Directors' Report and Audited Financial Statements

Sathapana Limited

Reg No. 993 FC/2014-2015

(Incorporated in the Republic of the Union of Myanmar)

For the financial year ended
31 March 2017

UTW (Myanmar) Limited
Certified Public Accountants

SATHAPANA LIMITED

General Information

Directors

Ken Han
Chang-Woo Han
Yu Han
Susumu Watahiki
Mitsuru Ishimura
Norihiko Kato

Registered Office

No. 97/B, Kaba Aye Pagoda Road

Bahan Township

Yangon, Myanmar

Auditors

UTW (Myanmar) Limited

Bankers

Co-operative Bank Ltd. (CB Bank)
KanBawZa Bank Ltd. (KBZ Bank)
Ayeyarwady Bank Ltd. (AYA Bank)
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU Bank)
Mizuho Bank Ltd.

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The directors are pleased to present their report to the members together with the financial statements of SATHAPANA LIMITED (the "Company") for the financial year ended 31 March 2017.

1. Directors

The directors of the Company in office at the date of this report are:

Ken Han
Chang-Woo Han
Yu Han
Susumu Watahiki
Mitsuru Ishimura
Norihiko Kato

2. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interest in shares or debentures

No director who held office at the end of the financial year had any interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year, according to the return on allotment of directors' shareholdings (Form VI) required to be kept under Section 104 of the Myanmar Companies Act.

4. Directors' contractual benefits

Since at the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Share Options

No options have been granted during the financial year to subscribe for unissued shares of the Company. No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option as at end of the financial year.

6. Auditor

UTW (Myanmar) Limited has expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Ken Han

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Ken Han
Managing Director

....

Susumu Watahiki
Director

Dated : 25 JUL 2017
The Republic of the Union of Myanmar

SATHAPANA LIMITED

Statement by Directors

We, Ken Han and Susumu Watahiki, being the appointed Managing Director and Director, respectively, of Sathapana Limited, do hereby state that, in the opinion of the Directors,

1) the accompanying statement of profit or loss, comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2017 and the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date; and

2) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Ken Han

....

Ken Han
Managing Director

....

Susumu Watahiki
Director

Dated : 25 JUL 2017
The Republic of the Union of Myanmar

UTW

UTW (Myanmar) Limited
Room 10-A, Classic Strand Condo
No. 693/701, Merchant Road
Pabedan Township, Yangon

Tel: +95 1 371293
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Independent Auditor's Report for the financial year ended 31 March 2017

To the members of SATHAPANA LIMITED

We have audited the accompanying financial statements of **SATHAPANA LIMITED** (the "Company"), which comprise the statement of financial position as at 31 March 2017, statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows 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 Act. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair statement of profit or loss, statement of comprehensive income and statement of financial position and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 financial statements present fairly, in all material respects, the financial position of SATHAPANA LIMITED as of 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards and the provisions of the Myanmar Companies Act.

Report on Other Legal and Regulatory Requirements

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

(a) We have obtained all the information and explanations we have required; and

(b) Books of account have been maintained by SATHAPANA LIMITED as required by Section 130 of the Myanmar Companies Act.

Daw Moe Moe Aye
(CPA No. 186)
UTW (Myanmar) Limited
Firm Reg: No. C006
Certified Public Accountants

