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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 half year ended 31<sup>th</sup> March 2021 (“FY2020-2021”) 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 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 29<sup>th</sup> June 2021.

### **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 half year ended 31<sup>th</sup> March 2021, MJTD achieved 4.3 Hectare land sale and net profit of USD 2.6 million, MTSH share of profit from MJTD is USD 1.1 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 achieved MMK 1.06 billion net profit for the half year ended 31<sup>th</sup> March 2021 amidst 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 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 stand-alone result including management fees and share of profit from investment for the half year ended 31<sup>th</sup> March 2021 is MMK 2.9 billion.

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

Revenue for the half year ended 31<sup>th</sup> March 2021 is MMK 2.09 billion, which is better than the same period in the comparative financial year. Gross profit also increases mainly due to improvement in Land sublease income from residential and commercial area.

Share of profit earned from investment in associate company MJTD is MMK 1.6 billion which is lower than comparative period. Unrealized foreign exchange gain arising from revaluation of the US Dollar cash reserves as at 31<sup>th</sup> March 2021 (Exchange rate as at 30 September 2020 @1,308.5 and rate as at 31 March 2021 @1,469.3) at fluctuation MMK/USD exchange rate due to currency depreciation of Myanmar Kyat is MMK 1.7 billion.

Overall, the net impact of above factors contributes to rise in consolidated EPS to MMK 98 per share for the half year ended 31<sup>th</sup> March 2021 from MMK 77 per share for the same period in previous financial year.

		Kyat in million	
	Changes	31-Mar-21	31-Mar-20
Revenue	▲	2,095	1,756
Cost of sales	▼	(675)	(1,003)
<b>Gross profit</b>	▲	<b>1,420</b>	<b>753</b>
Selling & administrative expenses	▼	(861)	(1,193)
Share of profit from associate	▲	1,595	5,414
<b>Operating profit</b>	▲	<b>2,154</b>	<b>4,974</b>
Income from non-operating activities	▲	177	445
Unrealized Foreign Exchange Gain/(Loss)	▼	1,692	(2,498)
<b>Total profit before tax</b>	▼	<b>4,023</b>	<b>2,921</b>
Income tax expense	▲	-	(5)
<b>Net profit</b>	▼	<b>4,023</b>	<b>2,916</b>
Gross profit margin	▼	68%	43%
Earning per share (Kyat)	▼	98	77

**Summarized Consolidated Statement of Financial Position as at 31 March 2021**

Current assets have decrease mainly cause by the net cash outflow of dividend payment for within this financial year. The rise in non-current assets is primarily from increase of investment amount in associate, due to undistributed share of profit.

Current liabilities have raised up mainly due to the dividend payment within this financial year of unclaimed dividend from some special account holders.

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

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

Kyat in million			
	Changes	31-Mar-2021	30-Sep-2020
<b>Assets</b>			
Current assets	▼	39,630	44,572
Non-current assets	▲	48,144	46,932
<b>Total assets</b>	▼	<b>87,774</b>	<b>91,504</b>
<b>Liabilities</b>			
Current liabilities	▲	2,149	1,850
Non-current liabilities	▼	1,241	2,286
<b>Total liabilities</b>	▼	<b>3,390</b>	<b>4,136</b>
<b>Net assets</b>	▼	<b>84,384</b>	<b>87,368</b>
<b>Equity</b>			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▼	37,710	40,905
Non-controlling interest	▲	7,745	7,534
<b>Total equity</b>	▼	<b>84,384</b>	<b>87,368</b>

**Future prospects**

Although Myanmar is facing many challenges with ongoing Covid 19 Global Pandemic and events following February 1<sup>st</sup>, MTSH performance for the 1<sup>st</sup> half of the FY has been relatively strong and healthy with strong contribution from our investments. Both MJTD and TPD have stable income from recurring income from management of Thilawa Special Economic Zone and utility business within the SEZ. Such incomes can help maintain MJTD's profitability during the times of slow land sales. However,

in the next 6 months financial results are not expected to exceed compared to previous year. We cannot expect much land sales in Thilawa SEZ for the coming years until Covid 19 is well under control Globally. Residential and Commercial land sales conducted by Thilawa Property Development Co Ltd is also not expected to grow since, our current development is very much dependent upon the growing success of Thilawa SEZ.

We have strong Business Continuity Plans in place with preventive measures for the safety of our staff, suppliers and customers during the ongoing Covid 19 Pandemic. We are turning Covid 19 challenges into opportunities by incorporating more IT into our daily business operations for higher efficiency. Reviews have been made and new policies have been put in place for cost control measures as well as deferring non-essential investments. Our organization will come out stronger post Covid.

MTSH as well as our Subsidiary company Thilawa Property Development Co Ltd and Associate company Myanmar Japan Thilawa Development Co Ltd all have strong cash reserve in US dollars to invest for expansion of existing and new projects when the market conditions improve and/or when the right opportunities come along for the benefit of our shareholders.

For our mid-term plan, MTSH will continue to develop more business which address the needs of domestic investors and investors from neighboring countries. We believe there will be increasing demand by the local manufacturers in order to produce more import substitution products due to weakening kyats. With this in mind, MTSH will continue to look for other suitable industrial zone development across Myanmar, either close to big consumer markets or close to raw material resources.

In addition to real estate investments, MTSH is exploring and will continue to identify strategic business opportunities in utility projects such as power generation and water supply. MTSH is in a good and healthy financial position to look for large scale infrastructure projects to invest in due to our strong track record.