
INTERIM RESULTS - MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of First Myanmar Investment Public Co., Ltd (“the Company”), and with its subsidiaries (“the Group”), wishes to announce the release of the Company’s unaudited interim financial statements for the six months ended 31st March 2021 (“HY 2021”).

For a meaningful comparison, the Company’s management uses its interim financial report covering the period 1st October 2019 to 31st March 2020 (“HY 2020”). The discussion and analysis are provided as below:

KEY HIGHLIGHTS

Summary of Group Statement of Comprehensive Income

(MMK'000)	HY 2021 (Unaudited)	HY 2020 (Unaudited)	% Change
Revenues	164,065,048	177,108,555	(7.4%)
Cost of revenues	(86,412,959)	(102,621,964)	15.8%
Gross profit	77,652,089	74,486,591	4.2%
<i>Gross margin</i>	<i>47%</i>	<i>42%</i>	
Administrative expenses	(53,266,875)	(51,698,601)	(3.0%)
Finance expenses	(1,758,393)	(5,143,037)	65.8%
Other gains	498,541	1,564,119	(68.1%)
Share in (losses) of associates and joint ventures, net of tax	(579,020)	(68,379)	(746.8%)
Profit before income tax	22,546,342	19,140,693	17.8%
Income tax expense	(6,632,282)	(6,418,747)	(3.3%)
Profit for the period	15,914,060	12,721,946	25.1%
Fair value adjustment of available-for-sale investments	(631,802)	(64,175)	(884.5%)
Share of other comprehensive (losses)/ income of associates	(5,070,192)	5,675,942	(189.3%)
Other comprehensive (loss)/income for the period, net of tax	(5,701,994)	5,611,767	(201.6%)
Total comprehensive income for the period	10,212,066	18,333,713	(44.3%)
Profit attributable to:¹			
Owners of the Company	8,594,190	2,996,463	
Non-controlling interests	7,319,870	9,725,483	
	15,914,060	12,721,946	
Earnings per share			
Basic (MMK)	269	111	142.3%
Diluted (MMK)	214	83	157.8%

¹ Net profit attributable to equity holders of the Company used for the computation of basic/diluted EPS has been adjusted for the distribution to the holders of perpetual securities.

Despite the onset of Myanmar's second wave of COVID-19 cases in September 2020, the revenue, gross profit, and core operating EBITDA between October 2020 and January 2021 were not highly impacted as compared to pre-covid-levels with the Group's financial services ("Yoma Bank"), and healthcare businesses ("Pun Hlaing Hospitals"), driving resiliency. Since 1 February 2021, Myanmar's military announced the State of Emergency and taken over the government ("Political Event"), the Group's performance has been severely impacted by the uncertain operating environment in Myanmar. As a result, the Group's total revenue for the six months ended, HY 2021 decreased by 7.4% to MMK 164.1 billion as compared to MMK 177.1 billion in HY 2020. The decrease in the Group's total revenue was mainly due to the decrease in revenue generated by the financial services segment, especially after the Political Event.

Below is the breakdown of revenue by business segment: -

(MMK'000)	HY 2021 (Unaudited)	HY 2020 (Unaudited)	% Change
Financial services	146,752,811	159,201,128	(7.8%)
Healthcare services	17,178,406	17,873,647	(3.9%)
Rental income	18,000	27,000	(33.3%)
Dividend income	115,831	6,780	1,608.4%
Total	164,065,048	177,108,555	(7.4%)

The Group's revenue for the six months ended 31 March 2021 decreased by 7.4% due to the decline in revenue by the financial services segment which was the main revenue contributor of the Group's revenue. Revenue generated from the financial services segment decreased by 7.8% from MMK 159.2 billion in HY 2020 to MMK 146.8 billion in HY 2021 due to the COVID-19 and the Political Event. The decrease in revenue was primarily due to lower revenue contribution of interest income from overdrafts, loans and advances, seasonal overdraft-AFP(Agribusiness Finance Program), AFP special hire purchase-EMI (Equal Monthly Installment Method), home loans, and emergency loans to employees as well as a decrease in non-funded income from the Yoma Bank.