Dated : 25 JUL 2017
The Republic of the Union of Myanmar

	Notes	31 March 2017 MMK	31 March 2016 MMK
Assets			
Non-current assets			
Property, plant and equipment	9	657,038,293	246,814,934
Intangible asstes	10	41,218,030	17,802,254
Loans to customers	11	9,370,845	1,066,828
		707,627,168	265,684,016
Current assets			
Interest receivables		282,001,400	51,269,400
Other receivables	12	31,449,575	24,200,000
Prepaid expenses	13	350,703,861	303,512,935
Loans to customers	11	17,151,813,360	3,238,559,940
Cash and cash equivalents	14	904,012,765	7,398,070,688
		18,719,980,961	11,015,612,963
Total assets		19,427,608,129	11,281,296,979
Equity and liabilities			
Current liabilities			
Accrued expenses		290,220,483	18,892,400
Employee pension	15	8,657,771	16,589,172
Other payables	16	2,010,300	2,750,500
Interest payables		69,608,500	6,514,500
Customer savings payables	17	1,321,567,800	203,000,000
		1,692,064,854	247,746,572
Non-current liabilities			
Customer savings payables	17	3,060,000	652,500
Employee pension	15	164,497,659	33,177,328
Total liabilities		1,859,622,513	281,576,400
Equity			
Issued capital	18	18,676,600,000	12,601,600,000
Accumulated losses		(1,108,614,384)	(1,601,879,421)
Total equity		17,567,985,616	10,999,720,579
Total equity and liabilities		19,427,608,129	11,281,296,979

	Notes	1 April 2016 to 31 March 2017 MMK	1 April 2015 to 31 March 2016 MMK
Continuing Operations			
Interest incomes	5	2,690,666,900	226,330,300
Interest expenses	5	(100,779,300)	(6,544,600)
Net interest incomes		**2,589,887,600**	**219,785,700**
Other items of incomes (expenses)			
General and administrative expenses	6	(2,637,967,615)	(1,437,041,481)
Other incomes (expenses)	7	705,766,731	(274,093,228)
Profit / (Loss) before tax from continuing operations		**657,686,716**	**(1,491,349,009)**
Income tax expenses	8	164,421,679	-
Profit / (Loss) for the year from continuing operations		**493,265,037**	**(1,491,349,009)**

SATHAPANA LIMITED
Statement of comprehensive income
For the financial year ended 31 March 2017

	1 April 2016 to 31 March 2017 MMK	1 April 2015 to 31 March 2016 MMK
Profit/(Loss) for the year	493,265,037	(1,491,349,009)
Other comprehensive income	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income/(loss) for the year	493,265,037	(1,491,349,009)

SATHAPANA LIMITED
Statement of changes in equity
For the financial year ended 31 March 2017

	Issued capital (Note 18)	Advance capital, pending allotment	Accumulated losses	Total equity
	MMK	MMK	MMK	MMK
As at 1 April 2015	25,625,000	77,025,000	(110,530,412)	(7,880,412)
Issuance of shares during the year	12,575,975,000	(77,025,000)	-	12,498,950,000
Total comprehensive loss for the year	-	-	(1,491,349,009)	(1,491,349,009)
At 31 March 2016 and 1 April 2016	**12,601,600,000**	**-**	**(1,601,879,421)**	**10,999,720,579**
Issuance of shares during the year	6,075,000,000	-	-	6,075,000,000
Total comprehensive income for the year	-	-	493,265,037	493,265,037
At 31 March 2017	**18,676,600,000**	**-**	**(1,108,614,384)**	**17,567,985,616**

SATHAPANA LIMITED
Statement of cash flows
For the financial year ended 31 March 2017

