
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 30th September 2022 (“FY2022-2023”) 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 International Financial Reporting Standards (IFRS) and audited by the Independent Auditor, Win Thin and Associates.

The Board of Directors approved this document on 14 December 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, represent four out of nine MJTD board seats and four out of eight officers take responsibilities in the operation.

For the period ended 30th September 2022, MJTD achieved a net profit of USD 1.6 million. Two years after the Covid-19 pandemic and other global economic situations had led MJTD to have no additional land sublease. Income mainly from the recurring business in the rental, maintenance, and utility business unit. MTSH’s 41% share of profit from MJTD is USD 0.7 million. During this period, MJTD is initiating environmental and green energy projects in the TSEZ area and establishing solar energy power generation system as a pilot project.

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 30th September 2022 achieved a gross profit of MMK 215 million. After adding administrative and other income/expenses the net profit for the period becomes MMK 651 million. It consists of MMK 611 million from the currency exchange gain. Based on the accumulated financial result, TPD will distribute make an MMK1.5 billion dividend to the shareholders during this financial year.

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 30th September 2022 is MMK 2.4 billion which is included a currency exchange gain of MMK 1.1 billion and a share of profit from MJTD MMK 1.4 billion.

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 30th September 2022 is MMK 1.6 billion, which is increased by 82% than the comparative period mainly due to the property sale in the R&C area by TPD.

The gross profit margin has dropped from 66% in the previous year to 43% this year mainly due to the cost of the sale of the property in the TPD.

Foreign Currency Exchange gain of MMK 1.7 billion from the revaluation of the USD fund with the period-end exchange rate, which declined 60% compares to the comparative period (The currency exchange gain in the comparative period was MMK 4.3 billion).

The share of the profit earned from investment in associate company MJTD is MMK 1.4 billion, which is increased by 41% than the comparative period. The results are still positive due to the recurring business in the rental factory, rental office, maintenance, and utility business unit. The result is higher than the targeted profit even though there were no additional land sales in TSEZ due to the impact of the Covid-19 Pandemic and global economics.

Net profit for this financial period is MMK 3.1 billion and the profit attributable to the equity holders of the company is MMK 2.9 billion, which is declined by 37% than the comparative period.

Overall, the net impact of the above factors contributes to the decline in consolidated EPS to MMK 75 per share for the period ended 30th September 2022 from MMK 120 per share for the comparative period.

Kyat in million

	Changes	Apr to Sep-2022	Apr to Sep-2021
Revenue	▲	1,555	853
Cost of sales	▲	(881)	(287)
Gross profit	▲	674	566
Selling & administrative expenses	▼	(749)	(907)
Share of profit from associate	▲	1,387	986
Operating profit	▲	1,312	645
Income from non-operating activities	▼	44	75
Foreign Currency Exchange Gain/(Loss)	▼	1,714	4,281
Total profit before tax	▼	3,070	5,001
Income tax expense	▼	(10)	(178)
Net profit	▼	3,060	4,823
Gross profit margin			
	▼	43%	66%
Earning per share (Kyat)			
	▼	75	120

Summarized Consolidated Statement of Financial Position as at 30th September 2022

Current assets have increased mainly due to the revaluation of USD reserved. The rise in non-current assets is due to the net receivable under installment sales of property, and partly from an increasement of the investment amount in associate, due to an undistributed share of profit.

Both current liabilities and non-current liabilities have also decreased slightly, there is no major impact on the financial position.

Group's retained earnings increase on 30th September by MMK 2.9 billion, mainly due to the net impact of this period's profit.

Kyat in million

	Changes	30-September-2022	31-March-2022
Assets			
Current assets	▲	40,322	39,132
Non-current assets	▲	52,295	50,577
Total assets	▲	92,617	89,709
Liabilities			
Current liabilities	▼	1,973	2,078
Non-current liabilities	▼	1,185	1,232
Total liabilities	▼	3,158	3,310
Net assets	▲	89,459	86,399
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▲	42,594	39,664
Non-controlling interest	▲	7,936	7,806
Total equity	▲	89,459	86,399

Future prospects

MTSH is hopeful of a brighter future in mid term. We expect the bounce of the economy is imminent. And when economy improve, Thilawa SEZ will always be the 1st destination for investment due to our attractive incentive structure and world class infrastructure in place.

Weakening of Myanmar currency could be an attractive point for new FDI, as local raw materials and labour cost will become relatively lowered. We could take this to our advantage and attract new entrants into Thilawa SEZ.

MTSH through our subsidiary TPD, we are working on new type commercial real estate to attract micro, small and medium enterprises inside our Thilawa Garden City. We already have investment plans in turning Thilawa Garden City to become a smart city development. We are starting with renewable energy and energy efficiency for better sustainability.

Maintenance, management fees and profit from utilities business is keeping our business a float during challenging economic climate. We believe, there will be more positive news to report to our shareholders at our full year reporting period.