



MYANMAR THILAWA SEZ HOLDINGS PUBLIC CO. LTD.

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ရက်စွဲ။ ၂၀၂၀ ပြည့်နှစ်၊ ဒီဇင်ဘာလ ၃၀ ရက်

၂၀၁၉-၂၀၂၀ ဘဏ္ဍာရေးနှစ်ကာလအတွက် ဘဏ္ဍာရေးရှင်းတမ်းများအား အသိပေးကြေညာခြင်း

မြန်မာသီလဝါ အက်(စ်)အီးဇက်ဟိုးဒင်း ပတ်ဘလစ် အများနှင့်သက်ဆိုင်သော ကုမ္ပဏီလီမိတက်မှ ၂၀၂၀ ပြည့်နှစ်၊ စက်တင်ဘာလ (၃၀) ရက်နေ့တွင် ကုန်ဆုံးသည့်ဘဏ္ဍာရေးနှစ်ကာလအတွက် မြန်မာနိုင်ငံဘဏ္ဍာရေး အစီရင်ခံခြင်း ဆိုင်ရာစံများ (Myanmar Financial Reporting Standard)နှင့်အညီ ပြုစုထားသော ဘဏ္ဍာရေးရှင်းတမ်းပေါင်းချုပ်များကို ပြင်ပစာရင်းစစ်အဖွဲ့မှ စစ်ဆေးပြီးစီးပြီဖြစ်ပါသဖြင့် အစုရှယ်ယာရှင်များ သိရှိနိုင်ပါရန်အတွက် ဤထုတ်ပြန်ချက်ဖြင့် အသိပေးကြေညာအပ်ပါသည်။

ဤဘဏ္ဍာရေးရှင်းတမ်းပေါင်းချုပ်နှင့်အတူ နောက်ဆက်တွဲ ရှင်းလင်းချက်အပြည့်အစုံကို ၂၀၂၀ ပြည့်နှစ်၊ ဒီဇင်ဘာလ (၂၄) ရက်နေ့တွင် ကျင်းပပြုလုပ်သည့် ဒါရိုက်တာအဖွဲ့အစည်းအဝေးမှ အတည်ပြုထားရှိပြီးဖြစ်ပါကြောင်း ဖော်ပြအပ်ပါသည်။

ထွန်းလွင်

Board Secretary

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Currency – Myanmar Kyat (In Thousands)

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2020

Contents	Page
Statement of Management's Responsibility	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 27

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

It is the responsibility of the management to prepare the consolidated statements of financial position of **Myanmar Thilawa SEZ Holdings Public Company Limited (the Company) and its subsidiary (the Group)** as at 30 September 2020, the consolidated statement of comprehensive income of the Group, consolidated statement of changes in equity of the Group, consolidated statement of cash flows of the Group 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 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 CO., LTD.



24 December 2020



ဝင်းသင်နှင့်အဖွဲ့၊ စာရင်းစစ်များ။

WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Ref: 2124/ M-255/ September 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Myanmar Thilawa SEZ Holdings Public Company Limited ("the Company") and its subsidiary ("the Group")** set out on pages 4 to 27 which comprise the consolidated statement of financial position of the Group as at 30 September 2020, the consolidated statement of comprehensive income of the Group, the consolidated statement of changes in equity of the Group, consolidated statement of cash flows of the Group 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 and the provisions of the Myanmar Companies Law. 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 give a true and fair view of the consolidated financial position of the Group as at 30 September 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards and the provision of the Myanmar Companies Law.

Report on Other Legal and Regulatory Requirements

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

- (i) we have obtained all the information and explanations we have required; and
- (ii) financial records have been maintained by the Company and by its subsidiary as required by Section 258 of the Law.



Saw Nelson (PAPP-400)
Engagement Partner
WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



24 December 2020

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
 Currency – Myanmar Kyat (In Thousands)



	Note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	6	3,527,238	3,451,437
Intangible asset	7	3,096	5,072
Investment in associate	8	37,941,370	29,268,858
Other investment	9	10,000	10,000
Investment property	10	4,958,478	4,596,147
Deferred tax assets	11	11,453	11,897
Net receivable under installment sales	12	281,938	155,013
Other assets	13	198,911	92,502
		46,932,484	37,590,926
Current assets			
Cash and cash equivalents	14	16,882,587	28,217,748
Trade and other receivables	15	1,515,209	2,489,097
Inventories	16	26,173,781	27,051,187
Construction contract work in progress	17	–	16,270
		44,571,577	57,774,302
		91,504,061	95,365,228
Equity and liabilities			
Equity			
Issued and paid-up share capital	18	38,929,150	38,929,150
Retained profits		40,905,027	43,986,848
		79,834,177	82,915,998
Non-controlling interest		7,534,109	7,661,174
		87,368,286	90,577,172
Non-current liabilities			
Advance from customers		2,285,705	2,718,783
		2,285,705	2,718,783
Current liabilities			
Trade and other payables	19	1,850,070	2,069,273
		1,850,070	2,069,273
		91,504,061	95,365,228

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

Authenticated by Directors:

WIN AUNG
Chairman

Tun Lwin - 4 -
Director
MYANMAR THILAWA SEZ HOLDINGS PUBLIC CO., LTD.

MYINT ZAW
Managing Director
Myanmar Thilawa SEZ Holdings Public Co., Ltd.

Yu War Tun
Head Of Finance
MYANMAR THILAWA SEZ HOLDINGS PUBLIC CO., LTD.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Currency – Myanmar Kyat (In Thousands)

	Note	2020 (12 months)	2019 (6 months)
Revenue	20	2,489,039	2,250,768
Cost of sales	23	(1,302,647)	(1,093,064)
Gross Profit		1,186,392	1,157,704
Other income	21	699,410	493,426
Realised exchange gains		28,818	44,234
Unrealised exchange (losses)/ gains	22	(3,644,896)	356,740
Selling, marketing and business development expenses	23	(44,152)	(19,731)
Administrative expenses	23	(2,276,464)	(1,437,323)
(Loss)/ profit for the year/period		(4,050,892)	595,050
Share of profit of associate	8	8,628,280	7,679,950
Profit before tax		4,577,388	8,275,000
Income tax expense	24	(444)	(14,389)
Net profit for the year/period		4,576,944	8,260,611
Other comprehensive income for the year/period		—	—
Total comprehensive income for the year/period		4,576,944	8,260,611
Profit attributable to:			
Equity holders of the Company		4,704,009	8,203,303
Non-controlling interests		(127,065)	57,308
Total comprehensive income attributable to:			
Equity holders of the Company		4,704,009	8,203,303
Non-controlling interests		(127,065)	57,308
Earnings per share (K per share)			
Basic earnings per share	25	121	211

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Currency – Myanmar Kyat (In Thousands)

