

Industrial and Commercial Bank of China Limited
(Yangon Branch)

Audited Financial Statements
For the year ended 31 March 2016

UTW (Myanmar) Limited
Certified Public Accountants

Industrial and Commercial Bank of China Limited (Yangon Branch)

General information

Authorized Representative

Mr. Jiang Yun General Manager

Registered Head Office

No. 55, Fuxingmennei Avenue, Xicheng District
Beijing, People's Republic of China

Registered Branch Office

No. 459, Pyay Road
Kamayut Township
Yangon, Myanmar

Auditors

UTW (Myanmar) Limited

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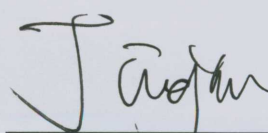
Industrial and Commercial Bank of China Limited (Yangon Branch)

Statement by the Branch Management

I, Mr. Jiang Yun, being the Authorized Representative of Industrial and Commercial Bank of China Limited (Yangon Branch), do hereby state that, in the opinion of the Management:

- (i) the accompanying financial statements together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 March 2016 and the results of the business, changes in head office account and cash flows of the Bank for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Management,



Mr. Jiang Yun
General Manager
22 June 2016





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

Tel: +95 1 371293
Fax: +95 1 371895

Independent auditors' report

Report on the Financial Statements

We have audited the accompanying financial statements of the Industrial and Commercial Bank of China (Yangon Branch) ("the Bank"), which comprise the statement of financial position as at 31 March 2016, statement of comprehensive income, statement of changes in head office account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Myanmar Financial Reporting Standards (MFRS) and the provisions of the Myanmar Companies Act. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditors' report

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Limited (Yangon Branch) as of 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards and the provisions of the Myanmar Companies Act.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of the Myanmar Companies Act and Financial Institutions Law, we also report that:

- (a) We have obtained all the information and explanations we have required; and
- (b) Books of account have been maintained by Industrial and Commercial Bank of China Limited (Yangon Branch) as required by Section 130 of the Myanmar Companies Act.

Naing Naing San
(CPA No. 117)
UTW (Myanmar) Limited
Certified Public Accountants

The Republic of the Union of Myanmar
22 June 2016

Daw Naing Naing San
(CPA. No. 117)
UTW (Myanmar) Ltd.
Firm Reg: No. C006
Certified Public Accountants

Industrial and Commercial Bank of China Limited (Yangon Branch)

Statement of Financial Position
As at 31 March 2016

	Notes	31 March 2016	
		USD	MMK
ASSETS			
Cash on hand		5,440,276	6,615,375,671
Current accounts with Central Bank of Myanmar	4	43,384,867	52,755,997,950
Demand deposits with banks	5	111,383,046	135,441,784,111
Inter-branch time deposits	6	69,700,000	84,755,200,000
Loan to other banks	7	5,000,000	6,080,000,000
Less: Allowance for impairment losses	8	(750,000)	(912,000,000)
Fixed assets	9	563,865	685,660,193
Other current assets	10	937,236	1,139,678,636
TOTAL ASSETS		235,659,290	286,561,696,561
HEAD OFFICE AND LIABILITIES			
Head Office			
Head office fixed capital		75,000,000	81,150,000,000
Cumulative foreign exchange translation adjustment		-	9,969,168,822
Head office current account		(1,989,359)	(2,338,229,894)
Total Head Office Account		73,010,641	88,780,938,928
Current liabilities			
Demand deposits	11	47,000,904	57,153,099,218
Time deposits	12	15,100,000	18,361,600,000
Short-term inter-bank borrowing	13	100,000,000	121,600,000,000
Other liabilities	14	547,745	666,058,415
Total Liabilities		162,648,649	197,780,757,633
Total Head Office Account and Liabilities		235,659,290	286,561,696,561

Note: The Bank has no transactions for the period 10 March 2015 (date of registration) to 31 March 2015.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industrial and Commercial Bank of China Limited (Yangon Branch)

Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	31 March 2016	
		USD	MMK
Income and expense from operations			
Interest income	15	623,213	712,333,024
Interest expense	16	(125,025)	(142,903,604)
Net interest income		498,188	569,429,420
Other operating income			
Service income		60,993	69,715,090
Other fees and commission		861	984,134
Other operating income		61,854	70,699,224
Provision for impairment losses		(750,000)	(912,000,000)
Total Provision for impairment losses		(750,000)	(912,000,000)
Other operating expenses			
Salaries and employee benefits	17	(854,038)	(976,165,240)
Depreciation		(132,033)	(160,552,663)
Rent expense		(300,408)	(343,366,858)
General and administrative expense	18	(624,748)	(714,091,306)
Total other operating expenses		(1,911,227)	(2,194,176,067)
Net foreign exchange gain		111,826	127,817,529
Loss from operations		(1,989,359)	(2,338,229,894)
Current income tax expense		-	-
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,989,359)	(2, 338,229,894)

