

**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2017**

Currency – Myanmar Kyats (In Thousands)

**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY  
FINANCIAL STATEMENTS  
MARCH 31, 2017**

<b>CONTENTS</b>	<b>PAGE</b>
Statement of Management's Responsibility	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Statement of Financial Position - Company	5
Consolidated Statement of Comprehensive Income	6
Statement of Comprehensive Income - Company	7
Consolidated Statement of Changes in Equity	8
Statement of Changes in Equity - Company	9
Consolidated Statement of Cash Flows	10
Statement of Cash Flows - Company	11
Notes to the Consolidated Financial Statements	12 - 30

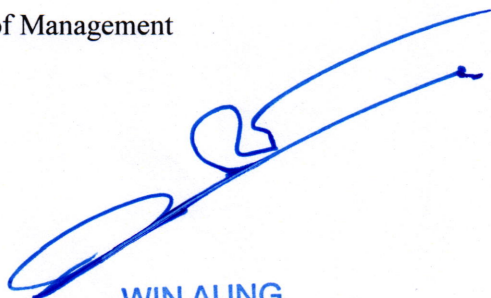
## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED**

It is the responsibility of the management to prepare the consolidated statements of financial position of **Myanmar Thilawa SEZ Holdings Public Limited and its subsidiary (the Group)** and statement of financial position of **Myanmar Thilawa SEZ Holdings Public Limited (the Company)** as at March 31, 2017, the consolidated statement of comprehensive income of the Group and statement of comprehensive income of the Company, consolidated statement of changes in equity of the Group, statement of changes in equity of the Company and consolidated statement of cash flows of the Group and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes. In preparing these consolidated financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently; and
- Make judgments and estimates that are reasonable and prudent.

The management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. We, as management committee, have general responsibility for taking such steps as are reasonably open to us to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of Management



**WIN AUNG**  
Chairman

Myanmar Thilawa SEZ Holdings Public Limited

**29** June 2017





ဝင်းသင်နှင့်အဖွဲ့၊ တရားစစ်များ။

**WIN THIN & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HEAD OFFICE:-** Room (2B/2C) 1<sup>st</sup> Floor, Rose Condominium, No.182/194, Botahtaung Pagoda Road, Pazundaung Township, Yangon Region, Myanmar. Tel : 95-1-201798, 296164, Fax: 9 5-1-245671 Email : [winthin9@myanmar.com.mm](mailto:winthin9@myanmar.com.mm)

**MANDALAY BRANCH:-** Room (9/10), East Wing of Bahtoo Stadium, 70<sup>th</sup> Street (Between 29<sup>th</sup> & 30<sup>th</sup> Street),  
**OFFICE** Mandalay Region , Myanmar. Tel : 95-2-34451, Fax: 95-2-34498

**Ref: 260/ M-255/ March 2017**

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Group of Myanmar Thilawa SEZ Holdings Public Limited**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of **Myanmar Thilawa SEZ Holdings Public Limited** ("the Company") and its subsidiary ("the Group") set out on pages 4 to 30 which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at March 31, 2017, the consolidated statement of comprehensive income of the Group and the statement of comprehensive income of the Company, the consolidated statement of changes in equity of the Group and the statement of changes in equity of the Company, consolidated statement of cash flow of the Group and the statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Myanmar Financial Reporting Standards (MFRS) and the provisions of the Myanmar Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Myanmar Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



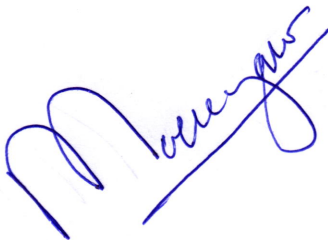
## Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the Myanmar Financial Reporting Standards and the provisions of the Myanmar Companies Act so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2017, and of the results, changes in equity and cash flows of the Group and the Company for the financial year ended on that date.

## Report on Other Legal and Regulatory Requirements

In accordance with the provisions of the Myanmar Companies Act, we also report that:

- (i) we have obtained all the information and explanations we have required; and
- (ii) books of account have been maintained by the Company and by those subsidiary as required by Section 130 of the Act.



U Moe Kyaw (PA-313)  
Managing Partner  
WIN THIN & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

June 29, 2017

**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**

Currency – Myanmar Kyats (In Thousands)

	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,080,588	777,350
Intangible asset	7	4,551	4,193
Investment in associate	8	18,565,913	25,532,343
Investment property	10	4,192,233	-
		<b>23,843,285</b>	<b>26,313,886</b>
<b>Current assets</b>			
Cash and cash equivalents	11	26,366,578	26,734,323
Trade and other receivables	12	16,753,906	3,878,911
Inventories	13	27,734,154	24,738,029
Construction contract work in progress	14	9,196	-
		<b>70,863,834</b>	<b>55,351,263</b>
		<b>94,707,119</b>	<b>81,665,149</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital – value per share kyat 1,000/-			
Authorized– 500,000,000 shares		<b>500,000,000</b>	500,000,000
Issued and paid-up capital	15	<b>38,929,150</b>	38,929,150
Retained profits		<b>40,453,538</b>	28,661,636
		<b>79,382,688</b>	67,590,786
Non-controlling interest		<b>6,775,621</b>	5,973,614
		<b>86,158,309</b>	73,564,400
<b>Non-current liabilities</b>			
Deposit from suppliers		-	303,000
Advance from customers		<b>4,783,796</b>	5,171,040
		<b>4,783,796</b>	5,474,040
<b>Current liabilities</b>			
Trade and other payables	16	<b>3,240,997</b>	639,282
Current tax liability		<b>524,017</b>	1,987,427
		<b>3,765,014</b>	2,626,709
		<b>94,707,119</b>	<b>81,665,149</b>

The notes on pages 12 to 30 are an integral part of these consolidated financial statements.

Authenticated by Directors:

TUN LWIN

Managing Director

Thilawa Property Development Limited. Myanmar Thilawa SEZ Holdings Public Limited.

WIN AUNG

Chairman

THEIN HAN

Managing Director

Myanmar Thilawa SEZ Holdings Public Limited.

