Independent Auditor's Report to the Members of
SINGAPORE MYANMAR INVESTCO LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Singapore Myanmar Investco Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and the statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)s") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the group and the company incurred losses from continuing operations, net of tax of US$10.5 million and US$9.0 million respectively during the reporting year ended 31 March 2020. In addition, as of that date, the current liabilities exceeded the current assets of the group by US$10.9 million, and as disclosed in Note 30E, the company has guaranteed the credit facilities of its subsidiaries amounting to US$2.4 million obtained from financial institutions. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and the company's ability to continue as going concerns. Management is however of the opinion that the use of the going concern basis in the preparation of these financial statements is appropriate, for reasons elaborated in Note 1 in the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue recognition for goods sold to a Myanmar retail distributor

Refer to Note 2C on critical judgements, assumptions and estimation uncertainties and Note 2A on revenue recognition.

The group supplies duty free fashion and lifestyle goods to a Myanmar distributor that operates retail businesses at an airport and downtown shopping malls. The group also has agreements with this distributor to provide advice on the merchandising and management of the retail outlets and to lease out retail outlets fixtures and fittings to the distributor. Revenue recognised for the sale of goods to this distributor amounted to US$15.0 million for the reporting year ended 31 March 2020. Management has assessed and concluded that the group is primarily responsible for fulfilling the promise to provide the specified goods or service including the acceptability of the specified goods or service as disclosed in Note 2C of the financial statements, and the revenue arising from the sales of goods to the distributor meet the revenue recognition criteria on the basis disclosed in Note 2A of the financial statements.

We have read the agreements between the group and the distributor to understand the arrangement for the distribution. To better appreciate the distribution arrangement we performed a site visit to the distributor's retail operation in Myanmar. We have also assessed the adequacy of the disclosures in the financial statements.

(b) Carrying amount of trade receivables

Refer to Note 2C on critical judgements, assumptions and estimation uncertainties, Note 2A on financial instruments and Note 19 on trade and other receivables.

The carrying value of net trade receivables amounted to US$24.1 million, accounting for 58.2% of the group's total assets as at the end of the reporting year. Approximately 91.4% of the gross trade receivables are due from the group's three major distributors in Myanmar. The estimate of impairment loss is based on the historical and forward looking trends of the receivables from these three major distributors, which includes analysis of the age of these receivables, credit worthiness of these debtors and future collectability.

The group worked with the debtors to derive the cash flow projections of the debtors to determine the ability of the debtors to settle the trade receivable amounts. The calculations made use of cash flow projections prepared by the debtors (assisted by the group's management) based on budgets and projections, taking into account initiatives currently undertaken to deliver expected future performance against latest market expectations, and using suitable discount rates for the projections. These estimates require a degree of estimation and judgement. The allowance for expected credit loss is based on the lifetime expected credit loss.

Key audit matters (cont'd)

(b) Carrying amount of trade receivables (cont'd)

We discussed with management the process over the determination of the recoverability of outstanding trade receivables. As part of our audit, we obtained an understanding of the respective distributors' business models and business environment in which these distributors operate in Myanmar, including confirmation from the distributors on the outstanding trade receivable balances at the end of reporting year. The audit team was supported by our in-house valuation specialists to assess whether the assumptions, factors and inputs used for the projections were appropriate. We have also assessed the adequacy of the disclosures made in the financial statements.

(c) Impairment of carrying amount of plant and equipment

Refer to Note 2C on critical judgements, assumptions and estimation uncertainties; Note 2A on impairment of non-financial assets and Note 14 on plant and equipment.

The group has plant and equipment with a net book value of US$10.1 million, accounting for 24.3% of the group's total assets as at the end of the reporting year. An impairment review is performed when there are indications of impairment. Management used the value-in-use method to determine the recoverable amount of plant and equipment. The value-in-use calculation requires management to estimate the future cash flows expected to arise from each cash generating unit ("CGU") as well as a suitable discount rate in order to calculate present value of the recoverable amount of each CGU. In estimating the future cash flows of each CGU, management forecasted the revenue, growth rates and margins based on presently available information.

We discussed with management the process over the determination of various estimates such as forecasted revenues, growth rates, profit margins, tax rates and discount rates. We assessed management's estimates applied in the value-in-use calculation based on our knowledge of each CGU's operations, and compared them against historical forecasts and performance. The audit team was supported by our in-house valuation specialists to perform a review of the management's methodology, estimates and the discount rate used in the impairment assessment. We have also assessed the adequacy of the disclosures made in the financial statements.

(d) Impairment of cost of investments and net receivable from subsidiaries

Refer to Note 2C on significant judgements, assumptions and estimation uncertainties and Note 2A on impairment of non-financial assets and financial instruments. Also refer to Notes 16 and 19 on investment in subsidiaries and trade and other receivables.

Key audit matters (cont'd)

(d) Impairment of cost of investments and net receivable from subsidiaries (cont'd)

The gross costs of investment in subsidiaries and the receivables from subsidiaries amounted to US$22.3 million and US$40.5 million respectively as at end of the reporting year. A cumulative impairment allowance of US$22.1 million and US$18.8 million have been made as at 31 March 2020 in relation to the investment in subsidiaries and receivables from subsidiaries respectively. The net amounts of US$0.2 million and US$21.7 million are classified as costs of investment in subsidiaries and receivables from subsidiaries respectively. The net carrying amount of the investments and receivables accounted for 82.6% of the company's total assets as at the end of the reporting year. For the non-performing subsidiaries or if they have significant negative equity balances, management has prepared profit forecasts to determine the value-in-use in assessing the recoverable amount of the investments from the subsidiaries concerned, and to determine the allowance for expected credit loss based on lifetime expected credit loss. These allowances have no impact on the group's financial performance.

Of the cumulative impairment allowance in cost of investment in subsidiaries of US$22.1 million, an impairment allowance of US$21.0 million was based on the net assets of a subsidiary where the business of the subsidiary concerned has been discontinued, and hence full impairment allowance has been made for the difference between the cost of investment in and the receivables from subsidiary compared to the net assets of the subsidiary concerned. Where value-in-use calculations were used, we have reviewed and challenged the assumptions and estimations used by management and have also discussed with management on the prospects and future plans of these subsidiaries. We have also assessed the adequacy of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements (cont'd)

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Mong Sheong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

9 October 2020

Engagement partner - effective from reporting year ended 31 March 2019