**UPDATED GENERAL REPORT 1,January 2019Shareholder and Voting Rights**



Subject to the company’s constitution, the following provisions shall have effect with respect to voting at meetings of a company.

- Subject to the rights or restrictions attached to any class of shares, at a meeting of a company

a. On a show of hands each member has one vote

b. On a poll, each member has one vote for each share they hold

c. If a share is jointly held, only one of the named holders entitled to vote

And

d. The chair has a casting vote

- A challenge to any voting rights may only be made at the meeting and must be finally determined by the chair

- A resolution put to the vote at a meeting must be decided by a show of hands unless a poll is demanded

- A poll may be demanded on any resolution by:

a) The chair

b) At least five members, or

c) Members with at least 10% of the votes that may be cast on the poll

- The poll may be demanded before a vote on a show of hands is taken or before or immediately after the results of the vote on a show of hands are declared

- The poll will be conducted in the manner directed by the chair

- Before any vote is taken on a show of hands or a poll the chair must inform the meeting of any proxy votes received and how such votes are to be cast, and

- On a show of hands, a declaration by the chair is conclusive evidence of the result, provided this reflects the show of hands and proxies received.

If for any reason it is impracticable to call a meeting of a company in any manner in which meetings of that company may be called, or to conduct the meeting of the company in a manner specified in the constitution of the company or this Lar, the Court may either of its own motion or on the application of any director of the company or of any member of the company to be called, held and conducted in such manner as the Court things fit, and where any such order is given may give such ancillary or consequential directions as it things expedient, and any meeting called, held and conducted in accordance with any such order shall for all purposes be deemed to be a meeting of the company duly called, held and conducted.

**Restrictions on Transfer of Shares**

No share shall be transferred except with the prior approval in writing of the Board of Directors. The Board of Directors shall have an absolute and unfettered discretion to refuse permission to transfer without assigning any reason thereof.

**Directors**

Details of all persons who were Directors during the time of this report, including their roles and brief biographical details are set out in this report. The Directors are responsible for the management of the business of the Company and, subject to law and the Company’s articles of Association, the Directors may exercise all the powers of the Company and may delegate their power and discretion to committees.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment ( whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

**Directors’ Interest**

Details of Directors’ Interest in the share capital of the Company are set out further in this report. This information is incorporated into this Directors’ Report by reference and is deemed to form a part of it.

The number of Directors at any one point in time shall not be less than one.

**Appointment and Replacement of Directors**

Directors shall be elected for at least 2 years

A retiring Director shall be eligible for re-election

The Company at the general meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing a person thereto.

If at any meeting at which an election of Directors ought to take place, the places of vacating Directors or not filled up, the meeting shall stand adjourned till the same day in the next week at the same time and place, and if at the adjourned meeting the places of the vacating directors are not filled up, the vacating directors or such of them as have not had their places filled up shall be deemed to have been re-elected at the adjourned meeting.

Notwithstanding the provisions of the Articles, the Board has determined that all the Directors will stand for re-election at the 2018 AGM in accordance with the best practice recommendations of the Myanmar Corporate Governance Code.

**Amendment of the Company’s Articles of Association**

The Company’s Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

**Employees**

The Group communicates with its employees through team briefs and notice boards. Views of employees are sought on matters of common concern via one to one meetings with management, staff forums and other employee committees. Priority is given to ensuring that employees are aware of all significant matters affecting the Group’s performance and of significant organizational changes.

A key factor in the Group’s employee remuneration strategy is encouraging the involvement of all employees in the Company’s performance.

The Group is committed to promoting equal opportunities in employment regardless of employees’ or potential employees’ gender, marital status, sexual orientation, age, race, religion, ethnic or social origin or disability. Recruitment, promotion and the availability of training at all areas within the Group, are based on the suitability and merit of any applicant for the job and full and fair consideration is always given to disabled person in such circumstances.

**Political Donations and Expenditure**

Neither the Company nor any or its subsidiaries has made any political donation or incurred any political expenditure during the period under review.

**Auditor**

The Audit Committee has recommended that KHIN SU HTAY be re-appointed as auditor for the financial year 2018-2019. Khin Su Htay has indicated their willingness to continue in office as auditor of the subsidiaries of the Group.

For the joint-ventures in which the group associates with, it is the Group’s recommendation to appoint WIN THIN & ASSOCIATES as auditor

**Corporate Governance Report**

It is the role of the Board to ensure that the Group is managed for the long term benefit of the shareholders, whilst also ensuring the interest of key stakeholders – including employees and suppliers – are protected.

The Board promotes the principles set out in the Myanmar Company’s Law, enacted by the Pyidaungsu Hluttaw 6th of December 2017. This report sets out that each company within the Group, and the Group as a whole, aims to comply with the provisions set out in the Code. This Code can be found on the DICA website <https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/final_mcl_english_version_6_dec_president_signed_version_cl.pdf>

**The Board**

**Board Composition and Succession**

The membership and composition of the Board is under continual review and whilst there were no changes to the composition of the Board during the financial ready to 31 March 2018, any changes would be recommended as may be deemed appropriate in the best interest of the Group. The board is focused on ensuring that succession planning is a key theme of its review of Board competition on an ongoing basis. This focus is also applied to the board’s review of the composition of the Group’s senior team.