WUI HUA TAN

Chief Financial Officer

Myanmar Thilawa SEZ Holdings Public Limited.





**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED****STATEMENT OF FINANCIAL POSITION – COMPANY****AS AT MARCH 31, 2017**

Currency – Myanmar Kyats (In Thousands)

	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property , plant and equipment	6	434,939	539,809
Intangible asset	7	4,551	4,193
Investment in associate	8	18,565,913	25,532,343
Investment in subsidiary	9	24,000,000	24,000,000
		<b>43,005,403</b>	<b>50,076,345</b>
<b>Current assets</b>			
Cash and cash equivalents	11	19,594,871	17,808,741
Trade and other receivables	12	15,514,343	2,300,393
		<b>35,109,214</b>	<b>20,109,134</b>
		<b>78,114,617</b>	<b>70,185,479</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital – value per share kyat 1,000/-			
Authorized– 500,000,000 shares		<b>500,000,000</b>	500,000,000
Issued and paid-up capital	15	<b>38,929,150</b>	38,929,150
Retained profits		<b>37,355,973</b>	28,772,098
		<b>76,285,123</b>	<b>67,701,248</b>
<b>Non-current liabilities</b>			
Deposit from suppliers		-	303,000
		-	<b>303,000</b>
<b>Current liabilities</b>			
Trade and other payables	16	<b>1,305,477</b>	193,804
Current tax liability		<b>524,017</b>	1,987,427
		<b>1,829,494</b>	<b>2,181,231</b>
		<b>78,114,617</b>	<b>70,185,479</b>

The notes on pages 12 to 30 are an integral part of these financial statements.

Authenticated by Directors:

**TUN LWIN**

Managing Director

Thilawa Property Development Limited.

**WIN AUNG**

Chairman

Myanmar Thilawa SEZ Holdings Public Limited.

**THEIN HAN**

Managing Director

Myanmar Thilawa SEZ Holdings Public Limited.



**WUI HUA TAN**

Chief Financial Officer

Myanmar Thilawa SEZ Holdings Public Limited.

**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
 Currency – Myanmar Kyats (In Thousands)

	Note	2017	2016
<b>Income</b>			
Revenue	17	10,208,750	2,715,676
Cost of sales	20	(4,620,449)	-
<b>Gross Profit</b>		<b>5,588,301</b>	<b>2,715,676</b>
Other income	18	416,756	1,019,978
Other gains/(losses)	19	3,289,528	6,082,586
<b>Expenses</b>			
Selling and marketing expenses	20	(100,336)	(213,894)
Administrative expenses	20	(3,088,149)	(1,786,567)
<b>Profit/(loss) for the year</b>		<b>6,106,100</b>	<b>7,817,779</b>
Share of profit of associate	8	16,744,114	14,757,441
<b>Profit/(loss) for the year</b>		<b>22,850,214</b>	<b>22,575,220</b>
Income tax expense		(524,017)	(1,902,050)
<b>Net Profit/(loss) for the year</b>		<b>22,326,197</b>	<b>20,673,170</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>22,326,197</b>	<b>20,673,170</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		21,524,190	20,699,556
Non-controlling interests		802,007	(26,386)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		21,524,190	20,699,556
Non-controlling interests		802,007	(26,386)
<b>Earnings per share (K per share)</b>			
<b>Basic earnings per share</b>	22	<b>553</b>	<b>5,317</b>

The notes on pages 12 to 30 are an integral part of these consolidated financial statements.

Authenticated by Director:

TUN LWIN

Managing Director

Thilawa Property Development Limited.

WIN AUNG

Chairman

Myanmar Thilawa SEZ Holdings Public Limited.

THEIN HAN

Managing Director

Myanmar Thilawa SEZ Holdings Public Limited.

WUI HUA TAN

Chief Financial Officer

Myanmar Thilawa SEZ Holdings Public Limited.





**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME - COMPANY**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
 Currency – Myanmar Kyats (In Thousands)

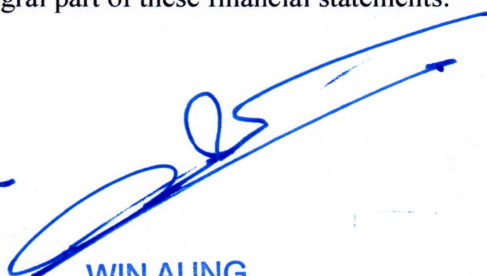
	Note	2017	2016
<b>Income</b>			
Revenue	17	1,901,169	2,715,676
Other income	18	252,611	864,786
Other gains/ (losses)	19	2,611,895	6,130,197
<b>Total income</b>		<b>4,765,675</b>	<b>9,710,659</b>
<b>Expenses</b>			
Selling and marketing expenses	20	(90,672)	(211,193)
Administrative expenses	20	(2,578,937)	(1,549,759)
<b>Net profit/(loss)</b>		<b>2,096,066</b>	<b>7,949,707</b>
Share of profit/(loss) of associate	8	16,744,114	14,757,441
<b>Net profit/(loss) before tax</b>		<b>18,840,180</b>	<b>22,707,148</b>
Income tax expense		(524,017)	(1,902,050)
<b>Net profit/(loss) for the year</b>		<b>18,316,163</b>	<b>20,805,098</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>18,316,163</b>	<b>20,805,098</b>
<b>Earnings per share (K per share)</b>			
<b>Basic earnings per share</b>	22	471	5,344

The notes on pages 12 to 30 are an integral part of these financial statements.

