the acquisition of EXERA and (ii) the listing on the London Stock Exchange lead to an increase in the absolute amount (ca. US$0.21 million) of professional fees, travelling expenses and rental expenses. Foreign exchange losses also generated a negative impact of ca. US$30k.
- Direct and indirect Full Time Employees ("FTEs") increased to ca.1,400 (171 as at 31 March 2017 and 69 as at 31 March 2016), including ca. 270 FTEs employed within the operations under management. The growth in FTEs was primarily due to the expansion of the operation under management and the acquisition of EXERA.
- A share issuance programme of up to 400,000 new ordinary shares at a minimum price of US$20 per share over a period of twelve months was announced on 19 March 2018. 153,500 new ordinary shares were issued in May 2018 at a price of US$20 per share, resulting in a subscription to raise US$3,070,000.
- In line with the Group's dividend policy, the Board is not declaring the payment of any interim dividend.

FINANCIAL REVIEW
For the financial period from 1 April 2018 to 30 September 2018

	Note	Unaudited 6 months ended 30 September 2018 US$	Unaudited 6 months ended 30 September 2017 US$	Audited Year ended 31 March 2018 US$
Revenue	4	1,862,400	325,490	791,870
Other income		3,348	23,153	13,182
Cost of services and royalties	5	(1,056,345)	(63,129)	(329,081)
Employee benefits expense	6	(629,089)	(549,467)	(1,236,442)
Other expenses (Excl. one-off expenses pursuant to the listing application and deal-related expenses)		(793,142)	(293,917)	(771,543)
EBITDA		**(612,828)**	**(557,870)**	**(1,532,014)**
One-off expenses pursuant to the listing application and deal-related expenses		(202,375)	(362,641)	(360,994)
Depreciation expense	9	(19,942)	(5,467)	(11,406)
Amortisation expense	10	(62,823)	(10,833)	(21,667)
Finance cost	7	-	(140,718)	(140,718)
Loss before income tax	**8**	**(897,968)**	**(1,077,529)**	**(2,066,799)**
Income tax expense		-	-	-
Loss for the financial period/year, representing total comprehensive loss for the financial period/year		(897,968)	(1,077,529)	(2,066,799)
(Loss)/income and total comprehensive (loss)/income attributable to:				
Owner of the parent		(899,802)	(1,081,427)	(2,050,432)
Non-controlling interests		1,834	3,898	(16,367)
		(897,968)	(1,077,529)	(2,066,799)
Loss per share				
- Basic and diluted (US$)	20	(0.37)	(0.56)	(0.95)

The operating businesses managed and owned by the Group generated revenues ("Underlying Revenues") of US$3.03 million for the interim period to 30 September 2018 (6M2017: US$1.23 million), an increase of ca. 146% YOY.

The businesses under management generated underlying revenues of US$1.71 million, with the underlying revenues from the Education division experiencing a growth of 133% YOY. On the other hand the underlying revenues of the Hospitality division contracted due to a decrease in the overall tourism flows to Myanmar – the Board anticipates that this trend may reverse in the second half of the year as tourism flows from Western Europe and the United States are partially replaced by flows of tourists from South East Asia and North Asia.

FINANCIAL REVIEW
For the financial period from 1 April 2018 to 30 September 2018

Underlying revenues	Note	Unaudited 6 months ended 30 September 2018 US$	Unaudited 6 months ended 30 September 2017 US$	Audited Year ended 31 March 2018 US$
Managed businesses				
Hospitality		452,123	691,489	1,679,852
Education		1,258,388	539,149	1,483,851
Total managed businesses		**1,710,511**	**1,230,638**	**3,163,703**
Owned businesses				
Services		1,322,010	-	-
Total owned businesses		**1,322,010**	**-**	**-**
Total underlying revenues		**3,032,521**	**1,230,638**	**3,163,703**

The operating businesses managed by the Group generated Fees to the Group of US$540,390 in the financial period ended 30 September 2018 (+66% YOY). The Fees to the Group comprised of US$450,390 fees generated by Wall Street English and US$90,000 generated by Ostello Bello.

Fees generated by managed businesses	Note	Unaudited 6 months ended 30 September 2018 US$	Unaudited 6 months ended 30 September 2017 US$	Audited Year ended 31 March 2018 US$
Hospitality		90,000	90,000	180,000
Education		450,390	235,490	611,870
Fees generated by managed businesses		**540,390**	**325,490**	**791,870**

Liquidity and capital resources

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

The Group's principal sources of liquidity in the financial period ended 30 September 2018 have been (i) the issuance of ordinary shares and (iii) the cash generated by the managed businesses

During the period, the net reduction in cash and cash equivalents was US$0.90 million. This negative trend was mainly due the acquisition of EXERA and the continued investments in the managed operations as demonstrated by the increase in advances to related parties and third parties.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial period from 1 April 2018 to 30 September 2018