Revenue from the healthcare segment was slightly lower by 3.9% to MMK 17.2 billion in HY 2021, as compared to MMK 17.9 billion in HY 2020. The main revenue generators of the healthcare segment are clinical and ancillary services such as medical check-ups, general surgery, orthopedics, cardiology, pharmacy services, imaging services, laboratory services, nursing services, telemedicine services, and non-clinical services. The decrease in revenue was mainly due to a decrease in all lines of business due to the Covid-19 outbreak and the Political Event although the hospital launched the Covid-19 treatment and testing center in Dec 2020.

The gross profit increased by 4.2% to MMK 77.7 billion in HY 2021, as compared to MMK 74.5 billion in HY 2020. The increase was mainly due to higher gross profit margins recorded by the Yoma Bank and Pun Hlaing Hospitals due to lower deposit interest rate as the Central Bank of Myanmar ("CBM") cuts the average interest rate from 7.5% to 5.0% in HY 2021 by financial services segment, and the reduction of the full-time doctors' fees as well as overseas doctors' consultations fees by healthcare segment.

Furthermore, the Group's administrative expenses were slightly increased from MMK 51.7 billion in HY 2020 to MMK 53.3 billion in HY 2021. The higher administrative expenses were substantially comprised by Yoma Bank for higher specific provision of future losses by management, considering the Covid-19 outbreak and the Political Event, which was partially offset by the decrease in other administrative expenses, including staff salary reductions, lower overheads, and fewer professional

fees incurred and rental and utility rebates as a result of continued cost control measures imposed during HY 2021.

Finance expenses on borrowings decreased by 65.8% from MMK 5.1 billion in HY 2020 to MMK 1.8 billion in HY 2021 which was mainly due to the repayment of certain facilities by the Company during FY 2020, and a lower interest rate environment as a result of falling MMK borrowing rates.

In HY 2021, the Group recorded other gains of MMK 0.5 billion as compared to MMK 1.6 billion in HY 2020. The decrease in HY 2021 was mainly due to the lower gains resulting from foreign currency conversions of the US dollar-denominated loans by the Group. In HY 2021, the Group recorded MMK 113.9 million fair value gains from the investment properties in Bagan. Below is the detailed breakdown:

(MMK'000)	HY 2021 (Unaudited)	HY 2020 (Unaudited)
Fair value gain on investment properties	113,880	-
Gains on foreign currency exchange, net	399,337	1,787,072
(Loss)/Gain on disposal of property, and equipment	(14)	22,200
Gains on write-off of unclaimed dividend	-	3,164
Write-off of payable	287	-
Capital gains tax	-	(2,220)
Write-off of investment in associate	-	(187,363)
Write-off of property, and equipment	(14,949)	(58,734)
Total Other Gains	498,541	1,564,119

The Group recorded a share of losses of associates and joint ventures in HY 2021. A detailed breakdown is as below:

(MMK'000)	Stake	Group Share of Profit/(Loss)	
		HY 2021 (Unaudited)	HY 2020 (Unaudited)
Chindwin Holdings Pte. Ltd.	30.0%	104,777	(426,547)
Meeyahta International Hotel Limited	20.0%	115,987	(104,636)
FMIDecaux Company Limited	40.0%	(356,982)	225,504
CLW Development Limited	25.0%	(312,471)	-
Thanlyin Estate Development Limited	30.0%	(125,678)	286,385
FMI Garden Development Limited	47.5%	(5,529)	(50,264)
Pun Hlaing Links Services Company Limited	30.0%	1,443	1,393
Kawthaung Hill Investment Limited	37.5%	(392)	-
LSC-FMI Company Limited	50.0%	(175)	(214)
Total Share of Losses		(579,020)	(68,379)

The Group recognized a higher share of losses of associated companies and joint ventures of MMK 579.0 million in HY 2021 as compared to MMK 68.4 million in HY 2020. The decrease in the share of losses of MMK 125.7 million by Thanlyin Estate Development Limited was mainly due to the provision

for losses on accounts receivable and allowance for losses on property under development. The share of profit of MMK 104.8 million and 116.0 million in HY 2021 from Chindwin Holdings Pte. Ltd. and Meeyahta International Hotel Limited respectively as a result of currency translation gains. The Group's share of losses from FMIDecaux in HY 2021 was MMK 357.0 million as compared to the share of profit MMK 255.5 million in HY 2020 as FMIDecaux's business has been affected by the current situation in Myanmar, in particular the disruption of outdoor advertising in Yangon. Additionally, the Group's newly associated company, known as CLW Development Limited (the "JV Company"), has been incorporated in December 2020 and FMI holds 25% in JV Company, and the Group recorded the share of loss of MMK 312.5 million in HY 2021 which was mainly due to the unrealized foreign exchange losses on currency translation of US dollar-denominated loans from shareholders, finance expenses, and the startup costs during the reporting period.

