

MANAGEMENT DISCUSSION AND ANALYSIS

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 30th September 2019 (“FY2019”) 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 company had changed the financial year end from March (i.e. previous financial year end) to September (i.e. current financial year end), in accordance with the legislation enacted by the parliament. The financial statements for current financial year FY2019 covered the six-month period from 1 April 2019 to 30 September 2019. The financial statements for previous financial year (“FY2018-19”) covered the twelve-month period from 1 April 2018 to 31 March 2019. As a result, the amounts presented in financial statements are not entirely comparable.

The financial statements are prepared in accordance with Myanmar Financial Reporting Standards (MFRS) and audited by the Independent Auditor, Win Thin and Associates.

Board of Directors approved this document on 13th December 2019.

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

Myanmar Thilawa SEZ Holdings Public Company Limited was incorporated on the 3rd of May 2013 in Myanmar under the Companies Act as a public limited company. On 20th 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 current FY2019 is Ks.8.3 billion.

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. 286.5 million net profit for FY2019 amidst 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. MTSH owned 41% of MJTD’s paid up share capital and represent four seats of MJTD board.

For FY2019, MJTD achieved net profit of USD 12.2 million, a sign of strong performance in industrial land.

Summarized consolidated income statement for the year ended

		Kyat in million	
	Percentage changed	FY2019 30-Sep-2019	FY2018-19 31-Mar-19
Revenue	(60%)	2,150	5,382
Cost of sales	(51%)	(1,053)	(2,134)
Gross profit	(66%)	1,097	3,248
Expenses	(47%)	(1,498)	(2,825)
Share of profit from associate	(33%)	7,680	11,395
Operating profit	(38%)	7,280	11,818
Income/(expense) from non-operating activities	(76%)	995	4,096
Total profit before tax	(48%)	8,275	15,915
Income tax expense	(95%)	(14)	(304)
Net profit	(47%)	8,261	15,610
Gross profit margin	(15%)	51%	60%
Earning per share (Kyat)	(47%)	211	398

Revenue for FY2019 is Ks. 2.1 billion, which is 60% decline from previous financial year. Gross profit also declines 66% mainly due to shorter reporting period, and partly due to decrease of sales commission income and land lease in residential & commercial sector.

Other major attributable items are decreases in share of profit earned from investment in associate company MJTD (Ks. 3.7 billion) and interest income (Ks. 0.8 billion), due to shorter reporting period. And foreign exchange gain also decreases by Ks. 2.3 billion, due to relatively stable MMK/USD exchange rate.

Overall, the combination of above factors contributes to 47% decline in consolidated EPS from Ks. 398 per share for FY2018-19 to Ks. 211 per share for FY2019.

Summarized Consolidated Balance Sheet as at

Kyat in million			
	Percentage changed	30-Sep-2019	31-Mar-2019
Assets			
Current assets	(8%)	57,840	62,653
Non-current assets	8%	37,591	34,912
Total assets	(2%)	95,430	97,565
Liabilities			
Current liabilities	(23%)	2,134	2,755
Non-current liabilities	(2%)	2,719	2,761
Total liabilities	(12%)	4,853	5,516
Net assets	(2%)	90,577	92,049
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	(3%)	43,987	45,516
Non-controlling interest	1%	7,661	7,604
Total equity	(2%)	90,577	92,049

Current assets have decrease by 8% due to reduction in cash for purchase of new office building and payment of dividend for FY2018-19. The 8% rise in non-current assets is partly due to new office building and primarily from increase of investment amount in associate, due to undistributed share of profit.

Current liabilities decline by 23% caused by decrease in unclaimed dividend from earlier years and refund of deposit from sub-contractors due to reduce construction activities.

Non-current liabilities have decrease 2% due to transfer of cash received in advance from potential customer to revenue. Advance from customers are recognize as revenue only after completion of contract arrangements and due process.

Group's retained earnings reduce 3% in FY2019 by Ks. 1.5 billion, as a net impact of current year profit Ks. 8.2 billion and dividend payment Ks. 9.7 billion.

Future prospects

TPD has delivered modest level of performance in current year and will continue at the same level of performance in near future until greater recovery across residential and commercial property market sector.

MJTD has uphold its stellar performance as the demand for industrial land in Thilawa SEZ remains strong, and management do not foresee any disturbance to this trend.

There are 109 companies in industrial area of Thilawa SEZ and they bring in USD 1.86 billion of investment, and 15 companies had expanded their business, which indicate Thilawa SEZ is the best industrial park to conduct business in Myanmar.

The group financial performance for current year FY2019 was lower than previous year, this is mainly due to shorter reporting period in current year (six-month) compare to previous year (twelve-month).

The management believe the company will maintain its strong performance for the coming years.