
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 year ended 30th September 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 six-month period from 1 April 2019 to 30 September 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 24th December 2020.

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 out of nine MJTD board seats.

For the year ended 30th September 2020, MJTD achieved 34 Hectare land sale and net profit of USD 16 million, a sign of healthy performance in industrial land sales. MTSH share of profit from MJTD is USD 6.6 million.

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 635 million loss for the year ended 30th September 2020 due to persistent weak market sentiment in residential and commercial real estate sector and Covid-19 outbreak.

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 stand-alone result including sales commission, management fees and share of profit from investment for the year ended 30th September 2020 before unrealized exchange gain is MMK 8.4 billion, MMK 3.2 billion is unrealized exchange loss from revaluation of USD cash result with year-end exchange rate. After deduction of unrealized exchange loss company profit stand at MMK 5.2 billion.

Myanmar Thilawa SEZ Holdings Public Company Limited and Its Subsidiary (“MTSH GROUP”)**Summarized consolidated income statement for the year ended**

Revenue for the year ended 30th September 2020 is MMK 2.49 billion, which is better than the period in the comparative financial year. Gross profit also increases mainly due to improvement in sales of shophouses and income from utilities in residential and commercial area.

Share of profit earned from investment in associate company MJTD is MMK 8.6 billion which is better than comparative period. Unrealized foreign exchange loss arising from revaluation of the US Dollar cash reserves as at 30th September 2020 (Exchange rate as at 1 October 2019 @1,532.80 and rate as at 30 September 2020 @1,308.5) at declining MMK/USD exchange rate due to currency appreciation of Myanmar Kyat is MMK 3.6 billion.

Overall, the net impact of above factors contributes to decline in consolidated EPS to MMK 121 per share for the year ended 30th September 2020 from MMK 211 per share for the period in previous financial year mainly due to unrealized foreign exchange loss.

		Kyat in million	
	Changes	30-Sep-2020	30-Sep-19
Revenue	▲	2,489	2,251
Cost of sales	▼	(1,303)	(1,093)
Gross profit	▲	1,186	1,158
Selling & administrative expenses	▼	(2,321)	(1,457)
Share of profit from associate	▲	8,628	7,680
Operating profit	▲	7,494	7,381
Income from non-operating activities	▲	728	538
Unrealized Foreign Exchange Gain/(Loss)	▼	(3,645)	357
Total profit before tax	▼	4,577	8,275
Income tax expense	▲	(0)	(14)
Net profit	▼	4,577	8,261
Gross profit margin	▼	48%	51%
Earning per share (Kyat)	▼	121	211

Summarized Consolidated Statement of Financial Position as at 30 September 2020

Current assets have decrease mainly cause by low MMK/USD exchange rate when valuing our cash reserve denominated in USD at 30th September 2020. The rise in non-current assets is partly from increase in non-current receivable under installment sales, office renovation 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 is recognize as revenue only after completion of contract arrangements and due process.

Group's retained earnings decreases at 30th September 2020 by MMK 3 billion due to the dividend distribution for last year.

Kyat in million

	Changes	30-Sep-2020	30-Sep-2019
Assets			
Current assets	▼	44,572	57,774
Non-current assets	▲	46,932	37,591
Total assets	▼	91,504	95,365
Liabilities			
Current liabilities	▼	1,850	2,069
Non-current liabilities	▼	2,286	2,719
Total liabilities	▼	4,136	4,788
Net assets	▼	87,368	90,577
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▼	40,905	43,987
Non-controlling interest	▼	7,534	7,661
Total equity	▼	87,368	90,577

Future prospects

TPD has delivered modest level of performance in this year due to weak market condition in real estate industry and Covid-19. Although there is lack of demand for high end housing and apartments, there is still consistent demand for affordable housing. With more SEZ factories getting into operations, more managerial level has moved into the area. We intend to develop pilot project for affordable housing to tap into this market and open new revenue streams,

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 believe MJTD still can manage to enjoy due to previous years effects and that is take six to eight months for foreign investors to evaluate to invest in Thilawa SEZ. Due to the closures of Myanmar Airports for overseas visitors for the past nine months, it has been difficult for prospect customers to visit. Therefore, we are not anticipated strong sales like previous years.

We have decided to invest into development of Gyogone Housing in Insein township making it a 1st investment by MTSH outside Thilawa SEZ area. This investment will lay the stepping stone for future revenue streams of MTSH growth.

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