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## **INTERIM RESULTS - MANAGEMENT DISCUSSION AND ANALYSIS**

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The following Management Discussion and Analysis (“MD&A”) is based on Myanmar Thilawa SEZ Holdings Public Limited (“MTSH”) Consolidated Financial Statements for the half year ended 30<sup>th</sup> September 2018 and should be read in conjunction with those financial statements. All currency amounts in the MD&A are expressed in Myanmar Kyats unless otherwise specified.

The financial statements are reviewed by the Independent Auditor, Win Thin and Associates.

### **Myanmar Thilawa SEZ Holdings Public Limited (“MTSH”)**

Myanmar Thilawa SEZ Holdings Public Limited was incorporated on the 3<sup>rd</sup> of May 2013 in Myanmar under the Companies Act as a public limited company. On 20<sup>th</sup> May 2016, MTSH became second company which is listed on the Yangon Stock Exchange.

Even though existing MTSH’s investments are in two companies, namely Thilawa Property Development Limited (TPD) and Myanmar Japan Thilawa Development Limited (MJTD), feasibility studies for further investment projects are currently undergoing.

The resultant net profit of MTSH including sales commission, management fees and share of profit from investment is Ks. 9.8 billion for the half year ended 30<sup>th</sup> September 2018 which is 58% increase compare to same period of FY2017-18.

### **Thilawa Property Development Limited (“TPD”)**

TPD was formed to undertake the development, construction, marketing, leasing and operation of the Residential and Commercial Area in Thilawa Special Economic Zone (“Thilawa SEZ”). TPD is a joint venture with Thilawa Special Economic Zone Management Committee Company Limited (“TSMCC”) in which TSMCC owns 20% and MTSH own 80%.

Achievement of net profit Ks. 1.2 billion amidst low market sentiment in residential and commercial real estate sector prove energetic drive of TPD management. Additional infrastructure development and construction work in the Thilawa Special Economic Zone in continuation with Zone B, which will prosper to increase TPD income.

### **Myanmar Japan Thilawa Development Limited (“MJTD”)**

MJTD was established to undertake the development, marketing, leasing and operation of Industrial Area in Thilawa SEZ. As 41% of MJTD’s paid up share capital is owned by the MTSH, four seats of MJTD board is represents by Directors from MTSH, working together in collaboration with the Japanese representative Directors harmoniously to expand business.

For the half year ended 30<sup>th</sup> September 2018, MJTD achieved net profit of USD 8.4 million which is 95% higher than same period in previous financial year, a strong indication of resilient and investor interest of industrial land in Thilawa SEZ remains high.

**Summarized consolidated income statement for half year ended**

		Kyat in million	
	Percentage changed	30-Sep-18	30-Sep-17
Revenue	(31%)	4,618	6,668
Cost of sales	(36%)	(1,802)	(2,835)
Gross profit	(27%)	2,816	3,833
Expenses	39%	(1,738)	(1,250)
Share of profit from associate	126%	5,352	2,373
Operating profit	30%	6,429	4,956
Income/(expense) from non-operating activities	195%	4,199	1,423
Total profit before tax	67%	10,628	6,379
Income tax expense	330%	(831)	(193)
Net profit	58%	9,797	6,186
Gross profit margin	6%	61%	57%
Earning per share (Kyat)	71%	245	143

The above table shows the group results of MTSH including TPD and MJTD. In comparison with the same period of FY2017-18, the FY2018-19 half year's result indicates the prosperity of Thilawa SEZ business.

Major attributable items are share of profit earned from investment in associate company MJTD (Ks. 5.3 billion) and non-operating activities income (Ks. 4.2 billion). The fluctuation of foreign exchange rate during this six-month period reflect the higher value in terms of Myanmar Kyat for MJTD's US Dollar earning and the group existing US Dollar cash reserve in hand as at 30<sup>th</sup> September 2018.

Overall, combination of these positive factors contributes to 71% rise in EPS from Ks. 143 per share for the half year ended 30<sup>th</sup> September 2017 to Ks. 245 per share for the Group for the half year ended 30<sup>th</sup> September 2018.