	Notes	1 April 2016 to 31 March 2017 MMK	1 April 2015 to 31 March 2016 MMK
Operating activities			
Profit / (Loss) before tax from continuing operation		657,686,716	(1,491,349,009)
Adjustments for:			
Depreciation and amortisation	6	100,465,720	32,045,686
Provisions for loan loss	6	107,230,463	66,114,832
Fixed asset write off/transfer reclassed	9	(1,397,490)	-
Operating cash flows before changes in working capital		**863,985,409**	**(1,393,188,491)**
Changes in working capital:			
Increase in loans and interest receivables		(14,259,519,900)	(3,357,011,000)
Increase in other receivables		(7,249,575)	(23,450,000)
Increase in prepaid expenses		(47,190,926)	(272,063,935)
Decrease in other payables		(740,200)	(167,121,473)
Increase in accrued expenses		230,295,334	66,302,343
Increase in customer savings and interest payables		1,184,069,300	210,167,000
Net cash flows used in operating activities		**(12,036,350,558)**	**(4,936,365,556)**
Investing activities			
Purchase of property, plant and equipment	9	(532,707,365)	(287,866,481)
Net cash flows used in investing activities		**(532,707,365)**	**(287,866,481)**
Financing activities			
Proceeds from issuance of shares	18	6,075,000,000	12,498,950,000
Net cash flows from financing activities		**6,075,000,000**	**12,498,950,000**
Net (decrease) / increase in cash and cash equivalents		**(6,494,057,923)**	**7,274,717,963**
Cash and cash equivalents at 1 April		**7,398,070,688**	**123,352,725**
Cash and cash equivalents at 31 March	14	**904,012,765**	**7,398,070,688**

1. General

SATHAPANA LIMITED (the "Company") is established in the Republic of the Union of Myanmar and obtained certificate of registration No. 993 FC of 2014 - 2015 on 2 January 2015 in pursuance of the Myanmar Companies Act by the Ministry of National Planning and Economic Development. The Company is a subsidiary of Maruhan Investment Asia Pte. Ltd. The absolute parent is Maruhan Corporation whose shares are not publicly traded in Japan.

As stated in its amended permit to trade No. 993 FC/2014-2015 dated 28 April 2015, the scope of activities of the Company is to conduct microfinance business. The Company obtained its microfinance license from the Microfinance-Supervisory Committee.

The registered office of the Company is located at No. 97/B, Kaba Aye Pagoda Road, Bahan Township, Yangon, Republic of the Union of Myanmar.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with the Myanmar Financial Reporting Standard ("MFRS").

The financial statements have been prepared on a historical cost basis. The functional and presentation currency used in the financial statement is the Myanmar Kyat (MMK).

3. Significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle and;
- Liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

3. Significant accounting policies (Cont'd)

(b) Revenue recognition

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its' amount if maturity is calculated on an effective interest basis.

(c) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash at bank.

(d) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of obligation can be estimated reliably.

(e) Foreign currency transactions and balances

The presentation and functional currency of the Company is Myanmar Kyat. Transactions in foreign currencies are measured in the functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(f) Property, plant and equipment

All property, plant and equipment are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3. Significant accounting policies (Cont'd)

(f) Property, plant and equipment (Cont'd)

Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of fixed assets as a replacement if the recognition criteria are satisfied. All repairs and maintenance costs that do not meet the recognition criteria are recognized in profit and loss as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of lease
Furniture and fixture	5 years
Equipment	5 years
Motor vehicles	5 years
Computer equipment	5 years
Other fixed asset (security house)	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(g) Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

3. Significant accounting policies (Cont'd)

(g) Intangible assets (Cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The Company has a software called MicroBanking System Windows (the "MBWin") acquired separately during the year and it is amortised on straight line basis over its finite useful life of 5 years.

(h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Company as a lessee

The Company does not have finance leases as of 31 March 2017.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(i) Taxation

Income tax expense represents the sum of the corporate income tax currently payable and any penalty in the statement of profit and loss.

Corporate income tax are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates enacted or substantially enacted as at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

3. Significant accounting policies (Cont'd)

(i) Taxation (Cont'd)

Deferred tax (Cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3. Significant accounting policies (Cont'd)

(j) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Company has not designated any financial assets at fair value through profit or loss.

3. Significant accounting policies (Cont'd)

(j) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to loans to customer and other receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Company did not have any held-to-maturity investments during the year ended 31 March 2017.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

3. Significant accounting policies (Cont'd)

(j) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (Cont'd)

Available-for-sale (AFS) financial investments (Cont'd)

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity. The Company did not have any AFS investments during the year ended 31 March 2017.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Significant accounting policies (Cont'd)

(j) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (Cont'd)

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, defaultor delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cashflows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the statement of profit or loss.