Note: The Bank has no transactions for the period 10 March 2015 (date of registration) to 31 March 2015.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industrial and Commercial Bank of China Limited (Yangon Branch)

Statement of Changes in Head Office Account
For the year ended 31 March 2016

	Assigned Capital	Cumulative translation adjustment	Current Account Head Office	Total
	USD	USD	USD	USD
Beginning balance, 1 April 2015	-	-	-	-
Capital injection	75,000,000	-	-	75,000,000
Cumulative translation adjustment	-	-	-	-
Loss for the year	-	-	(1,989,359)	(1,989,359)
At 31 March 2016	75,000,000	-	(1,989,359)	73,010,641

	Assigned Capital	Foreign exchange translation adjustment	Current Account Head Office	Total
	MMK	MMK	MMK	MMK
Beginning balance, 1 April 2015	-	-	-	-
Capital injection	81,150,000,000	-	-	81,150,000,000
Cumulative translation adjustment	-	9,969,168,822	-	9,969,168,822
Loss for the year	-	-	(2,338,229,894)	(2,338,229,894)
At 31 March 2016	81,150,000,000	9,969,164,822	(2,338,229,894)	88,780,938,928

Note: The Bank has no transactions for the period 10 March 2015 (date of registration) to 31 March 2015.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industrial and Commercial Bank of China Limited (Yangon Branch)

Statement of Cash Flow
For the year ended 31 March 2016

	Notes	31 March 2016	
		USD	MMK
Operating activities			
Loss before tax		(1,989,359)	(2,338,229,894)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation		132,033	160,552,663
Movements in provisions		750,000	912,000,000
Working capital adjustments:			
Increase in current accounts with Central Bank of Myanmar	4	(40,000,000)	(48,640,000,000)
Increase in inter-branch time deposits		(69,700,000)	(84,755,200,000)
Increase in loans to other banks		(5,000,000)	(6,080,000,000)
Increase in other current assets		(937,236)	(1,139,678,636)
Increase in demand deposits		47,000,904	57,153,099,218
Increase in time deposits		15,100,000	18,361,600,000
Increase in short-term inter-bank borrowing		100,000,000	121,600,000,000
Increase in other liabilities		547,745	666,058,415
Net cash flows used in operating activities		45,904,087	55,900,201,766
Investing activities			
Purchase of property and equipment	9	(695,898)	(846,212,856)
Net cash flows used in investing activities		(695,898)	(846,212,856)
Financing activities			
Capital received from Head Office		75,000,000	81,150,000,000
Net cash flows from financing activities		75,000,000	81,150,000,000
Net increase in cash and cash equivalents		120,208,189	136,203,988,910
Net foreign exchange difference		-	9,969,168,822
Cash and cash equivalents at 30 April 2015		-	-
Cash and cash equivalents at 31 March 2016	21	120,208,189	146,173,157,732

Note: The Bank has no transactions for the period 10 March 2015 (date of registration) to 31 March 2015.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 March 2016

1. Corporate information

Industrial and Commercial Bank of China Limited (Yangon Branch) (the "Bank") provides wholesale banking services only to foreign corporates, financial institutions, both local and foreign, and local corporates in partnership with local financial institutions in the Republic of the Union of Myanmar.

The Bank obtained their foreign banking license from the Central Bank of Myanmar to carry out banking services in the Republic of the Union of Myanmar on 26 May 2015 for operations commencement from the 2 June 2015.

The Bank is a branch of Industrial and Commercial Bank of China Limited (ICBC) that is incorporated in the People's Republic of China. The Bank received its certificate of registration as a Branch Office in the Republic of the Union of Myanmar on 10 March 2015. The registered office of the Bank is located at No. 459, Pyay Road, Kamayut Township, Yangon, Republic of the Union of Myanmar

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for asset. The functional currency of the Bank is the US Dollar (USD), however, the presentation currency used in the financial statement is the Myanmar Kyat (MMK).

As the Bank was established on 10 March 2015, the financial statements cover the period from 10 March 2015 to 31 March 2015 and therefore, not entirely comparable to financial statements covering a full year. The Bank has no transactions recorded for the year ended 31 March 2015.