	Issued and paid-up share capital	Retained profits	Non-controlling interest	Total equity
Balance at 1 October 2019	38,929,150	43,986,848	7,661,174	90,577,172
Comprehensive income				
Profit for the year	–	4,704,009	(127,065)	4,576,944
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	4,704,009	(127,065)	4,576,944
Contributions from and distributions to owners				
Issue of share capital	–	–	–	–
Dividend	–	(7,785,830)	–	(7,785,830)
Total contributions from and distributions to owners	–	(7,785,830)	–	(7,785,830)
Balance at 30 September 2020	38,929,150	40,905,027	7,534,109	87,368,286
Balance at 1 April 2019	38,929,150	45,515,833	7,603,866	92,048,849
Comprehensive income				
Profit for the period	–	8,203,303	57,308	8,260,611
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	8,203,303	57,308	8,260,611
Contributions from and distributions to owners				
Issue of share capital	–	–	–	–
Dividend	–	(9,732,288)	–	(9,732,288)
Total contributions from and distributions to owners	–	(9,732,288)	–	(9,732,288)
Balance at 30 September 2019	38,929,150	43,986,848	7,661,174	90,577,172

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Currency – Myanmar Kyat (In Thousands)

	Note	2020 (12 months)	2019 (6 months)
Cash flows from operating activities			
Profit before tax		4,577,388	8,275,000
Adjustment for non-cash items:			
Depreciation		446,120	211,329
Amortisation		1,976	1,122
Write-off		29,031	309
Unrealised profit adjustment		(52,374)	(100,589)
Share of profit of associate		(8,628,280)	(7,679,950)
Operating profit before working capital changes		(3,626,139)	707,221
Changes in working capital			
Trade and other receivables		975,391	23,654
Inventories		387,876	219,616
Construction contract work in progress		16,270	28,641
Trade and other payables		(219,203)	(326,145)
Advance from customers		(433,078)	(42,682)
		(2,898,883)	610,305
Income tax paid		(1,503)	–
Net cash (used in)/ provided by operating activities		(2,900,386)	610,305
Cash flows from investing activities			
Purchase of property, plant and equipment		(419,688)	(1,034,382)
Proceeds from sale of property, plant and equipment		4,077	–
Dividend received from associate		–	6,193,050
Other assets		(106,409)	(7,005)
Net receivable under installment sales		(126,925)	(155,013)
Net cash (used in)/ provided by investing activities		(648,945)	4,996,650
Cash flows from financing activities			
Dividend paid to shareholders		(7,785,830)	(9,732,288)
Net cash used in financing activities		(7,785,830)	(9,732,288)
Net decrease in cash and cash equivalents		(11,335,161)	(4,125,333)
Cash and cash equivalents at beginning of year/ period		28,217,748	32,343,081
Cash and cash equivalents at end of year/ period	14	16,882,587	28,217,748

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Myanmar Thilawa SEZ Holdings Public Company Limited (the Company) was incorporated in the Republic of the Union of Myanmar on 3 May 2013 under The Myanmar Companies Act. The Act has been replaced by the Myanmar Companies Law 2017. As such, the Company has been re-registered and issued Company Registration No. 151830293 according to the new Law.

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 February 2014.

The registered office of the Company is Shwe Zabu River View Complex 23G-1, No. 3B, Tower (A), Penthouse - 01 & 02, Strand Road, Ahlone Township, Yangon Region, Myanmar.

The Company is listed in Yangon Stock Exchange on 20 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 comparative financial statements to conform to the classification used in current financial statement.

2.2 Change in reporting period

During the former financial period ended 30 September 2019, the Company changed its financial year end from March to September. Accordingly, the financial statements presented are as at and for the twelve months ended 30 September 2020 (i.e current financial year end) and the six months ended 30 September 2019 (i.e former financial period end). As a result, the comparative figures presented in statements of comprehensive income, changes in equity and cash flows and the related notes are not comparable.

The change in financial year was due to change of financial year enacted by the government.

2.3 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 Kyat, 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.

2.4 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.

2.5 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.

2.6 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 or the balance of land use right.

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

2.7 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 year 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 rates are as follows:

Leasehold land	2.19%
Plant	5%
Transformers	2.17%
Building	2%-2.17%
Waste storage house	5%
Machinery and equipment	20%
Motor vehicle	20%
Computer and equipment	20%
Furniture and equipment	10% - 40%
Office renovation	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting year. 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.

2.8 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%.

The amortization year and amortization method of intangible assets are reviewed at least at each statement of financial position date. The effects of any revision are recognized in profit or loss when the changes arise.

2.9 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".

2.10 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.

2.11 Cash and cash equivalents

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

2.12 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.

2.13 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.

2.14 Issued and paid-up share capital

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.

2.15 Dividends

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

2.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are recognized as payable in the year in which the benefits is earned by employee. Past-service costs are recognized immediately in profit or loss.

2.17 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.

2.18 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

Revenue for rendering services is recognized over time as the services are provided. The related costs are recognized in statement of profit or loss and comprehensive income when they are incurred.

(b) Sale of goods – Land and building

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.

(f) Rental income

Rental income is recognised when earned on a straight-line basis over the lease term.

2.19 Income tax

Current income tax assets and liabilities for the current year 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 year. Current income tax is recognized in profit or loss.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the end of the reporting year. Deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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 year in which the estimates are revised and in any future year 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 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

	Leasehold land	Plant	Transformers	Building	Waste storage house	Machinery and equipment	Motor vehicle	Computer equipment	Furniture and equipment	Office renovation	Asset in construction	Total
Myanmar Kyat (In Thousands)												
Cost												
Balance at 1 October 2019	404,367	1,320,512	270,557	1,143,940	4,342	80,581	324,898	92,495	430,067	290,056	–	4,361,815
Addition	–	–	–	–	–	1,368	98,625	19,897	16,679	6,176	276,943	419,688
Disposal	–	–	–	–	–	–	–	(3,231)	(7,811)	(1,297)	–	(12,339)
Write off	–	–	–	–	–	(450)	–	(562)	(13,275)	(103,244)	–	(117,531)
Balance at 30 September 2020	404,367	1,320,512	270,557	1,143,940	4,342	81,499	423,523	108,599	425,660	191,691	276,943	4,651,633
Accumulated depreciation and impairment losses												
Balance at 1 October 2019	(9,575)	(114,517)	(8,790)	(10,196)	(181)	(40,127)	(265,925)	(52,533)	(213,773)	(194,761)	–	(910,378)
Depreciation	(8,839)	(66,026)	(5,860)	(23,242)	(217)	(10,411)	(55,418)	(15,610)	(78,389)	(46,767)	–	(310,779)
Impairment loss	–	–	–	–	–	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–	2,067	5,287	908	–	8,262
Write off	–	–	–	–	–	183	–	450	4,646	83,221	–	88,500
Balance at 30 September 2020	(18,414)	(180,543)	(14,650)	(33,438)	(398)	(50,355)	(321,343)	(65,626)	(282,229)	(157,399)	–	(1,124,395)
Net book value												
At 30 September 2020	385,953	1,139,969	255,907	1,110,502	3,944	31,144	102,180	42,973	143,431	34,292	276,943	3,527,238
Cost												
Balance at 1 April 2019	404,367	1,320,512	270,557	218,940	4,342	78,123	325,988	77,530	358,721	269,443	–	3,328,523
Addition	–	–	–	925,000	–	2,458	–	14,965	71,346	20,613	–	1,034,382
Write off	–	–	–	–	–	–	(1,090)	–	–	–	–	(1,090)
Balance at 30 September 2019	404,367	1,320,512	270,557	1,143,940	4,342	80,581	324,898	92,495	430,067	290,056	–	4,361,815
Accumulated depreciation and impairment losses												
Balance at 1 April 2019	(5,156)	(81,504)	(5,860)	(4,742)	(72)	(33,977)	(234,491)	(44,949)	(176,422)	(166,182)	–	(753,355)
Depreciation	(4,419)	(33,013)	(2,930)	(5,454)	(109)	(6,150)	(32,215)	(7,584)	(37,351)	(28,579)	–	(157,804)
Impairment loss	–	–	–	–	–	–	–	–	–	–	–	–
Write off	–	–	–	–	–	–	781	–	–	–	–	781
Balance at 30 September 2019	(9,575)	(114,517)	(8,790)	(10,196)	(181)	(40,127)	(265,925)	(52,533)	(213,773)	(194,761)	–	(910,378)
Net book value												
At 30 September 2019	394,792	1,205,995	261,767	1,133,744	4,161	40,454	58,973	39,962	216,294	95,295	–	3,451,437

