



INTERIM RESULTS - MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of First Myanmar Investment Co., Ltd. (the “Company” and with its subsidiaries, the “Group”) refers to the Company’s unaudited interim financial statements for the six months ended 30 September 2016 (“HY 2016-17” or the “Period”), released in tandem with this announcement.

The Company’s management is pleased to provide a discussion and analysis of the interim results below:

KEY HIGHLIGHTS

Summary Group Income Statement

<i>(Ks.'000s)</i>	<u>HY 2016-17</u>	<u>HY 2015-16</u>	<u>% Change</u>
Revenue	74,633,848	49,956,398	49.4%
Cost of Sales	(51,562,184)	(35,118,569)	46.8%
Gross Profit	23,071,664	14,837,829	55.5%
Expenses	(20,448,903)	(17,672,058)	15.7%
Profit from Associates	(118,120)	457,263	(125.8)%
Profit from Operations	2,504,641	(2,376,966)	205.4%
Profit from Non-Operations	5,268,447	7,304,916	(27.9)%
Profit Before Tax	7,773,088	4,927,950	57.7%
Income Tax Expense	(1,575,015)	(847,023)	85.9%
Net Profit	6,198,073	4,080,927	51.9%
Earnings Per Share (Operations)	107	(104)	202.4%
Earnings Per Share (Overall)	207	235	(12.2)%

Total Group revenue of Ks. 74.6 billion in HY 2016-17 was significantly higher than the Ks. 49.9 billion recorded in the six months ended 30 September 2015 (“HY 2015-16”).

This increase was mostly driven by higher revenues at Yoma Bank Limited (“Yoma Bank”), which continued to outperform. The bank saw a 64.6% increase in interest income, driven by a growing loan book and increased market share in the competitive banking sector. Yoma Bank’s fee income also increased 37.5% as compared to HY 2015-16, underscoring the bank’s well-rounded performance during the Period.

Pun Hlaing Siloam Hospital (“PHSH”) also continued to make progress. Total revenues were up 25.1%, driven by increased inpatient occupancy as well as higher service income. In particular the hospital saw a 48.3% increase in revenues from the radiology, diagnostic and ultrasound departments, while pharmacy revenue increased 34.1%.

A breakdown of HY 2016-17 Group revenues is set forth below:

<i>(Ks. '000s)</i>	<u>HY 2016-17</u>
Financial services	67,460,684
Healthcare services	7,146,164
Rental income	27,000
Total	74,633,848

Group gross margin improved slightly to 30.9% during the Period, from 29.7% during HY 2015-16. PHSB saw gross margin improvement, while Yoma Bank’s gross margin fell slightly due to higher interest expenses.

Total Group expenses increased 15.7% from Ks. 17.6 billion in HY 2015-16 to Ks. 20.4 billion in HY 2016-17. The majority of the increase was due to higher employee compensation expenses, as the Group continues to seek out and hire highly qualified employees capable of contributing to the Group’s growing businesses. One-off expenses incurred in relation to the Company’s listing on the Yangon Stock Exchange (“YSX”) also contributed to the increase in expenses.

Profit from associates declined 125.8% during the Period. This decline was primarily due to a Ks. 415.9 million loss incurred by Chindwin Holdings Pte. Ltd. (“Chindwin”), the operator of the Balloons over Bagan tourism business. Chindwin’s loss was partially offset by solid performance from Meeyahta International Hotel Ltd., whose profit is driven by rental income from FMI Centre in downtown Yangon. Thanlyin Estate Development Ltd. (“Star City”), historically the Group’s most important associate, continued to record slow sales due to an overall cool real estate market. A breakdown of profit from associates in HY 2016-17 is set forth below:

Associate	Stake	Group Share of Net Profit <i>(Ks. '000s)</i>
Meeyahta International Hotel Ltd.	20.0%	281,948
Thanlyin Estate Development Ltd.	30.0%	72,834
LSC-FMI Co.,Ltd (KrisPLAZA)	50.0%	(6,453)
FMI Garden Development Ltd.	47.5%	(50,489)
Chindwin Holdings Pte. Ltd.	30.0%	(415,960)
Total		(118,120)

With higher revenues and improved margins, Group profit from operations jumped 205.4% to Ks. 2.5 billion as compared with a loss in HY 2015-16. Management looks to profit from operations to assess overall Group performance, and we're pleased to report a substantial increase in this area.