2.2 Statement of compliance

The financial statements of the Bank have been prepared in accordance with the Myanmar Financial Reporting Standards ("MFRS") as issued by the Myanmar Accountancy Council ("MAC").

Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.3 Significant accounting judgments, estimates and assumptions

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgments and estimates are as follows:

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.3 Significant accounting judgments, estimates and assumptions (cont'd)

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment losses on loans

The Bank assesses at each statements of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired and impairment losses incurred if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indication that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The Bank reviews its individually significant loans at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks. The Bank assessed specific impairment loss provision on refinance trade and loans as disclosed in Note 8.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.4 Foreign currency translation

The financial statements are presented in MMK although the functional currency of the Bank is in USD. The MMK presentation is a requirement from the Central Bank of Myanmar (CBM).

The assets and liabilities presented in the statement of financial position has been translated at the closing rate as published by the CBM as of 31 March 2016. The income and expenses presented in the statement of comprehensive income has been translated using the average rate published by the CBM. The cumulative amount of the exchange differences is presented in a separate component of head office account.

2.5 Financial Assets and Liabilities

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale. The Bank determines the classification of its financial assets at initial recognition.

Financial liabilities classified as financial liabilities are measure at amortized cost and financial liabilities at fair value through profit or loss.

Recognition and Measurement

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value.

The subsequent measurement of financial assets and financial liabilities depends on their classification.

All financial assets and liabilities are recognized on deal date.

Financial instruments designated at fair value through profit or loss are financial assets that have been designated by management through the statements of comprehensive income on initial recognition and financial assets classified as held for trading. After initial recognition, the unrealized gains or losses resulting from changes in fair value of financial instruments are recognized in the statement of comprehensive.

Financial assets measured at fair value through profit or loss are those assets that the Bank acquires or incurs principally in the near term, or it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Available-for-sale financial assets are non-derivative financial assets that are neither classified as held-for-trading nor designated as at fair value through profit or loss. After initial measurement, available-for-sale financial instruments are subsequently measured at fair value.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.5 Financial Assets and Liabilities (cont'd)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank has positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are measured at amortized cost using the effective interest method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees/costs that are an integral part of the effective interest rate. The amortization and the losses arising from impairment of such investments are recognized in the statements of comprehensive income.

Recognition and Measurement (cont'd)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets, other than:

- Those that the Bank intends to sell immediately or in the near term and loans and receivables that the Bank upon initial recognition designates as at fair value through profit or loss;
- Those that the Bank upon initial recognition, designates as available-for-sale; or
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurements, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The EIR amortization and losses arising from impairment is included in the statement of comprehensive income.

Financial liabilities at fair value through profit and loss consist of two sub-categories; financial liabilities classified as held for trading and financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a part of portfolio of identified financial instrument that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading and designated at fair value through profit or loss are recorded in the statement of comprehensive income.

Financial liabilities measured at amortized cost were financial liabilities that are not classified as fair value through profit or loss.

After initial recognition, Bank measures all financial liabilities at amortized cost using effective interest method.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.5 Financial Assets and Liabilities (cont'd)

Derecognition

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

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

Offsetting

Financial assets and liabilities are offset and the net amount are reported in the statements of financial position I, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realized the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted by accounting standards.

Fair Value

Fair value is the value which is used to exchange an asset or to settle a liability between parties who understand and are willing to perform a fair transaction (arm's length transaction).

Fair value of a financial asset or a liability can be measured by using the quotation in an active market, that is if the quoted price is available anytime and can be obtained routinely and the price reflects the actual and routine market transaction in a fair transaction.

In case there is no active market for a financial asset or liability, the Bank determines the fair value by using the appropriate valuation techniques. Valuation techniques include the usage of a recent market transaction performed fairly by those who are willing to and understand, and if there is available, the usage of discounted cash flow analysis and the usage of the recent fair value of other instrument which is substantially similar.

2.6 Current accounts with Central Bank of Myanmar and other banks

Subsequent to initial recognition, current account with Central Bank of Myanmar and other banks are measured at their amortized cost using the EIR method. Allowance for impairment losses is assessed if there is an indication of impairment.

2.7 Placements with other banks

Placements with Head Office are initially measured at fair value plus incremental direct transaction cost, if any, and subsequently measured at their amortized cost using the effective interest method. Allowance for impairment losses assesses if there is an objective evidence of impairment.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.8 Loans

Loans are measured at amortized cost using the effective interest method less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and cost/fee that are an integral part of the effective interest rate. The amortization is recognized in the statement of comprehensive income. The allowance for impairment losses are assessed if there is an objective evidence of impairment.

