

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 year ended 31st March 2023 (“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.

During the period ended 31 March 2022, the Company changed its financial year-end from September to March. The current financial year (“FY2022-2023”) covered the period from 1 April 2022 to 31 March 2023. The preceding financial year (“FY2021-2022”) covered the six-month period from 1 October 2021 to 31 March 2022. 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 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 9 May 2023.

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 year ended 31st March 2023, MJTD achieved a net profit of USD 2.95 million. Retained Earnings USD 55.44 million and Cash & Bank balance USD equivalent 43.36 million as of 31st March 2023. Three years after the Covid-19 pandemic and other unstable situations had led MJTD to have no additional land sublease. New inquiries related to the land parcel and rental factories are starting to recover due to investors’ re-evaluation of stable & high-quality infrastructures in Thilawa SEZ. Income only from the recurring business in the maintenance and Utilities business unit.

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%.

TPD achieved MMK 1.03 billion net profit for the year ended 31st March 2023 amidst three years from the onset of COVID-related travel restrictions. Sale performance in this financial year and potential sales show the recovering status of the business in the Thilawa SEZ community as the global pandemic is easing in the country. The company has MMK 8.6 billion Retained Earnings and Cash & bank equivalent MMK3.3 billion as of 31st March 2023.

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 for the year ended 31st March 2023 is MMK 4.75 billion. Which included the share of profit from the investment of MMK 2.54 billion, an unrealized exchange gain of MMK 1.09 billion, and a dividend received from a subsidiary of MMK 1.2 billion.

The company has MMK 40.28 billion Retained Earnings and 9.66 billion Cash & bank balance as of 31st March 2023.

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

		Kyat in million	
	Changes	31-Mar-2023	31-Mar-2022
Revenue	▼	3,163	3,368
Cost of sales	▼	(1,482)	(2,812)
Gross profit	▲	1,681	556
Selling & administrative expenses	▲	(1,810)	(810)
Share of profit from associate	▲	2,537	1,945
Operating profit	▲	2,408	1,691
Income from non-operating activities	▲	558	263
Unrealized Foreign Exchange Gain/(Loss)	▲	1,701	(839)
Total profit before tax	▲	4,667	1,115
Income tax expense	▲	(63)	(31)
Net profit	▲	4,604	1,084
Gross profit margin	▲	53%	17%
Earning per share (Kyat)	▲	113	30

Revenue for the year ended 31st March 2023 is MMK 3.16 billion mainly from the management fee received and the achieved from the sale of the shophouse building in TPD. The gross profit is MMK 1.68 billion and the gross profit margin has increased to 53% from the previous year from 17%.

The reason for the unrealized exchange gain of MMK 1.70 billion from the revaluation of the USD fund with the year-end exchange rate. (The exchange rate as of 31 March 2022 @ 1,778 and the rate as of 31 March 2023 @2,100).

The share of the profit earned from investment in associate company MJTD is MMK 2.54 billion. The results are still positive due to the recurring business in the maintenance and Utilities business unit and higher than the targeted profit, the business continues to recover amidst the Global Covid-19 restrictions.

Net profit for this financial period is MMK 4.61 billion and the profit attributable to the equity holders of the company is MMK 4.4 billion.

Overall, the net impact of the above factors contributes to the rise in consolidated EPS to MMK 113 per share for the year ended 31st March 2023 from MMK 30 per share for the period in the previous financial year.

Summarized Consolidated Statement of Financial Position as at 31st March 2023

		Kyat in million	
	Changes	31-March-2023	31-March-2022
Assets			
Current assets	▲	40,584	39,132
Non-current assets	▲	52,980	50,577
Total assets	▲	93,564	89,709
Liabilities			
Current liabilities	▲	2,130	2,078
Non-current liabilities	▼	730	1,232
Total liabilities	▼	2,860	3,310
Net assets	▲	90,704	86,399
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▲	44,062	39,664
Non-controlling interest	▼	7,713	7,806
Total equity	▲	90,704	86,399

The rise of current assets is the net impact of increasing cash & cash equivalent due to the USD currency appreciation and the decrease in inventory due to the property sale in the subsidiary. The group has a cash & bank balance equivalent to MMK 12.95 billion out of MMK 40.58 billion in current assets.

The rise in non-current assets is an increment of the investment amount in associate, due to accumulating in Retained Earnings of MJTD which is added by MMK 2.54 billion.

The decline in total liabilities from MMK 3.31 billion to MMK 2.86 billion is mainly due to the reclassification to revenue from advance received for the property sale in TPD.

Group's retained earnings increased by MMK 4.4 billion (from MMK 39.66 billion to MMK 44.06 billion) on 31st March mainly due to the net impact from this year's profit and the dividend distribution for the last year.

Future Outlook

Together with the Thilawa SEZ Management Committee, we are actively carrying out investment promotion into our Thilawa SEZ. Due to the result or promotion and incentives of being in the Thilawa SEZ, there has been significant increase in interest. However, the global economic slow down and high inflation, we do not expect large scale FDI will be apparent in the near future.

More and more of MTSH group companies are concentrating optimize the recurring revenue business. We have an abundance of locators in our industrial park that we can sell various services. Once we have tapped into these customers, we will have more significant recurring revenue. Our pilot project for solar renewable energy is underway and started generating energy and powering our Thilawa SEZ administrative building as well as our water pumping and purification plant. After our continuous monitoring, we will be able to plan and execute a larger skill solar power plant on a megawatt scale.

MTSH is also on a continuous look out for more real estate project across the country, especially in the industrial and residential combine projects as well as mass housing projects. We believe that, this kind of real estate is where MTSH knowledge and expertise are our core competency and it is what an emerging country like Myanmar need.

Moreover, the Management & Business Development Committee is enhancing the existing investment program of the GyoGone Housing Project and futures trading business with the help of the Audit and Risk Committee discussing with probable risk factors. Hope these discussions will outcome for the future development benefit of the company.