Authenticated by Director:



**TUN LWIN**  
 Managing Director  
 Thilawa Property Development Limited



**WIN AUNG**  
 Chairman  
 Myanmar Thilawa SEZ Holdings Public Limited.



**THEIN HAN**  
 Managing Director  
 Myanmar Thilawa SEZ Holdings Public Limited.



**WUI HUA TAN**  
 Chief Financial Officer  
 Myanmar Thilawa SEZ Holdings Public Limited.



**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED MARCH 31, 2017**

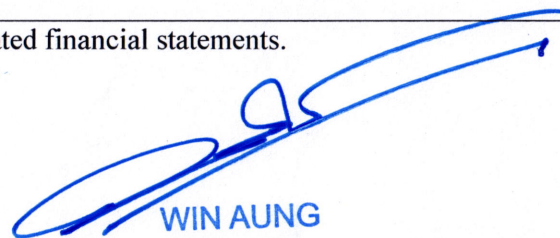
Currency – Myanmar Kyats (In Thousands)

	Issued and paid-up Capital		Retained Profits	Non-controlling interest	Total
	No. of shares	Kyat	Kyat	Kyat	Kyat
<b>Balance at April 1, 2016</b>	<b>3,892,915</b>	<b>38,929,150</b>	<b>28,661,636</b>	<b>5,973,614</b>	<b>73,564,400</b>
Profit for the year	-	-	21,524,190	802,007	22,326,197
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>3,892,915</b>	<b>38,929,150</b>	<b>50,185,826</b>	<b>6,775,621</b>	<b>95,890,597</b>
Shares split (10 for 1 share)	35,036,235	-	-	-	-
Dividends relating to 2015 paid	-	-	(9,732,288)	-	(9,732,288)
<b>Balance at March 31, 2017</b>	<b>38,929,150</b>	<b>38,929,150</b>	<b>40,453,538</b>	<b>6,775,621</b>	<b>86,158,309</b>
Balance at April 1, 2015	3,892,915	38,929,150	15,747,910	-	54,677,060
Profit for the year	-	-	20,699,556	(26,386)	20,673,170
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>3,892,915</b>	<b>38,929,150</b>	<b>36,447,466</b>	<b>(26,386)</b>	<b>75,350,230</b>
Issue of shares	-	-	-	6,000,000	6,000,000
Dividends relating to 2014 paid	-	-	(7,785,830)	-	(7,785,830)
<b>Balance at March 31, 2016</b>	<b>3,892,915</b>	<b>38,929,150</b>	<b>28,661,636</b>	<b>5,973,614</b>	<b>73,564,400</b>

The notes on pages 12 to 30 are an integral part of these consolidated financial statements.

Authenticated by Director:

  
**TUN LWIN**  
 Managing Director  
 Thilawa Property Development Limited.

  
**WIN AUNG**  
 Chairman  
 Myanmar Thilawa SEZ Holdings Public Limited.

  
**THEIN HAN**  
 Managing Director  
 Myanmar Thilawa SEZ Holdings Public Limited.

  
**WUI HUA TAN**  
 Chief Financial Officer  
 Myanmar Thilawa SEZ Holdings Public Limited.





**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED**  
**STATEMENT OF CHANGES IN EQUITY - COMPANY**  
**FOR THE YEAR ENDED MARCH 31, 2017**  
Currency – Myanmar Kyats (In Thousands)

	Issued and paid-up capital	Retained Profits	Total
<b>Balance at April 1, 2016</b>	<b>38,929,150</b>	<b>28,772,098</b>	<b>67,701,248</b>
Profit for the year		<b>18,316,163</b>	<b>18,316,163</b>
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	<b>38,929,150</b>	<b>47,088,261</b>	<b>86,017,411</b>
Dividend relating to 2015 paid	-	<b>(9,732,288)</b>	<b>(9,732,288)</b>
<b>Balance at March 31, 2017</b>	<b>38,929,150</b>	<b>37,355,973</b>	<b>76,285,123</b>
Balance at April 1, 2015	38,929,150	15,752,830	54,681,980
Profit for the year	-	20,805,098	20,805,098
Other comprehensive income for the year	-	-	-
<b>Total comprehensive income for the year</b>	<b>38,929,150</b>	<b>36,557,928</b>	<b>75,487,078</b>
Dividend relating to 2014 paid	-	<b>(7,785,830)</b>	<b>(7,785,830)</b>
<b>Balance at March 31, 2016</b>	<b>38,929,150</b>	<b>28,772,098</b>	<b>67,701,248</b>

The notes on pages 12 to 30 are an integral part of these financial statements.

**Authenticated by Directors;**

  
**TUN LWIN**  
Managing Director  
Thilawa Property Development Limited.

  
**WIN AUNG**  
Chairman  
Myanmar Thilawa SEZ Holdings Public Limited.

  
**THEIN HAN**  
Managing Director  
Myanmar Thilawa SEZ Holdings Public Limited.

  
**WUI HUA TAN**  
Chief Financial Officer  
Myanmar Thilawa SEZ Holdings Public Limited.



**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2017**

Currency – Myanmar Kyats (In Thousands)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		22,850,214	22,575,220
Adjustment for non-cash items:			
Depreciation		221,250	87,801
Amortisation		1,099	690
Write-off		29,990	1,074
Share of profit of associate		(16,744,114)	(14,757,441)
<b>Operating profit/ (loss) before working capital changes</b>		<b>6,358,439</b>	<b>7,907,344</b>
<b>Changes in working capital</b>			
Trade and other receivables		1,196,330	(1,112,386)
Deposit from suppliers		(303,000)	(31,100)
Inventories		(7,209,424)	(8,483,046)
Construction contract work in progress		(9,196)	-
Trade and other payables		2,269,733	(1,103,438)
Current tax liability		(1,128,267)	(36,994)
Advance from customers		(387,244)	5,171,040
<b>Cash generated from operations</b>		<b>787,371</b>	<b>2,311,420</b>
Income tax paid		(859,159)	(586,630)
<b>Net cash (used in)/ provided by operating activities</b>		<b>(71,788)</b>	<b>1,724,790</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(534,869)	(565,412)
Proceeds from sale of fixed asset		-	600
Dividend received from associate		9,971,200	14,347,373
Purchase of shares from subsidiary		-	6,000,000
<b>Net cash provided by investing activities</b>		<b>9,436,331</b>	<b>19,782,561</b>
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		(9,732,288)	(7,785,830)
Proceed from capital brought in		-	-
<b>Net cash used in financing activities</b>		<b>(9,732,288)</b>	<b>(7,785,830)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(367,745)</b>	<b>13,721,521</b>
Cash and cash equivalents at beginning of year	11	26,734,323	13,012,802
<b>Cash and cash equivalents at the end of financial year</b>	<b>11</b>	<b>26,366,578</b>	<b>26,734,323</b>

The notes on pages 12 to 30 are an integral part of these consolidated financial statements.

