



EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

As at and for the financial year ended 30 September 2020

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EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

For the financial year ended 30 September 2020

The directors present their report to the members together with the audited consolidated financial statements of Ever Flow River Group Public Company Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 September 2020 under the Section 261 of the Myanmar Companies Law 2017.

Directors

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

1. U Kyaw Lwin Oo, Managing Director
2. U Aung Min Han @ U Ko Ko Aung, Director
3. Daw Saw Sanda, Director
4. U Maung Maung Oo, Director
5. Daw Khin Sone, Director
6. Daw Wut Hmone, Director
7. U Than Aung @ Bemay Barua, Director
8. U Kyaw Kyaw Thein, Director
9. Daw Hnin Yee Mon, Director
10. Daw Lae Lae Mu, Director
11. Daw Zin Nyein Htwe, Director

State of the Company's affairs

The Company was incorporated on 2 November 2012 as a Private Company and converted existing private company into a public company on 10 April 2014 and have not been carrying on any business activities itself and have invested in its subsidiaries and associated companies through which business activities are carried out. There has been no change in the business of the Company during the financial year ended 30 September 2020.

	30 September 2020 (12 months)	30 September 2019 (6 months)
Financial results:		
Revenue (including other operating income)	13,183,983,025	5,685,024,930
Loss before depreciation and amortisation, interest & tax	(76,241,902)	(43,410,360)
Depreciation and amortisation	(133,940,054)	(56,716,992)
Gain / (Loss) on disposal of property, plant and equipment	(190,233)	15,798,045
Write off property, plant and equipment	(5,710,044)	—
Finance cost	(15,900,000)	—
Share of associate loss	(326,392,080)	(174,790,664)
Loss before tax	(558,374,313)	(259,119,971)
Income tax expenses	(60,101,870)	(97,684,206)
Loss for the period / year	(618,476,183)	(356,804,177)

Transfer to reserve account

No amount was transferred to the reserve account during the financial year ended 30 September 2020.

Dividend

No dividend is recommended for the current financial year.

DIRECTORS' REPORT (CONTINUED)

For the financial year ended 30 September 2020

Risks and Uncertainties


The Company did not face any risks and uncertainties during the current financial year except for risk and uncertainties due to COVID - 19 impact as disclosed in Note 37 to the financial statements.

On behalf of the directors


U Kyaw Lwin Oo
Managing Director

Director

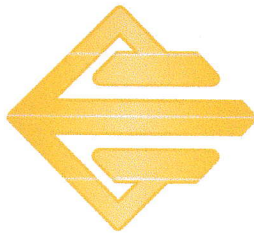
Ever Flow River Group Public Company Limited


Daw Khin Sone
Director

Director

Ever Flow River Group Public Company Limited





EVER FLOW RIVER GROUP PUBLIC CO., LTD.

No.62, Room (1104), 11th Floor, Mahabandoola Housing Complex (B), Corner of Mahabandoola Road & Tarwataintha Street, Pazundaung Township, Yangon, Myanmar.

+959 8899 488 90, +951 8203 715, +951 8201 001 +951 8203 715

www.efrgroupmyanmar.com

www.facebook.com/efrgroup

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

It is the responsibility of the Management to prepare the consolidated financial statements for each financial year which give a true and fair view of consolidated financial position as at 30 September 2020, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes. In preparing these 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

Ever Flow River Group Public Company Limited

28 December 2020



Director

Ever Flow River Group Public Company Limited

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

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

Ref: 2138/E-37/September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Ever Flow River Group Public Company Limited

Report on the Audit of the Financial Statements

We have audited the accompanying consolidated financial statements of **Ever Flow River Group Public Company Limited** ("the Company") and its subsidiaries ("the Group"), which comprise consolidated financial position as at 30 September 2020, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Myanmar Financial Reporting Standards (MFRS) and the provisions of the Myanmar Companies 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 about 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 our 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, we consider 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 **Ever Flow River Group Public Company Limited** ("the Company") **and its subsidiaries** ("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 MFRS and the provisions of the Myanmar Companies Law.

Report on Other Legal and Regulatory Requirements

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

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



Moe Kyaw (PAPP - 313)
Managing Partner
Win Thin & Associates
Certified Public Accountants

28 December 2020

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

Currency – Myanmar Kyat (MMK)

	Note	30 September 2020	30 September 2019
Assets			
Non-current assets			
Property, plant and equipment	5	565,534,994	624,783,431
Intangible assets	6	36,683,739	30,063,353
Investments accounted for using the equity method	8	1,885,566,414	2,211,958,494
Project under development	9	2,977,158,547	2,781,459,486
Total non-current assets		5,464,943,694	5,648,264,764
Current assets			
Inventories	10	447,954,165	577,159,026
Trade and other receivables	11	9,734,288,602	11,407,417,001
Cash and cash equivalents	12	2,680,670,938	1,306,815,623
Total current assets		12,862,913,705	13,291,391,650
Total assets		18,327,857,399	18,939,656,414
Liabilities			
Current liabilities			
Trade and other payables	13	2,985,632,111	2,904,475,590
Total liabilities		2,985,632,111	2,904,475,590
Net assets		15,342,225,288	16,035,180,824
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	13,638,599,000	13,638,599,000
Foreign currency translation reserve	15	287,468,991	401,948,344
Retained earnings		1,280,971,503	1,897,500,803
		15,207,039,494	15,938,048,147
Non-controlling interests	16	135,185,794	97,132,677
Total equity		15,342,225,288	16,035,180,824

The notes on pages 12 to 55 are an integral part of the Financial Statements.

Authenticated by Directors:

(1)   Director
Ever Flow River Group Public Company Limited

(2)  Director
Ever Flow River Group Public Company Limited

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

	Note	30 September 2020 (12 months)	30 September 2019 (6 months)
Revenue from contracts with customers	17,35(b)	12,832,503,595	5,604,026,271
Other income	21	351,479,430	80,998,659
Total income		13,183,983,025	5,685,024,930
Operating expenses	23,35(b)	(4,600,333,664)	(1,074,589,712)
Purchases	26,35(b)	(5,962,531,424)	(3,687,069,115)
Changes in inventories	35(b)	(129,204,861)	419,784,575
Staff costs	22	(1,486,742,401)	(746,882,795)
Rental on operating lease		(218,972,159)	(110,296,899)
Repair & maintenance expense		(62,544,315)	(40,580,277)
Other administrative expenses	27	(939,736,434)	(529,720,014)
Finance cost		(15,900,000)	–
Loss before share of associates loss and tax		(231,982,233)	(84,329,307)
Share of associates loss	8	(326,392,080)	(174,790,664)
Loss before tax		(558,374,313)	(259,119,971)
Income tax expenses	28	(60,101,870)	(97,684,206)
Loss for the period / year		(618,476,183)	(356,804,177)
Other comprehensive income / (loss):			
Foreign currency translation	15	(114,479,353)	15,485,574
Total comprehensive loss for the period / year		(732,955,536)	(341,318,603)

The notes on pages 12 to 55 are an integral part of the Financial Statements.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