	Note	Unaudited 6 months ended 30 September 2018 US$	Unaudited 6 months ended 30 September 2017 US$	Audited Year ended 31 March 2018 US$
Revenue	4	1,862,400	325,490	791,870
Other income		3,348	23,153	13,182
Cost of services and royalties	5	(1,056,345)	(63,129)	(329,081)
Employee benefits expense	6	(629,089)	(549,467)	(1,236,442)
Depreciation expense	9	(19,942)	(5,467)	(11,406)
Amortisation expense	10	(62,823)	(10,833)	(21,667)
Other expenses		(995,517)	(656,558)	(1,132,537)
Finance cost	7	-	(140,718)	(140,718)
Loss before income tax	8	(897,968)	(1,077,529)	(2,066,799)
Income tax expense		-	-	-
Loss for the financial period/year, representing total comprehensive loss for the financial period/year		(897,968)	(1,077,529)	(2,066,799)
(Loss)/income and total comprehensive (loss)/income attributable to:				
Owner of the parent		(899,802)	(1,081,427)	(2,050,432)
Non-controlling interests		1,834	3,898	(16,367)
		(897,968)	(1,077,529)	(2,066,799)
Loss per share				
- Basic and diluted (US$)	20	(0.37)	(0.56)	(0.95)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Note	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
ASSETS				
Non-current assets				
Plant and equipment	9	262,473	19,199	17,203
Intangible assets	10	1,833,828	155,556	144,722
Other investment	11	150,000	-	-
Total non-current assets		2,246,301	174,755	161,925
Current assets				
Trade and other receivables	13	4,104,466	1,586,710	2,400,886
Cash and cash equivalents	14	2,459,867	3,953,518	3,369,797
Total current assets		6,564,333	5,540,228	5,770,683
Total assets		8,810,634	5,714,983	5,932,608
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Trade and other payables	15	849,266	270,817	348,784
Convertible bonds	16	-	-	-
Total current liabilities		849,266	270,817	348,784
Equity				
Share capital	17	14,016,058	9,746,042	10,746,042
Share option reserve	18	186,089	51,965	180,893
Equity reserves	18	(97,337)	(47,012)	(37,457)
Accumulated losses	18	(6,179,134)	(4,310,327)	(5,279,332)
Equity attributable to owners of the parent		7,925,676	5,440,668	5,610,146
Non-controlling interest		35,692	3,498	(26,322)
Total equity		7,961,368	5,444,166	5,583,824
Total liabilities and equity		8,810,634	5,714,983	5,932,608

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period from 1 April 2018 to 30 September 2018

Unaudited		**6 months ended 30 September 2018**						
		Equity attributable to the owners of the Parent						
	Note	Share capital US$	Share option reserve US$	Equity reserves US$	Accumulated losses US$	Total US$	Non-controlling interest US$	Total US$
Equity								
Balance at 1 April 2018		10,746,042	180,893	(37,457)	(5,279,332)	5,610,146	(26,322)	5,583,824
(Loss)/income for the financial period, representing total comprehensive (loss)/income for the financial period		-	-	-	(899,802)	(899,802)	1,834	(897,968)
Change in ownership interest in a subsidiary								
Issuance of shares by subsidiary		-	-	(59,880)	-	(59,880)	60,180	300
Contribution by owners of the parent								
Issuance of shares	17	3,270,016	-	-	-	3,270,016	-	3,270,016
Recognition of share-based payments	6,18	-	5,196	-	-	5,196	-	5,196
Balance at 30 September 2018		14,016,058	186,089	(97,337)	(6,179,134)	7,925,676	35,692	7,961,368

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period from 1 April 2018 to 30 September 2018

Unaudited		6 months ended 30 September 2017						
		Equity attributable to the owners of the Parent						
	Note	Share capital US$	Share option reserve US$	Equity reserves US$	Accumulated losses US$	Total US$	Non-controlling interest US$	Total US$
Equity								
Balance at 1 April 2017		5,401,049	-	(47,492)	(3,228,900)	2,124,657	-	2,124,657
Loss/(income) for the financial period, representing total comprehensive loss/(income) 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								
Issuance of shares	17	4,344,993	-	-	-	4,344,993	-	4,344,993
Recognition of share-based payments	6,18	-	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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period from 1 April 2018 to 30 September 2018

Audited		Year ended 31 March 2018						
		Equity attributable to the owners of the Parent						
	Note	Share capital US$	Share option reserve US$	Equity reserves US$	Accumulated losses US$	Total US$	Non-controlling interest US$	Total 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 year, representing total comprehensive loss for the financial year		-	-	-	(2,050,432)	(2,050,432)	(16,367)	(2,066,799)
Change in ownership interest in a subsidiary								
Disposal of interest in a subsidiary without loss of control		-	-	10,035	-	10,035	(9,955)	80
Contribution by owners of the parent								
Issuance of shares	17	5,344,993	-	-	-	5,344,993	-	5,344,993
Recognition of share-based payments	6,18	-	180,893	-	-	180,893	-	180,893
Balance at 31 March 2018		10,746,042	180,893	(37,457)	(5,279,332)	5,610,146	(26,322)	5,583,824

