INTERIM RESULTS – MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of First Myanmar Investment Co., Ltd. (the "Company", and with its subsidiaries, the "Group") refers to the Company's unaudited interim financial statements for the six months ended 30September 2017("HY 2017-18" or the "Period"), released in tandem with this announcement.

The Company's management is pleased to provide a discussion and analysis of the interim results below:

KEY HIGHLIGHTS

Summary Group Statement of Comprehensive Income

	HY 2017-18	HY 2016-17	% Change
	(Ks. '000s)	*(Ks. '000s)*	
Revenue	**95,753,265**	74,663,848	28.3%
Cost of Sales	**(63,896,870)**	(51,562,184)	23.9%
Gross Profit	**31,856,395**	23,071,664	38.1%
Gross Margin	***33.3%***	*30.9%*	*2.4%*
Expenses	**(31,160,381)**	(20,448,903)	52.4%
Share of profit of associates	**11,929,786**	(118,120)	see footnote *
Profit from operating activities	**12,625,800**	2,504,641	404.1%
Profit from non-operating activities	**602,534**	5,268,447	(88.6)%
Total profit before income tax	**13,228,334**	7,773,088	70.2%
Income tax expense	**(1,239,737)**	(1,575,015)	(21.3)%
Net profit	**11,988,597**	6,198,073	93.4%
Earnings per share	**449**	207	116.9%

Group revenue of Ks. 95.7 billion in the Period was 28.3% higher than the Ks. 74.6 billion recorded in prior HY 2016-17.

This was mainly due to strong performance shown in Financial services sector, whose revenue has increased by 28.2% from Ks. 67.4 billion in HY 2016-17 to Ks. 86.5 billion during this Period. This increase in revenue was due to increased interest income from loans, overdrafts, and hire-purchase products, mainly driven by its growing loan book and agricultural financing program while the fee income saw a gradual improvement.

* The change in percentage is 10199.7% and this substantial increase is of one-time nature.

Similarly, the total revenues of Healthcare services sector had increased by 26.7% from Ks. 7.1 billion in HY 2016-17 to Ks. 9.0 billion in this Period. Along with increase in inpatient occupancy, the hospital gained a substantial increase of 29.2% in revenues from ancillary services, particularly in medical supply, radiology, clinical services and pharmacy areas.

A comparison of Group revenues breakdown between HY 2016-17 and HY2017-18 are set forth below:

	HY 2017-18	HY 2016-17	% Change
	(Ks. '000s)	*(Ks. '000s)*	
Financial Services	86,505,145	67,460,684	28.2%
Healthcare Services	9,053,810	7,146,164	26.7%
Dividend Income	167,310	-	-
Rental	27,000	27,000	0.0%
Total	**95,753,265**	**74,633,848**	**28.3%**

Group gross margin showed a slight rise during the Period to 33.3% from 30.9% in HY 2016-17. This was due to Yoma Bank having a slight improvement in gross margin contributed by relatively lesser interest expense, while Pun Hlaing Siloam Hospitals ("PHSH") maintained its margin constant.

Total Group expenses surged by 52.4% from Ks. 20.4 billion in HY 2016-17 to Ks. 31.1 billion in HY 2017-18. This was primarily attributable to higher costs incurred for employee compensation, professional fees and office rental charges, higher depreciation expenses, and an increase in financing expenses. Higher employee compensation is due to the Group's continuous strategy to hire qualified professionals to accommodate its expanding businesses. The increase in financing expenses from Ks. 572.3 million in HY 2016-17 to Ks. 1.5 billion this HY 2017-18 was due to FMI's loan facility from Bangkok Bank, which partly raised the costs.

Our share of profit of associates for this HY 2017-18 recorded a remarkable increase from a loss of Ks. 118.1 million in HY 2016-17 to a profit of Ks. 11.9 billion during the Period. This significant growth was driven by 69.8% revenue increase from Star City unit sales in Thanlyin Estate Development and one-time profit of Ks. 6.0 billion gained from Chindwin Holdings; from the sale of its Balloons over Bagan business to SHC Capital Asia. Meeyahta International Hotel's profits diminished during the Period due to discontinued rental operations at FMI Centre, which is soon to be demolished for Yoma Central Project in downtown Yangon.