Profit from non-operations decreased 27.9% from Ks. 7.3 billion in HY 2015-16 to Ks. 5.2 billion in HY 2016-17. The decrease was primarily due to the fact that during HY 2015-16 the Group recorded a substantial gain on the disposal of FMI Air Ltd., while there was no such gain in HY 2016-17. A full breakdown of profit from non-operations is below:

	<i>(Ks.'000s)</i>
Gain on Disposal of Available-for-Sale Investments	4,237,396
Increase in Asset Capitalization	2,610,759
Gain on Disposal of Property, Plant & Equipment	62,743
Writing Off Unsuccessful Business Development	(60)
Loss on Foreign Currency Translation	(1,642,391)
Total	5,268,447

The gain on disposal of available-for-sale investments relates to the Company's sale of a portion of its shares in Myanmar Thilawa SEZ Holdings Public Ltd. ("MTSH"), a company listed on YSX. As at 30 September 2016, the Company maintained a 2.5% equity stake in MTSH.

The increase in asset capitalization relates to the transfer of 20.3 acres from Pun Hlaing Links Services Co., Ltd, the Group's 30%-owned associate, to Star City International School Company Limited, a subsidiary of the Group's 30%-owned associate Thanlyin Estate Development Ltd.. The 20.3 acre parcel is the site of Dulwich College Yangon's Star City campus.

The Group's foreign currency translation losses stem from a rising USD/Kyat exchange rate, which primarily affected the Company's loan from Bangkok Bank which is denominated in USD. Currency translation losses were also recorded by Yoma Bank, which holds USD as part of its currency exchange and foreign currency account business lines.

The combination of strong revenue growth and improved operations resulted in a total Group net profit increase of 51.9% for the Period. The increase was primarily driven by Yoma Bank's earnings.

Earnings per share from operations increased 202.4% to Ks. 107 in HY 2016-17, while overall earnings per share stood at Ks. 207. Although Group net profit was substantially higher in HY 2016-17 than in HY 2015-16, the Company's average number of shares outstanding was also higher, resulting in a slight decline in earnings per share. During the six months ended 30 September 2016, the Company's shares outstanding remained unchanged with 23,480,013 shares in issue.

Summary Group Balance Sheet

(Ks.'000s)	<u>HY 2016-17</u>	<u>FY 2015-16</u>	<u>% Change</u>
ASSETS			
Total current assets	1,054,270,950	943,208,404	11.8%
Total non-current assets	564,455,417	457,963,208	23.3%
Total assets	<u>1,618,726,367</u>	<u>1,401,171,612</u>	15.5%
LIABILITIES			
Total current liabilities	1,321,100,485	1,124,336,162	17.5%
Total non-current liabilities	34,115,825	26,667,043	27.9%
Total liabilities	<u>1,355,216,310</u>	<u>1,151,003,205</u>	17.7%
EQUITY			
Total equity	263,510,057	250,168,407	5.3%
Total liabilities and equity	<u>1,618,726,367</u>	<u>1,401,171,612</u>	15.5%

Current assets have risen 11.8% since 30 March 2016 ("FY 2015-16"), driven primarily by a 17.6% increase in loans at Yoma Bank. The bank's loan book reached Ks. 850.0 billion, up from Ks. 722.5 billion at FY 2015-16. Year-on-year loan growth has been even better, with the bank recording a 62.5% increase since 30 September 2015. The increase in non-current assets was primarily attributable to the purchase of additional Myanmar treasury bonds by Yoma Bank.

The 17.5% rise in current liabilities was mostly due to Yoma Bank recording strong deposit growth in HY 2016-17. The bank's deposits grew 16.0% to close above Ks. 1,270.1 billion for the Period.

The increase in non-current liabilities to Ks. 34.1 billion during the Period was primarily attributable to the Company drawing down a second tranche of the loan provided by Bangkok Bank. As announced on 3 August 2016, the additional funds provided by Bangkok Bank have been used by the Company to subscribe for new ordinary shares in the capital of Yoma Bank.