Authenticated by Directors;

TUN LWIN

Managing Director

Thilawa Property Development Limited, Myanmar Thilawa SEZ Holdings Public Limited.

WIN AUNG

Chairman

THEIN HAN

Managing Director

Myanmar Thilawa SEZ Holdings Public Limited.

WUI HUA TAN

Chief Financial Officer

Myanmar Thilawa SEZ Holdings Public Limited.





**MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED**

**STATEMENT OF CASH FLOWS - COMPANY**

**FOR THE YEAR ENDED MARCH 31, 2017**

Currency – Myanmar Kyats (In Thousands)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		18,840,180	22,707,148
Adjustments for non-cash items:			
Depreciation		122,591	85,583
Amortisation		1,099	690
Write-off		29,227	1,074
Share of profit of associate		(16,744,114)	(14,757,441)
<b>Operating profit/ (Loss) before working capital changes</b>		<b>2,248,983</b>	<b>8,037,054</b>
<b>Changes in working capital</b>			
Trade and other receivable		700,382	(6,761,492)
Deposit from suppliers		(303,000)	(31,100)
Trade and other payable		1,111,673	(962,656)
Current tax liability		(1,128,267)	(36,994)
<b>Cash generated from operations</b>		<b>2,629,771</b>	<b>244,812</b>
Income tax paid		(859,159)	(586,630)
<b>Net cash provided by/ (used in) operating activities</b>		<b>1,770,612</b>	<b>(341,818)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(223,394)	(325,652)
Proceeds from sale of fixed asset		-	600
Dividend received from associate		9,971,200	14,347,373
Purchase of shares from subsidiary		-	(1,098,734)
<b>Net cash provided by investing activities</b>		<b>9,747,806</b>	<b>12,923,587</b>
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		(9,732,288)	(7,785,830)
<b>Net cash used in financing activities</b>		<b>(9,732,288)</b>	<b>(7,785,830)</b>
Net increase/ (decrease) in cash and cash equivalents		1,786,130	4,795,939
Cash and cash equivalents at beginning of year	11	17,808,741	13,012,802
<b>Cash and cash equivalents at the end of financial year</b>	<b>11</b>	<b>19,594,871</b>	<b>17,808,741</b>

The notes on pages 12 to 30 are an integral part of these financial statements.

Authenticated by Directors;

  
**TUN LWIN**  
 Managing Director  
 Thilawa Property Development Limited.

  
**WIN AUNG**  
 Chairman  
 Myanmar Thilawa SEZ Holdings Public Limited.

  
**THEIN HAN**  
 Managing Director  
 Myanmar Thilawa SEZ Holdings Public Limited.

  
**WUI HUA TAN**  
 Chief Financial Officer  
 Myanmar Thilawa SEZ Holdings Public Limited.



## **MYANMAR THILAWA SEZ HOLDINGS PUBLIC LIMITED AND ITS SUBSIDIARY NOTES TO THE FINANCIAL STATEMENTS**

---

### **1. General information**

Myanmar Thilawa SEZ Holdings Public Limited (the Company) was incorporated in the Republic of the Union of Myanmar on May 3, 2013 under The Myanmar Companies Act.

On 26 May 2013, pursuant to the Cooperation Memorandum, the Company signed a Memorandum of Understanding with MMST LLP (MMS Thilawa Limited Liability Partnership) for the purpose of establishing the Joint Venture Company for the development, marketing, sales and operation of the Class A Project.

On 29 October 2013, pursuant to the Memorandum of Understanding mentioned above, the Company, the Thilawa SMC (Thilawa SEZ Management Committee) and MMSTD (MMS Thilawa Development Co., Ltd) entered into the Joint Venture Agreement in connection with the establishment of the JV Company to undertake the development, construction, marketing, sales and operation of the Class A project. The Joint Venture Company was established as Myanmar Japan Thilawa Development Ltd. (MJTD).

Under the Joint Venture Agreement, subject to the satisfaction of certain prescribed conditions precedent, the Company will collectively subscribe for JV Company Shares of an initial aggregate amount of US\$50,000,000 in the proportions of 41%.

The principle business activities of the Company are to:

- invest in and participate in the management of the JV Company, which will engage in the development, construction, marketing, sales and operation of the Class A Project;
- market and sell the Class A Properties to Myanmar Related Entities as exclusive agent, and market and sell the Class A Properties to parties which are not Myanmar Related Entities or Japanese Related Entities jointly with the Japanese consortium members; and
- engage in the development of Thilawa SEZ (other than the Class A Area) or any part thereof as may be determined by our Directors in their discretion.

For additional information about the Company, please refer to the Company's Prospectus dated 27<sup>th</sup> February, 2014.

The registered office of the Company is No. (29), Min Ye Kyaw Swar Road (UMFCCI Tower), Lanmadaw Township, Yangon Region, the Republic of the Union of Myanmar.

The validity of the Certificate of Incorporation issued to the Company is five years expiring on May 3, 2018.

The Company is listed in Yangon Stock Exchange on 20<sup>th</sup> May 2016.

---

### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.



## 2.1 Basis of preparation

The accompanying financial statements of the Company have been prepared in accordance with Myanmar Financial Reporting Standards (MFRS) and have been based on historical cost convention.

In preparing these financial statements, certain reclassifications and rearrangements have been made in 2016 financial statements to conform to the classification used in 2017.

## 2.2 Foreign currency translation

### (1) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Myanmar Kyats, which is the presentation currency as well as functional currency of the Company. All amounts have been rounded to the nearest thousands, unless otherwise indicated.

### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

## 2.3 Group Accounting

### (a) Subsidiaries

#### Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and recognized gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

#### (b) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

#### (c) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognized in profit or loss and its share of post-acquisition other comprehensive income is recognized in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognize further losses, unless it has obligations to make or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

### 2.4 Investment in associate

Investment in associate is initially recognized at the transaction price (including transaction costs) under the equity method of accounting and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

### 2.5 Investment properties

Investment properties are properties held to earn rental and/or capital appreciation (or both). Investment properties are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of fifty years.

The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.



Depreciation on assets under construction commences when the assets are ready items of property, plant and equipment less their estimated residuals values using the straight-line method over their estimated useful life. The estimated useful lives are as follows:

Plant	5%
Office renovation	20%
Furniture and equipment	10%-40%
Motor vehicle	20%
Computer and equipment	20%
Machinery and equipment	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period. The effects of any revision are recognized in profit or loss when the changes arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/(losses) – net' in the statement of comprehensive income.

## 2.7 Intangible assets

### Accounting software

Accounting software license is initially capitalized at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures are added to the original cost of the software. Costs associated with maintaining the accounting software license are expensed off when incurred.

Computer software license is subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortized to profit or loss using the straight-line method over their estimated useful lives of five years equivalent to 20%.

## 2.8 Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the statement of financial position date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on

the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognized as an expense immediately.

At the statement of financial position date, the cumulative costs incurred plus recognized profits (less recognized losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognized profits (less recognized losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognized profits (less recognized losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

## 2.9 Inventories

Inventories are carried at the lower of cost and net realizable value. The cost comprises cost of land scraping cost, infrastructure development cost, direct labour and other direct cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

## 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with various local banks.

## 2.11 Trade and other receivables

Trade and other receivables are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade and other receivables are reduced by appropriate allowance for estimated irrecoverable amount.

## 2.12 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method.

## 2.13 Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

## 2.14 Dividends

Dividends to the Company's shareholders are recognized when the dividends are approved for payment.

## 2.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is a probable that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.



## 2.16 Revenue

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is shown net of sales (after deducting commercial tax)

- (a) Rendering of services – Management fees and commission fees  
Fees and commission are generally recognized on an accrual basis when the service has been provided.
- (b) Sale of goods – Land  
Revenue from sales of goods is recognized when the goods are delivered and title has passed to the customer.
- (c) Interest income  
Interest income arising from deposit at financial institution is recognized when the effective interest method.
- (d) Dividend income  
Dividend income is recognized when the right to receive payment is established.
- (e) Revenue from construction contracts  
Please refer to the paragraph “construction contracts” for the accounting policy for the revenue from construction contracts.

## 2.17 Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The current income tax is calculated on the basis of the tax rate and tax law enacted or substantially enacted at the end of the reporting period. Current income tax is recognized in profit or loss.

## 2.18 Commercial tax

Revenues expenses and assets are recognized net of the amount of commercial tax except:

- where the commercial tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the commercial tax is recognized as part of the cost of acquisition of the asset or as part of the expenses item as applicable; and
- receivables and payables that are stated with the amount of commercial tax included.

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

## 2.19 Related party

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venture;

- (d) the party is a member of key management personnel of the entity or its parents;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

---

### **3. Significant accounting judgments and estimates**

The preparation of the Company's financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

#### **Infrastructure development costs**

Infrastructure development costs of land are recorded as inventories during the construction stage and an apportionment of these costs will be recognized in the statement of comprehensive income upon the recognition of the revenue of the land under development.

These infrastructure costs comprise of awarded contracts and an estimation of future ones. The total costs were estimated by a third-party professional Quantity Surveyor and periodically re-validated internally.

Before the final settlement of the development costs and other costs relating to the land under development, these costs are based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

---

### **4. Financial risk management**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. In addition to the risk factors as stated in the Company's Prospectus dated 27<sup>th</sup> February, 2014, the main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

#### **Foreign exchange risk**

The Group has exposure to foreign exchange risk due to assets and liabilities denominated in foreign currencies. However, the Group does not hedge its exposures to foreign exchange risk as the risk is not expected to be significant.

#### **Credit risk**

The maximum credit risk associated with recognized financial assets is the carrying amount shown in the statement of financial position. However, policies had been established by the Group to minimize such risks.



Market risk

The Group is not exposed to any market risk.

Liquidity and cash flow risks

The Group monitors and maintains a level of bank balances deemed adequate by the directors to finance the operation and mitigate the effects of fluctuation in cash flow.

---

**5. Capital management**

The Group's objectives, when managing its capital, are to safeguard and maintain adequate working capital to continue as a going concern.

**6. Property, plant and equipment Group**

The details of above are as follows:

Myanmar Kyats ( In Thousands)	Office Renovation	Furniture & Equipment	Sewage treatment plant	Computer Equipment	Machinery and equipment	Motor Vehicle	Total
<b>Cost</b>							
Balance at April 1, 2016	170,228	146,925	221,500	38,823	50,015	274,586	902,077
Addition	134,645	113,293	166,300	16,593	31,508	70,860	533,199
Write off	(35,315)	(23,078)	-	(1,372)	-	-	(59,765)
Balance at March 31, 2017	269,558	237,140	387,800	54,044	81,523	345,446	1,375,511
<b>Accumulated depreciation and impairment loss</b>							
Balance at April 1, 2016	(20,376)	(22,991)	(923)	(10,864)	(6,898)	(62,675)	(124,727)
Depreciation	(59,795)	(46,885)	(14,597)	(9,899)	(10,324)	(58,684)	(200,184)
Impairment loss	-	-	-	-	-	-	-
Write off	21,696	7,538	-	754	-	-	29,988
Balance at March 31, 2017	(58,475)	(62,338)	(15,520)	(20,009)	(17,222)	(121,359)	(294,923)
<b>Net book value</b>							
<b>End of financial year</b>	<b>211,083</b>	<b>174,802</b>	<b>372,280</b>	<b>34,035</b>	<b>64,301</b>	<b>224,087</b>	<b>1,080,588</b>
<b>Cost</b>							
Balance at April 1, 2015	35,315	59,607	-	25,980	35,025	186,615	342,542
Addition	134,913	87,318	221,500	12,843	14,990	90,391	561,955
Write off	-	-	-	-	-	(2,420)	(2,420)
Balance at March 31, 2016	170,228	146,925	221,500	38,823	50,015	274,586	902,077
<b>Accumulated depreciation and impairment loss</b>							
Balance at April 1, 2015	(8,747)	(6,526)	-	(4,024)	(1,260)	(17,115)	(37,672)
Depreciation	(11,629)	(16,465)	(923)	(6,840)	(5,638)	(46,306)	(87,801)
Impairment loss	-	-	-	-	-	-	-
Write off	-	-	-	-	-	746	746
Balance at March 31, 2016	(20,376)	(22,991)	(923)	(10,864)	(6,898)	(62,675)	(124,727)
<b>Net book value</b>							
<b>End of financial year</b>	<b>149,852</b>	<b>123,934</b>	<b>220,577</b>	<b>27,959</b>	<b>43,117</b>	<b>211,911</b>	<b>777,350</b>