A breakdown of our share of profit of associates in HY 2017-18 is set forth below:

Associate	Interest held by FMI (%)	Group share of profit *(Ks. '000s)*
Chindwin Holdings Pte Ltd	30.0%	6,014,364
Thanlyin Estate Development Co., Ltd.	30.0%	5,977,396
Meeyahta International Hotel Ltd.	20.0%	58,196
LSC-FMI Co., Ltd.	50.0%	(561)
Pun Hlaing Link Services Co., Ltd	30.0%	(50,093)
FMI Garden Development Co., Ltd.	47.5%	(69,516)
Total		**11,929,786**

With higher revenue growth and a solid increase in share of profit of associates, Group profit from operations jumped 404.1% to Ks. 12.6 billion as compared with Ks. 2.5 billion in previous HY 2016-17. As overall Group performance is assessed by profit from operating activities as a key metric, Management is pleased to report this outstanding growth in this area to our shareholders.

As compared to Ks. 5.3 billion recorded in HY 2016-17, profit from non-operating activities during HY 2017-18 declined by 88.6% to about Ks. 0.6 billion. However, we would like to highlight to our shareholders that the decline of profits in this section is mainly due to the absence of a similar one-time gain from the sale of available-for-sale investments achieved in HY 2017-18, and such decline does not reflect any underperformance by the Group.

A full breakdown of profit from non-operating activities during the reporting period can be seen below:

	(Ks. '000s)
Gain on Disposal of Available-for-Sale Investments	119,686
Loss on Disposal of Property, Plant & Equipment	(895)
Gain on Foreign Currency Exchange Difference	492,485
Write off Investment in Subsidiaries	(8,742)
Total	**602,534**

The gain on disposal of available-for-sale investment relates to the sale of a portion of the Company's shares in Myanmar Thilawa SEZ Holdings Public Ltd., with effective equity stake remaining at 1.65% as at 30 September 2017.

The Group gained Ks. 492 million in profit from foreign currency translation during HY 2017-18, as compared to Ks. 1.6 billion loss in HY 2016-17. This reflected an improvement in overall management of foreign currency by the Group's entities, mainly by Yoma Bank, as well as a relatively stable USD/MMK exchange rate.

The Ks. 8 million loss from writing off investment in subsidiaries came from the liquidation of the Yoma Thitsar Commercial Company Limited, which operated as FMI Trading Centre.

On account of strong profit from operating activities, total Group net profit surged 93.4% to Ks. 11.9 billion in HY 2017-18 in comparison to Ks. 6.1 billion in HY 2016-17.

Earnings per share increased 116.9% from Ks. 207 in HY 2016-17 to Ks. 449 in HY 2017-18. The higher earnings per share was a result of Group reporting substantial increase in net profit while the Company's average number of shares outstanding increased slightly with 2.3 million bonus shares issued during the Period.

Summary Group Balance Sheet

	HY 2017-18	FY 2016-17	% Change
ASSETS	*(Ks. '000s)*	*(Ks. '000s)*	
Total current assets	**1,462,256,439**	1,382,774,930	5.7%
Total non-current assets	**514,688,782**	452,074,799	13.9%
Total assets	**1,976,945,221**	1,834,849,729	7.7%
Liabilities			
Total current liabilities	**1,650,942,156**	1,517,093,870	8.8%
Total non-current liabilities	**35,249,650**	36,626,481	(3.8)%
Total liabilities	**1,686,191,806**	1,553,720,351	8.5%
Equity			
Total equity	**290,753,415**	281,129,378	3.4%
Total equity and liabilities	**1,976,945,221**	1,834,849,729	7.7%

Total current assets have risen by 5.7% since 31 March 2017 ("FY 2016-17"), driven primarily by 8.5% increase in loans at Yoma Bank. As at 30 September 2017, the bank's loan book had grown to Ks. 1,168.9 billion from Ks. 1,076.9 billion at FY 2016-17.

The increase of 13.9% in non-current assets was primarily due to the purchase of additional Myanmar treasury bonds by Yoma Bank.

The 8.8% rise in the Group's current liabilities was due to moderate growth in deposits at Yoma Bank and an increase in borrowings by PHSH. At the end of the Period, deposits at Yoma bank stood at Ks. 1,561.4 billion, up from Ks. 1,434.2 billion at FY 2016-17.

Non-current liabilities on the other hand had decreased by 3.8% caused mainly by reclassification, of a tranche of Bangkok Bank loan facility due in a year's time, from non-current to current liabilities.