For the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

	Note	30 September 2020 (12 months)	30 September 2019 (6 months)
Loss attributable to:			
Equity holders of the Company		(616,529,300)	(350,597,532)
Non-controlling interests		(1,946,883)	(6,206,645)
		<u>(618,476,183)</u>	<u>(356,804,177)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		(731,008,653)	(335,111,958)
Non-controlling interests		(1,946,883)	(6,206,645)
		<u>(732,955,536)</u>	<u>(341,318,603)</u>
Earnings per share for loss attributable to the equity holders of the Company (MMK per share):			
Basic earnings per share	29 (a)	<u>(31)</u>	<u>(35)</u>
Diluted earnings per share	29 (b)	<u>(31)</u>	<u>(35)</u>

The notes on pages 12 to 55 are an integral part of the Financial Statements.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

	Attributable to equity holders of the Company				Non-controlling interest	Total equity
	Share capital	Foreign currency translation reserve	Retained earnings	Total		
30 September 2020						
Beginning of financial year	13,638,599,000	401,948,344	1,897,500,803	15,938,048,147	97,132,677	16,035,180,824
Loss for the year	–	–	(616,529,300)	(616,529,300)	(1,946,883)	(618,476,183)
Other comprehensive loss for the year	–	(114,479,353)	–	(114,479,353)	–	(114,479,353)
Total comprehensive loss for the year	–	(114,479,353)	(616,529,300)	(731,008,653)	(1,946,883)	(732,955,536)
Contribution by non-controlling interests in subsidiaries	–	–	–	–	40,000,000	40,000,000
Total transactions with owners, recognised directly in equity	–	–	–	–	40,000,000	40,000,000
End of financial year	13,638,599,000	287,468,991	1,280,971,503	15,207,039,494	135,185,794	15,342,225,288

The notes on pages 12 to 55 are an integral part of the Financial Statements.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

	← Attributable to equity holders of the Company →				Non-controlling interest	Total equity
	Shares capital	Foreign currency translation reserve	Retained earnings	Total		
30 September 2019						
Beginning of financial period	5,455,450,000	386,462,770	2,248,098,335	8,090,011,105	103,339,322	8,193,350,427
Loss for the period	–	–	(350,597,532)	(350,597,532)	(6,206,645)	(356,804,177)
Other comprehensive income for the period	–	15,485,574	–	15,485,574	–	15,485,574
Total comprehensive income for the period	–	15,485,574	(350,597,532)	(335,111,958)	(6,206,645)	(341,318,603)
Acquisition of a subsidiary	–	–	–	–	–	–
Issue of new shares	8,183,149,000	–	–	8,183,149,000	–	8,183,149,000
Total transactions with owners, recognised directly in equity	8,183,149,000	–	–	8,183,149,000	–	8,183,149,000
End of financial period	13,638,599,000	401,948,344	1,897,500,803	15,938,048,147	97,132,677	16,035,180,824

The notes on pages 12 to 55 are an integral part of the Financial Statements.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2020

Currency – Myanmar Kyat (MMK)

	Note	30 September 2020 (12 months)	30 September 2019 (6 months)
Cash flows from operating activities			
Loss for the period / year		(618,476,183)	(356,804,177)
<i>Adjustments to reconcile loss for the period / year to net cash flows:</i>			
Income tax expense		60,101,870	97,684,206
Depreciation and amortisation expenses		133,940,054	56,716,992
(Gain) / Loss on disposal of property, plant and equipment		190,233	(15,798,045)
Write off property, plant and equipment		5,710,044	–
Share of associates loss after tax		326,392,080	174,790,664
Unrealised currency translation		(120,738,688)	12,478,669
Change in working capital, net of effects from acquisition of subsidiaries:			
Inventories		129,204,861	(419,784,575)
Trade and other receivables		(4,762,014,425)	1,896,214,325
Trade and other payables		163,217,871	(1,326,501,225)
Cash generated from operations		(4,682,472,283)	118,996,834
Income tax paid		(76,314,381)	(142,915,926)
Net cash used in operating activities		(4,758,786,664)	(23,919,092)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		–	–
Contribution into associated companies		–	(700,000,000)
Additions to property, plant and equipment		(76,051,574)	(223,180,752)
Additions to intangible assets		(8,357,694)	–
Proceeds from disposal of property, plant and equipment		12,478,142	41,519,436
Cash paid for project under development		(195,699,061)	(1,126,819,255)
Net cash used in investing activities		(267,630,187)	(2,008,480,571)
Cash flows from financing activities			
Proceeds from issuance of share capital		–	2,039,056,834
Contribution from shareholders		6,360,272,166	–
Contribution by non-controlling interests in subsidiaries		40,000,000	–
Net cash provided by financing activities		6,400,272,166	2,039,056,834
Net increase in cash and cash equivalents		1,373,855,315	6,657,171
Cash and cash equivalents at beginning of financial period / year		1,306,815,623	1,300,158,452
Cash and cash equivalents at end of financial period / year	12	2,680,670,938	1,306,815,623

The notes on pages 12 to 55 are an integral part of the Financial Statements.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

1. General information

Ever Flow River Group Public Company Limited (the Company) was incorporated in the Republic of the Union of Myanmar under the Myanmar Companies Act 1914 on 10 April 2014 as a Public Company Limited by Shares as per Certificate of Incorporation No. 114922617.

The Company was formerly incorporated as a Private Company on 2 November 2012 under The Myanmar Companies Act 1914. The Company at its extra-ordinary General Meeting held on 20 March 2014 resolved to convert existing private company into a public company and accordingly the Company filed the said special resolution together with amended Memorandum and Article of Association and Form II (statement in lieu of prospectus). However upon the insistence of the Directorate of Investment and Company Administration (DICA), other formation papers had to be filed as though a new public company was formed. The DICA issued a New Certificate of Incorporation No. 114922617.

The registered office of the Company is located at No. 62, Room No (1104), 11st Floor, Mahabandoola Complex (B), Tarwataintha Street, Pazundaung Township, Yangon Region, the Republic of the Union of Myanmar.

The Company have not been carrying on any business activities itself and have acquired its subsidiaries through which the following business activities are carried out:

1. Business of international standard warehouse & distribution
2. Container wharf and port service
3. Business of inland water transport

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the accompanying consolidated 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 consolidated financial statements of the Group have been prepared in accordance with Myanmar Financial Reporting Standards (MFRS) and are based on historical cost convention.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of commercial tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognized revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

- (a) Sale of goods – Electronic goods and rubber exported

Revenue from these sales is recognised when the Group has delivered the parts to locations specified by its customers and the customers have accepted the parts in accordance with the sales contract.

2. Summary of significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Rendering of service – Logistics services

Revenue from logistics services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised using the percentage-of-completion method based on the actual service provided as a proportion of the total services to be performed.

(c) Rendering of service – Engineering services

Revenue from engineering services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised using the percentage-of-completion method based on the actual service provided as a proportion of the total services to be performed.

(d) Rendering of services – inspection services

Revenue from inspection services is recognised when the goods inspected are delivered.