3. Significant accounting policies (Cont'd)

(j) Financial instruments - initial recognition and subsequent measurement (Cont'd)

i) Financial assets (Cont'd)

Available-for-sale (AFS) financial investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include savings and other payables.

3. Significant accounting policies (Cont'd)

(h) Financial instruments - initial recognition and subsequent measurement (Cont'd)

ii) Financial liabilities (Cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.
Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities at fair value through profit or loss (Cont'd)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans and borrowings, including install payment obligation for the purchase of license, is subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Judgments

In the process of applying the Company's accounting policies, management does not need to make the judgments, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

Management is of the opinion that no key estimates and assumptions are expected to have a significant effect and material adjustment to the carrying amounts of assets and liabilities within the next financial year.

	1 April 2016 to 31 March 2017	1 April 2015 to 31 March 2016
	MMK	MMK

5. Interest incomes

Income from loan to cutomers	2,690,666,900	226,330,300

Interest income is derived at the rate 2.5% per month on the loan outstanding to customers.

Interest expenses

Interest expenses on savings from customers	100,779,300	6,544,600

This interest expenses is relating to the savings deposits, which was to be paid by the compnay to its customers on their savings deposits at the rate 1.25% per month.

6. General and administrative expenses

Salaries and wages	1,651,009,896	886,350,834
Professional fees	47,465,929	57,909,680
Travel and communication expenses	84,171,854	27,894,850
Rental lease payments	323,120,000	181,625,000
Transportation	96,975,302	56,680,735
Office supplies	79,897,339	40,241,720
Marketing and advertising	18,338,318	36,987,700
Depreciation and amortisation	100,465,720	32,045,833
Others	129,292,794	51,190,297
Provision for loan loss	107,230,463	66,114,832
	2,637,967,615	1,437,041,481

7. Other incomes (expenses)

Foreign exchange gain/(loss)	466,510,531	(274,190,028)
Other income	239,256,200	96,800
	705,766,731	(274,093,228)

8. Income tax expenses

Relationship between tax expenses and accounting profit

A reconciliation between tax expenses and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March 2017 are and as follows:

Accounting profit / (loss) before tax	657,686,716	(1,491,349,009)
Tax at 25%	164,421,679	(372,837,252)
Adjustments:		
Effect of unused tax losses not recognised as deferred tax assets	-	372,837,252
Income tax expenses recognised in profit or loss	164,421,679	-

9. Property, plant and equipment

	Leashold improvements	Furniture and fixture	Equipment	Computer Equipment	Motor vehicles	Other fixed asset	Total
	MMK	MMK	MMK	MMK	MMK	MMK	MMK
Cost							
At 1 April 2016	31,211,450	45,627,850	37,087,315	38,575,590	122,874,025	1,064,000	276,440,230
Additions	9,367,010	86,526,780	86,343,150	70,398,053	253,062,340	540,000	506,237,333
Write-off	(140,000)	-	-	(1,736,800)	-	-	(1,876,800)
Transfer counter	(3,700,000)	2,672,220	-	-	-	-	(1,027,780)
At 31 March 2017	36,738,460	134,826,850	123,430,465	107,236,843	375,936,365	1,604,000	779,772,983
Accumulated depreciation							
At 1 April 2016	(6,692,670)	(5,672,819)	(4,713,707)	(6,127,353)	(6,293,747)	(125,000)	(29,625,296)
Depreciation charge for the year	(11,131,515)	(16,379,545.00)	(12,928,851)	(12,744,637)	(41,040,603)	(281,733)	(94,506,884)
Write off	38,890	-	-	330,820	-	-	369,710
Transfer counter	1,027,780	-	-	-	-	-	1,027,780
At 31 March 2017	(16,757,515)	(22,052,364)	(17,642,558)	(18,541,170)	(47,334,350)	(406,733)	(122,734,690)
Net carrying amount:							
At 31 March 2017	19,980,945	112,774,486	105,787,907	88,695,673	328,602,015	1,197,267	657,038,293
At 31 March 2016	24,518,780	39,955,031	32,373,608	32,448,237	116,580,278	939,000	246,814,934