Further analysis shows that EPS for the whole year ended 31<sup>st</sup> March 2018 is Ks. 312 per share for the group and Ks. 238 per share for the MTSH stand alone. EPS for this half year ended 30<sup>th</sup> September 2018 is Ks. 245 per share for the group and Ks. 221 per share for the MTSH itself.

**Summarized Consolidated Balance Sheet as at**

		Kyat in million	
	Percentage changed	30-Sep-18	31-Mar-18
<b>Assets</b>			
Current assets	3%	68,869	66,699
Non-current assets	28%	32,770	25,625
<b>Total assets</b>	<b>10%</b>	<b>101,639</b>	<b>92,324</b>
<b>Liabilities</b>			
Current liabilities	210%	12,744	4,112
Non-current liabilities	(6%)	2,349	2,509
<b>Total liabilities</b>	<b>128%</b>	<b>15,093</b>	<b>6,622</b>
<b>Net assets</b>	<b>1%</b>	<b>86,545</b>	<b>85,702</b>
<b>Equity</b>			
Issued and paid up capital	-	38,929	38,929
Retained earnings	2%	39,833	39,230
Non-controlling interest	3%	7,783	7,543
<b>Total equity</b>	<b>1%</b>	<b>86,545</b>	<b>85,702</b>

Current assets have increase by 3%, mainly cause by using high MMK/USD exchange rate when valuing our cash reserve denominated in USD at 30<sup>th</sup> September 2018. The 28% rise in non-current assets was primarily from increase of investment amount in associate, due to undistributed share of profit.

Significant rise in current liabilities by 210% was caused by recognition of FY2017-18's proposed dividend as dividend payable at 30<sup>th</sup> September 2018. The proposed dividend for FY2017-18 was not recognized as liability at the time of proposal according to *International Accounting Standard 10 – Events after the reporting period*. The proposed dividend became liability after shareholder approval at Annual General Meeting hold on 29<sup>th</sup> September 2018 and paid out on 17<sup>th</sup> October 2018.

Non-current liabilities have decrease 6% due to revenue recognition of advance from customers in half year ended 30<sup>th</sup> September 2018. Advance from customers are recognize as revenue only after completion of contract arrangements and due process.

Group's retained earnings grew 2% even after deduction of FY2017-18's proposed dividend by Ks. 0.6 billion, mainly due to increase in retained earnings of TPD.

## **Future prospects**

The Group financial performance for half year of FY2018-19 was higher than same period in previous year, this is mainly due to increase in revenue from land lease in MJTD. In addition to increase in revenue from land leasing, management foresee steady rise in revenue from rental of factories and utilities services.

The management believes that Thilawa SEZ will remain as best industrial estate in Myanmar with its international standard infrastructure within the industrial zone, stable electricity supply, clear and simplified land lease process, proximity to the port, tax incentives and one stop service center for governmental services.

The support from both Myanmar and Japan government for the infrastructural development of surrounding area is critical for continue success of Thilawa SEZ. Infrastructural development works such as expansion of Kyaik Khauk Pagoda Road to improve road quality, ease traffic congestion and reduce travel time from city center; water supply and purification facility from Lagunbyin Reservoir to meet the future demand of Thilawa SEZ; and new bridge over Bago River in parallel to existing Thanlyin Bridge expect to be finished by 2021 will further improve the attractiveness of Thilawa SEZ in coming years.

TPD revenue includes mix of land leasing, sales and rental of shop houses, rental of workers accommodation and construction works. Despite fall in revenue from land leasing, revenue from rental of shop houses and worker accommodation are in the rising trend. The management believes that TPD will maintain modest level of performance in FY2018-19 until greater recovery across residential and commercial property market sector.

MTSH have focused and laid foundation of its business firmly in Thilawa SEZ and acquired knowledge, skills and expertise over the past five years. With the shareholders' approval of our new constitution that remove the restriction of business activity MTSH was allowed to engage, we are now preparing to move forward our business to next level and venture new investments both inside and outside of Thilawa SEZ. We have been following closely for investment in Kyauk Phyu SEZ and Deep Sea Port Project and Myitkyina Economic Development Zone. In addition to that, MTSH has been on a look out for complementary businesses to the Thilawa SEZ, such as logistic infrastructures and utilities.

The management is optimistic and confident that the group will deliver good financial performance for FY2018-19.