(e) Interest income

Interest income is recognized when the interest is deposited into the bank.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that 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 balance sheet. 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.

2. Summary of significant accounting policies (continued)

2.3 Group accounting (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) 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%.

2. Summary of significant accounting policies (continued)

2.3 Group accounting (continued)

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of 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, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income and accumulated in equity, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase are recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost 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. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office equipment	5 – 10 years
Furniture & fittings	5 – 10 years
Computer & accessories	5 – 10 years
Machineries	5 – 10 years
Motor vehicles	5 – 10 years
Leasehold property renovation	5 – 10 years

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains and losses”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.5 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognized separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) Acquired computer software licences

Acquired computer software licences are initially capitalised 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 including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 10 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. Summary of significant accounting policies (continued)

2.6 Investments in subsidiaries and associated companies

Investment in subsidiaries are accounted for at cost less accumulated impairment losses in the Company's statement of financial position.

Associates are all entities over which the investor has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies

Intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. Summary of significant accounting policies (continued)**2.7 Impairment of non-financial assets (continued)**

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph “Property, plant and equipment” for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognized in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense, a reversal of that impairment is also recognized in profit or loss.

2.8 Financial assets**(a) Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(j) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realized later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 11) and “cash and cash equivalents” (Note 12) on the statement of financial position.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the reporting date which are presented as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognized until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

2. Summary of significant accounting policies (continued)**2.8 Financial assets (continued)**

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes an allowance for impairment when such evidence exists.

(i) *Loans and receivables/Held-to-maturity financial assets*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note H (i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(f) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance (Note 11).

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Leases

The Group leases office premises, factories, motor vehicles and warehouses under operating leases from related parties and / or non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.12 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2. Summary of significant accounting policies (continued)

2.12 Income taxes (continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.13 Provisions

Provisions for warranty, refunds and volume discounts, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

The Group recognizes the estimated liability to repair or replace products still under warranty, to refund and to provide volume discounts to customers at the reporting date. This provision is calculated based on historical experience.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalized as an asset.

- (i) Short-term compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2. Summary of significant accounting policies (continued)

2.15 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Myanmar Kyat, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognized in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2. Summary of significant accounting policies (continued)

2.15 Currency translation (continued)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.17 Inventories

Inventories comprise inventories for resale and supplies to be consumed in the rendering of services. Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.19 Dividends to the Company's shareholders

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

3. Significant accounting judgments and estimates

The preparation of the Company's financial statements in conformity with Myanmar Financial Reporting Standards (MFRS) requires Management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements made in applying accounting policies

The following are the judgements made by Management in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when there are indications of impairment. As at 30 September 2020, there is no indication of impairment and the carrying value of the Group's plant and equipment are as disclosed in Note 5.

Impairment of goodwill

The carrying values of goodwill are reviewed for impairment when there are indications of impairment. As at 30 September 2020, there is no indication of impairment and the carrying value of the Group's goodwill are as disclosed in Note 6.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of functional currency

The national currency of Myanmar is the Myanmar Kyat ("MMK"). As the Company and the Group transacts its business primarily in MMK and maintains their accounting records in MMK, Management has determined the MMK to be the Company's and the Group's functional currency for measurement and presentation purposes as it best reflects the economic substance of the underlying events and circumstances relevant to the Company and the Group. The operating expenses transacted in USD are influenced by fluctuations in USD.

Useful lives of property, plant and equipment

The cost of property, plant and equipment for the Company's and the Group's operations is depreciated on a straight line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of these property, plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the industry. Changes in the expected levels of usage could impact the economic useful lives and the residual value of these assets and accordingly, future depreciation charges could be revised. The carrying values of the Group's property, plant and equipment are as disclosed in Note 5.

3. Significant accounting judgments and estimates (continued)

(b) Key sources of estimation uncertainty (continued)

Impairment of non-financial assets

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and receivables

The Group and the Company assess at each date of the statement of financial position whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Income taxes

Significant judgement and assumptions are involved in determining the Company's provision for income taxes. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amount of the Group's income tax payable at the date of the statement of financial position is as disclosed in Note 13.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

Management regularly manage the financial risks of individual entities in the Group. Because of the simplicity of the financial structure and the current operations of individual entities in the Group, no hedging activities are undertaken by Management.

(a) Market risk

(i) Currency risk

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollars ("USD"). Any changes in the exchange rates of USD to MMK will impact the operating results of individual entities in the Group. Individual group entities currently do not undertake any foreign currencies hedging.

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Except for bank deposits which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. The related interest income is not significant; the Management considers that the Group's exposure to cash flow interest rate risk being low and no sensitivity analysis is performed.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the respective management at entity level based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Board of Directors.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

4. Financial risk management**(b) Credit risk (continued)***(i) Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit quality counterparties. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	30 September 2020	30 September 2019
Past due < 3 months	706,897,632	992,242,480
Past due 3 to 6 months	115,954,144	29,132,426
Past due over 6 months	48,407,071	188,108,856
	871,258,847	1,209,483,762

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the reporting date, assets held by the Group for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity position of the Group on the basis of expected cash flow. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies, considering the level of liquid assets necessary to meet these and monitoring liquidity ratios.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2020				
Trade and other payables	1,193,966,216	–	–	–
At 30 September 2019				
Trade and other payables	1,405,107,680	–	–	–

4. Financial risk management (continued)**(d) Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	30 September 2020	30 September 2019
Net debt	304,961,173	1,597,659,967
Total equity	15,342,225,288	16,035,180,827
Total capital	15,647,186,461	17,632,840,794
 Gearing ratio	 2%	 9%

The gearing ratio of the Group was decreased from 9% to 2% in the financial year ended 30 September 2020.

(e) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are assumed to approximate their fair values due to their short maturities.

EVER FLOW RIVER GROUP OF COMPANIES (PUBLIC) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

5. Property, plant and equipment

	Office equipment	Furniture & fittings	Computer & accessories	Motor vehicles	Machineries	Leasehold property renovation	Total
30 September 2020							
<i>Cost</i>							
Beginning of financial year	96,219,506	42,973,940	89,206,846	338,833,371	134,385,143	133,117,580	834,736,386
Foreign currency translation differences	(3,047,747)	(1,396,436)	(4,297,391)	(2,795,028)	–	–	(11,536,602)
Acquisition of a subsidiary	–	–	–	–	–	–	–
Additions	6,336,806	3,528,350	30,852,706	29,373,867	–	30,071,210	100,162,939
Write off	–	–	(80,800)	–	–	(9,867,892)	(9,948,692)
Disposal	(975,000)	(741,314)	(22,963)	(13,851,970)	–	–	(15,591,247)
End of financial year	98,533,565	44,364,540	115,658,398	351,560,240	134,385,143	153,320,898	897,822,784
<i>Accumulated depreciation and impairment loss</i>							
Beginning of financial year	33,906,759	15,014,360	22,328,482	51,022,702	60,638,642	27,042,010	209,952,955
Foreign currency translation differences	(946,291)	(891,420)	(1,108,808)	(455,385)	(169)	(54)	(3,402,127)
Depreciation charge	17,117,340	7,240,866	14,146,782	37,497,221	26,877,029	29,923,829	132,803,067
Write off	–	–	(44,125)	–	–	(4,194,523)	(4,238,648)
Disposal	(255,626)	(132,451)	(15,285)	(2,424,095)	–	–	(2,827,457)
End of financial year	49,822,182	21,231,355	35,307,046	85,640,443	87,515,502	52,771,262	332,287,790
Net book value							
End of financial year	48,711,383	23,133,185	80,351,352	265,919,797	46,869,641	100,549,636	565,534,994