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period from 1 April 2018 to 30 September 2018

	Note	Unaudited 6 months ended 30 September 2018 US$	Unaudited 6 months ended 30 September 2017 US$	Audited Year ended 31 March 2018 US$
Operating activities				
Loss before income tax		(897,968)	(1,077,529)	(2,066,799)
Adjustments for:				
Interest income		(920)	(1,353)	(2,380)
Share-based compensation	6	5,196	51,965	180,893
Interest expense		-	140,718	140,718
Depreciation of plant and equipment	9	19,942	5,467	11,406
Amortisation of intangible assets	10	62,823	10,833	21,667
Loss on disposal of plant and equipment		-	-	430
Plant and equipment written off		-	-	893
Operating cash flows before working capital changes		(810,927)	(869,899)	(1,713,172)
Working capital changes:				
Trade and other receivables		129,456	(10,307)	(70,151)
Trade and other payables		187,366	108,113	186,080
Cash used in operations		(494,105)	(772,093)	(1,597,243)
Interest received		920	1,353	2,380
Net cash flows used in operating activities		(493,185)	(770,740)	(1,594,863)
Investing activities				
Advances to third parties		(384,211)	(231,403)	(90,585)
Advances from / (to) related parties		(784,110)	38,997	(856,153)
Purchase of plant and equipment	9	(144,852)	(7,411)	(12,677)
Purchase of intangible assets	10	(90,000)	-	-
Acquisition of subsidiaries, net of cash acquired	12	(1,934,886)	-	-
Purchase of other investments	11	(150,000)	-	-
Proceeds of disposal of plant and equipment	9	1,014	-	-
Net cash flows used in investing activities		(3,487,045)	(199,817)	(959,415)
Financing activities				
Proceeds from disposal of interest in a subsidiary without loss of control		300	80	80
Proceeds from issuance of ordinary shares		3,070,000	421,353	1,421,353
Proceeds from issuance of convertible loans		-	40,000	40,000
Net cash generated from financing activities		3,070,300	461,433	1,461,433
Net changes in cash and cash equivalents		(909,930)	(509,124)	(1,092,845)
Cash and cash equivalents at beginning of financial period/year		3,369,797	4,462,642	4,462,642
Cash and cash equivalents at end of financial period/year	14	2,459,867	3,953,518	3,369,797

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

These notes form an integral part of and should be read in conjunction with the accompanying interim condensed consolidated 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 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624. 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. Related companies in these financial statements refer to the members of the MACAN Pte. Ltd. Group. The ultimate controlling party is Enrico Cesenni.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 March 2018.

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

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

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

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.

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 16	:	Leases	1 January 2019
FRS 28 (Amendments)	:	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23	:	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 (Amendments)		Prepayment Features with Negative Compensation	1 January 2019
IFRS 3		Business Combination	1 January 2019

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 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and business combinations

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.

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 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and business combinations (Continued)

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Each individual business combination, that are present ownership interests and entitle their holders to a proportionate share of net assets, are recognised by the Group on the acquisition date either at fair value, or at the proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Revenue recognition (Continued)

Management fees

Management fees earned from hostels, language centres and schools managed by the Group, usually under long-term contracts with the respective 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 profitability of the businesses under management.

Technical support service fees

Technical support service fees earned from the businesses 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 recognised on an accrual basis with reference to the terms of the “Wall Street English” Centre Franchise Agreement. Royalty is determined based on the agreed royalty rate and the annual total gross revenue of the managed language centre in Myanmar.

Rendering of services

Fees from services, in relation to the security and risk management services provided by EXERA, are earned when services have been rendered.

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.

2.5 Share-based payments

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Taxes (Continued)

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Motor Vehicles	:	5 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

Area development fees and centre fees – Wall Street English

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.

Brand licensing Fees and Set up Fees – Auston College Myanmar

Brand license fee and set-up fee are paid for the rights to develop and operate the “Auston College” in Myanmar. The license fee is capitalised and amortised over the period of 10 years from the date of operation commences.

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

Customer List - EXERA

Customer list is the value of customer contracts arising from acquisition of EXERA. The customer list is capitalised and amortised over the period of 1 to 3 years from the date of operation commences.

The customer list is 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.

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 advances for hotel operations) and cash and cash equivalents.

Other investment

Other investment pertains to investment in equity instruments whose fair value cannot be reliably measured. It is initially recognised at cost and subsequently accounted for at cost less any accumulated impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost and contract assets. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade and other receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.
- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical rend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:
- Nature of financial instruments (i.e. the Company's trade and other receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (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.