As a result of the above, the Group recorded a net profit after tax of MMK 15.9 billion for six months ended 31 March 2021 as compared to MMK 12.7 billion for six months ended 31 March 2020.

In HY 2021, the Group recognized fair value losses of MMK 631.8 million from available-for-sale investments as compared to the losses of MMK 64.2 million in HY 2020. Shown below are the details of the Group's fair value adjustment for those investments.

Investments (MMK'000)	Carrying Value Before Adjustment	Fair Value Adjustment	Carrying Value after Adjustment
MTSH	2,380,961	(128,701)	2,252,260
Memories Group	1,602,560	(503,101)	1,099,459
Total	3,983,521	(631,802)	3,351,719

The losses were primarily due to the Company's investment in Myanmar Thilawa SEZ Holdings Public Co., Ltd ("MTSH") and Memories Group Limited ("Memories Group"), both of which are companies listed on YSX and SGX respectively.

In HY 2021, the Group recorded a share of other comprehensive losses from its associates for MMK 5.1 billion which was mainly made up of the foreign currency translation adjustments on the Group's associated companies into the parent's primary currency. As a result, the Group's total comprehensive income decreased by 44.3 % to MMK 10.2 billion in HY 2021 as compared to MMK 18.3 billion in HY 2020.

As the above-mentioned reason, the Group recorded a net profit attributable to equity holders of the Company of MMK 8.6 billion in HY 2021 as compared to MMK 3.0 billion in HY 2020.

As a net profit was incurred to profit attributable to equity holders of the Company, the basic earnings per share ("EPS") of MMK 269, increased by 142.3% in HY 2021, and the diluted EPS of MMK 214. The weighted average number of shares issued for the purpose of calculating diluted earnings per share has been adjusted assuming that any dilutive convertible securities were duly exercised as of 31 March 2021.

A summary statement of the financial position of the Group, together with a comparative statement as at the end of the immediately preceding financial year, 30th September 2020 as shown below.

Summary of Group Balance Sheet

(MMK'000)	As at 31-Mar-2021 (Unaudited)	As at 30-Sep-2020 (Audited)	% Change
ASSETS			
Total current assets	3,192,774,645	3,059,673,392	4.4%
Total non-current assets	575,503,059	552,711,392	4.1%
Total assets	3,768,277,704	3,612,384,784	4.3%
LIABILITIES			
Total current liabilities	3,246,621,461	3,101,233,435	(4.7%)
Total non-current liabilities	5,475,779	5,168,789	(5.9%)
Total liabilities	3,252,097,240	3,106,402,224	(4.7%)
NET ASSETS	516,180,464	505,982,560	2.0%
EQUITY			
Equity attributable to the equity owners of the Company	406,001,517	403,109,321	
Non-controlling interest	110,178,947	102,873,239	
Total equity	516,180,464	505,982,560	2.0%

Total current assets increased from MMK 3,059.7 billion as at 30 September 2020 to MMK 3,192.8 billion as at 31 March 2021. The increase was mainly due to the bank's loan portfolio, cash & cash equivalents, and trade & other receivables in the financial services segment.

Total non-current assets increased slightly from MMK 552.7 billion as at 30 September 2020 to MMK 575.5 billion as at 31 March 2021. The increase was primarily due to the investment in government securities in relation to the Treasury bills and Treasury bonds by Yoma Bank, additional investments in Yoma Central project, and advances to Group's associates.

Total current liabilities increased to MMK 3,246.6 billion as at 31 March 2021 as compared to MMK 3,101.2 billion as at 30 September 2020 which was mainly due to the securities sold with agreement to repurchase (repo) by Yoma bank and trade & other payables from the Group's financial services segment.