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

5. Property, plant and equipment (continued)

	Office equipment	Furniture & fittings	Computer & accessories	Motor vehicles	Machineries	Leasehold property renovation	Total
30 September 2019							
<i>Cost</i>							
Beginning of financial period	88,823,886	41,700,614	83,960,513	244,672,632	132,815,798	58,903,524	650,876,967
Foreign currency translation differences	810,893	321,326	520,912	2,161,491	1,569,345	1,193,221	6,577,188
Acquisition of a subsidiary	–	–	–	–	–	–	–
Additions	6,634,727	952,000	4,725,421	137,847,769	–	73,020,835	223,180,752
Write off/Disposal	(50,000)	–	–	(45,848,521)	–	–	(45,898,521)
End of financial period	96,219,506	42,973,940	89,206,846	338,833,371	134,385,143	133,117,580	834,736,386
<i>Accumulated depreciation and impairment loss</i>							
Beginning of financial period	25,408,273	11,444,527	16,125,410	52,827,522	46,648,922	20,835,859	173,290,513
Foreign currency translation differences	293,130	117,524	137,220	471,984	642,090	286,504	1,948,452
Depreciation charge	8,215,356	3,452,309	6,065,852	19,391,487	13,347,630	5,919,647	56,392,281
Write off/Disposal	(10,000)	–	–	(21,668,291)	–	–	(21,678,291)
End of financial period	33,906,759	15,014,360	22,328,482	51,022,702	60,638,642	27,042,010	209,952,955
Net book value							
End of financial period	62,312,747	27,959,580	66,878,364	287,810,669	73,746,501	106,075,570	624,783,431

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

6. Intangible assets

	30 September 2020	30 September 2019
Composition:		
Goodwill	25,192,689	25,192,689
Computer software	11,491,050	4,870,664
	36,683,739	30,063,353

(a) Goodwill

	30 September 2020	30 September 2019
<i>Cost</i>		
Beginning of financial period / year	25,192,689	25,192,689
Currency translation differences	–	–
Additions	–	–
End of financial period / year	25,192,689	25,192,689
<i>Accumulated impairment</i>		
Beginning of financial period / year	–	–
Impairment charge	–	–
End of financial period / year	–	–
Net book value	25,192,689	25,192,689

(b) Computer software

	30 September 2020	30 September 2019
<i>Cost</i>		
Beginning of financial period / year	6,494,219	6,494,219
Currency translation differences	(637,544)	–
Acquisition of a subsidiary	–	–
Additions	8,357,694	–
End of financial period / year	14,214,369	6,494,219
<i>Accumulated amortisation</i>		
Beginning of financial period / year	1,623,555	1,298,844
Currency translation differences	(37,223)	–
Amortisation charge	1,136,987	324,711
End of financial period / year	2,723,319	1,623,555
Net book value	11,491,050	4,870,664

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

7. Investment in subsidiaries

	30 September 2020	30 September 2019
Unquoted equity shares, at cost		
Beginning of financial period / year	5,507,973,943	3,269,808,943
Acquisition of subsidiaries during the period / year	60,000,000	–
Additional capital contributed into subsidiaries during the financial period / year	–	2,238,165,000
End of financial period / year	5,567,973,943	5,507,973,943

On 13 July 2020, Unison Choice Services Limited, the wholly owned subsidiary of the Company, has contributed MMK 60,000,000 into A Logistics Company Limited (AL) in return of 60% equity interest. Accordingly, the Company has equity interest of 60% in AL indirectly.

The Group had the following subsidiaries as at 30 September 2020 and 30 September 2019 respectively:

Name	Principal activities	Country of incorporation	Proportion of ordinary shares directly held by the parent		Proportion of ordinary shares held by the Group	
			30 September 2020	30 September 2019	30 September 2020	30 September 2019
Gold Shipping Agency Services Limited (GSA)	Acting as an agent for HMM Co., Ltd.	Myanmar	100.00%	100.00%	100.00%	100.00%
E.F.R G Link Express Services Limited (G Link)	Providing freight forwarding services for total logistics package including inland, sea, air and warehouse service	Myanmar	100.00%	100.00%	100.00%	100.00%
Myanmar Round The World Logistics Limited (MRTW)	Providing freight forwarding services especially for air cargo	Myanmar	100.00%	100.00%	100.00%	100.00%
MRTW Manufacturing & Inspection Co., Ltd. (MRTW Inspection)	Providing garments, shoes and bags inspection services especially for Japanese Buyer's cargo	Myanmar	100.00%	100.00%	100.00%	100.00%

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

7. Investment in subsidiaries (continued)

Name	Principal activities	Country of incorporation	Proportion of ordinary shares directly held by the parent		Proportion of ordinary shares held by the Group	
			30 September 2020	30 September 2019	30 September 2020	30 September 2019
Multipack Engineering Services Limited (MES)	Providing engineering services for logistics sectors such as installation for garment on hanging in containers, handling turnkey project cargo, construction of container house, installation and construction of telecommunication tower	Myanmar	100.00%	100.00%	100.00%	100.00%
Ever Flow River Trading Co., Ltd. (EFR Trading)	Selling electronic goods, Importation and distribution of rice roller and exporting rubber trade	Myanmar	100.00%	100.00%	100.00%	100.00%
Unison Choice Services Limited (UC)	Providing freight forwarding service especially for handing sea Cargo and named account nomination cargo	Myanmar	100.00%	100.00%	100.00%	100.00%
Ever Flow River Logistics & Distribution Center (Mandalay) Company Limited (EFRLDC JV) (Myanmar)	Erecting a dry port and a container yard and running container-related services. Apart from empty container depot, container freight station, inland container depot and container transportation services, value-added services such as packaging/assembling services for re-transportation, customs bonded warehouse services that have connections with jetties/wharfs and broader container services.	Myanmar	92.55%	92.55%	92.55%	92.55%
A Logistics Company Limited (AL)	Providing trucking, custom clearance, insurance and freight forwarding service and full operational management for AIIP Logistic Center	Myanmar	–	–	60.00%	–

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Currency – Myanmar Kyat (MMK)

8. Investment in associated companies

	30 September 2020	30 September 2019
Beginning of financial period / year	2,211,958,494	2,386,749,158
Currency translation differences	–	–
Acquisition of a subsidiary	–	–
Share of loss	(326,392,080)	(174,790,664)
End of financial period / year	1,885,566,414	2,211,958,494

On 24 April 2018, MES, subsidiary of the Group, has contributed USD 400,000 into UTOC Multipack Myanmar Co., Ltd. (UTOC MES), Joint Venture Company to obtain 40% equity interest in UTOC MES. Accordingly, the Group held 40% equity interest in UTOC MES indirectly through MES.