7. Intangible asset

Myanmar Kyat (In Thousands)	Software
Cost	
Balance at 1 October 2019	11,495
Addition	–
Balance at 30 September 2020	11,495
Accumulated amortization and impairment losses	
Balance at 1 October 2019	(6,423)
Amortisation	(1,976)
Impairment loss	–
Balance at 30 September 2020	(8,399)
Net book value	
At 30 September 2020	3,096
Cost	
Balance at 1 April 2019	11,495
Addition	–
Balance at 30 September 2019	11,495
Accumulated amortization and impairment losses	
Balance at 1 April 2019	(5,301)
Amortisation	(1,122)
Impairment loss	–
Balance at 30 September 2019	(6,423)
Net book value	
At 30 September 2019	5,072

8. Investment in associate

Myanmar Kyat (In Thousands)	2020	2019
Opening balance	29,268,858	27,687,506
Proportionate net profit for the year/period	8,628,280	7,679,950
Dividend received	–	(6,193,050)
Unrealised profit adjustment	44,232	94,452
Carrying value	37,941,370	29,268,858

The Company's share of profit in its equity-accounted investee (i.e., Myanmar Japan Thilawa Development Limited) for the year was Kyats 8,628,280,273.15 (USD 6,594,023.9 @ Kyats 1308.5) (30 September 2019: Profit Kyats 7,679,950,424.10 (USD 5,010,406.07 @ Kyats 1532.80). 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)	2020	2019
Owner-ship	41%	41%
Current assets	67,610	65,792
Non-current assets	19,727	13,631
Total assets	87,337	79,423
Current liabilities	11,734	20,092
Non-current liabilities	2,047	1,859
Total liabilities	13,781	21,951
Net assets	73,556	57,472
Income	38,988	34,286
Expenses	(22,904)	(22,066)
Profit	16,084	12,220
Share of profit	6,594	5,010

9. Other investment (MMK 10,000,000)

The above amount represents investment in Myanmar Kyauk Phyu SEZ Holding Consortium Public Co., Ltd by the Company.

10. Investment property

Myanmar Kyat (In Thousands)	Land and building
Cost	
Balance at 1 October 2019	4,989,582
Transferred from inventories	497,966
Balance at 30 September 2020	5,487,548
Accumulated depreciation and impairment losses	
Balance at 1 October 2019	(264,891)
Depreciation	(135,341)
Impairment loss	—
Balance at 30 September 2020	(400,232)
Unrealised profit adjustment	(128,838)
Net book value	
At 30 September 2020	4,958,478
Cost	
Balance at 1 April 2019	4,877,222
Transferred from inventories	112,360
Balance at 30 September 2019	4,989,582
Accumulated depreciation and impairment losses	
Balance at 1 April 2019	(211,366)
Depreciation	(53,525)
Impairment loss	—
Balance at 30 September 2019	(264,891)
Unrealised profit adjustment	(128,544)
Net book value	
At 30 September 2019	4,596,147

The Company's investment property at 30 September 2020 includes three buildings of workers accommodation at recreational and commercial area of Thilawa SEZ. The Directors are of the view that a fair value of the property cannot be ascertained at 30 September 2020. 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 market comparable 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 at 30 September 2020.

During the period from 1 October 2019 to 30 September 2020, two units of shop houses have been transferred from inventory to investment property at their cost.

As of 30 September 2020, the Company's investment property includes:

1. Three buildings of workers accommodation
2. Three units of type A shop house facing main road
3. One unit of type B shop house facing internal road

Details of the Group's investment properties and information about the fair value hierarchy as at 30 September 2020 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 September 2020
Investment property				
Workers accommodation	–	–	7,692,950	7,692,950
Unit A – Main road	1,289,301	–	–	1,289,301
Unit B – Internal road	370,551	–	–	370,551

For unit A – Main road, the fair value was derived using the market comparable approach based on recent market price of similar property with adjustment made for frontage.

For unit B – internal road, the fair value was derived using the market comparable approach based on recent market prices of similar property without any significant adjustments being made.

For investment properties categorized into Level 3 of the fair value hierarchy, the following information is relevant:

Investment property	Valuation technique	Significant unobservable input(s)	Sensitivity
Workers accommodation	Income capitalization approach	Capitalization rate	Increase in the capitalization rate used would result decrease in fair value, and vice versa.
		Occupancy rate	Decrease in the occupancy rate used would result decrease in fair value, and vice versa.
		Monthly rental	Decrease in the monthly rental used would result decrease in fair value, and vice versa.

One unit of type A facing main road was transferred from Level 2 to Level 1 and there were no other transfer during the year.

The fair value of investment properties is not based on valuation by an independent valuer.

The property rental income from the Group's investment properties all of which are leased out under operating lease, amounted to MMK 369,538 (thousand). Direct operating expenses (including repairs and maintenance) arising from the rental –generating investment properties amounted to MMK 236,953 (thousand).

11. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the financial position as follows:

Myanmar Kyat (In Thousands)	2020	2019
Deferred tax assets		
To be recovered within one year	—	—
To be recovered after one year	11,453	11,897
	11,453	11,897

12. Net receivable under installment sales

The Company sells its shop houses under installment plan during the year ended 30 September 2020. Net present value of installment payments to be received are recognised as revenue and receivable. The Company use interest rate implicit in the contract as discount rate to measure the net present value. These properties are de-recognised from the inventory and carrying amount is recognised under cost of sales. The selling profit is the difference between revenue and cost of sales.