	31 March 2017	31 March 2016
	MMK	MMK
10. Intangible assets		
Cost		
As at 1 April	20,462,366	-
Additions	29,374,612	20,462,366
As at 31 March	**49,836,978**	**20,462,366**
Accumulated amortisation		
As at 1 April	(2,660,112)	-
Amortisation charge for the year	(5,958,836)	(2,660,112)
As at 31 March	**(8,618,948)**	**(2,660,112)**
Net carrying amount:		
At 31 March	**41,218,030**	**17,802,254**

11. Loans to customers

Group loan	17,202,469,900	3,280,491,200
Individual loan	132,059,600	25,250,400
	17,334,529,500	**3,305,741,600**
Less: Loan loss povision (1%)	(173,345,295)	(66,114,832)
Net loan portfolio	**17,161,184,205**	**3,239,626,768**
Net loan portfolio is divided in 2 categories based on maturity		
Current	17,151,813,360	3,238,559,940
Non-current	9,370,845	1,066,828
	17,161,184,205	**3,239,626,768**

12. Other receivables

Refundable deposits	**31,449,575**	**24,200,000**

The deposits include security deposits paid on office and house lease agreement.

13. Prepaid expenses

Prepaid rent - office	322,843,750	285,887,500
Prepaid rent - apartment	4,650,000	4,250,000
Prepaid - others	23,210,111	13,375,435
	350,703,861	**303,512,935**

14. Cash and cash equivalents

Cash on hand	74,289,092	112,587,804
Cash at bank	829,723,673	7,285,482,884
	904,012,765	**7,398,070,688**

	31 March 2017	31 March 2016
	MMK	MMK
15. Employee pension		
Employee contribution (5% of basic salary)	57,718,764	16,589,172
Employer contribution (10% of basic salary)	115,436,666	33,177,328
	173,155,430	49,766,500

The company has a pension scheme whereby both employee and employer contribute each month. This scheme is treated as defined contribution plan as the company's laibility is limited only to fixed amount and therefore not discounted.

The company has classified 5% of total employees pension contribution as current and the rest is classifed as non-current as management does not expect the amounts to be paid out within the next 12 months.

16. Other payables

Payables	2,010,300	2,750,500

Other payables at 31 March 2017 are related to SSB contribution and withholding tax to be paid and at 31 March 2016 payable to related parties.

17. Customer savings payables

Current	1,321,567,800	203,000,000
Non-current	3,060,000	652,500
	1,324,627,800	203,652,500

18. Share capital

Issued share capital

	31 March 2017		31 March 2016	
	No. of shares	MMK	No. of shares	MMK
Issued and fully paid ordinary shares				
At 1 April	10,000,000	12,601,600,000	25,000	25,625,000
Issuance of shares during the year	5,000,000	6,075,000,000	9,975,000	12,575,975,000
At 31 March	15,000,000	18,676,600,000	10,000,000	12,601,600,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

19. Commitments and contingencies

Operating lease commitments - Company as lessee

The company has several operating lease agreement for houses and offices as leasee. The company is restricted to subleaseing the leasehold property to third parties. Future commitments for rental payment payable under non-cancellable operating leases for offices at the end of reporting period are as follows:

	31 March 2017	31 March 2016
	MMK	MMK
Not later than one year	230,880,000	132,200,000
Later than one year but not later than five years	234,744,000	155,380,000
	465,624,000	287,580,000

20. Related party transactions

(a) Temporary cash assistance

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year except for equity contribution (Note 19).