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.

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

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.

i) Evaluation of control over managed hostels, language centres and schools

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

3.2 Key sources of estimation uncertainty

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

i) 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 13 to the financial statements.

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

ii) Impairment of intangible assets and other investment

The management test 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 management determines whether intangible assets and other investment are impaired at least on an annual basis. Intangible assets except for goodwill and other investment 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 and other investment is disclosed in Note 10 and 11 to the financial statements.

4 REVENUE

	Unaudited 6 months ended 30 September 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Management fees	149,072	70,641	195,936
Technical support service fees	267,246	191,720	424,998
Rendering of services	1,322,010	-	-
Royalty fee	124,072	63,129	170,936
	1,862,400	325,490	791,870

5 COST OF SERVICES AND ROYALTIES

	Unaudited 6 months ended 30 September 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Cost of services rendered	938,460	-	-
Royalty fee	117,885	63,129	177,708
Hotel-related expenses	-	-	151,373
	1,056,345	63,129	329,081

6 EMPLOYEE BENEFITS EXPENSE

	Unaudited 6 months ended 30 September 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Salaries and bonus *	598,660	485,454	1,027,406
Contributions to defined contribution plans	17,463	12,048	28,143
Equity-settled share-based compensation *	5,196	51,965	180,893
Other benefits	7,770	-	-
	629,089	549,467	1,236,442

* Included in these expenses are Directors' fees and remuneration as disclosed in Note 21 to the financial statements.

Equity-settled share-based compensation

On 23 May 2017 and 1 December 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 weighted average contractual life of the share options granted is 8.91 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.

During the financial period, 40,000 (31 March 2018: 4,000, 30 September 2017: Nil) share options which were granted on 23 May 2017 and 8,000 share options which were granted on 1 December 2017 lapsed as some participants ceased to be employees of the Company.

No share options were exercised during the financial period/year.

<u>Movement of share options during the financial period/year</u>

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

	Unaudited 6 months ended 30 September 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	No. of shares	No. of shares	No. of shares
Outstanding at beginning of financial period/year	126,000	-	-
- Granted	-	117,000	130,000
- Expired	(48,000)	-	(4,000)
Outstanding at end of financial period/year	78,000	117,000	126,000
Exercisable at end of financial period/year	-	-	-

6 EMPLOYEE BENEFITS EXPENSE (Continued)

Fair value of the share options granted

The estimated fair value of each share option granted on 23 May 2017 was US$4.48 and share option granted on 1 December 2017 was US$7.09. 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:

	Grant date 1 December 2017	Grant date 23 May 2017
Grant date share price	US$13.00	US$10.00
Exercise price	US$11.00	US$11.00
Expected volatility	36.07%	33.91%
Expected life of option	10 years	10 years
Risk-free interest rate	2.36% p.a.	2.28% p.a.
Dividend yield	0.00%	0.00%

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 expenses of US$5,196 (30 September 2017: US$51,965, 31 March 2018: US$180,893) related to equity-settled share-based payment transactions during the period.

7 FINANCE COST

Finance costs relate to interest charged on the convertible bonds (Note 16).

8 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 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Professional fees	285,309	133,667	475,561
One-off fee in relation to EXERA acquisition	202,375	-	-
Travelling expenses	78,964	32,878	79,835
Rental of office	59,994	45,521	72,862
Foreign exchange loss	30,471	-	-
Marketing expenses	9,521	-	715
Plant and equipment written off	-	-	893
One-off expenses pursuant to the listing application	-	362,641	360,994
Loss on disposal of Plant and equipment	-	-	430

9 PLANT AND EQUIPMENT

	Computers	Furniture and fittings	Motor Vehicles	Total
	US$	US$	US$	US$
Cost				
At 1 April 2017	9,601	18,712	-	28,313
Additions from 1 April 2017 to 30 September 2017	2,661	4,750	-	7,411
At 30 September 2017	12,262	23,462	-	35,724
Additions from 1 October 2017 to March 2018	5,029	237	-	5,266
Disposal from 1 October 2017 to March 2018	(483)	-	-	(483)
Write-off from 1 October 2017 to March 2018	-	(2,922)	-	(2,922)
At 31 March 2018	16,808	20,777	-	37,585
Acquisition of subsidiaries (Note 12)	47,071	20,676	53,627	121,374
Additions from 1 April 2018 to 30 September 2018	9,348	95,261	40,243	144,852
Disposal from 1 April 2018 to 30 September 2018	(1,239)	-	-	(1,239)
At 30 September 2018	71,988	136,714	93,870	302,572
Accumulated depreciation				
At 1 April 2017	2,018	9,040	-	11,058
Depreciation from 1 April 2017 to 30 September 2017	1,824	3,643	-	5,467
At 30 September 2017	3,842	12,683	-	16,525
Depreciation from 1 October 2017 to March 2018	2,517	3,422	-	5,939
Disposal from 1 October 2017 to March 2018	(53)	-	-	(53)
Write-off from 1 October 2017 to March 2018	-	(2,029)	-	(2,029)
At 31 March 2018	6,306	14,076	-	20,382
Depreciation from 1 April 2018 to 30 September 2018	10,472	5,459	4,011	19,942
Disposal from 1 April 2018 to 30 September 2018	(225)	-	-	(225)
At 30 September 2018	16,553	19,535	4,011	40,099
Net carrying amount				
At 30 September 2017	8,420	10,779	-	19,199
At 31 March 2018	10,502	6,701	-	17,203
At 30 September 2018	55,435	117,179	89,859	262,473