The Board is dedicated to ensuring that it maintains entrepreneurial leadership and experience within a framework of effective control and risk management. It is also considered that the Board’s mix of Executive and Non-Executive Directors provides an appropriate combination of judgment, skills and experience to satisfy the Group’s need for overall effective and agile leadership.

The Board believes that the Non-Executive Directors have provided ample guidance and encouraging the effective leadership

The Board holds the view that better diversity creates a more inclusive and accountable corporate culture. The Board’s overriding and principal aim is to ensure that Board membership is based on merit given that the relevant skills, experience and judgement is fundamental to ensuring that the Board retains entrepreneurial leadership and effective, strategic management.

The Board is committed to ensuring that all recruitment is conducted on this basis going forward and to continually monitor this.

**Board Operation and Responsibilities**

The Board is responsible for the direction, management and performance of the Companies. The Directors act together in the best interest of the Group via the Board and its Committees. The board holds regular scheduled Board meetings during the year under review and ad hoc meetings were held between scheduled meetings, where required,

**Board Evaluation**

Having carried out internal evaluations of the performance and effectiveness of the Board in recent years, the Board deemed it appropriate to carry out an externally facilitated Board evaluation this year. The Board was keen to obtain the expert advice, perspective and judgement of an external specialist in this area and, as such, selected Independent Audit to carry out an evaluation exercise. The Group has no prior relationship or connection with Independent Audit. Specifically, the Board, led by the Senior Independent Director and facilitated by the Company Secretary, engaged Independent Audit’s governance assessment service, Thinking Board. The purpose of the review was to direct the Board’s attention to areas where there might be opportunities to improve its performance.

The Board and the Company Secretary completed a self-assessment on an anonymous basis in order to encourage and promote an open and honest exchange of perspectives from Board members and the Company Secretary. The key themes of the evaluation were: Making a Difference, Strategy, Information & Communication, Managing Strategic Risks, How the Board Works and Operation & Effectiveness of the Committees. Following the completion of such assessment, Independent Audit produced a report, which was then delivered to the Executive Chairman and Company Secretary in the first instance. The Company Secretary then circulated the report to the Board for further discussion and decision on the most appropriate actions to be implemented and monitored throughout the forthcoming financial year.

**Matters Reserved for the Board**

The Board has a formal schedule of matters reserved specifically to it for decisions which include:

- strategy setting and major strategic matters;

- approval of the Group’s financial statements;

- corporate acquisitions and disposals; and

- significant capital projects.

The matters reserved for the Board are kept under continual review to ensure they remain appropriate in light of the size of the Group and the nature of its activities.

**Conflicts of Interest**

The Company’s Articles of Association permit the Board to consider and, if it sees fit, to authorize situations where a Director has an interest that conflicts, or possibly could conflict, with the interests of the Company. The Board considers that the procedures it has in place for reporting and considering conflicts of interest are effective.

**Board Committees**

The Board delegates certain powers to Board Committees. There are three principal Board Committees to which the Board has delegated certain of its responsibilities. The terms of reference for all three Committees are reviewed by each Committee regularly and are available for inspection on request and are available on the Company’s corporate website.

**Internal Control**

There is an ongoing process for identifying, evaluation and managing the significant risks faced by the Group. This process is under constant review.

The Board, in conjunction with the Audit Committee, has full responsibility for the Group’s system of internal controls and monitoring their effectiveness. However, such a system is designed to manage rather than to eliminate the risk of failure to achieve the business objectives. The Board has established a well-defined organizational structure with clear operating procedures, lines of responsibility, delegated authority to executive management and a comprehensive financial reporting process.

Key features of the Group’s system of internal control and risk management are :

- Identification and monitoring of the business risks facing the Group, with major risks identified and reported to the Audit Committee and the Board including via brief monthly updates, more in depth quarterly updates and an annual risk report preparation and review process.

- Prompt preparation of comprehensive monthly management accounts providing relevant, reliable and up-to-date information. These allow for comparison with budget and previous year’s results. Significant variances from approved budgets are investigated as appropriate.

- Preparation of comprehensive annual profit and cash flow budgets allowing management to monitor business activities and major risks and the progress towards financial objectives in the short and medium term.

- Monitoring of store procedures and the reporting and investigation of suspected fraudulent activities.

- Reconciliation and checking of all cash and stock balances and investigation of any material differences.

In addition, the Audit Committee receives detailed reports from the external auditor in relation to the financial statements and the Group’s system of internal controls.

The Group has a formal whistleblowing policy in place which provides details of how employees can raise concerns in relation to the Group’s activities or the actions of any employee of the Group on a confidential basis. Information about whistleblowing channels is made available to all departments and head office employees and these have been reviewed in detail during the financial year in order to ensure that there is an acceptable and appropriate channel to report concerns relating to modern slavery, along with any other areas of concern held by any employee of the Group.