Set out below are the associated companies of the Group as at 30 September 2020 and 31 March 2019 respectively. The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the Group. The Group held 14.19% equity interest in KEFR JV directly and 15.81% equity interest in KEFR JV indirectly through EFR Trading.

Name	Principal activities	Country of incorporation	% of ownership interest	
			30 September 2020	30 September 2019
Kamigumi-EFR Logistics Co., Ltd. (KEFR JV)	Providing trucking (domestics and cross border) service, inland container deport operation and relative logistics service, forwarding and custom clearance service, inspection, quarantine and inland water transportation service	Myanmar	30.00%	30.00%
UTOC Multipack Myanmar Company Limited (UTOC MES)	Providing repair and installation of machinery and equipment, construction of building, civil engineering, specialized construction activities, land transport and transport via pipelines, water transport, air transport, warehouse and support activities for transportation, rental and leasing activities	Myanmar	40.00%	40.00%
Hlaing Inland Terminal And Logistics Company Limited (HITLC JV)	For good supply and transport, container services, marine container transport, inland terminal and logistics center, export value added services, bonded warehouses service, inland container depot services and cold chain services.	Myanmar	49.00%	49.00%

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
Currency – Myanmar Kyat (MMK)

8. Investment in associated companies (continued)

Set out below are the summarized financial information for associated companies:

	30 September 2020			30 September 2019		
	UTOC MES	HITLC JV	KEFR JV	UTOC MES	HITLC JV	KEFR JV
Assets	1,661,606,576	7,867,462,184	3,339,349,043	2,226,159,014	3,537,701,388	4,327,797,008
Liabilities	1,413,534,604	6,081,961,003	39,585,716	1,593,682,816	1,608,037,424	41,614,723
Revenue	865,760,392	–	3,283,301,237	736,506,051	–	1,492,348,004
Loss for the period / year	(284,337,589)	(144,162,782)	(431,235,491)	(133,483,910)	(75,225,767)	(281,788,245)

9. Project under development

	30 September 2020	30 September 2019
Beginning of financial period / year	2,781,459,486	1,654,640,231
Acquisition of a subsidiary	–	–
Additions:	195,699,061	1,126,819,255
Construction costs	190,237,662	1,124,026,705
Vehicles	–	(66,770,000)
Transformer and generator	–	31,319,570
Others	5,461,399	38,242,980
End of financial period / year	2,977,158,547	2,781,459,486

The above project under development represents the construction cost incurred by EFRLDC JV, the subsidiary of the Company, for construction of a dry port and a container yard on a 14.05 acre land plot near Paleik Railway Station, Sintkaing Township, Kyaukse District, Mandalay Region, Republic of the Union of Myanmar. Those cost will be reclassified to property, plant and equipment when the construction of the dry port and container yard will be completed.

10. Inventories

	30 September 2020	30 September 2019
Inventories for resale:		
Air conditioner	385,714,038	500,522,059
Rice roller	62,240,127	76,636,967
	447,954,165	577,159,026

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

11. Trade and other receivables

	30 September 2020	30 September 2019
Trade receivables	831,222,382	1,131,374,182
- Non related parties	831,222,382	1,131,374,182
Subscription receivables	-	6,360,272,166
Other receivables	6,734,650,860	2,232,206,066
- Associated companies	6,069,995,470	1,599,995,470
- Due from directors	-	211,823,036
- Non related parties	664,655,390	420,387,560
Deposit	268,470,235	340,399,005
Prepayments	102,325,818	146,616,773
Advance tax	850,114,749	680,578,302
- Withholding tax	24,799,535	24,965,685
- Commercial tax	445,801,789	355,025,108
- Corporate income tax	379,513,425	300,587,509
Advance	555,886,558	121,050,076
Others	391,618,000	394,920,431
	9,734,288,602	11,407,417,001

12. Cash and cash equivalents

	30 September 2020	30 September 2019
Cash on hand	2,115,890,547	792,879,867
Cash at bank	540,789,391	513,935,756
	2,680,670,938	1,306,815,623

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

13. Trade and other payables

	30 September 2020	30 September 2019
Trade payables to:	983,599,073	819,551,851
- Non-related parties	983,599,073	819,551,851
Other payables:	210,367,142	585,555,830
- Due to directors	4,656,753	31,681,294
- Non-related parties	205,710,389	553,874,536
Tax provision:	997,617,223	927,377,247
- Corporate income tax	219,962,451	273,279,315
- Commercial tax	629,472,253	505,915,413
- Capital gain tax	148,182,519	148,182,519
Advance received	619,642,212	344,643,256
Accruals	174,406,461	227,347,406
	2,985,632,111	2,904,475,590

On 30 June 2020, Remedial Committee on the Economic Impact of Coronavirus Disease 2019 (COVID - 19) has granted loan of MMK 50,000,000 from COVID – 19 Fund to MRTW Inspection, the wholly owned subsidiary of the Company. The granted loan should be settled with interest at the rate of 1% per annum within 365 days from the date of borrowing.

14. Share capital

	<u>No. of ordinary shares</u>	<u>Amount</u>
30 September 2020		
Beginning of financial year	19,977,223	13,638,599,000
Shares issued	–	–
End of financial year	19,977,223	13,638,599,000
30 September 2019		
Beginning of financial period	10,910,900	5,455,450,000
Shares split	9,066,323	8,183,149,000
End of financial period	19,977,223	13,638,599,000

There is no par value for ordinary shares issued.

The Company has split its one issued and paid up share into twenty issued and paid up shares on 4 October 2018.

The Company has allotted 9,066,323 shares at MMK 8,183,149,000 during the period ended 30 September 2019. Out of which, MMK 6,360,272,166 has been received in the current financial year. This amount has been reflected as subscription receivables in accompanying consolidated financial statements for the period ended 30 September 2019.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

15. Foreign currency translation reserve

	30 September 2020	30 September 2019
Currency translation	287,468,991	401,948,344
(a) Movement		
	30 September 2020	30 September 2019
Beginning of financial period / year	401,948,344	386,462,770
Net currency translation differences of financial statements of subsidiaries and associated companies	(114,479,353)	15,485,574
End of financial period / year	287,468,991	401,948,344

In the previous financial year, the subsidiaries of the Company except EFRLDC JV have maintained their accounting records in USD. The financial statements of the subsidiaries have been translated into MMK as per accounting policy mentioned in Note 2.15 (c) to prepare the consolidated financial statements.

Management has re-determined the functional currencies of its subsidiaries in the financial year 2018 – 2019. As UC and GSA among its subsidiaries are mainly transacted their business in USD, Management of the Group has decided USD to be the currency of UC and GSA for measurement and presentation purposes as it best reflects the economic substance of the underlying events and circumstances relevant to UC and GSA. Accordingly, accounting records of UC and GSA have still maintained in USD. Hence, their financial statements are translated into MMK as stated above to prepare the consolidated financial statements.