10 INTANGIBLE ASSETS

	Area development fee	Computer software	Brand /Licensing fees	Opening/ Set up fees	Customer List	Goodwill	Total
	US$	US$	US$	US$	US$	US$	US$
Cost							
At 1 April 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
Additions from 1 October 2017 to March 2018	-	-	-	-	-	-	-
At 31 March 2018	150,000	20,000	-	-	-	-	170,000
Acquisition of subsidiaries (Note 12)	-	-	20,212	-	357,802	1,283,915	1,661,929
Additions from 1 April 2018 to 30 September 2018	-	-	10,000	80,000	-	-	90,000
At 30 September 2018	150,000	20,000	30,212	80,000	357,802	1,283,915	1,921,929
Accumulated amortisation							
At 1 April 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
Amortisation from 1 October 2017 to March 2018	7,500	3,334	-	-	-	-	10,834
At 31 March 2018	17,500	7,778	-	-	-	-	25,278
Amortisation from 1 April 2018 to 30 September 2018	7,500	3,333	4,684	2,333	44,973	-	62,823
At 30 September 2018	25,000	11,111	4,684	2,333	44,973	-	88,101
Net carrying amount							
At 30 September 2017	140,000	15,556	-	-	-	-	155,556
At 31 March 2018	132,500	12,222	-	-	-	-	144,722
At 30 September 2018	125,000	8,889	25,528	77,667	312,829	1,283,915	1,833,828

11 OTHER INVESTMENT

Other investment pertains to investment in equity instruments whose fair value cannot be reliably measured. It is initially recognised at cost and subsequently accounted for at cost less any accumulated impairment losses.

12 INVESTMENT IN SUBSIDIARIES

EXERA Myanmar Limited

On 29 May 2018, the Group's subsidiary company, Myanmar Strategic Services Pte Ltd acquired 100% of the voting shares of EXERA Myanmar Limited. EXERA Myanmar Limited thereafter became a subsidiary of the Company held through the Company's subsidiary, Myanmar Strategic Services Pte Ltd.

Exera Journey Management Limited

On 29 May 2018, the Group's subsidiary company, Myanmar Strategic Services Pte Ltd acquired 100% of the voting shares of Exera Journey Management Limited. Exera Journey Management Limited thereafter became a subsidiary of the Company held through the Company's subsidiary, Myanmar Strategic Service Pte Ltd.

The fair value of the identifiable assets and liabilities of Exera Myanmar Limited and Exera Journey Management Limited as at the acquisition date were:

	Exera Myanmar Limited	**Exera Journey Management Limited**	
	Fair value recognised on acquisition, after consolidation adjustments	Fair value recognised on acquisition, after consolidation adjustments	TOTAL
	US$	US$	US$
Property, plant and equipment	67,747	53,627	121,374
Intangible assets	378,014	-	378,014
Trade and other receivables	659,110	-	659,110
Inventories	5,605	-	5,605
Cash and cash equivalents	65,100	14	65,114
Trade and Other payables	(313,116)	-	(313,116)
Total identifiable assets at fair value	862,460	53,641	916,101
Total consideration paid			(2,200,016)
Goodwill arising from acquisition of subsidiaries*			(1,283,915)

* Goodwill, brands, customer list and non-compete intangibles arising from the acquisition have been determined on a provisional basis. IFRS 3 provides a grace period of a year from the date of acquisition for any remeasurement, if required.

12 INVESTMENT IN SUBSIDIARIES (Continued)

	US$
Consideration transferred for the acquisition	
Cash paid	2,000,000
Consideration settled via equity instruments	200,016
	2,200,016
Effect of the acquisition on cash flows	
Total consideration for the 100% of equity interest acquired	2,200,016
Less: Non-cash consideration (Note 17)	(200,016)
Consideration settled in cash	2,000,000
Less: Cash and cash equivalents of all the subsidiaries acquired	(65,114)
Net cash outflow on acquisition	1,934,886

From the date of acquisition, Exera has contributed US$1,322,010 revenue and US$35,939 profit before tax to the Group. If the acquisition had taken place at the beginning of the financial year, the EXERA 's revenue and profit before tax would have been US$1,983,773 and US$51,252 to the Group.