	31 March 2017	31 March 2016
	MMK	MMK
Cash received from:		
Maruhan Myanmar Co., Ltd.	2,462,275	1,299,303,396
Sathapana Ltd. (Cambodia)	-	21,040,448
Maruhan Corporation	4,595,388	-
	7,057,663	1,320,343,844

Terms and conditions of transactions with related parties

Maruhan Myanmar Co., Ltd. and Sathapana Ltd. (Cambodia) paid expenses on behalf of the Company during the Company set up process. Also, the Company acquired fixed assets through these related parties. Considerations for those transactions are not secured and to be settled in cash.

(b) Compensation to key management

Short term employee benefits	414,892,620	389,843,691

21. Significant subsequent events

The Company resolved to borrow funds in the form of a loan arranged with Mizuno Bank Ltd., and subsequently borrowed those funds on May, 2017.

(1) Purpose of use of the funds
Working capital
(2) Lenders
Mizuho Bank Ltd., Yangon Branch
(3) Borrowed Amount
MMK 1,500.00 Million (One thousand five hundred million Kyats only)
(4) Interest rates
12.50%
(5) Execution date
3-May-2017 & 25-May-2017
(6) Repayment dates
3-June-2017 & 23-June-2017
(7) Repayment method
Bullet payment
(8) Provision of security
Guarantor: MARUHAN CORPORATION

22 Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair vale

Management has determined that the carrying cash and cash equivalents, loans and other receivables, savings and other payables, based on their notional amounts, are reasonable approximation of their fair values, either due to their short-term nature or that they floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

23. Financial risk management objectives and policies

The Company's principal financial liabilities comprise of savings and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans and other receivables including interest receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk generally comprise three types of risk: interest rate risk, currency risk and other price risk such equity price risk and commodity risk.

23. Financial risk management objectives and policies (Cont'd)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates is minimal as its financial assets and financial liabilities are denominated in functional currency.

Credit risk

The Company performs ongoing credit evaluations of its customers and generally does not require collateral on trade receivables. Allowance for doubtful debts / receivables on uncollectible trade receivables have been made based on the expected collectability of outstanding trade receivables at the statement of financial position date.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as stated in the statement of financial position.

Liquidity risk

The Company monitors its risk to a shortage of funds by reviewing the cash payment plan. The Company's objective is to maintain a level of cash and bank balances deemed sufficient to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial asset and liabilities based on contractual undiscounted receipts and payments.

	1 year or less
Financial assets:	MMK
Loan and other receivables	17,465,264,335
Cash and cash equivalents	904,012,765
Total undiscounted financial assets	**18,369,277,100**
Financial liabilities:	
Customer savings payables	1,321,567,800
Accrued expenses and other payables	370,497,054
Total undiscounted financial liabilities	**1,692,064,854**
Total net undiscounted financial assets	16,677,212,246

24. Capital management

For the purpose of the Company's capital management, capital includes issued capital, all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maintain a sufficient liquidity in order to support its business and maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants, if any. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. All capital requirements of the Company are internally generated and financed by third party debts as of 31 March 2017. No dividend was paid or declared during the period ended 31 March 2017.

The Company monitors capital during the review of financial information monthly. In addition, management reviews the amount of expected payment in the board meeting.

	2017 MMK	2016 MMK
Trade and other payables	1,686,467,083	231,809,900
Other liabilities	173,155,430	49,766,500
Less: Cash and cash equivalents	(904,012,765)	(7,398,070,688)
Net debt	955,609,748	(7,116,494,288)
Equity attributable to equity holders of the Company	17,567,985,616	10,999,720,579
Non-current amount due to the holding company (non-	-	-
Total capital	17,567,985,616	10,999,720,579
Capital and net debt	18,523,595,364	3,883,226,291
Gearing ratio	5%	NA*

* Not applicable as the Company is in a net cash

25. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

26. Authorisation of financial statements

The financial statements for the financial year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors and authorise for issue on 25 JUL 2017.