Starting from the current financial year, the currency of all other subsidiaries for measurement and presentation purposes is MMK.

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

16. Non-controlling interests

	30 September 2020	30 September 2019
Composition:		
EFRLDC	98,821,472	97,132,677
AL	36,364,322	–
	135,185,794	97,132,677

Future Trading Company Limited and Southern Island Company Limited own the equity interest 2.52% and 4.92% in EFRLDC respectively. The equity interest 40% in AL is owned by Ayeyar Hinthar Holdings Co., Ltd.

(a) Movement**(i) NCI - EFRLDC**

	30 September 2020	30 September 2019
Beginning of financial period / year	97,132,677	103,339,322
Share of (loss) / profit for the period / year	1,688,795	(6,206,645)
End of financial period / year	98,821,472	97,132,677

(ii) NCI - AL

	30 September 2020	30 September 2019
Beginning of financial period / year	–	–
Shares contribution	40,000,000	–
Share of loss for the period / year	(3,635,678)	–
End of financial period / year	36,364,322	–

17. Revenue from contracts with customers

	30 September 2020 (12 months)	30 September 2019 (6 months)
Sale of goods (Note 18)	6,358,618,834	3,405,953,748
Rendering of services – logistic services (Note 19)	5,342,971,745	1,642,218,990
Rendering of services – inspection services (Note 20)	1,130,913,016	555,853,533
Total sales	12,832,503,595	5,604,026,271

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

18. Sale of goods

Sales of goods from external customers are derived mainly from the sale of electronic and rubber exported. Breakdown of the sales of goods is as follows:

	30 September 2020 (12 months)	30 September 2019 (6 months)
Composition:		
Electronic goods	3,285,337,611	1,821,394,931
Rubber exported	3,073,281,223	1,584,558,817
	6,358,618,834	3,405,953,748

19. Rendering of services – logistic services

Rendering of services – logistic services from external customers are derived mainly from the freight forwarding and acting as an agent. Breakdown of the rendering of services – logistic services is as follows:

	30 September 2020 (12 months)	30 September 2019 (6 months)
Composition:		
Freight forwarding	2,436,460,017	320,828,496
Commission	233,544,077	132,245,837
Other logistic services	2,672,967,651	1,189,144,657
	5,342,971,745	1,642,218,990

20. Rendering of services – inspection services

Rendering of services – inspection services from external customers are derived mainly from the quality inspection of clothing. Breakdown of the rendering of services – inspection services is as follows:

	30 September 2020 (12 months)	30 September 2019 (6 months)
Composition:		
Inspection	1,126,937,006	545,801,134
Others	3,976,010	10,052,399
	1,130,913,016	555,853,533

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

21. Other income

	30 September 2020 (12 months)	30 September 2019 (6 months)
Interest income		
- Bank deposits	7,043,833	3,093,775
Service income		
- Custom clearance	12,980,000	9,757,757
- Trucking	174,817,796	47,230,278
- Depot	2,576,430	4,418,357
- Warehouse	150,771,920	–
- Rail transport	2,505,450	–
Others	784,001	16,498,492
	351,479,430	80,998,659

22. Staff costs

	30 September 2020 (12 months)	30 September 2019 (6 months)
Wages and salaries	1,336,465,771	705,608,501
Other short-term benefits	150,276,630	41,274,294
	1,486,742,401	746,882,795

23. Operating expenses

	30 September 2020 (12 months)	30 September 2019 (6 months)
Operating expenses – logistic services (Note 24)	3,910,287,361	607,705,980
Operating expenses – inspection services (Note 25)	690,046,303	466,883,732
	4,600,333,664	1,074,589,712

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

24. Operating expenses – logistic services

	30 September 2020 (12 months)	30 September 2019 (6 months)
BL & RO fees	142,172,187	24,498,799
Repair and maintenance – container	1,887,447	1,385,284
Transportation charges	371,474,289	234,909,182
Detention charges	322,162,734	286,042,250
Deconsolidation fees	–	6,243,176
Warehouse charges	182,511,154	55,363,910
Handling fees	(9,175,586)	(62,254,380)
Truck expenses	27,589,137	16,031,223
Project cost	36,489,500	4,934,500
Freight forwarding	2,715,260,303	–
Others	119,916,196	40,552,036
	3,910,287,361	607,705,980

25. Operating expenses – inspection services

	30 September 2020 (12 months)	30 September 2019 (6 months)
Inspection cost	(133,989,749)	24,866,360
Factory expenses	59,271,192	18,731,198
Consultant fees	–	51,001,517
Inspector salary	764,764,860	372,284,657
	690,046,303	466,883,732

26. Purchases

	30 September 2020 (12 months)	30 September 2019 (6 months)
Electronic goods	2,986,397,075	2,149,380,436
Rubber	2,976,134,349	1,537,688,679
	5,962,531,424	3,687,069,115

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

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27. Other administrative expenses

	30 September 2020 (12 months)	30 September 2019 (6 months)
Advertising	1,050,850	1,269,343
License & registration fee	34,100,863	16,474,704
Insurance premium	38,834,146	19,037,566
Office expense	14,972,355	12,955,966
Bad debt	47,457,615	3,329,636
(Gain) / Loss on disposal of property, plant and equipment	190,233	(15,798,045)
Write off property, plant and equipment	5,710,044	–
Commercial tax expense	(4,227,850)	89,092
Foreign currency translation	113,461,248	(6,274,949)
Present, donation & entertainment	56,922,575	31,418,889
Travelling expense	146,917,025	101,201,020
Utilities, electricity and communication	111,844,081	51,412,768
Depreciation and amortisation expenses (Note 5,6)	133,940,054	56,716,992
Professional fees	166,626,320	219,777,485
Others	71,936,875	38,109,547
	939,736,434	529,720,014

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

28. Income tax expenses

(a) Income tax expense

	30 September 2020 (12 months)	30 September 2019 (6 months)
Tax expense attributable to profit is made up of:		
- Profit for the financial period / year:		
Current income tax	59,469,627	93,265,310
- Under / (over) provision in prior financial years:		
Current income tax	(8,546,311)	1,444,555
- Tax penalty	9,178,554	2,974,341
	60,101,870	97,684,206

On 12 June 2020, The President Office has issued Order 1/2020 relating to Union Taxation Law and granted tax credits to remedy the economic impact of the affected business because of Corona Virus Disease 2019 (COVID 19) in accordance with COVID-19 Economic Relief Plan. Accordingly, the computation of income tax provision for the financial year ended 30 September 2020 (FY 2019 – 2020) has been taken into account tax credits enacted as per Notification No. 65/2020 dated 17 June 2020 issued by Ministry of Planning, Finance and Industry.