**Company**

The details of above are as follows:

Myanmar Kyats ( In Thousands)	Office Renovation	Furniture and equipment	Computer equipment	Motor Vehicle	Machinery Equipment	Total
<b>Cost</b>						
Balance at April 1, 2016	170,228	146,925	38,823	271,316	35,025	662,317
Addition	134,645	30,368	13,711	43,000	-	221,724
Assets transfer	(745)	(11,956)	(9,402)	(153,341)	(35,025)	(210,469)
Write off	(35,315)	(21,020)	(1,159)	-	-	(57,494)
Balance at March 31, 2017	268,813	144,317	41,973	160,975	-	616,078
<b>Accumulated depreciation and impairment loss</b>						
Balance at April 1, 2016	(20,376)	(22,991)	(10,864)	(62,564)	(5,713)	(122,508)
Depreciation	(59,646)	(30,765)	(7,868)	(24,312)	-	(122,591)
Assets transfer	115	4,041	1,593	24,018	5,713	35,480
Impairment loss	-	-	-	-	-	-
Write off	21,696	6,075	709	-	-	28,480
Balance at March 31, 2017	(58,211)	(43,640)	(16,430)	(62,858)	-	(181,139)
<b>Net book value</b>						
<b>End of financial year</b>	<b>210,602</b>	<b>100,677</b>	<b>25,543</b>	<b>98,117</b>	<b>-</b>	<b>434,939</b>
<b>Cost</b>						
Balance at April 1, 2015	35,315	59,607	25,980	186,615	35,025	342,542
Addition	134,913	87,318	12,843	87,121	-	322,195
Write off	-	-	-	(2,420)	-	(2,420)
Balance at March 31, 2016	170,228	146,925	38,823	271,316	35,025	662,317
<b>Accumulated depreciation and impairment loss</b>						
Balance at April 1, 2015	(8,747)	(6,526)	(4,024)	(17,114)	(1,260)	(37,671)
Depreciation	(11,629)	(16,465)	(6,840)	(46,196)	(4,453)	(85,583)
Impairment loss	-	-	-	-	-	-
Write off	-	-	-	746	-	746
Balance at March 31, 2016	(20,376)	(22,991)	(10,864)	(62,564)	(5,713)	(122,508)
<b>Net book value</b>						
<b>End of financial year</b>	<b>149,852</b>	<b>123,934</b>	<b>27,959</b>	<b>208,752</b>	<b>29,312</b>	<b>539,809</b>

## 7. Intangible asset

The details of above are as follows:

Myanmar Kyats ( In Thousands)	Software
<b>Cost</b>	
Balance at April 1, 2016	5,071
Addition	1,670
Write off	(328)
Balance at March 31, 2017	6,413
<b>Accumulated depreciation and impairment loss</b>	
Balance at April 1, 2016	(878)
Depreciation	(1,099)
Impairment loss	-
Write off	115
Balance as at March 31, 2017	(1,862)
<b>Net book value</b>	
<b>End of financial year</b>	<b>4,551</b>
<b>Cost</b>	
Balance at April 1, 2015	1,615
Addition	3,456
Write off	-
Balance at March 31, 2016	5,071
<b>Accumulated depreciation and impairment loss</b>	
Balance at April 1, 2015	(188)
Depreciation	(690)
Impairment loss	-
Write off	-
Balance as at March 31, 2016	(878)
<b>Net book value</b>	
<b>End of financial year</b>	<b>4,193</b>

## 8. Investment in associate

The details of above are as follows:

Myanmar Kyats ( In Thousands)	2017	2016
Opening balance	25,532,343	25,122,275
Acquisition during the year	-	-
Proportionate net profit for the year	16,744,114	14,757,441
Dividend received	(23,710,544)	(14,347,373)
<b>Carrying value as at March 31, 2017</b>	<b>18,565,913</b>	<b>25,532,343</b>

The Company's share of profit in its equity-accounted investee (i.e, Myanmar Japan Thilawa Development Limited) for the year was Kyats 16,744,114,210.50 (USD 12,293,769.61@ 1,362) (2016: Profit Kyats 14,757,441,445). The Company received dividends amounting to USD 19,270,000 from its investment in equity-accounted investee. The equity accounted investee is not publicly listed entity and consequentially does not have published price quotations.



The following amounts represent the assets and the liabilities and income and expenses of the associate.

USD (In Thousands)	2017	2016
Owner-ship	41%	41%
Current assets	110,353	103,343
Non-current assets	13,136	19,587
<b>Total assets</b>	<b>123,489</b>	<b>122,930</b>
Current liabilities	76,883	66,603
Non-current liabilities	7,294	-
<b>Total liabilities</b>	<b>84,177</b>	<b>66,603</b>
<b>Net assets</b>	<b>39,312</b>	<b>56,327</b>
Income	37,074	37,569
Expenses	(7,089)	(7,969)
<b>Profit</b>	<b>29,985</b>	<b>29,600</b>
<b>Share of profit</b>	<b>12,294</b>	<b>12,136</b>

## 9. Investment in subsidiary

The subsidiary of the Company is Thilawa Property Development Limited and was incorporated as a private company in the Republic of the Union of Myanmar under The Myanmar Companies Act on March 19, 2015. Currently, the Company has a 80% equity interest in its subsidiary and remaining 20% equity interest is owned by Thilawa Special Economic Zone Management Committee (TSEZMC).

