

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 period ended 31st March 2022 (“FY2021-2022”) 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.

During the period ended 31st March 2022, the Company changed its financial year-end from September to March. Accordingly, the financial statements presented are as at and for the six months ended 31st March 2022 and the twelve months ended 30th September 2021. As a result, the comparative figures presented in statements of comprehensive income, changes in equity and cash flows and the related notes are not comparable. The change in financial years was due to the change of financial year enacted by the government.

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

The Board of Directors approved this document on 10th June 2022.

Myanmar Japan Thilawa Development Limited (“MJTD”)

MJTD was established to undertake the development, marketing, leasing, and operation of the 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 period ended 31st March 2022, MJTD achieved a net profit of USD 2.7 million. Two years after the Covid-19 pandemic and other unstable situations had led MJTD to have no additional land sublease. Income only from the recurring business in the maintenance and Utilities business unit. MTSH’s 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 owns 80%.

Two years on from the onset of COVID-related travel restrictions, amidst persistent weak sentiment in the residential and commercial real estate sector and currency exchange rate fluctuation affect TPD

income. For the period ended 31st March, 2022 faced the net loss before unrealized exchange loss is 168 million. After deducting the unrealized exchange loss, the net loss becomes MMK 448 million.

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 the second company which is listed on the Yangon Stock Exchange.

The net profit of MTSH’s stand-alone result including management fees and share of profit from investment for the period ended 31st March 2022 is MMK 1.52 billion which is included an unrealized exchange loss of MMK 560 million.

Myanmar Thilawa SEZ Holdings Public Company Limited and Its Subsidiary (“MTSH GROUP”)

Summarized consolidated income statement for the year ended

Revenue for the period ended 31st March 2022 is MMK 3.37 billion, which is increased by 14% than the previous financial year.

The gross profit margin has dropped from 67% in the previous year to 17% this year mainly due to the cost of sale of has been risen up from trading activities.

The reason for an unrealized Exchange loss of MMK 839 million from the revaluation of the USD fund with the period-end exchange rate. (The exchange rate as of 30th September 2021 @ 1,927.10 and the rate as of 31st March 2022 @1,778)

The share of the profit earned from investment in associate company MJTD is MMK 1.9 billion. The results are still positive due to the recurring business in the maintenance and Utilities business unit and higher than the targeted profit even amidst the Covid-19 Pandemic and the current situation in Myanmar.

Net profit for this financial period is MMK 1.1 billion and the profit attributable to the equity holders of the company is MMK 1.2 billion.

Overall, the net impact of the above factors contributes to the decline in consolidated EPS to MMK 30 per share for the period ended 31st March 2022 from MMK 218 per share for the year in the previous financial year.

Kyat in million

	Changes	31-Mar-2022	30-Sep-2021
Revenue	▲	3,368	2,948
Cost of sales	▲	(2,812)	(962)
Gross profit	▼	556	1,986
Selling & administrative expenses	▼	(810)	(1,768)
Share of profit from associate	▼	1,945	2,581
Operating profit	▼	1,691	2,799
Income from non-operating activities	▼	263	1,587
Unrealized Foreign Exchange Gain/(Loss)	▼	(839)	4,638
Total profit before tax	▼	1,115	9,024
Income tax expense	▼	(31)	(178)
Net profit	▼	1,084	8,846
Gross profit margin	▼	17%	67%
Earning per share (Kyat)	▼	30	218

Summarized Consolidated Statement of Financial Position as at 31st March 2022

Current assets have decreased mainly due to the dividend payment. The rise in non-current assets as a net impact of a movement in investment property, and partly from an increasement of the investment amount in associate, due to an undistributed share of profit.

Current liabilities have decreased mainly due to the outstanding dividend payment to the special account holders.

Group's retained earnings decreased at 31st March by MMK 2.7 billion, mainly due to the net impact from this period profit and the dividend distribution for the last year.

Kyat in million

	Changes	31-March-2022	30-Sep-2021
Assets			
Current assets	▼	39,132	44,232
Non-current assets	▲	50,577	48,532
Total assets	▼	89,709	92,764
Liabilities			
Current liabilities	▼	2,078	2,322
Non-current liabilities	▼	1,232	1,235
Total liabilities	▼	3,310	3,557
Net assets	▼	86,399	89,207
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▼	39,664	42,385
Non-controlling interest	▼	7,806	7,893
Total equity	▼	86,399	89,207

Future prospects

We cannot expect to see substantial growth in income in the near future from land rent during both local and international economic and political turmoil. Since Thilawa SEZ economic activity is heavily reliant on foreign direct investment, we need to wait until the Global economy recovers from post covid pandemic and disruptions from the war in Ukraine which has a major impact on oil prices and many of the World's supply chain.

As the World economy begin to improve and increasing stability of Myanmar political situation, Thilawa SEZ will continue to be in the poll position for choice of investment destination as it has little or no competition in Myanmar which can offer quality infrastructure like we offer inside Thilawa SEZ. Furthermore, currently we have ready inventory in Thilawa SEZ for sales for investors who would like to rent land immediately.

During these difficult times, Thilawa SEZ can maintain itself from maintenance and management fees and profit from utilities business.