The Company recognize the finance income and allocate over the installment term.

(a) Selling profit from installment sales

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Selling profit	192,596	160,296

(b) Receivable under installment sales

Myanmar Kyat (In Thousands)	2020	2019
Gross receivable under installment sales	486,495	234,375
Less: Unearned finance income	(68,910)	(51,401)
	417,585	182,974
Less: current portion (Note 15)	(135,647)	(27,961)
	281,938	155,013

(c) Undiscounted installment payments to be received

Myanmar Kyat (In Thousands)	2020	2019
Within one year	172,337	45,000
Second to fifth years	314,158	189,375
	486,495	234,375

13. Other assets

Myanmar Kyat (In Thousands)	2020	2019
Logistics Dependent Industrial Area	86,706	85,497
Myit Kyi Nar Economic Development Zone	7,005	7,005
Gyo Gone Redevelopment Project	105,200	–
	198,911	92,502

14. Cash and cash equivalents

Myanmar Kyat (In Thousands)	2020	2019
Cash in hand	21,742	18,448
Cash at bank – current	16,079,303	26,931,484
Cash at bank – saving	772,146	1,242,854
Cash at bank – call	9,396	24,962
	16,882,587	28,217,748

15. Trade and other receivables

Myanmar Kyat (In Thousands)	2020	2019
Trade receivables from		
- Related parties*	225,324	263,948
- Non-related parties	53,883	370,362
Other receivable from non-related parties	20,944	10,350
Net receivable under installment sales (Note 12)	135,647	27,961
Construction contract - Due from related parties	24,315	247,772
Accrued income		
- Related parties	30,317	606,443
- Non-related parties	16,260	20,992
Deposit	218,390	18,090
Prepayments and advance	29,012	76,194
Advance income tax	30,207	28,704
Advance commercial tax	730,910	818,281
	1,515,209	2,489,097

* It comprises management services fees receivable from Myanmar Japan Thilawa Development Limited (MJTD).

16. 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 the cost of land scraping, infrastructure development, shop houses construction and fencing the water treatment plant.

17. Construction contract

Myanmar Kyat (In Thousands)	2020	2019
Construction contract work in progress		
Beginning of financial year/period	16,270	44,911
Contract costs incurred	136,454	371,407
Contract expenses recognised in profit or loss	(152,724)	(400,048)
End of financial year/period	—	16,270
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	263,458	644,981
Less: Progress billing	(233,141)	(375,044)
Unbilled to customers current financial year/period	30,317	269,937
Due from related party on construction contracts (Note 15)		
Billed to customer	24,315	247,772
Unbilled to customers – current financial year/period	30,317	269,937
Unbilled to customers – previous financial year/period	—	336,506
End of financial year/period	54,632	854,215

18. Issued and paid-up share capital

Myanmar Kyat (In Thousands)	No. of ordinary shares issued		Issued and fully paid-up share capital	
	2020	2019	2020	2019
Beginning of financial year/period	38,929,150	38,929,150	38,929,150	38,929,150
Issued of shares	–	–	–	–
End of financial year/period	38,929,150	38,929,150	38,929,150	38,929,150

19. Trade and other payables

Myanmar Kyat (In Thousands)	2020	2019
Trade payables to non-related parties	29,763	167,488
Construction contract-due to supplier	283,542	603,262
Other payables to		
- Related parties	52,120	–
- Non-related parties	116,408	242,040
Deposit from suppliers	23,156	207,986
Accrued expenses	92,947	64,856
Unpaid dividend	1,191,883	703,525
Deferred rental income		
- Related parties	795	–
- Non-related parties	54,076	71,576
Commercial tax	5,368	8,540
Advance receipt	12	–
	1,850,070	2,069,273

20. Revenue

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Management fees	914,431	500,085
Construction revenue	254,629	626,967
Rental income	369,538	177,684
Sale of building	687,951	827,974
Telecommunication	18,415	17,027
Utilities income	244,075	101,031
	2,489,039	2,250,768

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

Construction revenue

The above mainly comprises of a road construction contract and construction of rental factory B extension from MJTD.

Rental income

The above comprises of rental of rooms in dormitory and shop house.

Sale of building

The above comprises of sale of shop houses to U Maung Maung Gyi.

Telecommunication

The above comprises of fixed element and revenue sharing variable element for granting access of fiber optic cable to telecommunication service provider.

Utilities income

The above comprises of water, electricity and common area maintenance fees from the banks, shop house, rented shops and food court.

21. Other income

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Interest income	569,640	485,967
Miscellaneous income	91,847	7,459
Finance income under lease	37,923	–
	699,410	493,426

22. Unrealised exchange (losses)/ gains

Foreign exchange loss arising from revaluation of the US Dollar cash reserves as at 30 September 2020 at declining MMK/ USD exchange rate due to currency appreciation of Myanmar Kyat.

23. Expenses by nature

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Construction contract cost	152,724	400,048
Cost of rental and dormitory	236,952	158,642
Building cost - shop house	503,266	515,699
Utilities cost	191,764	—
Write off - property, plant and equipment	29,031	309
Depreciation of property, plant and equipment	310,779	157,804
Depreciation of investment property	135,341	53,525
Amortisation of intangible asset	1,976	1,122
Employee benefit expenses (Note 23-a)	749,388	346,540
Key management personal and director compensations (Note 26-b)	782,618	522,971
Selling, marketing and business development expenses	44,152	19,731
Rental expense	78,684	103,305
Transportation expense	27,451	17,450
Listing expense	8,099	4,353
Other expense	423,412	349,208
Unrealised profit adjustment	(52,374)	(100,589)
	3,623,263	2,550,118

23-a. Employee benefit expenses

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Wages and salaries	565,910	260,936
Other benefits	183,478	85,604
	749,388	346,540

24. Income tax expense

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Current tax expenses		
Deferred income tax	444	163
Changes in estimates related to prior years/ period	—	14,226
	444	14,389

25. 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 and period.

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Net profit attributable to equity holders of the Company (Myanmar Kyat in thousands)	4,704,009	8,203,303
Weighted average number of ordinary shares outstanding for basic earnings per share (shares in thousands)	38,929	38,929
Basic earnings per share	121	211
Per value of shares (Myanmar Kyat)	1,000	1,000

26. 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 Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Management fees from MJTD	914,431	500,085
Construction revenue from MJTD	254,629	626,967

Other related parties comprise 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	2020 (12 months) Kyats '000	2019 (6 months) Kyats '000
1	Union of Myanmar Federation of Chamber of Commerce & Industry (Rent of Head office)	U Thein Han	Director	–	103,305
2	CB Securities	U Khin Maung Aye	Vice Chairman	2,500	2,500
3	Shwe Me	U Tun Lwin	Director	61,467	–

Outstanding balances of related parties are disclosed in Notes 15 and 19 respectively.