(b) Movement in current income tax liabilities

	30 September 2020	30 September 2019
Beginning of financial period / year	273,279,315	322,598,445
Currency translation differences	(6,838,537)	16,912,590
Advance income tax offset	(50,563,466)	(21,000,000)
Income tax paid	(56,016,731)	(142,915,926)
Income tax expense	59,469,627	93,265,310
Under provision in prior financial years	(8,546,311)	1,444,555
Tax penalty	9,178,554	2,974,341
End of financial period / year	219,962,451	273,279,315

(c) Movement in advance income tax

	30 September 2020	30 September 2019
Beginning of financial period / year	300,587,509	217,018,796
Currency translation differences	(794,728)	21,054,197
Advance income tax offset	(100,412,211)	(21,000,000)
Advance income tax paid / year	180,132,855	83,514,516
End of financial period / year	379,513,425	300,587,509

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

28. Income tax expenses (continued)

(d) The tax (charge)/credit relating to each component of other comprehensive income is as follows:

	Before tax	Tax charges	After tax
30 September 2020			
Currency translation differences arising from consolidation of subsidiary	(114,479,353)	–	(114,479,353)
Other comprehensive loss	(114,479,353)	–	(114,479,353)
30 September 2019			
Currency translation differences arising from consolidation of subsidiary	15,485,574	–	15,485,574
Other comprehensive income	15,485,574	–	15,485,574

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

29. Earnings per share**(a) Basic earnings per share**

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

	30 September 2020 (12 months)	30 September 2019 (6 months)
Loss attributable to equity holders of the Company (MMK)	(616,529,300)	(350,597,532)
Weighted average number of ordinary shares in issue (shares)	19,977,223	9,988,612
Basic earnings per share (MMK per share)	(31)	(35)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company does not have dilutive potential ordinary shares such as convertible bonds and share options.

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the profit for the year is adjusted to eliminate the interest expense less the tax effect.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the profit for the year.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	30 September 2020 (12 months)	30 September 2019 (6 months)
Loss attributable to equity holders of the Company (MMK)	(616,529,300)	(350,597,532)
Interest expense on convertible bonds, net of tax	–	–
Loss used to determine diluted earnings per share	(616,529,300)	(350,597,532)
Weighted average number of ordinary shares outstanding for basic earnings per share (shares)	19,977,223	9,988,612
Adjustments for		
- Convertible bonds	–	–
- Share options	–	–
	19,977,223	9,988,612
Diluted earnings per share (MMK per share)	(31)	(35)

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

Currency – Myanmar Kyat (MMK)

30. Ultimate controlling party

The Company's Ultimate controlling parties are U Kyaw Lwin Oo and Daw Saw Sanda who are residents of Myanmar.

31. Related party transactions

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

(a) Sales and purchases of goods and services

	30 September 2020 (12 months)	30 September 2019 (6 months)
Sales of goods and/or services to		
- associated companies	60,000,000	45,000,000
- other related parties	–	–
	60,000,000	45,000,000
Purchases of goods and/or services from		
- associated companies	–	–
- other related parties	–	–
	–	–
Management fees paid to other related parties	–	–

Other related parties comprise key management personnel of the Group and the Companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 30 September 2020 and 30 September 2019, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from reporting date and are disclosed in Notes 11 and 13 respectively.

(b) Key management personnel compensation

	30 September 2020 (12 months)	30 September 2019 (6 months)
Salaries and benefits	356,464,128	181,090,000

EVER FLOW RIVER GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS**

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32. Changes in financial year

On 19 May 2019, the Internal Revenue Department (IRD), under the Ministry of Planning, Finance and Industry, passed the 2019 Union Taxation Law which provides the change of financial year to coincide with the fiscal year of 30 September year end for all entity for the purpose of tax computation. Thus, the Company had changed its financial reporting date from 31 March to 30 September to align with the new provision.

33. Comparative figures

The financial statements for 30 September 2020 covered twelve months ended 30 September 2020. The financial statements for 30 September 2019 covered the period from 1 April 2019 to 30 September 2019. Hence, the two financial statements are not entirely comparable.

34. Comparative figures – the subsidiaries of the Group

The financial information of the subsidiaries of the Group reflected in the consolidated financial statements for 30 September 2020 covered twelve months ended 30 September 2020. The financial information of the subsidiaries of the Group reflected in the consolidated financial statements for 30 September 2019 covered the period from 1 April 2019 to 30 September 2019. The comparative financial information of the subsidiaries of the Group is as follows:

	← 30 September 2020 (12 months) →		← 30 September 2019 (6 months) →	
	Revenue	Profit / (Loss) for the year	Revenue	Profit / (Loss) for the period
GSA	813,343,499	118,947,667	568,232,652	76,900,620
G Link	2,361,465,754	5,764,829	738,752,478	119,877,943
MRTW	1,027,630,915	(125,184,391)	156,710,457	20,673,929
MRTW Inspection	1,130,913,016	(52,660,475)	555,853,533	(160,945,197)
MES	–	(162,553,151)	–	(51,663,974)
EFR Trading	6,358,618,834	37,594,409	3,405,953,748	13,373,819
UC	950,258,027	(18,023,886)	117,978,002	(4,689,095)
EFRLDC JV	–	22,668,397	–	(83,310,676)
AL	130,273,550	(9,089,196)	–	–
	12,772,503,595	(182,535,797)	5,543,480,870	(69,782,631)

MRTW Inspection is a loss making subsidiary. Accordingly, the Management of MRTW Inspection has planned to restructure the team to cater the demand in market. The Management believes MRTW Inspection will make profit in foreseeable future.

MES, the subsidiary of the Group, has disposed its business and transferred its staff to UTOC MES which is the associated company of the Group on 1 August 2019. Management of MES does not have intention to invest and run any new business itself.

Construction of phase one stage of EFRLDC JV has been completed in current financial year. In order to cover its expenses, EFRLDC JV has rented a warehouse and certain part of containers storage area which are completed in phase one stage. Management of EFRLDC JV expect it can make profit when the construction of phase two stage is completed as, at that time, it can operate as logistic center.

On 13 July 2020, UC, the wholly owned subsidiary of the Company, has contributed MMK 60,000,000 into A Logistics Company Limited (AL) in return of 60% equity interest. A Logistics was incorporated on 13 July 2020 and has started its business in August 2020.

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35. Segment information**(a) Description of segment and principal activities**

The Company invest mainly in logistics through its subsidiaries and associates. The Company also invest in the subsidiaries which operate buying and selling of goods and inspection services. Engineering services are rendered through its associated company. Accordingly, Management of the Group has identified four reportable segments by the nature of business operated by its subsidiaries and associated companies.

- (1) **Logistics** – providing freight forwarding services for total logistics package. The Group provide an integrated service solution of warehousing and distribution, transportation and delivery services and a mixture of valued services that are outside the normal processes. In addition, erecting a dry port and a container yard and running container-related services. The Group can provide through their depot systems services, which offer services for container trucking, maintenance and repairs, warehousing, distribution, and trans loading logistics. Value- added services such as packaging / assembling services for re-transportation, customs bonded warehouse services that have connections with jetties / wharfs and broader container services.
- (2) **Trade of goods wholesale** – selling and distribution electronic goods, importation and distribution of rice roller, exporting rubber and rubber products and agricultural products.
- (3) **Inspection** – providing garments, shoes and bags inspection services especially for special order cargo from Myanmar.
- (4) **Other** – doing engineering services for logistics sectors such as installation for garment on hanging in containers, handling turnkey project cargo, construction of container house, installation and construction of telecommunication tower through the associated company. The results of these operations are included in the 'other' column. The column also includes operations results of the parent company.