Total non-current liabilities slightly increased from MMK 5.2 billion as at 30 September 2020 as compared to MMK 5.5 billion as at 31 March 2021.

As at 31 March 2021, net assets attributable to equity owners stood at MMK 406.0 billion as compared to MMK 403.1 billion as of 30 September 2020 mainly due to the increase in net profit of MMK 15.9 billion recorded in HY 2021.

The Group's equity grew at a rate of 2.0% due to an increase in share capital and an increase in equity reserve resulting from the effect of changes in the ownership interest of the bank subsidiary.

As of 31 March 2021, the Group's cash and cash equivalents amounted to approximately MMK 599.2 billion. A summary of the Group Statement of Cash Flows is as follows: -

Summary of Group Cash Flow Statement

(MMK'000)	HY 2021 (Unaudited)	HY 2020 (Unaudited)	% change
Net cash provided by/(used in) operating activities	96,322,799	(18,064,012)	633.2%
Net cash provided by investing activities	49,775,960	25,594,849	94.5%
Net cash provided by financing activities	3,647,076	136,568,334	(97.3%)
Net increase in cash and cash equivalents	149,745,835	144,099,171	3.9%
Cash and cash equivalents at beginning of the period	449,486,803	384,154,922	17.0%
Cash and cash equivalents at the end of the period	599,232,638	528,254,093	13.4%

The Group cash and cash equivalents increased by 13.4% to MMK 599.2 billion as at 31 March 2021 as compared to MMK 528.3 billion as at 31 March 2020. The majority of cash reported on the Group's cash flow statement represented the balances of Yoma Bank. As at 31 March 2021, the Group comprised the cash provided by operating activities of MMK 96.3 billion which was mainly due to the securities sold with an agreement to repurchase (repo) by the Yoma bank. Net cash flow provided by investing activities increased from MMK 25.6 billion in HY 2020 to MMK 49.8 billion in HY 2021 was mostly related to the proceeds of government bonds and other securities by Yoma Bank. The Group's net cash provided by financing activities for the six months ended 31 March 2021 amounted to MMK 3.7 billion.

Forward Outlook

Situation and Impacts

Since 01 February 2021, domestic activities and trade have been severely impacted by reduced mobility, protests, worker strikes and the ongoing disruption to essential services, including banking, logistics and internet services. The recent uncertainty compounded an already challenging environment brought on by the second wave of COVID-19. On 26 March 2021, the World Bank revised its forecast for the economy to contract 10 per cent this year², a sharp reversal from the World Bank's previous economic update in October 2020 when it predicted our country's economy would grow by 5.9 per cent.

Essential services in the economy have been significantly impacted in the following ways:

- **Intermittent Banking Services:** The staff of many banks have been on strike between February 2021 and April 2021, causing essential banking services, such as lending, money transfer and inter-bank

² <https://pubdocs.worldbank.org/en/537621563917606875/mpo-mmr.pdf>

settlement, to be severely curtailed. Whilst some banking services have resumed since the end of April, the availability of credit continues to be limited which has impacted the Group's real estate customers who rely on bank financing for home mortgage.

- **Acute Physical Cash Shortage:** The availability of physical cash has been significantly reduced in Myanmar with regulations imposed to limit weekly cash withdrawals for individuals and corporates to MMK 2 million and MMK 20 million, respectively. As cash withdrawals from banks became unreliable, the economy rapidly reverted back to a cash economy which further exacerbated the physical cash shortage issue. This impacts the ability of the Group's banking business operation.

- **Limited Internet:** Internet over mobile 4G has been suspended since April 2021 which caused digital banking and money operations, which includes Yoma Bank's Smart Banking app and Wave Money app respectively, have been severely impacted as customers and agents were not able to connect to the network. This impacts the Group's ability to provide digital banking service to customers which further exacerbated the customer's demand for physical cash. Since early May 2021, both app has been restored on mobile 4G networks, and the Group anticipates the services to recover in the future.

- **Disruption of Essential Services:** Medical professionals, bank staff and government employees, amongst others, had their services disrupted. As a result, many authority approvals (such as for construction permits and customs operations) and other essential services are slower or have been halted altogether.