(b) Key management personnel and director compensation

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Director remuneration	72,000	36,000
Director bonus		
- April 2019 to September 2019	63,829	—
- October 2019 to September 2020	52,120	—
Key management personnel remuneration		
- December 2016 to March 2019	—	154,772
- April 2019 to September 2019	—	332,199
- October 2019 to September 2020	514,021	—
Key management bonus	80,648	—
	782,618	522,971

(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 January, 2022.

27. Authorization of financial statements

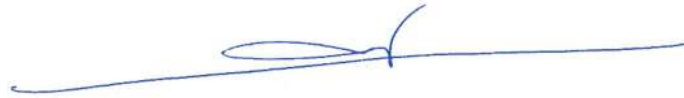
The financial statements of the Company for the year ended 30 September 2020 were authorized for issue on 24 December 2020.

Date: December 30, 2020

Notice of Financial Results for Financial Year 2019-2020

Myanmar Thilawa SEZ Holdings Public Company Limited ("MTSH") hereby releases its consolidated financial statements for the period of the financial year ended September 30, 2020 which is prepared in accordance with the Myanmar Financial Reporting Standards (MFRS) and audited by the Independent Auditors.

Such financial statements and its notes have been approved by the Board of Directors at the meeting held on December 24, 2020.



Tun Lwin

Board Secretary

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Currency – Myanmar Kyat (In Thousands)

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2020

Contents	Page
Statement of Management's Responsibility	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 27

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

It is the responsibility of the management to prepare the consolidated statements of financial position of **Myanmar Thilawa SEZ Holdings Public Company Limited (the Company) and its subsidiary (the Group)** as at 30 September 2020, the consolidated statement of comprehensive income of the Group, consolidated statement of changes in equity of the Group, consolidated statement of cash flows of the Group 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 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 CO., LTD.



24 December 2020



ဝင်းသင်နှင့်အဖွဲ့၊ စာရင်းစစ်များ။

WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Ref: 2124/ M-255/ September 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Myanmar Thilawa SEZ Holdings Public Company Limited ("the Company") and its subsidiary ("the Group")** set out on pages 4 to 27 which comprise the consolidated statement of financial position of the Group as at 30 September 2020, the consolidated statement of comprehensive income of the Group, the consolidated statement of changes in equity of the Group, consolidated statement of cash flows of the Group 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 and the provisions of the Myanmar Companies Law. 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 give a true and fair view of the consolidated financial position of the Group as at 30 September 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards and the provision of the Myanmar Companies Law.

Report on Other Legal and Regulatory Requirements

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

- (i) we have obtained all the information and explanations we have required; and
- (ii) financial records have been maintained by the Company and by its subsidiary as required by Section 258 of the Law.



Saw Nelson (PAPP-400)
Engagement Partner
WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



24 December 2020

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
 Currency – Myanmar Kyat (In Thousands)



	Note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	6	3,527,238	3,451,437
Intangible asset	7	3,096	5,072
Investment in associate	8	37,941,370	29,268,858
Other investment	9	10,000	10,000
Investment property	10	4,958,478	4,596,147
Deferred tax assets	11	11,453	11,897
Net receivable under installment sales	12	281,938	155,013
Other assets	13	198,911	92,502
		46,932,484	37,590,926
Current assets			
Cash and cash equivalents	14	16,882,587	28,217,748
Trade and other receivables	15	1,515,209	2,489,097
Inventories	16	26,173,781	27,051,187
Construction contract work in progress	17	–	16,270
		44,571,577	57,774,302
		91,504,061	95,365,228
Equity and liabilities			
Equity			
Issued and paid-up share capital	18	38,929,150	38,929,150
Retained profits		40,905,027	43,986,848
		79,834,177	82,915,998
Non-controlling interest		7,534,109	7,661,174
		87,368,286	90,577,172
Non-current liabilities			
Advance from customers		2,285,705	2,718,783
		2,285,705	2,718,783
Current liabilities			
Trade and other payables	19	1,850,070	2,069,273
		1,850,070	2,069,273
		91,504,061	95,365,228

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

Authenticated by Directors:

WIN AUNG
Chairman

Tun Lwin - 4 -
Director
MYANMAR THILAWA SEZ HOLDINGS PUBLIC CO., LTD.

MYINT ZAW
Managing Director
Myanmar Thilawa SEZ Holdings Public Co., Ltd.

Yu War Tun
Head Of Finance
MYANMAR THILAWA SEZ HOLDINGS PUBLIC CO., LTD.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Currency – Myanmar Kyat (In Thousands)

	Note	2020 (12 months)	2019 (6 months)
Revenue	20	2,489,039	2,250,768
Cost of sales	23	(1,302,647)	(1,093,064)
Gross Profit		1,186,392	1,157,704
Other income	21	699,410	493,426
Realised exchange gains		28,818	44,234
Unrealised exchange (losses)/ gains	22	(3,644,896)	356,740
Selling, marketing and business development expenses	23	(44,152)	(19,731)
Administrative expenses	23	(2,276,464)	(1,437,323)
(Loss)/ profit for the year/period		(4,050,892)	595,050
Share of profit of associate	8	8,628,280	7,679,950
Profit before tax		4,577,388	8,275,000
Income tax expense	24	(444)	(14,389)
Net profit for the year/period		4,576,944	8,260,611
Other comprehensive income for the year/period		—	—
Total comprehensive income for the year/period		4,576,944	8,260,611
Profit attributable to:			
Equity holders of the Company		4,704,009	8,203,303
Non-controlling interests		(127,065)	57,308
Total comprehensive income attributable to:			
Equity holders of the Company		4,704,009	8,203,303
Non-controlling interests		(127,065)	57,308
Earnings per share (K per share)			
Basic earnings per share	25	121	211

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Currency – Myanmar Kyat (In Thousands)

	Issued and paid-up share capital	Retained profits	Non-controlling interest	Total equity
Balance at 1 October 2019	38,929,150	43,986,848	7,661,174	90,577,172
Comprehensive income				
Profit for the year	–	4,704,009	(127,065)	4,576,944
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	4,704,009	(127,065)	4,576,944
Contributions from and distributions to owners				
Issue of share capital	–	–	–	–
Dividend	–	(7,785,830)	–	(7,785,830)
Total contributions from and distributions to owners	–	(7,785,830)	–	(7,785,830)
Balance at 30 September 2020	38,929,150	40,905,027	7,534,109	87,368,286
Balance at 1 April 2019	38,929,150	45,515,833	7,603,866	92,048,849
Comprehensive income				
Profit for the period	–	8,203,303	57,308	8,260,611
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	8,203,303	57,308	8,260,611
Contributions from and distributions to owners				
Issue of share capital	–	–	–	–
Dividend	–	(9,732,288)	–	(9,732,288)
Total contributions from and distributions to owners	–	(9,732,288)	–	(9,732,288)
Balance at 30 September 2019	38,929,150	43,986,848	7,661,174	90,577,172

