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**MANAGEMENT DISCUSSION AND ANALYSIS**

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The following Management Discussion and Analysis (“MD&A”) is based on Myanmar Thilawa SEZ Holdings Public Company Limited (“MTSH”) Consolidated Financial Statements for the financial year ended 31<sup>st</sup> March 2019 (“FY2018-19) 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 audited by the Independent Auditor, Win Thin and Associates.

Board of Directors approved this document on 19<sup>th</sup> June 2019.

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

Myanmar Thilawa SEZ Holdings Public Company 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.

Net profit of MTSH including sales commission, management fees and share of profit from investment for FY2018-19 is Ks.15.6 billion, which is 22% increase compared to previous financial year.

**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%.

TPD achieved Ks. 614 million net profit for FY2018-19 despite of persistent weak market sentiment in residential and commercial real estate sector.

**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 FY2018-19, MJTD achieved net profit of USD 18.3 million which is 11% increase from previous financial year, an indication of resilient and investor interest of industrial land in Thilawa SEZ continue to strong.

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

		Kyat in million	
	Percentage changed	31-Mar-19	31-Mar-18 (Restated)
Revenue	(51%)	5,382	11,001
Cost of sales	(63%)	(2,134)	(5,771)
Gross profit	(38%)	3,248	5,230
Expenses	11%	(2,825)	(2,535)
Share of profit from associate	25%	11,395	9,083
Operating profit	0%	11,818	11,778
Income/(expense) from non-operating activities	283%	4,096	1,070
Total profit before tax	24%	15,915	12,849
Income tax expense	600%	(304)	(43)
Net profit	22%	15,610	12,805
Gross profit margin	27%	60%	48%
Earning per share (Kyat)	28%	398	310

Revenue for FY2018-19 is Ks. 5.3 billion, which is 51% decline from previous financial year owing to reduction in construction revenue (Ks. 3.5 billion) and residential & commercial land lease (Ks. 2.7 billion).

Despite 51% decline in revenue, the gross profit decreases only 38% mainly due to Ks. 1.1 billion increase in sales commission income of MTSH, a comparatively high margin activity.

Other major attributable items are increases in share of profit earned from investment in associate company MJTD (Ks. 2.3 billion), interest income (Ks. 1.0 billion), and foreign exchange gain (Ks. 2.0 billion). The fluctuation of foreign exchange rate reflects 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 31<sup>st</sup> March 2019.

Overall, combination of these positive factors contributes to 28% rise in consolidated EPS from Ks. 310 per share for the financial year ended 31<sup>st</sup> March 2018 to Ks. 398 per share for FY2018-19.

**Summarized Consolidated Balance Sheet as at**

Kyat in million

	Percentage changed	31-Mar-19	31-Mar-2018 (Restated)
<b>Assets</b>			
Current assets	(6%)	62,653	66,389
Non-current assets	36%	34,912	25,625
<b>Total assets</b>	<b>6%</b>	<b>97,565</b>	<b>92,014</b>
<b>Liabilities</b>			
Current liabilities	(33%)	2,755	4,112
Non-current liabilities	10%	2,761	2,509
<b>Total liabilities</b>	<b>(17%)</b>	<b>5,516</b>	<b>6,622</b>
<b>Net assets</b>	<b>8%</b>	<b>92,049</b>	<b>85,392</b>
<b>Equity</b>			
Issued and paid up capital	-	38,929	38,929
Retained earnings	17%	45,516	38,982
Non-controlling interest	2%	7,604	7,481
<b>Total equity</b>	<b>8%</b>	<b>92,049</b>	<b>85,392</b>

Current assets have decrease by 6% due to transfers of land & development cost from current assets to property, plant and equipment, for Water Purification Plant, Transformer & Operating Centre completed in residential and commercial area. The 36% rise in non-current assets is partly due to transfers mentioned above and primarily from increase of investment amount in associate, due to undistributed share of profit.

Current liabilities decline by 33% caused by decrease in trade payable to sub-contractors due to reduce construction activities. The proposed dividend for FY2018-19 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.

Non-current liabilities have increase 10% due to cash received in advance from potential customer for reservation. Advance from customers are recognize as revenue only after completion of contract arrangements and due process.

Group's retained earnings grow 17% in FY2018-19 by Ks. 6.5 billion, as a result of increased level of profit in industrial real estate sector.

**Future prospects**

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. There are worker accommodations, Super Hotel, ATM from local banks, convenience store and shophouses operational in residential & commercial area currently. And upcoming projects such as development of shopping mall, futsal courts, branch of local bank, food court for Café, Japanese foods, Thai foods, and Local & Chinese foods will increase the foot traffic and improve business activities further. The management believes that TPD will achieve modest level of performance in FY2019-20 until greater recovery across residential and commercial property market sector.

The group financial performance for FY2018-19 was better than 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 for MJTD.

There are 107 companies in industrial area of Thilawa SEZ and they bring in USD 1.6 billion of investment, and 13 companies had expanded their business. This indicate Thilawa SEZ is the best place to conduct business in Myanmar and entry of Toyota Motor Corporation cement its unrivaled status.

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 completion of Kyaik Khauk Pagoda Road upgrading that will 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.

The management believes that Thilawa SEZ will remain as best industrial estate in Myanmar with its international standard infrastructure both within and surrounding area of 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.

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 FY2019-20.