The principal business activities of the Company are:

- To invest in the development Residential and Commercial Area within the Thilawa Special Economic Zone carried out by constructing, selling and leasing of commercial center, residences, office towers and other related development
- To carry out preliminary engineering works
- To engage in importing, purchasing, leasing and the activities that are required for the development of said construction work
- To enter into partnership or into any arrangement of sharing profits
- To purchase or otherwise acquire for other means ownerships, rights, franchises, licenses, grants, trademarks, patent rights including land and buildings and to utilize beneficially those properties and right for development thereof.

The subsidiary is not publicly listed entity and consequentially does not have published price quotations.

Myanmar Kyats ( In Thousands)	Company	
	2017	2016
Beginning of financial year	24,000,000	1,000,000
Additional investment	-	23,000,000
<b>Carrying value as at March 31,2017</b>	<b>24,000,000</b>	<b>24,000,000</b>

## 10. Investment property

The details of above are as follows:

Myanmar Kyats ( In Thousands)	Land and Building
<b>Cost</b>	
Balance at April 1, 2016	-
Transferred from inventories	4,213,299
Balance at March 31, 2017	4,213,299
<b>Accumulated depreciation and impairment loss</b>	
Balance at April 1, 2016	-
Depreciation	(21,066)
Impairment loss	-
Balance at March 31, 2017	(21,066)
<b>Net book value</b>	
<b>End of financial year</b>	<b>4,192,233</b>
<b>Cost</b>	
Balance at April 1, 2015	-
Addition	-
Write off	-
Balance at March 31, 2016	-
<b>Accumulated depreciation and impairment loss</b>	
Balance at April 1, 2015	-
Depreciation	-
Impairment loss	-
Write off	-
Balance at March 31, 2016	-
<b>Net book value</b>	-
<b>End of financial year</b>	

The Directors are of the view that a fair value of the property cannot be ascertained at the time of drawing up the financial statements. The opinion is based on the following facts:

1. There is no such asset of this specification in Thilawa;
2. There is no history of such similar property transacted in Thilawa; and
3. No sales of any asset type have been recorded in the Thilawa SEZ.

As such, it is not possible for a valuation to be done on a willing-buyer / willing-seller basis. As such, the Sales Comparison Approach cannot be adopted.

To value the property using the income capitalization approach, the property has to be given sufficient time for leasing, and stabilization of that yield, for the capitalization rate to be applied. Since occupation permit was only quite recently obtained, the rental process is only in the beginning stage. Hence, the Income Capitalization Approach cannot be adopted.

Given that the first two valuation methods cannot be applied, the third would be the cost approach. This assumes that a reasonable buyer would have to pay equal or more than the cost of constructing a comparable building. The Cost Approach is probably the most prudent in estimating the book/reinstatement value of such an asset.

Although the Directors have adopted to use the fair value approach in IAS 40 (Investment Property), the base cost (the more prudent value) is being used to record the value for the current financial close.



## 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Cash in hand	21,071	10,619	12,450	7,685
Cash at bank – current	22,763,254	23,524,065	18,236,802	16,567,704
Cash at bank – saving	2,876,075	2,681,635	639,441	715,348
Cash at bank – call	706,178	518,004	706,178	518,004
	26,366,578	26,734,323	19,594,871	17,808,741

## 12. Trade and other receivables

Trade and other receivables consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Trade receivables- related parties*	986,090	224,757	986,090	224,757
Other receivable from				
- Related parties**	13,739,344	1,088	13,739,344	-
- Affiliates & related parties***	180	-	73,778	230,592
- Non-related parties	347	-	-	-
Construction contract				
- Due from related parties	300,509	-	-	-
Deposit	6,301	8,340	3,263	210
Advances to suppliers	-	11,020	-	11,020
Other prepayments	321,874	1,900,261	106,690	100,369
Advance income tax	605,178	1,733,445	605,178	1,733,445
Advance commercial tax	794,083	-	-	-
	16,753,906	3,878,911	15,514,343	2,300,393

\* It comprises management services fees, commission fees receivable from Myanmar Japan Thilawa Development Limited (MJTD) for the successful contracts between MJTD and its customers whom introduced by the Company.

\*\* It comprises dividend from MJTD for portion of retained earnings at end of September 2016.

\*\*\* It comprises expenses incurred by the Company on behalf of affiliates & related parties.

## 13. Inventories

Inventories include cost of leasehold land acquired from Myanmar Japan Thilawa Development Limited (MJTD) for the development of residential and commercial area of Thilawa Special Economic Zone. It also includes cost of land scraping, infrastructure development shop houses construction during the year.

#### 14. Construction contract

Construction contract consist of:

Myanmar Kyats ( In Thousands)	2017	2016
Construction contract work in progress		
Beginning of financial year	-	-
Contract costs incurred	3,048,983	-
Contract expenses recognised in profit or loss	(3,039,787)	-
End of financial year	9,196	-
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	4,290,131	-
Less: Progress billing	(4,290,131)	-
End of financial year	-	-
Due from customers on construction contracts (Note 12)	300,509	-

#### 15. Share capital

At the annual general meeting of the shareholders of the Company held on 23rd October 2016, the shareholders approved 10 - for -1share split. Shares per value change from Ks 10,000 to Ks 1,000 and number of shares change from 3,892,915 to 38,929,150. All issued ordinary shares are fully paid and per value for these ordinary shares is now Ks 1,000 per share. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

#### 16. Trade and other payables

Trade and other payables consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Trade payables to non-related parties	901,965	288,422	-	1,944
Other payables to				
- Related parties	470,000	-	470,000	-
- Non-related parties	159,986	159,000	-	-
Deposit from suppliers	729,723	-	-	-
Accrued expenses	138,640	191,860	138,640	191,860
Unpaid dividend	687,564	-	687,564	-
Commercial tax	153,119	-	9,273	-
	3,240,997	639,282	1,305,477	193,804

#### 17. Revenue

Revenue consists of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Management fees	885,797	874,362	885,797	874,362
Sales commission	1,110,430	1,977,099	1,110,430	1,977,099
Construction revenue	4,290,131	-	-	-
Sale of land	4,432,320	-	-	-
Less commercial tax	(509,928)	(135,785)	(95,058)	(135,785)
	10,208,750	2,715,676	1,901,169	2,715,676



### Management fees

Management fees are received from Myanmar Japan Thilawa Development Limited (MJTD) in consideration of management services provided by the Company for the following personnel;

- (1) Chairman
- (2) Vice President (Myanmar Desk)
- (3) Head of Finance & Accounting
- (4) Head of Administration & Human Resources

### Sales commission

The above comprises commission fees income from MJTD for the successful contracts between MJTD and its customers whom introduced by the Company.