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Currency – Myanmar Kyat (In Thousands)

	Note	2020 (12 months)	2019 (6 months)
Cash flows from operating activities			
Profit before tax		4,577,388	8,275,000
Adjustment for non-cash items:			
Depreciation		446,120	211,329
Amortisation		1,976	1,122
Write-off		29,031	309
Unrealised profit adjustment		(52,374)	(100,589)
Share of profit of associate		(8,628,280)	(7,679,950)
Operating profit before working capital changes		(3,626,139)	707,221
Changes in working capital			
Trade and other receivables		975,391	23,654
Inventories		387,876	219,616
Construction contract work in progress		16,270	28,641
Trade and other payables		(219,203)	(326,145)
Advance from customers		(433,078)	(42,682)
		(2,898,883)	610,305
Income tax paid		(1,503)	–
Net cash (used in)/ provided by operating activities		(2,900,386)	610,305
Cash flows from investing activities			
Purchase of property, plant and equipment		(419,688)	(1,034,382)
Proceeds from sale of property, plant and equipment		4,077	–
Dividend received from associate		–	6,193,050
Other assets		(106,409)	(7,005)
Net receivable under installment sales		(126,925)	(155,013)
Net cash (used in)/ provided by investing activities		(648,945)	4,996,650
Cash flows from financing activities			
Dividend paid to shareholders		(7,785,830)	(9,732,288)
Net cash used in financing activities		(7,785,830)	(9,732,288)
Net decrease in cash and cash equivalents		(11,335,161)	(4,125,333)
Cash and cash equivalents at beginning of year/ period		28,217,748	32,343,081
Cash and cash equivalents at end of year/ period	14	16,882,587	28,217,748

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

MYANMAR THILAWA SEZ HOLDINGS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Myanmar Thilawa SEZ Holdings Public Company Limited (the Company) was incorporated in the Republic of the Union of Myanmar on 3 May 2013 under The Myanmar Companies Act. The Act has been replaced by the Myanmar Companies Law 2017. As such, the Company has been re-registered and issued Company Registration No. 151830293 according to the new Law.

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 February 2014.

The registered office of the Company is Shwe Zabu River View Complex 23G-1, No. 3B, Tower (A), Penthouse - 01 & 02, Strand Road, Ahlone Township, Yangon Region, Myanmar.

The Company is listed in Yangon Stock Exchange on 20 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 comparative financial statements to conform to the classification used in current financial statement.

2.2 Change in reporting period

During the former financial period ended 30 September 2019, the Company changed its financial year end from March to September. Accordingly, the financial statements presented are as at and for the twelve months ended 30 September 2020 (i.e current financial year end) and the six months ended 30 September 2019 (i.e former financial period end). As a result, the comparative figures presented in statements of comprehensive income, changes in equity and cash flows and the related notes are not comparable.

The change in financial year was due to change of financial year enacted by the government.

2.3 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 Kyat, 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.

2.4 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.

2.5 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.

2.6 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 or the balance of land use right.

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

2.7 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 year 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 rates are as follows:

Leasehold land	2.19%
Plant	5%
Transformers	2.17%
Building	2%-2.17%
Waste storage house	5%
Machinery and equipment	20%
Motor vehicle	20%
Computer and equipment	20%
Furniture and equipment	10% - 40%
Office renovation	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting year. 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.

2.8 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%.

The amortization year and amortization method of intangible assets are reviewed at least at each statement of financial position date. The effects of any revision are recognized in profit or loss when the changes arise.

2.9 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".

2.10 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.

2.11 Cash and cash equivalents

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

2.12 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.

2.13 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.

2.14 Issued and paid-up share capital

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.

2.15 Dividends

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

2.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are recognized as payable in the year in which the benefits is earned by employee. Past-service costs are recognized immediately in profit or loss.

2.17 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.

2.18 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

Revenue for rendering services is recognized over time as the services are provided. The related costs are recognized in statement of profit or loss and comprehensive income when they are incurred.

(b) Sale of goods – Land and building

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.

(f) Rental income

Rental income is recognised when earned on a straight-line basis over the lease term.

2.19 Income tax

Current income tax assets and liabilities for the current year 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 year. Current income tax is recognized in profit or loss.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the end of the reporting year. Deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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 year in which the estimates are revised and in any future year 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 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

	Leasehold land	Plant	Transformers	Building	Waste storage house	Machinery and equipment	Motor vehicle	Computer equipment	Furniture and equipment	Office renovation	Asset in construction	Total
Myanmar Kyat (In Thousands)												
Cost												
Balance at 1 October 2019	404,367	1,320,512	270,557	1,143,940	4,342	80,581	324,898	92,495	430,067	290,056	–	4,361,815
Addition	–	–	–	–	–	1,368	98,625	19,897	16,679	6,176	276,943	419,688
Disposal	–	–	–	–	–	–	–	(3,231)	(7,811)	(1,297)	–	(12,339)
Write off	–	–	–	–	–	(450)	–	(562)	(13,275)	(103,244)	–	(117,531)
Balance at 30 September 2020	404,367	1,320,512	270,557	1,143,940	4,342	81,499	423,523	108,599	425,660	191,691	276,943	4,651,633
Accumulated depreciation and impairment losses												
Balance at 1 October 2019	(9,575)	(114,517)	(8,790)	(10,196)	(181)	(40,127)	(265,925)	(52,533)	(213,773)	(194,761)	–	(910,378)
Depreciation	(8,839)	(66,026)	(5,860)	(23,242)	(217)	(10,411)	(55,418)	(15,610)	(78,389)	(46,767)	–	(310,779)
Impairment loss	–	–	–	–	–	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–	2,067	5,287	908	–	8,262
Write off	–	–	–	–	–	183	–	450	4,646	83,221	–	88,500
Balance at 30 September 2020	(18,414)	(180,543)	(14,650)	(33,438)	(398)	(50,355)	(321,343)	(65,626)	(282,229)	(157,399)	–	(1,124,395)
Net book value												
At 30 September 2020	385,953	1,139,969	255,907	1,110,502	3,944	31,144	102,180	42,973	143,431	34,292	276,943	3,527,238
Cost												
Balance at 1 April 2019	404,367	1,320,512	270,557	218,940	4,342	78,123	325,988	77,530	358,721	269,443	–	3,328,523
Addition	–	–	–	925,000	–	2,458	–	14,965	71,346	20,613	–	1,034,382
Write off	–	–	–	–	–	–	(1,090)	–	–	–	–	(1,090)
Balance at 30 September 2019	404,367	1,320,512	270,557	1,143,940	4,342	80,581	324,898	92,495	430,067	290,056	–	4,361,815
Accumulated depreciation and impairment losses												
Balance at 1 April 2019	(5,156)	(81,504)	(5,860)	(4,742)	(72)	(33,977)	(234,491)	(44,949)	(176,422)	(166,182)	–	(753,355)
Depreciation	(4,419)	(33,013)	(2,930)	(5,454)	(109)	(6,150)	(32,215)	(7,584)	(37,351)	(28,579)	–	(157,804)
Impairment loss	–	–	–	–	–	–	–	–	–	–	–	–
Write off	–	–	–	–	–	–	781	–	–	–	–	781
Balance at 30 September 2019	(9,575)	(114,517)	(8,790)	(10,196)	(181)	(40,127)	(265,925)	(52,533)	(213,773)	(194,761)	–	(910,378)
Net book value												
At 30 September 2019	394,792	1,205,995	261,767	1,133,744	4,161	40,454	58,973	39,962	216,294	95,295	–	3,451,437