2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing the part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance cost that do not meet the recognition criteria are recognized in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line method over the estimated useful lives of the assets as follows:

	Years
Electronic equipment	5
Office furniture	5
Leasehold improvements	3

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

The residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each period end.

The Bank evaluates any indication of asset impairment at the end of the year. The Bank determines the estimated realizable amount of its assets if there is an event or condition which indicates the asset impairment and recognizes the loss on impairment in the statements of comprehensive income for the current year.

2.10 Prepaid expenses

Prepaid expenses are charged to operations over the period benefitted and presented as part of 'Other current assets' account.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.11 Deposits

Deposits are deposits of customers with the Bank based on deposit agreements. Deposits consist of demand and time deposits. These are initially recognized at fair value and subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium related to the initial recognition of deposits and transactions costs that are an integral part of the effective interest rate.

2.12 Interest income and expense

All financial instruments measured at amortized cost, its interest income and expenses is recognized using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and included any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate.

2.13 Services income, fees and commission

The Bank earns service income, fees and commission from a diverse range of services it provides to its customers. The income earned for the provision of services are accrued over that period.

2.14 Provision

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursements.

2.15 Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.15 Taxes (cont'd)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in head office account.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

2.16 Related party

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Branch if that person:

- (i) Has control or joint control over the Branch;
- (ii) Has significant influence over the Branch; or
- (iii) Is a member of the key management personnel of the Branch or of a parent of the Branch.

(b) An entity is related to the Branch if any of the following conditions applies:

- (i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the financial statements
For the year ended 31 March 2016

2. Significant accounting policies (cont'd)

2.16 Related party (cont'd)

(b) An entity is related to the Branch if any of the following conditions applies: (cont'd)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch. If the Branch is itself such a plan, the sponsoring employers are also related to the Branch;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.18 Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

3. Capital Management

The primary objective of the Bank's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Bank manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Bank may adjust the dividend payment, obtain funds from the Head Office or raise debt financing.

The Bank's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

Industrial and Commercial Bank of China Limited (Yangon Branch)

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4. Current accounts with Central Bank of Myanmar

This account consists of:

	31 March 2016	
	USD	MMK
Deposits with Central Bank of Myanmar	40,000,000	48,640,000,000
Current accounts with Central Bank of Myanmar	3,384,867	4,115,997,950
Total current accounts with CBM	43,384,867	52,755,997,950

Deposits with Central Bank of Myanmar represent mandatory reserve deposits and are not available for use in the Bank's day-to-day operations.

5. Demand deposits with banks

This account consists of:

	31 March 2016	
	USD	MMK
Third parties (Myanmar Kyat)		
KBZ bank	102,072	124,119,100
Sub-total third parties (Myanmar Kyat)	102,072	124,119,100
Third parties (Foreign currencies)		
UOB Bank	2,279,770	2,772,200,016
KBZ Bank	40,000,000	48,640,000,000
Sub-total third parties (Foreign currencies)	42,279,770	51,412,200,016
Related parties (Foreign currencies)		
ICBC Singapore Branch	66,338,321	80,667,398,742
ICBC Frankfurt Branch	7,288	8,862,478
ICBC New York Branch	2,536,678	3,084,600,606
ICBC Head Office	118,917	144,603,169
Sub-total related parties (Foreign currencies)	69,001,204	83,905,464,995
Total demand deposits with banks	111,383,046	135,441,784,111

6. Inter-branch time deposits

This account consists of:

	31 March 2016	
	USD	MMK
Related parties (Foreign currencies)		
ICBC Phnom Penh branch	36,900,000	44,870,400,000
ICBC Milan branch	32,800,000	39,884,800,000
Total inter-branch time deposits	69,700,000	84,755,200,000

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7. Loans to other banks

This account consists of:

	31 March 2016	
	USD	MMK
By type of loan		
Third parties		
Interbank lending/borrowing - USD	5,000,000	6,080,000,000
Sub-total third parties	5,000,000	6,080,000,000
Total current accounts with other banks	5,000,000	6,080,000,000

8. Allowance for impairment losses

This account consists of:

	31 March 2016	
	USD	MMK
Beginning balance	-	-
Provision during the year	750,000	912,000,000
Ending balance	750,000	912,000,000

The management believes that the allowance for impairment losses on loans to other banks and bank refinance trade is adequate to cover any possible losses on uncollectible accounts.