The increase in Group equity from Ks. 250.1 billion to Ks. 263.5 billion was due to an increase in retained earnings from Yoma Bank, as well as higher non-controlling interests due to the equity increase at Yoma Bank.

Summary Group Cash Flow Statement

(Ks.'000s)

	<u>HY 2016-17</u>	<u>HY 2015-16</u>
Cash provided by operating activities	<u>43,711,077</u>	<u>27,989,687</u>
Cash provided by (used in) investing activities	<u>(101,010,182)</u>	<u>7,791,956</u>
Cash provided by financing activities	<u>10,729,321</u>	<u>13,093,910</u>
Net increase (decrease) in cash and cash equivalents	<u>(46,569,784)</u>	<u>48,875,553</u>
Cash and cash equivalents at beginning of the Period	<u>187,642,183</u>	<u>129,014,320</u>
Cash and cash equivalents at end of the Period	<u>141,072,399</u>	<u>177,889,873</u>

Group cash and cash equivalents stood at Ks. 141.0 billion as at 30 September 2016 as compared with Ks. 177.8 billion as at 30 September 2015. The increase in cash from operations was primarily provided by an increase in customer deposits at Yoma Bank, which slightly outpaced loan issuances. The Ks. 101.0 billion of cash used in investing activities was mainly due to the purchase of additional Myanmar treasury bonds by Yoma Bank. The cash provided by financing activities of Ks. 10.7 billion relates to the Company's receipt of the second tranche of the Bangkok Bank loan and additional capital contributions from non-controlling interests, which were partly offset by the Company's payment of ordinary dividends in July 2016.

Forward Outlook

The overall economic trajectory of the country remains positive, especially considering the recent lifting of sanctions by the United States. Despite some currency volatility over the past few months, GDP growth remains strong, and we see a gradually improving investment climate.

We remain steadfast in our commitment to our 'Three Pillar' strategy of investing in the financial services, real estate, and healthcare sectors, while also continuing to explore opportunities in other sectors that hold great potential.

In financial services, we expect continued deposit and loan growth at Yoma Bank. Myanmar's banking sector continues to grow, as individuals who had previously relied on physical cash begin using formal financial services. While Yoma Bank's recent growth has been rapid, it has also grown sustainably, with proper corporate governance and risk controls in place. Moving into the latter half of the fiscal year, we're confident that the bank will continue its strong performance.

We are also happy to relate that Wave Money, a joint venture between the Company, Telenor, and Yoma Bank, has received Myanmar's first mobile financial services license. Wave Money already has a network of over 4,000 outlets, where customers can deposit, withdraw, or transfer money. If customers do not need to handle physical cash, they can transact entirely on their mobile phones. With mobile penetration in Myanmar now surpassing 80%, we believe that there is huge untapped potential in providing mobile financial services, especially in rural areas. Wave Money is working hard to expand its network and reach, with around 6,000 outlets planned by December 2016.

During HY 2016-17, the real estate sector continued to underperform, and sales at Star City have been slower than usual. We remain optimistic that the positive macroeconomic trends occurring in Myanmar – higher incomes, greater urbanization, and better job opportunities – will translate into greater demand for property in the coming months.

We remain positive on the healthcare sector and the continual improvements at PHS. The hospital is progressing consistently towards its goal of being the premier healthcare provider in Myanmar with a nationwide network of facilities. With a focus on operational efficiency and comprehensive care for patients, PHS has shown improvements in patient volumes, a trend we expect to continue for the rest of the fiscal year.

Our portfolio investments segment had two major developments during the Period. The first was the restructuring of our tourism investments, as announced on 24 October 2016. We continue to believe in the potential of the tourism sector, and the exchange of our shares in Chindwin for a stake in SHC Capital Asia will allow us to participate in a variety of tourism-related ventures while still maintaining an interest in the iconic Balloons over Bagan business. We are hopeful that the transaction with SHC Capital Asia will be completed within the 2017 calendar year, and we expect a variety of future opportunities in the tourism sector.

The second is our partnership with Manaung Public Company to establish a joint venture to further the development of Manaung Island in Rakhine State. Manaung Island has excellent potential and we're optimistic about this project. Due to the necessity of conducting initial feasibility studies, we do not expect revenue contributions from the Manaung venture in the next six months, but are looking forward to long term returns.

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