7. Intangible asset

Myanmar Kyat (In Thousands)	Software
Cost	
Balance at 1 October 2019	11,495
Addition	–
Balance at 30 September 2020	11,495
Accumulated amortization and impairment losses	
Balance at 1 October 2019	(6,423)
Amortisation	(1,976)
Impairment loss	–
Balance at 30 September 2020	(8,399)
Net book value	
At 30 September 2020	3,096
Cost	
Balance at 1 April 2019	11,495
Addition	–
Balance at 30 September 2019	11,495
Accumulated amortization and impairment losses	
Balance at 1 April 2019	(5,301)
Amortisation	(1,122)
Impairment loss	–
Balance at 30 September 2019	(6,423)
Net book value	
At 30 September 2019	5,072

8. Investment in associate

Myanmar Kyat (In Thousands)	2020	2019
Opening balance	29,268,858	27,687,506
Proportionate net profit for the year/period	8,628,280	7,679,950
Dividend received	–	(6,193,050)
Unrealised profit adjustment	44,232	94,452
Carrying value	37,941,370	29,268,858

The Company's share of profit in its equity-accounted investee (i.e., Myanmar Japan Thilawa Development Limited) for the year was Kyats 8,628,280,273.15 (USD 6,594,023.9 @ Kyats 1308.5) (30 September 2019: Profit Kyats 7,679,950,424.10 (USD 5,010,406.07 @ Kyats 1532.80). 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)	2020	2019
Owner-ship	41%	41%
Current assets	67,610	65,792
Non-current assets	19,727	13,631
Total assets	87,337	79,423
Current liabilities	11,734	20,092
Non-current liabilities	2,047	1,859
Total liabilities	13,781	21,951
Net assets	73,556	57,472
Income	38,988	34,286
Expenses	(22,904)	(22,066)
Profit	16,084	12,220
Share of profit	6,594	5,010

9. Other investment (MMK 10,000,000)

The above amount represents investment in Myanmar Kyauk Phyu SEZ Holding Consortium Public Co., Ltd by the Company.

10. Investment property

Myanmar Kyat (In Thousands)	Land and building
Cost	
Balance at 1 October 2019	4,989,582
Transferred from inventories	497,966
Balance at 30 September 2020	5,487,548
Accumulated depreciation and impairment losses	
Balance at 1 October 2019	(264,891)
Depreciation	(135,341)
Impairment loss	—
Balance at 30 September 2020	(400,232)
Unrealised profit adjustment	(128,838)
Net book value	
At 30 September 2020	4,958,478
Cost	
Balance at 1 April 2019	4,877,222
Transferred from inventories	112,360
Balance at 30 September 2019	4,989,582
Accumulated depreciation and impairment losses	
Balance at 1 April 2019	(211,366)
Depreciation	(53,525)
Impairment loss	—
Balance at 30 September 2019	(264,891)
Unrealised profit adjustment	(128,544)
Net book value	
At 30 September 2019	4,596,147

The Company's investment property at 30 September 2020 includes three buildings of workers accommodation at recreational and commercial area of Thilawa SEZ. The Directors are of the view that a fair value of the property cannot be ascertained at 30 September 2020. 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 market comparable 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 at 30 September 2020.

During the period from 1 October 2019 to 30 September 2020, two units of shop houses have been transferred from inventory to investment property at their cost.

As of 30 September 2020, the Company's investment property includes:

1. Three buildings of workers accommodation
2. Three units of type A shop house facing main road
3. One unit of type B shop house facing internal road

Details of the Group's investment properties and information about the fair value hierarchy as at 30 September 2020 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 September 2020
Investment property				
Workers accommodation	–	–	7,692,950	7,692,950
Unit A – Main road	1,289,301	–	–	1,289,301
Unit B – Internal road	370,551	–	–	370,551

For unit A – Main road, the fair value was derived using the market comparable approach based on recent market price of similar property with adjustment made for frontage.

For unit B – internal road, the fair value was derived using the market comparable approach based on recent market prices of similar property without any significant adjustments being made.

For investment properties categorized into Level 3 of the fair value hierarchy, the following information is relevant:

Investment property	Valuation technique	Significant unobservable input(s)	Sensitivity
Workers accommodation	Income capitalization approach	Capitalization rate	Increase in the capitalization rate used would result decrease in fair value, and vice versa.
		Occupancy rate	Decrease in the occupancy rate used would result decrease in fair value, and vice versa.
		Monthly rental	Decrease in the monthly rental used would result decrease in fair value, and vice versa.

One unit of type A facing main road was transferred from Level 2 to Level 1 and there were no other transfer during the year.

The fair value of investment properties is not based on valuation by an independent valuer.

The property rental income from the Group's investment properties all of which are leased out under operating lease, amounted to MMK 369,538 (thousand). Direct operating expenses (including repairs and maintenance) arising from the rental –generating investment properties amounted to MMK 236,953 (thousand).

11. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the financial position as follows:

Myanmar Kyat (In Thousands)	2020	2019
Deferred tax assets		
To be recovered within one year	–	–
To be recovered after one year	11,453	11,897
	11,453	11,897

12. Net receivable under installment sales

The Company sells its shop houses under installment plan during the year ended 30 September 2020. Net present value of installment payments to be received are recognised as revenue and receivable. The Company use interest rate implicit in the contract as discount rate to measure the net present value. These properties are de-recognised from the inventory and carrying amount is recognised under cost of sales. The selling profit is the difference between revenue and cost of sales.

The Company recognize the finance income and allocate over the installment term.