(b) Segment revenue, cost of revenue and gross profit

	30 September 2020 (12 months)	30 September 2019 (6 months)
Segment revenue		
Logistics (Note 19)	5,342,971,745	1,642,218,990
Trade of goods wholesale (Note 18)	6,358,618,834	3,405,953,748
Inspection (Note 20)	1,130,913,016	555,853,533
Other	192,000,000	128,400,000
Total segment revenue	13,024,503,595	5,732,426,271
Intersegment elimination	(192,000,000)	(128,400,000)
Segment revenue – external parties	12,832,503,595	5,604,026,271
Segment cost of revenue		
Logistics (Note 24)	(3,910,287,361)	(607,705,980)
Trade of goods wholesale	(6,091,736,285)	(3,267,284,540)
Inspection (Note 25)	(690,046,303)	(466,883,732)
Other	–	–
Total segment cost of revenue	(10,692,069,949)	(4,341,874,252)

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35. Segment information (continued)

(b) Segment revenue, cost of revenue and gross profit (continued)

	30 September 2020 (12 months)	30 September 2019 (6 months)
Segment gross profit		
Logistics	1,432,684,384	1,034,513,010
Trade of goods wholesale	266,882,549	138,669,208
Inspection	440,866,713	88,969,801
Other	192,000,000	128,400,000
Total segment gross profit	2,332,433,646	1,390,552,019
Intersegment elimination	(192,000,000)	(128,400,000)
Segment gross profit – external parties	2,140,433,646	1,262,152,019

(c) Earnings before interest, tax, depreciation and amortization (EBITDA)

	30 September 2020 (12 months)	30 September 2019 (6 months)
Logistics	110,076,316	232,956,081
Trade of goods wholesale	110,799,336	78,351,784
Inspection	42,086,735	(146,323,808)
Other	58,466,987	66,318,749
EBITDA	321,429,374	231,302,806

EBITDA reconciles to loss before tax as follows:

	30 September 2020 (12 months)	30 September 2019 (6 months)
EBITDA	321,429,374	231,302,806
Intersegment elimination	(397,671,276)	(274,713,166)
Depreciation and amortisation	(133,940,054)	(56,716,992)
Gain / (Loss) on disposal of property, plant and equipment	(190,233)	15,798,045
Write off property, plant and equipment	(5,710,044)	–
Finance cost	(15,900,000)	–
Share of associates loss	(326,392,080)	(174,790,664)
Loss before tax	(558,374,313)	(259,119,971)

Finance cost is allocated to Inspection. There are no unallocated income and expenses as operations of each segment are run by its resources.

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35. Segment information (continued)

(d) Other profit and loss disclosures

	Depreciation and amortisation	Share of associates loss	Income tax expenses
30 September 2020 (12 months)			
Logistics	(56,827,446)	(200,010,712)	(58,146,183)
Trade of goods wholesale	(3,363,108)	–	(1,455,687)
Inspection	(73,173,842)	–	–
Other	(575,658)	(126,381,368)	(500,000)
	<u>(133,940,054)</u>	<u>(326,392,080)</u>	<u>(60,101,870)</u>
30 September 2019 (6 months)			
Logistics	(25,999,564)	(121,397,100)	(78,376,026)
Trade of goods wholesale	(1,119,064)	–	(19,308,180)
Inspection	(29,547,614)	–	–
Other	(50,750)	(53,393,564)	–
	<u>(56,716,992)</u>	<u>(174,790,664)</u>	<u>(97,684,206)</u>

(e) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

	30 September 2020	30 September 2019
Logistics	7,710,275,975	8,439,601,554
Trade of goods wholesale	2,215,552,905	1,403,551,622
Inspection	595,661,616	625,537,780
Other	8,263,648,430	8,850,733,549
Total segment assets	<u>18,785,138,926</u>	<u>19,319,424,505</u>
Intersegment elimination	(482,474,216)	(404,960,780)
Goodwill	25,192,689	25,192,689
Total assets as per statement of financial position	<u>18,327,857,399</u>	<u>18,939,656,414</u>

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Currency – Myanmar Kyat (MMK)

35. Segment information (continued)

(i) Other disclosures of segment assets

	30 September 2020	30 September 2019
Investment in associates		
Logistics	1,762,175,922	1,962,186,634
Trade of goods wholesale	–	–
Inspection	–	–
Other	123,390,492	249,771,860
Total investment in associates	1,885,566,414	2,211,958,494

(f) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

	30 September 2020	30 September 2019
Logistics	962,374,687	1,229,676,791
Trade of goods wholesale	1,587,556,143	881,327,759
Inspection	560,721,113	537,936,972
Other	279,454,384	606,494,465
Total segment liabilities	3,390,106,327	3,255,435,987
Intersegment elimination	(404,474,216)	(350,960,397)
Total liabilities as per statement of financial position	2,985,632,111	2,904,475,590

36. Commitments

As at 30 September 2020, the Group had the following outstanding commitment in respect of accrued expenses as follows:

Service agreement commitment

On 22 January 2019, HITLC JV, associated company of the Group, has entered into agreement with Marvelux Home Group Company Limited to construct container store station, container harbor on vacant land area forty acres between the bridges of Aung Zaya and Shwe Pyi Thar fully obtained right of management from Lann Pyi out of the Land area one hundred and fifty acres, Plot No.1, Land Survey No.(15), Shwe Lin Pan Industrial Zone, Yaw Atwin Wun U Phoe Hlaing Street, Hlaing Tharyar Township, Yangon Region, Republic of the Union of Myanmar belonging to Myanmar Economic Holding Limited. The amount payables under non-cancellable service agreement at the end of the reporting period are as follows;

	30 September 2020	30 September 2019
Within one year	400,000,000	400,000,000
Later than one year but not later than five years	5,600,000,000	6,000,000,000
	6,000,000,000	6,400,000,000

37. COVID-19 pandemic

The recent outbreak of COVID-19, which the World Health Organization has declared a global pandemic, has adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets and disruptions in supply chains and economic activity, which are having a particularly adverse impact on the real estate-commercial and industrial leasing industry.

Management determined that such financial and economic market uncertainty is indicative of conditions that arose subsequent to the financial statements date and therefore, the assets and liabilities of the Company as at 30 September 2020 were not adjusted to reflect the impact of COVID-19. However, management considered the impact of COVID-19 in its assessment of the Company's ability to continue as a going concern.

The resulting financial and economic market uncertainty could have a significant adverse impact on the future operations of the Company and cause significant adverse changes to assets or liabilities of the Company. However, given the outcome and timeframe for a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose any financial effect at this time. Management has taken active measures to significantly reduce cost in the financial year 2021 and will continue to monitor the situation.

38. Authorization of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Ever Flow River Group Public Company Limited on 28 December 2020.