9. Fixed assets

This account consists of:

	Electronic Equipment	Office Furniture	Leasehold Improvements	Total
USD				
Cost				
At 1 April 2015	-	-	-	-
Additions	315,252	66,307	314,339	695,898
Disposals/ write off	-	-	-	-
As at 31 March 2016	315,252	66,307	314,339	695,898
Accumulated depreciation				
At 1 April 2015	-	-	-	-
Depreciation	44,912	8,248	78,873	132,033
Disposals	-	-	-	-
As at 31 March 2016	44,912	8,248	78,873	132,033
Net carrying amount	270,340	58,059	235,467	563,865

Notes to the financial statements
For the year ended 31 March 2016

9. Fixed assets (cont'd)

	Electronic Equipment	Office Furniture	Office Decoration	Total
MMK				
Cost				
At 1 April 2015	-	-	-	-
Additions	383,346,432	80,629,884	382,236,540	846,212,856
Disposals/ write off	-	-	-	-
As at 31 March 2016	383,346,432	80,629,884	382,236,540	846,212,856
Accumulated depreciation				
At 1 April 2015	-	-	-	-
Depreciation	54,613,539	10,029,860	95,909,264	160,552,663
Disposals	-	-	-	-
As at 31 March 2016	54,613,539	10,029,860	95,909,264	60,552,663
Net carrying amount	328,732,893	70,600,024	286,327,276	685,660,193

10. Other current assets

This account consists of:

	31 March 2016	
	USD	MMK
Prepaid rent	344,091	418,415,158
Accrued interest receivable	411,500	500,383,903
Refundable deposits	110,955	134,921,280
Others	70,690	85,958,296
Total	937,236	1,139,678,636

11. Demand deposits

This account consists of:

	31 March 2016	
	USD	MMK
Third parties		
Foreign currencies	43,689,413	53,126,325,667
MMK	3,311,491	4,026,773,551
Total demand deposits	47,000,904	57,153,099,218

Notes to the financial statements
For the year ended 31 March 2016

12. Time deposits

This account consists of:

	31 March 2016	
	USD	MMK
Third party		
Foreign currencies		
3 months	500,000	608,000,000
6 months	600,000	729,600,000
Sub-total third party - foreign currencies	1,100,000	1,337,600,000
Related party		
Foreign currencies		
Less than 3 months	14,000,000	17,024,000,000
Sub-total related party - foreign currencies	14,000,000	17,024,000,000
Total time deposits	15,100,000	18,361,600,000

13. Short-term inter-bank borrowing

During the year, the Bank obtained a short-term borrowing amounting to USD 100,000,000 or equivalent to MMK 121,600,000,000 for working capital fund requirement from ICBC Hong Kong branch with a maturity date of 6 April 2016.

14. Other current liabilities

This account consists of:

	31 March 2016	
	USD	MMK
Other financial payable	456,186	554,722,176
Accrued payable	89,059	108,296,239
Others	2,500	3,040,000
Total	547,745	666,058,415

15. Interest income

Interest income is derived from the following:

	31 March 2016	
	USD	MMK
Current accounts	3,013	3,443,387
Loans to other banks	620,200	708,889,637
Total interest income	623,213	712,333,024

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16. Interest expense

This account consist of interest expense incurred on deposits amounting to USD 125,025 or MMK 142,903,604 for the year ended 31 March 2016.

17. Salaries and employee benefits

This account consists of:

	31 March 2016	
	USD	MMK
Staff salaries	515,293	588,980,162
Insurance	18,060	20,642,134
Other employee benefits	320,685	366,542,944
Total	854,038	976,165,240

18. General and administrative expenses

The details of general and administrative expense are as follows:

	31 March 2016	
	USD	MMK
Lease expense	160,040	182,925,720
Office supplies	77,602	88,699,577
Advertising expenses	76,398	87,322,491
Travel expense	73,683	84,219,669
Professional fees	58,873	67,291,679
Telecommunication	53,902	61,610,180
Entertainment	30,910	35,330,004
Taxes	17,320	19,796,337
Other non-interest expenses	76,020	86,895,649
	624,748	714,091,306

19. Related party transactions

In the normal course of business, the Bank enters into certain transactions with parties which are related to the management and/or owned by the same ultimate shareholder. All transactions with related parties have met the agreed terms and conditions. The following table provides the total amount of transactions that have been entered into:

Related parties	Types of relationship	Related party transactions	Amount USD
ICBC Singapore Branch	Ownership through subsidiary of Head Office	Demand deposits	66,338,321
ICBC Frankfurt Branch	Ownership through subsidiary of Head Office	Demand deposits	7,288

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Notes to the financial statements For the year ended 31 March 2016

19. Related party transactions (cont'd)

<u>Related parties</u>	<u>Types of relationship</u>	<u>Related party transactions</u>	<u>Amount USD</u>
ICBC New York Branch	Ownership through subsidiary of Head Office	Demand deposits	2,536,678
ICBC	Head Office	Demand deposits	118,917
ICBC Phnom Penh branch	Ownership through subsidiary of Head Office	Time deposits	36,900,000
		Time deposits liability	14,000,000
ICBC Milan branch	Ownership through subsidiary of Head Office	Time deposits	32,800,000
ICBC Asia Ltd. Hong Kong	Ownership through subsidiary of Head Office	Short-term borrowing	100,000,000

20. Financial risk management objectives and policies

The Bank's principal financial liabilities comprise of demand deposits, time deposits and deposit from other banks. The main purpose of these financial liabilities is to assist and support the Bank's operations. The Bank's principal financial assets include cash, current accounts, placements and loans derive directly from its operations.

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

The management reviews each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks generally comprise two types of risk: interest rate risk, currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is not exposed to significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's exposure to the risk of changes in foreign exchange rates relates primarily to the Bank's operating activities. The Bank's exposure to exchange rate fluctuations is minimal.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Management believes that such risk is minimal as it is still on the start-up phase of its operations.

Notes to the financial statements
For the year ended 31 March 2016

20. Financial risk management objectives and policies (cont'd)**Liquidity risk**

The Bank monitors its risk to a shortage of funds by reviewing the cash payment plan in the monthly board meetings. The Bank's objective is to maintain a balance between continuity of funding and flexibility through working capital management. The Bank is planning to obtain additional funds from the Head Office to cover its cash needs for the operation and investment for future expansion.

21. Cash and cash equivalents

	31 March 2016	
	USD	MMK
Cash on hand	5,440,276	6,615,375,671
Current account with CBM (Note 4)	3,384,867	4,115,997,950
Demand deposits with banks (Note 5)	111,383,046	135,441,784,111
Total	120,208,189	146,173,157,732

The deposits with the Central Bank of Myanmar are not available to finance the Bank's day-to-day operations and, therefore, not part of cash and cash equivalents.

22. Fair value of financial instruments

	Carrying Value	Fair Value
	USD	USD
Financial assets		
Cash on hand	5,440,276	5,440,276
Current accounts with Central Bank of Myanmar	43,384,867	43,384,867
Demand deposits with banks	111,383,046	111,383,046
Inter-branch time deposits	69,700,000	69,700,000
Loans to other banks	5,000,000	5,000,000
Other current assets - interest receivables	411,500	411,500
Total financial assets	235,319,689	235,319,689
Financial liabilities		
Demand deposits	47,000,904	47,000,904
Time deposits	15,100,000	15,100,000
Short-term inter-bank borrowing	100,000,000	100,000,000
Other current liabilities - other financial payable	456,186	456,186
Total financial liabilities	162,557,090	162,557,090

Notes to the financial statements
For the year ended 31 March 2016

22. Fair value of financial instruments (cont'd)

	Carrying Value	Fair Value
	MMK	MMK
Financial assets		
Cash on hand	6,615,375,671	6,615,375,671
Current accounts with Central Bank of Myanmar	52,755,997,950	52,755,997,950
Demand deposits with banks	135,441,784,111	135,441,784,111
Inter-branch time deposits	84,755,200,000	84,755,200,000
Loans to other banks	6,080,000,000	6,080,000,000
Other current assets - interest receivables	500,383,903	500,383,903
Total financial assets	286,148,741,635	286,148,741,635
Financial liabilities		
Demand deposits	57,153,099,218	57,153,099,218
Time deposits	18,361,600,000	18,361,600,000
Short-term inter-bank borrowing	121,600,000,000	121,600,000,000
Other current liabilities - other financial payable	554,722,176	554,722,176
Total financial liabilities	197,669,421,394	197,669,421,394

The fair value of financial assets and financial liabilities approximate its carrying values because financial assets and liabilities in significant amount have short-term period and/or the interest rate is frequently reviewed.

22. Approval of financial statements

The financial statements for the year ended 31 March 2016 were approved and authorized by the Management on behalf of the board of directors to issue on 22 June 2016.