In connection with the acquisition of 100% equity interest in EXERA, Myanmar Strategic Holdings Limited issued 7,408 ordinary shares at a price of USD 27 per share.

One-off transaction costs related to the acquisition of ca. US$0.2 million were recognised in the Group's profit or loss for the financial period ended 30 September 2018 (Note 8).

13 TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2018	Unaudited As at 30 September 2017	Audited As at 31 March 2018
	US$	US$	US$
Trade receivables			
Third parties	479,800	-	-
Related party	177,246	191,701	283,715
Total trade receivables	657,046	191,701	283,715
Other receivables			
Related parties	2,815,742	1,136,482	2,031,632
Less: Allowance for impairment	(270,000)	(270,000)	(270,000)
	2,545,742	866,482	1,761,632
Third parties	805,932	562,539	421,721
Less: Allowance for impairment	(280,327)	(280,327)	(280,327)
	525,605	282,212	141,394
Advances for hotel operations	70,363	74,001	90,367
Sundry receivables	9,512	44,748	16,326
Deposits	25,170	2,030	915
Prepayments	271,028	125,536	106,537
Total other receivables	3,447,420	1,395,009	2,117,171
Total trade and other receivables	4,104,466	1,586,710	2,400,886

13 TRADE AND OTHER RECEIVABLES (Continued)

	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
Total trade and other receivables (excluding prepayments and advances for hotel operations)	3,763,075	1,387,173	2,203,982
Add: Cash and cash equivalents (Note 14)	2,459,867	3,953,518	3,369,797
Total loans and receivables	6,222,942	5,340,691	5,573,779

Trade receivables

Trade receivables are non-interest bearing and are generally on 15 (30 September 2017: 15, 31 March 2018: 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$2,815,742 (30 September 2016: US$1,136,482, 31 March 2018: US$2,031,632) arising from advances to a firm where a Director of the subsidiaries has significant influence in the related party.

Allowance for impairment of receivable for a related party amounting US$270,000 (30 September 2017: US$270,000, 31 March 2018: 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 US$153,936 (30 September 2017: NIL, 31 March 2018: US$ 254,010) trade receivables that are past due at the end of the reporting period but not impaired. These receivables were unsecured and the analysis of their ageing at the reporting date was as follows:

	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
Past due 1 - 90 days	152,869	-	78,732
Past due 91 - 180 days	1,067	-	56,476
Past due 181 to more days	-	-	118,802
	153,936	-	254,010

13 TRADE AND OTHER RECEIVABLES (Continued)

Receivables that are either past due or impaired

The Group has no trade receivables (30 September 2017: NIL, 31 March 2018: NIL) that are impaired at the end of the reporting period.

14 CASH AND CASH EQUIVALENTS

	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
Cash at bank	2,352,555	3,943,554	3,362,975
Cash on hand	107,312	9,964	6,822
	2,459,867	3,953,518	3,369,797

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

15 TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
Trade payables			
Third party	136,466	19,010	16,104
Accrued royalty expenses	-	-	29,416
Total trade payables	136,466	19,010	45,520
Other payables			
Third parties	294,028	17,121	14,515
Deferred income	151,492	-	-
Immediate holding company	4,180	4,180	4,180
Accruals	263,100	230,506	284,569
Total other payables	712,800	251,807	303,264
Total trade and other payables	849,266	270,817	348,784
Total financial liabilities carried at amortised cost (excluding deferred income)	697,774	270,817	348,784

Trade payables

Trade payable amount due to third party is unsecured, non-interest bearing and is on 15 (30 September 2017: 15, 31 March 2018: 15) days credit term.

Other payables

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

16 CONVERTIBLE BONDS

	Unaudited As at 30 September 2018 US$	Unaudited As at 30 September 2017 US$	Audited As at 31 March 2018 US$
Balance at beginning of financial period/year	-	3,742,922	3,742,922
Issued during the financial period/year	-	40,000	40,000
Amortisation of interest charged during the financial period/year	-	140,718	140,718
Converted to share capital during the financial period/year	-	(3,923,640)	(3,923,640)
Balance at end of financial period/year	-	-	-

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 17).