Group equity grew at a modest rate of 3.4%, which is attributable to increased retained earnings from Yoma Bank, as well as the issuance of bonus shares by the Company during the HY 2017-18.

Summary Group Cash Flow Statement

	HY 2017-18	HY 2016-17
	(Ks. '000s)	*(Ks. '000s)*
Cash provided by (used in) operating activities	**35,667,962**	43,711,077
Cash provided by (used in) investing activities	**(47,659,198)**	(101,010,182)
Cash provided by (used in) financing activities	**(4,090,471)**	10,729,321
Net increase (decrease) in cash and cash equivalents	**(16,081,707)**	(46,569,784)
Cash and cash equivalents at the beginning of the Period	**203,244,224**	187,642,183
Cash and cash equivalents at the end of the Period	**187,162,517**	141,072,399

Group cash and cash equivalents totaled to Ks. 187.1 billion as at 30 September 2017 as compared to Ks. 141.0 billion as at 30 September 2016. The reduction in cash from operating activities was largely due to decrease in trade and other payables. The Ks. 47.6 billion cash used in investing activities have decreased during the period as the purchase of government securities, by Yoma Bank, were much lower than it was in HY 2016-17. The cash used in financing activities of Ks. 4.0 billion relates to the bank subsidiary having paid back its borrowings during the Period.

Forward Outlook

Along with Myanmar's growing economic development, our FMI Group continued to make progress with the "Three Pillar" strategy and achieved significant milestones during the period ended 30 September 2017. Our investment in Yoma Bank delivered a remarkable performance while the real estate sector recovered from the previous year's downturn.

In terms of performance in the Financial sector, Yoma Bank has successfully launched "SMART" mobile banking platform, which since its inception has attracted thousands of new customers with its convenience and ease-of-use. Moreover, Wave Money, a joint-venture between the Company, Yoma Bank and Telenor, has made significant progress in expanding its mobile financial services through its distribution network of more than 10,000 Wave shops all over the country. In recent period, it had partnered with Grab, one of Asia's leading ride-hailing services, to provide an online payment mechanism for its taxi services in Myanmar. With faster mobile penetration rate reported in the country during the year, we believe this combined with our commitments to constant improvements in mobile financial services will drive the Bank's mobile banking operations to grow exponentially in the future.

For the real-estate sector, we remain optimistic that demand will increase with improvement of the economy. Thanlyin Estate Development, one of our associate companies experienced increase in sales during the Period. At the same time, the construction works (demolition, test piling, etc.) of Yoma Central, in which the Company has a 12% equity stake, has already began, alongside the luxury hotel project "Peninsula Yangon", in which the Company has a shareholding of 6%. We are proud to announce that we are able to engage two world-class contractors to construct these projects. Yoma Central will be constructed by BTJV Myanmar Company Ltd, which is a joint-venture between Bouygues Construction's subsidiary, Dragages Singapore Pte Ltd and Taisei Corporation while Peninsula Yangon project will be constructed by BYMA Pte Ltd, a joint-venture between Dragages Singapore Pte Ltd and Yoma

Strategic Holdings. We believe this project will become an ideal model for luxury real-estate development and play a significant role in delivering long-term returns to our shareholders.

Pun Hlaing Siloam Hospitals grew 26.7% in terms of revenues during the Period and we expect this to continue as expansion efforts are well underway in other major cities of Myanmar (Mandalay, Taungyi, Pyay, Mawlamying, etc.) to provide quality healthcare services. We believe that PHSH will realise its full potential once this network of hospitals and clinics is completed and start to operate at optimal efficiency.

Our portfolio investments in Tourism, which has the potential to become our fourth pillar, had progressed well with the restructuring plan. Key businesses such as Balloons over Bagan, Asia Holidays (tours & events management), Pun Hlaing Lodge and Hpa-An Lodge are being integrated into a tourism platform which will be operated under the brand “Memories Group” upon completion of the restructuring process. Memories Group, in which the Company shall have a significant equity stake, will be led by veterans and leaders with decades of experience in the international hospitality and tourism industry. With our tourism investments progressing well and Myanmar quickly becoming a premier tourist destination, we are put in the right place to capitalize on this industry growth.

Together with productive competition, opportunities are ripening gradually and we wish to remain a strong and active partner-investor in the vibrant and modernizing economy of Myanmar.

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