(a) Selling profit from installment sales

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Selling profit	192,596	160,296

(b) Receivable under installment sales

Myanmar Kyat (In Thousands)	2020	2019
Gross receivable under installment sales	486,495	234,375
Less: Unearned finance income	(68,910)	(51,401)
	417,585	182,974
Less: current portion (Note 15)	(135,647)	(27,961)
	281,938	155,013

(c) Undiscounted installment payments to be received

Myanmar Kyat (In Thousands)	2020	2019
Within one year	172,337	45,000
Second to fifth years	314,158	189,375
	486,495	234,375

13. Other assets

Myanmar Kyat (In Thousands)	2020	2019
Logistics Dependent Industrial Area	86,706	85,497
Myit Kyi Nar Economic Development Zone	7,005	7,005
Gyo Gone Redevelopment Project	105,200	–
	198,911	92,502

14. Cash and cash equivalents

Myanmar Kyat (In Thousands)	2020	2019
Cash in hand	21,742	18,448
Cash at bank – current	16,079,303	26,931,484
Cash at bank – saving	772,146	1,242,854
Cash at bank – call	9,396	24,962
	16,882,587	28,217,748

15. Trade and other receivables

Myanmar Kyat (In Thousands)	2020	2019
Trade receivables from		
- Related parties*	225,324	263,948
- Non-related parties	53,883	370,362
Other receivable from non-related parties	20,944	10,350
Net receivable under installment sales (Note 12)	135,647	27,961
Construction contract - Due from related parties	24,315	247,772
Accrued income		
- Related parties	30,317	606,443
- Non-related parties	16,260	20,992
Deposit	218,390	18,090
Prepayments and advance	29,012	76,194
Advance income tax	30,207	28,704
Advance commercial tax	730,910	818,281
	1,515,209	2,489,097

* It comprises management services fees receivable from Myanmar Japan Thilawa Development Limited (MJTD).

16. 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 the cost of land scraping, infrastructure development, shop houses construction and fencing the water treatment plant.

17. Construction contract

Myanmar Kyat (In Thousands)	2020	2019
Construction contract work in progress		
Beginning of financial year/period	16,270	44,911
Contract costs incurred	136,454	371,407
Contract expenses recognised in profit or loss	(152,724)	(400,048)
End of financial year/period	—	16,270
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	263,458	644,981
Less: Progress billing	(233,141)	(375,044)
Unbilled to customers current financial year/period	30,317	269,937
Due from related party on construction contracts (Note 15)		
Billed to customer	24,315	247,772
Unbilled to customers – current financial year/period	30,317	269,937
Unbilled to customers – previous financial year/period	—	336,506
End of financial year/period	54,632	854,215

18. Issued and paid-up share capital

Myanmar Kyat (In Thousands)	No. of ordinary shares issued		Issued and fully paid-up share capital	
	2020	2019	2020	2019
Beginning of financial year/period	38,929,150	38,929,150	38,929,150	38,929,150
Issued of shares	–	–	–	–
End of financial year/period	38,929,150	38,929,150	38,929,150	38,929,150

19. Trade and other payables

Myanmar Kyat (In Thousands)	2020	2019
Trade payables to non-related parties	29,763	167,488
Construction contract-due to supplier	283,542	603,262
Other payables to		
- Related parties	52,120	–
- Non-related parties	116,408	242,040
Deposit from suppliers	23,156	207,986
Accrued expenses	92,947	64,856
Unpaid dividend	1,191,883	703,525
Deferred rental income		
- Related parties	795	–
- Non-related parties	54,076	71,576
Commercial tax	5,368	8,540
Advance receipt	12	–
	1,850,070	2,069,273

20. Revenue

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Management fees	914,431	500,085
Construction revenue	254,629	626,967
Rental income	369,538	177,684
Sale of building	687,951	827,974
Telecommunication	18,415	17,027
Utilities income	244,075	101,031
	2,489,039	2,250,768

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

Construction revenue

The above mainly comprises of a road construction contract and construction of rental factory B extension from MJTD.

Rental income

The above comprises of rental of rooms in dormitory and shop house.

Sale of building

The above comprises of sale of shop houses to U Maung Maung Gyi.

Telecommunication

The above comprises of fixed element and revenue sharing variable element for granting access of fiber optic cable to telecommunication service provider.

Utilities income

The above comprises of water, electricity and common area maintenance fees from the banks, shop house, rented shops and food court.

21. Other income

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Interest income	569,640	485,967
Miscellaneous income	91,847	7,459
Finance income under lease	37,923	–
	699,410	493,426

22. Unrealised exchange (losses)/ gains

Foreign exchange loss arising from revaluation of the US Dollar cash reserves as at 30 September 2020 at declining MMK/ USD exchange rate due to currency appreciation of Myanmar Kyat.

23. Expenses by nature

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Construction contract cost	152,724	400,048
Cost of rental and dormitory	236,952	158,642
Building cost - shop house	503,266	515,699
Utilities cost	191,764	—
Write off - property, plant and equipment	29,031	309
Depreciation of property, plant and equipment	310,779	157,804
Depreciation of investment property	135,341	53,525
Amortisation of intangible asset	1,976	1,122
Employee benefit expenses (Note 23-a)	749,388	346,540
Key management personal and director compensations (Note 26-b)	782,618	522,971
Selling, marketing and business development expenses	44,152	19,731
Rental expense	78,684	103,305
Transportation expense	27,451	17,450
Listing expense	8,099	4,353
Other expense	423,412	349,208
Unrealised profit adjustment	(52,374)	(100,589)
	3,623,263	2,550,118

23-a. Employee benefit expenses

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Wages and salaries	565,910	260,936
Other benefits	183,478	85,604
	749,388	346,540

24. Income tax expense

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Current tax expenses		
Deferred income tax	444	163
Changes in estimates related to prior years/ period	—	14,226
	444	14,389

25. 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 and period.

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Net profit attributable to equity holders of the Company (Myanmar Kyat in thousands)	4,704,009	8,203,303
Weighted average number of ordinary shares outstanding for basic earnings per share (shares in thousands)	38,929	38,929
Basic earnings per share	121	211
Per value of shares (Myanmar Kyat)	1,000	1,000

26. 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 Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Management fees from MJTD	914,431	500,085
Construction revenue from MJTD	254,629	626,967

Other related parties comprise 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	2020 (12 months) Kyats '000	2019 (6 months) Kyats '000
1	Union of Myanmar Federation of Chamber of Commerce & Industry (Rent of Head office)	U Thein Han	Director	–	103,305
2	CB Securities	U Khin Maung Aye	Vice Chairman	2,500	2,500
3	Shwe Me	U Tun Lwin	Director	61,467	–

Outstanding balances of related parties are disclosed in Notes 15 and 19 respectively.

(b) Key management personnel and director compensation

Myanmar Kyat (In Thousands)	2020 (12 months)	2019 (6 months)
Director remuneration	72,000	36,000
Director bonus		
- April 2019 to September 2019	63,829	—
- October 2019 to September 2020	52,120	—
Key management personnel remuneration		
- December 2016 to March 2019	—	154,772
- April 2019 to September 2019	—	332,199
- October 2019 to September 2020	514,021	—
Key management bonus	80,648	—
	782,618	522,971

(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 January, 2022.

27. Authorization of financial statements

The financial statements of the Company for the year ended 30 September 2020 were authorized for issue on 24 December 2020.