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes		
	2017 $	Financing Cash Flows $	Interest expense $	Conversion of convertible bonds	2018 $
Convertible bonds	3,742,922	40,000	140,718	(3,923,640)	-

17 SHARE CAPITAL

Issued and fully paid ordinary shares

	Unaudited As at 30 September 2018		Unaudited As at 30 September 2017		Audited As at 31 March 2018	
	No. of shares	US$	No. of shares	US$	No. of shares	US$
Ordinary shares						
At beginning of financial period/year	2,317,133	10,746,042	1,832,469	5,401,049	1,832,469	5,401,049
Shares issued during the financial period/year	160,908	3,270,016	434,664	4,346,640	484,664	5,346,640
Expenses pursuant to listing application	-	-	-	(1,647)	-	(1,647)
At end of financial period/year	2,478,041	14,016,058	2,267,133	9,746,042	2,317,133	10,746,042
Total share capital	2,478,041	14,016,058	2,267,133	9,746,042	2,317,133	10,746,042

On 15 July 2017, the Company issued of 392,364 ordinary shares for the conversion of convertible bonds of US$3,923,640 (Note16).

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

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

During the financial period, the Company has issued 160,908 ordinary shares for the following consideration:

a) a total cash consideration of US$3,070,000 for the issued of 153,500 ordinary shares at US$20 per share to a group of existing and new shareholders
b) as a settlement of the acquisition of new subsidiaries (Note 12), the Company issued additional 7,408 ordinary shares at US$27 per share.

17 SHARE CAPITAL (Continued)

These newly issued shares rank pari passu with existing shares.

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.

18 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 6). 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.

19 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 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Within one financial year	29,926	40,360	-

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

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 September 2018 amounted to $59,994 (30 September 2017: $45,521, 31 March 2018: $72,862)

20 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 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
Loss for the financial period/year attributable to owners of the Company (US$)	(899,802)	(1,081,427)	(2,050,432)
Weighted average number of ordinary shares during the financial period/year applicable to basic loss per share	2,424,405	1,941,135	2,157,340
Basic and diluted	(0.37)	(0.56)	(0.95)

In the previous financial year, diluted loss per share is the same as the basic loss per share because of the inclusion of potential ordinary shares for the convertible bonds is anti-dilutive.

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

21 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 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
With related parties*:			
- Technical support service fees	177,246	101,720	244,998
- Management fee	149,072	70,641	195,936
- Royalty fee	124,072	63,129	170,936
- Advances to	784,110	(38,997)	856,153
With a Director of the subsidiaries:			
- Professional fees	59,000	39,000	98,000

**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.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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 2018	Unaudited 6 months ended 30 September 2017	Audited Year ended 31 March 2018
	US$	US$	US$
Short-term benefits	225,722	166,650	418,475
Post-employment benefits	4,521	22,093	11,929
Other staff benefits	1,110	-	2,865
Share-based compensation	46,552	-	77,586
	277,905	188,743	510,855

22 SEGMENT INFORMATION

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

a. Hospitality – Provision of consultancy, advisory and project management services in leisure and hospitality sectors in Myanmar;
b. Education – Provision of consultancy, advisory and project management services in the education sector in Myanmar;
c. Services – Provision of consultancy, advisory and project management services in the service sector in Myanmar, focusing initially on security services; and
d. Others – Corporate services to provide management and marketing support to respective entities of the Group.

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

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

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

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

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

Segment liabilities comprise trade and other payables.

22 SEGMENT INFORMATION (Continued)

30 September 2018	Hospitality US$	Education US$	Services US$	Others US$	Total US$
Revenue	90,000	450,390	1,322,010	-	1,862,400
Cost of services and royalties	-	(117,885)	(938,460)	-	(1,056,345)
Other expenses	(143,881)	(257,035)	(429,831)	* (874,196)	(1,704,943)
Interest income	14	52	95	759	920
Segment loss	(53,867)	75,522	(46,186)	(873,437)	(897,968)
Other non-cash items:					
Depreciation of plant and equipment	(6,220)	-	(12,993)	(729)	(19,942)
Amortisation	-	(13,666)	(49,157)	-	(62,823)
Assets					
Intangible assets	-	221,056	1,612,772	-	1,833,828
Plant and equipment	65,066	80,915	114,965	1,527	262,473
Other investment	-	-	-	150,000	150,000
Cash and cash equivalents	72,575	354,109	270,405	1,762,778	2,459,867
Trade and other receivables	652,317	2,697,942	674,171	80,036	4,104,466
Liabilities					
Trade and other payables	44,800	297,948	349,603	156,915	849,266

* Other expenses from "Others" segment comprise mainly employee benefits expense and expenses pursuant to the acquisition of EXERA amounting to US$290,632 and US$202,375, respectively, for the financial year ended 30 September 2018.

