

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 half year ended 31st March 2020 (“FY2019-2020”) 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 to September, in accordance with the legislation enacted by the parliament.

The current financial year (“FY2019-2020”) covered the period from 1 October 2019 to 30 September 2020. The preceding financial year (“FY2019”) covered the period from 1 April 2019 to 30 September 2019. The financial year prior to preceding financial year (“FY2018-2019”) covered the period from 1 April 2018 to 31 March 2019.

The comparative for the current statements of financial position is the end of the preceding period. The comparative for current income statement is the same period from the financial year prior to preceding financial year.

The current income statement for the six-month period from 1 October 2019 to 31 March 2020 represents the first half of FY2019-2020. The comparative income statement for the six-month period from 1 October 2018 to 31 March 2019 represents the second half of FY2018-2019 which usually contains year end adjustments and audit adjustments. As a result, the amounts presented as comparative in income statement may not be entirely comparable.

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

Board of Directors approved this document on 29th June 2020.

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 the half year ended 31st March 2020 is MMK 2.9 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 incurred MMK 321 million loss for the half year ended 31st March 2020 due to persistent weak market sentiment in residential and commercial real estate sector and Covid-19 outbreak.

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 the half year ended 31st March 2020, MJTD achieved net profit of USD 9.4 million, a sign of healthy performance in industrial land.

MTSH Summarized consolidated income statement for the half year ended

		Kyat in million	
	Changes	31-Mar-2020	31-Mar-19
Revenue	▲	1,756	817
Cost of sales	▲	(1,003)	(324)
Gross profit	▲	753	493
Selling & administrative expenses	▲	(1,193)	(1,094)
Share of profit from associate	▼	5,414	6,043
Operating profit	▼	4,974	5,442
Income/(expense) from non-operating activities	▲	(2,053)	(156)
Total profit before tax	▼	2,921	5,287
Income tax expense	▲	(5)	527
Net profit	▼	2,916	5,813
Gross profit margin	▼	43%	60%
Earning per share (Kyat)	▼	77	152

Revenue for the half year ended 31st March 2020 is MMK 1.75 billion, which is better than same period in the comparative financial year. Gross profit also increases mainly due to improvement in sales of shophouses, growth in rental of shophouses and income from utilities in residential and commercial area.

Share of profit earned from investment in associate company MJTD is MMK 5.4 billion which is lower than comparative period. Unrealized foreign exchange loss arising from revaluation of the US Dollar cash reserves as at 31st March 2020 at declining MMK/USD exchange rate due to currency appreciation of Myanmar Kyat is MMK 2.5 billion. US Dollar cash reserves are held as fixed deposit and not in maturity yet.

Overall, the net impact of above factors contributes to decline in consolidated EPS to MMK 77 per share for the half year ended 31st March 2020 from MMK 152 per share for same period in previous financial year.

Summarized Consolidated Statement of Financial Position as at

Kyat in million			
	Changes	31-Mar-2020	30-Sep-2019
Assets			
Current assets	▼	54,118	57,774
Non-current assets	▲	43,592	37,591
Total assets	▲	97,710	95,365
Liabilities			
Current liabilities	▼	1,749	2,069
Non-current liabilities	▼	2,468	2,719
Total liabilities	▼	4,217	4,788
Net assets	▲	93,493	90,577
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▲	46,967	43,987
Non-controlling interest	▼	7,597	7,661
Total equity	▲	93,493	90,577

Current assets have decrease mainly cause by low MMK/USD exchange rate when valuing our cash reserve denominated in USD at 31st March 2020. The rise in non-current assets is partly from increase in

non-current receivable under installment sales and primarily from increase of investment amount in associate, due to undistributed share of profit.

Current liabilities decline is caused by refund of deposit from sub-contractors due to reduce construction activities.

Non-current liabilities have decrease 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 increases at 31st March 2020 by MMK 2.9 billion, as a result of half year profit.

Future prospects

TPD has delivered modest level of performance in the half year due to weak market condition in real estate industry and Covid-19. It is expected to continue at the same level of performance in near future until greater recovery across residential and commercial property market sector.

There are 111 companies in industrial area of Thilawa SEZ and they bring in USD 1.9 billion of investment, and 18 companies had expanded their business, which indicate Thilawa SEZ is the best industrial park to conduct business in Myanmar.

MJTD has maintained its performance as the demand for industrial land in Thilawa SEZ remains strong amidst Covid-19 pandemic. Management do not foresee any disturbance to this trend over long time horizon although it may not immune to impact of Covid-19 in short term.

The management believe the company will overcome and emerge better after the pandemic, and maintain its strong performance for the coming years.