### Construction revenue

The above comprises mainly of a road construction contract from MJTD. This contract was won through on open bidding process.

### Sale of land

The above comprise of sale of land to seven local banks.

---

## 18. Other income

Other income consists of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Interest income				
- Bank deposits	304,039	961,188	149,794	811,696
- Related party	99,074	-	99,074	-
Staff fine fees & tax refund	3,040	-	3,040	-
Shares related income	703	52,687	703	52,687
Newspapers and magazine	-	3	-	3
Tender income	9,900	6,100	-	400
	416,756	1,019,978	252,611	864,786

---

## 19. Other gains/(losses)

Other gains/ (losses) consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Currency exchange gains	3,289,528	6,082,586	2,611,895	6,130,197
	3,289,528	6,082,586	2,611,895	6,130,197

## 20. Expense by nature

Total cost of sales, selling and marketing expenses, administrative expenses and other expenses consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Land cost	1,479,819	-	-	-
Construction contract cost	3,131,259	-	-	-
Write off - property, plant and equipment	29,990	1,074	29,227	1,074
Depreciation of property, plant and equipment	200,184	87,801	122,591	85,583
Depreciation of investment property	21,066	-	-	-
Amortization charge of intangible asset	1,099	690	1,099	690
Employee benefit expense (Note 21)	584,572	543,229	360,037	408,542
Key management personnel and director compensations (Note 23)	1,379,020	524,576	1,305,422	471,198
Advertising and agency fees expense	99,160	212,681	90,672	211,193
Rental expense	167,468	84,653	167,468	84,653
Transportation expense	49,125	198,214	19,463	195,717
Listing expense	149,833	-	149,833	-
Other expenses	516,339	347,543	423,797	302,302
	7,808,934	2,000,461	2,669,609	1,760,952

## 21. Employee benefit expenses

Employee benefit expenses consist of:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Wages and salaries	415,420	246,076	251,248	132,394
Other benefits	169,152	297,153	108,789	276,148
	584,572	543,229	360,037	408,542

## 22. Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Net profit/(loss) attributable to equity holders of the Company (Myanmar Kyats in thousands)	21,524,190	20,699,556	18,316,163	20,805,098
Weighted average number of ordinary shares outstanding for basic Earnings per share (shares in thousands)	38,929	3,893	38,929	3,893
Basic earnings per share	553	5,317	471	5,344
Per value of shares (Myanmar Kyats)	1,000	10,000	1,000	10,000



### 23. Related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the holding company and the related parties at terms agreed between the parties:

#### (a) Sales and purchase of goods and services

Myanmar Kyats ( In Thousands)	2017	2016
Management fees from MJTD	843,616	832,726
Sales commission fees from MJTD	1,057,553	1,882,951
Construction revenue from MJTD	4,086,324	-
Other related parties *	257,132	1,312,468
Payments made on behalf of subsidiary	73,598	230,592

\*Other related parties compare mainly companies which are controlled or significantly influenced by the holding company's key management personnel which are as follows:

No.	Company Name	Related	Position Executives	2017 Kyats '000	2016 Kyats '000
1	Dagon International Limited (Rent of machinery)	U Win Aung	Chairman	29,718	45,390
2	Dagon Construction Co.,Ltd (Construction of Dormitory)	U Win Aung	Chairman	-	909,000
3	Dagon Timber Limited (Rent of machinery)	U Win Aung	Chairman	58,346	57,412
4	Global Star Limited (Rent of Machinery)	U Win Aung	Chairman	-	29,390
5	Myint Myat Htut Khaung Co.,Ltd	U Aung Win	Chief Financial Officer of MJTD	-	53,903
6	Union of Myanmar Federation of Chamber of Commerce & Industry (Rent of Head office)	U Thein Han	Managing Director	167,468	84,593
7	Sinma Construction Group Ltd (New office renovation)	U Kyaw Kyaw Win	Alternative Director	1,600	132,780
				257,132	1,312,468

Outstanding balances of related parties as at March 31, 2017 are disclosed in Notes 12 and 16 respectively.

**(b) Key management personnel and director compensation**

Key management personnel and director compensation are as follow:

Myanmar Kyats ( In Thousands)	Group		Company	
	2017	2016	2017	2016
Remuneration	454,834	185,818	395,917	146,998
Bonus	924,186	338,758	909,505	324,200
	<b>1,379,020</b>	<b>524,576</b>	<b>1,305,422</b>	<b>471,198</b>

**(c) Significant agreements with related parties****Management fees**

The Company entered into management memorandums with MJTD for which to provide management services. Under the term of these memorandums, the Company is entitled to receive management fees as stipulated in the memorandum and will expire in 2018.

**Commission fees**

The Company entered into marketing agreements with MJTD for which to provide with information in respect to potential locators and coordination services. Under the term of the agreements, the Company is entitled to receive commission fees at 6% of the contract price. The term of the agreements is for five years and shall be extended for further period by notify in writing at least 30 days prior to expiration of this agreement.

**24. Events occurring after the reporting date**

- The Board has resolved on June 29, 2017 to propose a dividend of Ks. 260 per share for the year ended 31<sup>st</sup> March 2017

**25. Authorization of financial statements**

The financial statements of the Company for the year ended March 31, 2017 were authorized for issue on June 29, 2017.