The Group expects its businesses to be impacted in varying degrees for the foreseeable future:

- **Banking Services (Yoma Bank):** Despite the banking services has been gradually recovered starting from early May, 2021, through the operation of new type of cash account, called Flexi Cash Deposit Account, the cash shortage remains a general issue in banking system which impacts the full recovery of banking services in foreseeable future. In addition, due to the disruption in the economy, the ability of banking customers to service debts and repay the loans has been impacted. Yoma Bank has been providing appropriate reliefs and supports to its customers to overcome the difficulties while protecting the bank and managing its risk exposure given the uncertainties in the economic environment.

- **Healthcare (Pun Hlaing Hospitals):** Although Pun Hlaing Hospital was managed to overcome the challenges arise from disruption of services in healthcare sector, the normal operation of several hospital services was impacted which resulted the reduction several income stream for Pun Hlaing Hospital.

- **Real Estate Development (Star City and City Loft West):** Construction works for sold units are expected to continue at Star City for City Loft and Star Villas, albeit at a slower overall construction pace. The unrecognised revenue for the sold units is expected to be realised in the Group's financial results as construction progresses. The development plan for City Loft West has been postponed due to the delay in construction permits as well as the uncertainty for demand for affordable apartments in Hlaing Thayar township, Yangon.

- **Real Estate Services:** Residential leasing is expected to remain active and will be augmented by an increase in commercial leasing activities after October 2021. Star City is converting the Dulwich College campus into an office building and the anchor tenant which had been secured for the Star Hub development has agreed to take up the lease in this office building instead. The development plan for Star City into a commercial and activity hub would be deferred and the suspension of the Dulwich School in Yangon in the near-term is not expected to have a material impact on the Group's financial results.

- **Real Estate (Yoma Central):** Given the uncertainty in the economic environment, the Yoma Central project is to be suspended temporarily in the near- to medium-term, alongside other large-scale construction projects in the country. Negotiations with the main works contractor are being concluded to secure the construction site and to suspend activities. The shareholders and lenders are in discussions to restructure the project loans (which are limited recourse with respect to the Company) while reserving their respective rights. All stakeholders are in a constructive dialogue to observe the market conditions and explore a revised construction and financing plan when the environment is more favorable.

- **Tourism (Memories Group):** Against the backdrop of restricted borders, domestic uncertainties and continuing negative media, international tourists are not anticipated to enter Myanmar at least for the remaining of 2021. Demand for domestic travel and events is expected also to be reduced. As a result, Memories Group has dampened its business forecast substantially.

Actions and Outlook

Despite the sound financial results of the Group for six months ended 31st March, 2021, in anticipation of uncertainties in the economy for the foreseeable future, the Group takes the risk-prudent approach to maintain balance sheet stability and financial liquidity as the main priority. Above and beyond the cost control measures taken as a result of COVID-19, the Group has implemented stringent financial management measures at varying degree between the Group level and individual subsidiary. The measures include:

- (i) Reduction in non-staff operating costs;
- (ii) Cessation or suspension of most capital expenditures;
- (iii) Reduction of inventory and monetisation of existing PPE stocks
- (iv) Discussions with lenders on revising principal and interest payment schedules, and
- (v) Reduction in staff costs by more than 60% through a cut to its workforce, unpaid leave and additional pay reductions for other employees and a rationalisation of its corporate functions. For the foreseeable future, the Group's Executive Chairman and COO have voluntarily taken a 100% reduction in their salary.

Cost efficiency gains from the above initiatives will be realised in the coming financial periods, and the Group will stay disciplined in continuing to reduce operating costs and defer most capital expenditure to conserve cash and maintain liquidity at both Group level and independently at subsidiary level.

The Group has also remained in close dialogue with its international partners who remain supportive of the Group. The Group will continue to closely monitor the developments in our country and expects to dynamically adjust its approach as the situation unfolds.

Although the general situation has been improving day by day since May 2021, uncertainties in the economy still remain. However, the management of each entity are highly confident, committed and have demonstrated their ability to navigate through current challenging situation.

For medium term outlook, the Group will continue to support each subsidiary and associates' strategic business plan, and execution and materialization of these business plans in due course.

By Order of the Board

Tun Tun
Executive Director
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