30 September 2017	Hospitality US$	Education US$	Others US$	Total US$
Revenue	90,000	235,490	-	325,490
Cost of services and royalties	-	(63,129)	-	(63,129)
Other expenses	(85,423)	(186,329)	* (928,773)	(1,200,525)
Interest income	34	25	1,294	1,353
Interest expense	-	-	(140,718)	(140,718)
Segment loss	4,611	(13,943)	(1,068,197)	(1,077,529)
Other non-cash items:				
Depreciation of plant and equipment	(4,286)	-	(1,181)	(5,467)
Amortisation	-	(10,833)	-	(10,833)
Assets				
Intangible assets	-	155,556	-	155,556
Plant and equipment	15,276	-	3,923	19,199
Cash and cash equivalents	292,501	490,226	3,170,791	3,953,518
Trade and other receivables	431,915	1,047,292	107,503	1,586,710
Liabilities				
Trade and other payables	69,819	94,835	106,163	270,817

22 SEGMENT INFORMATION (Continued)

* Other expenses from "Others" segment comprise mainly employee benefits expense and expenses pursuant to the listing application amounting to US$355,971 and US$362,641, respectively, for the financial year ended 30 September 2017.

31 March 2018	**Hospitality** US$	**Education** US$	**Others** US$	**Total** US$
Revenue	180,000	611,870	-	791,870
Cost of services and royalties	(151,373)	(177,708)	-	(329,081)
Other expenses	(191,109)	(438,798)	* (1,761,343)	(2,391,250)
Interest income	59	47	2,274	2,380
Interest expense	-	-	(140,718)	(140,718)
Segment loss	(162,423)	(4,589)	(1,899,787)	(2,066,799)
Other non-cash items:				
Depreciation of plant and equipment	(8,900)	-	(2,506)	(11,406)
Amortisation	-	(21,667)	-	(21,667)
Loss on disposal of plant and equipment	(430)	-	-	(430)
Plant and equipment written off	-	-	(893)	(893)
Assets				
Intangible assets	-	144,722	-	144,722
Plant and equipment	15,498	-	1,705	17,203
Cash and cash equivalents	202,403	24,878	3,142,516	3,369,797
Trade and other receivables	256,954	2,027,113	116,819	2,400,886
Liabilities				
Trade and other payables	35,266	88,494	225,024	348,784

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

23 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.

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

23.1 Credit risks

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

23.2 Market risks

Market risk is the risk that changes in market conditions, such as foreign exchange rates, will affect the Group's profit or loss. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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, Pound Sterling 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:

		Financial Assets	
	Unaudited As at 30 September 2018	**Unaudited As at 30 September 2017**	**Audited As at 31 March 2018**
	US$	US$	US$
United States Dollar	5,706,486	5,141,182	5,428,279
Singapore Dollar	302,168	12,019	120,146
Myanmar Kyat	195,042	173,158	24,040
Euro	19,246	14,332	1,314
	6,222,942	5,340,691	5,573,779

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

23.2 Market risks (Continued)

Foreign currency risks (Continued)

	Financial Liabilities		
	Unaudited As at 30 September 2018	**Unaudited As at 30 September 2017**	**Audited As at 31 March 2018**
	US$	US$	US$
United States Dollar	333,697	163,946	222,102
Myanmar Kyat	281,282	-	-
Singapore Dollar	69,905	106,871	47,861
Pound Sterling	12,890	-	78,821
	697,774	270,817	348,784

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, Singapore Dollar (SGD) , and Myanmar Kyat (MMK) against United States dollar (USD), with all variables held constant.

	Profit or loss / Equity		
	Unaudited As at 30 September 2018	**Unaudited As at 30 September 2017**	**Audited As at 31 March 2018**
	US$	US$	US$
SGD			
Strengthened against USD - 10% (30 September 2017: 10%, 31 March 2018: 10%)	23,226	(9,485)	7,229
Weakened against USD - 10% (30 September 2017: 10%, 31 March 2018: 10%)	(23,226)	9,485	(7,229)
MMK			
Strengthened against USD - 10% (30 September 2017: 10%, 31 March 2018: 10%)	(8,624)	17,316	2,404
Weakened against USD - 10% (30 September 2017: 10%, 31 March 2018: 10%)	8,624	(17,316)	(2,404)

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

23.3 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 disclosure in Note 15 are repayable on demand or due within one year from the end of the financial period.

24 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 and advances for hotel operations), trade and other payables (excluding deferred income) 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.

25 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 holders 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 2018, 30 September 2017 and 31 March 2018.

26 SUBSEQUENT EVENTS

On 5 December 2018, Myanmar Strategic Holdings announced that a US$1 million development project is underway at its first international school, the Yangon American International School ("Yangon American") and is due to be completed in Q2 2019 with the school targeted to launch in August 2019. The first Yangon American campus, with planned capacity of up to 400 students, will be positioned as a leading educational institution. The school will have up to 17 classrooms spread over 2,000 m^2, including a multi-use playground of more than 1,000 m^2.

On 17 October 2018, the Company announced that it granted options over a total of 72,000 ordinary shares of no par value to employees of the Group under the Company's existing share option plan.

On 13 December 2018, Myanmar Strategic Holdings purchased a minority non-controlling interest in MS English Pte Ltd representing 8% of the issued share capital from a former employee. Following this acquisition MS English Pte. Ltd. is fully owned by the Company