It is the Group’s policy to conduct all of its business in an ethical manner. The Group takes a zero tolerance approach to bribery and corruption, amongst its employees, suppliers and any associated parties acting on the Group’s behalf.

The Group has a detailed Anti-Bribery and Corruption Policy and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships and to implementing effective systems to counter bribery, which involves conducting an appropriate audit process at suitable intervals.

The Board has reviewed the effectiveness of the Group’s system of internal controls and believes this to be effective. In establishing the system of internal control the Directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred and costs of control. It follows, therefore, that the system of internal control can only provide a reasonable, and not absolute, assurance against the risk of material misstatement or loss. The integration of recently made investments or participations in Joint Ventures into the Group’s system of internal controls is achieved as quickly as possible.

**Shareholder Relations**

The Executive Directors maintain an active dialogue with the Company’s major shareholders to enhance understanding of their respective objectives, holding conference calls and attending meetings and future planned investor roadshows on a regular basis. The Executive Chairman and the Chief Executive Officer each provide feedback to the Board on issues raised by major shareholders.

**Audit Committee Report**

Financial Statements and Significant Accounting Matters

Principal Duties

The principal duties of the Audit Committee (‘ the Committee’) are to review draft annual and interim financial

statements prior to being submitted to the Board, reviewing the effectiveness of the Group’s system of internal

control, risk management and the performance and cost effectiveness of the external auditor.

**Main Activities of the Audit Committee During the Year**

The Committee’s activities included:

1. Reviewing the Group’s draft financial statements and interim results statement prior to Board approval and reviewing the external auditor’s detailed reports thereon including internal controls.

2. Reviewing regularly the potential impact on the Group’s financial statements of certain matters such as impairments of fixed asset values and proposed International Accounting Standards.

3. Reviewing the external auditor’s plan for the audit of the Group’s financial statements, key risks of misstatement in the financial statements, confirmations of auditor independence, audit fee and terms of engagement of the auditor.

4. Reviewing the independence and effectiveness of the Group’s external auditor and the appropriateness and timing of any tender process in respect of the Group’s external auditor.

5. Reviewing the whistleblowing arrangements in place for employees to be able to raise matters of possible impropriety in confidence to ensure they remain appropriate.

6. Reviewing the Company’s risk register and internal controls.

7. Consideration of whether an internal audit function should be established.

**Financial Statements and Significant Accounting Matters**

The Committee is responsible for reviewing the Group’s draft financial statements and interim results statement prior to Board approval. As part of such review, the Committee considers whether suitable accounting policies have been adopted and whether appropriate judgements have been made by management. The Committee also reviews reports by the external auditor on the full year and half year results.

The following are material areas in which significant judgements have been applied and have been considered by the Committee during the year:

The external auditor provides to the Committee detailed explanations of the results of their review of the estimate of the value in use, including their challenge of management’s underlying cash flow projections, the key growth assumptions and discount rates. The Committee has also reviewed the disclosures in the financial statements.

**Valuation of Inventories**

The Audit Committee considered the risk that inventory may need to be impaired and tested the principles and integrity of the obsolescence provision calculation used across the Group. This risk review is particularly important to the Group given the extremely seasonal nature of its different businesses and the changing desirability of products over time. The Audit Committee also reviewed the assessment carried out by the auditors of the overall consistency of the assumptions used by comparing to those used in prior periods. The Committee reviews the provision models and challenges management on the key judgements made over aged stock and the level of proceeds for aged stock or revalued immobile assets.

The external auditor reports to the Committee on the work they have completed and how their audit work is concentrated on this area.

**Internal Audit**

Whilst the Company does not have an internal audit function, the Audit Committee regularly considers and analyses the benefits of an internal audit function and the nature of the same. In particular, the Audit Committee reviews the advantages of an internal auditor being recruited as an employee of the business and also of an ‘outsourced’ internal audit function, tasked with focusing on key projects. During the financial year, the Audit Committee determined that such an appointment is not immediately necessary, and, due to the fact that the Group’s operations are still largely centralized within its head office, many of the Group’s existing departments perform activities which would otherwise be carried out by a specific internal audit function, such as its experienced Profit Protection team who are focused on limiting shrinkage, theft and fraud as well as carrying out stock and cash audits. The Profit Protection Director reports to the Board on a quarterly basis and the Audit Committee considers that this function plays an effective role currently. The potential benefits of a dedicated internal audit function remains a key topic of consideration for the Audit Committee during the forthcoming financial year.

**Directors Remuneration Policy**

The Remuneration Committee has focused on ensuring that our remuneration packages for both the Executive Directors and the members of the executive team reflect the excellent current performance, our medium/ long terms plans and the increasingly competitive economy within Myanmar. At the same time the remuneration packages ensure that we retain and motivate these essential executive team members. We consider that the Directors’ Remuneration policy and our actions are appropriate in rewarding, retaining and motivating our key leaders. This Directors’ Remuneration Report (‘Report’) is based on the activities of the Committee for the period to 31 March 2018. It sets out a summary of the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Company.