



# MYANMAR AGRO EXCHANGE PUBLIC COMPANY LIMITED.

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## MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of Myanmar Agro Exchange Public Company Limited (“MAEX”) wishes to announce the release of the Company’s audited financial statements and Management Discussion and Analysis (“MD&A”) for the period ended 30<sup>th</sup> September 2023. All currency amounts in the MD&A are express in Myanmar Kyats (MMK) unless otherwise specified.

The reported period is covered the six months period from 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 2023. It is first half of the financial year 2023-2024. We are illustrating a comparison of six months same period from last financial year for easy under stable comparison. It is from 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022.

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 the financial statements on 26th December 2023. The discussion and analysis are provided below:

## KEY HIGHLIGHTS

### Summary of the Statements of Comprehensive Income

	From 1 <sup>st</sup> April 2023 to 30 <sup>th</sup> September 2023 MMK'000	From 1 <sup>st</sup> April 2022 to 30 <sup>th</sup> September 2022 MMK'000		% Chang e
<b>Revenue – net</b>	7,598,080	8,215,722	▼	-7.5%
Cost of sales	(3,426,667)	(4,830,994)	▼	-29.1%
<b>Gross profit</b>	<b>4,171,413</b>	3,384,728	▲	23.2%
Other income	138,692	195,615	▼	-29.1%
<b>Expenses</b>				
- General and administrative	(1,486,674)	(833,897)	▲	78.3%
- Marketing	(72,604)	(8,929)	▲	713.1%
- Finance charges	(479)	(413)	▲	16.0%
<b>Profit before Share of profit to YCDC</b>	<b>2,750,348</b>	2,737,104	▲	0.5%

Share of profit to YCDC	(688,637)	(688,844)	▼	-0.03%
Profit before tax	<b>2,061,711</b>	2,048,260	▲	0.7%
Income tax expense**	(350,491)	(450,617)	▼	-22.2%
<b>Comprehensive income for the period</b>	<b>1,711,220</b>	1,597,643	▲	7.1%
<b>Basic Earnings per share (Kyat)</b>	<b>72</b>	74	▼	-2.6%
<b>Diluted earnings per share (Kyat)</b>	<b>74</b>	74		-

\*\* The Income Tax rate for the current period is 17% due to becoming a Yangon Stock Exchange Listed Company but last year was 22%. Therefore, profit before tax increased 0.7%, but the Income Tax is decreased 22.2%.

Although total revenue for the reporting period is 7.598 billion kyats which is 7.5% decrease from the total revenue of 8.216 billion kyats in the previous year same period, profit after tax has increased to Kyat 1.711 billion kyats which is 7.1% increase.

A breakdown income is set forth below:

	<b>From 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 2023</b>	<b>From 1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022</b>		<b>% Change</b>
	<b>MMK'000</b>	<b>MMK'000</b>		
<b>Revenues</b>				
Income From Sales of Shop House	<b>5,012,621</b>	6,041,204	▼	-17.0%
<b>Market Operating Income</b>				
Rental Income from Market Buildings	1,718,842	1,599,834	▲	7.4%
Cars, Trucks & Cycles Entrance	541,714	371,464	▲	45.8%
Other Operation Income	210,169	176,655	▲	19.0%
<b>Total Market Operating Income</b>	<b>2,470,725</b>	2,147,953	▲	15.0%
Revenue from E Commerce	<b>114,734</b>	26,565	▲	331.9%
<b>Total Revenues</b>	<b>7,598,080</b>	8,215,722	▼	-7.5%

The main source of revenue during this reporting period was sales for shop house.

### Sales Achievement of Shop House and Medium Wholesale units

Sales revenue for shop house was 5.013 billion kyats, and less than 17% compare with last year same period. Although we have collected 17 buildings and 1 unit sales purchases in this half year reporting period, we could only recognise 5.5 buildings and 1 units for now and balance 11.5 buildings will be recognise as sales at the financial year end according to Company's Revenue Recognition Policy, currently it is recorded as pre-sale on our balance sheet. We have also collected purchase orders for 20 Medium Wholesales units which will also be recognized as sales at the end of this financial year. Please see table below:

PARTICULARS	SHOP HOUSE			Medium Wholesale	
	Buildings	unit	Sales amount (Kyat in million)	UNIT	Sales amount (Kyat in million)
Revenue recognition as of 30th September 2023	5.5	1	5,013	0	0
PRE-SALES (during the period)	11.5		10,183	20	5,866
TOTAL SALES expected at the end of the financial year	17.0	1	15,196	20	5,866

### Market operating income

Revenues from total market operating income is 2.47 billion kyats. it is 15% more than last year same period. It's included the Rental Income from Market Buildings, Cars, Trucks & Cycles Entrance and overnight parking fee for cargo truck, and other operating income. Rental Income from Market Buildings is increased to Kyat 1.72 billion and 7.4% more than last year. Vehicle entrance and overnight parking income is 541.71 million kyats and 45.8% more than last year. Other Operation Income included the income from toilets, motor cycle stands fee and hand carry seller. In the first 6 months of this year, its income is about 210.17 million kyats, compared to only 176.66 million kyats in the same period last year, a 19% increase.

Management Committee and Market Operation Team has improved the market operating management, parking space and discipline have also boosted shoppers, and with the increase in renting of shops and traffic revenue.

## GROSS PROFIT

Gross profit in the current reporting period was Kyats 4.17 billion compared to 3.38 billion kyats last year, an increase of 23%. This increase is due to the higher margin and sales price due to strong demand in real estate. Construction cost are also well maintained due to bulk buying in advance.

In terms of expenditures, General Administrative Expenses were increased from Kyat 833.89 million in the last year same period to Kyat 1,486.67 million in the reporting year, an increase of 78%. Main increase is due to listing expenses 316.78 million such as professional fee, listing fee, registration fee, printing and advertising cost. Marketing expenses are increase to Kyat 72.6 million from Kyat 8.93 million in last year. We intense marketing to attract shoppers and sellers as well as to realize more shop house sales in trade fair. Finance expenses also slightly increased from Kyat 4.13 lakh in the last year to Kyat 4.79 lakh in the reporting year, an increase of 16%. Those are bank charges for bank transfer payments.

During the reporting period, income tax provision was Ks 350.49 million, down from Ks 450.62 million in the previous year. The reason for this decrease is that last year's income tax rate is 22% on net profit for six months, but current year income tax rate was 17% due to be a Yangon Stock Exchange listed company.

The results of above revenue, cost and expenses changes in reporting 6 months period, Net Profit after Tax is 1,711.2 million and increased 7.1% compare with last year same period.

The summary of financial position of the Company for the period ended 30<sup>th</sup> September 2023 and previous fiscal year ended 31<sup>st</sup> March 2023 are compare as follows:

### Summarized Statement of Financial Position as at 30<sup>th</sup> September 2023

	30-Sep-23	31-Mar-23		%
	MMK'000	MMK'000		Change
<b>Assets</b>				
Current assets	19,963,411	12,544,332	▲	59.1%
Non-current assets	25,975,188	24,036,488	▲	8.1%
<b>Total assets</b>	<b>45,938,599</b>	<b>36,580,820</b>	▲	<b>25.6%</b>
<b>Less: Liabilities</b>				
Current liabilities	11,331,573	7,872,141	▲	43.9%

Non-current liabilities	5,000,000	2,500,000	▲	100.0%
<b>Total liabilities</b>	<b>16,331,573</b>	10,372,141	▲	57.5%
<b>Net Assets</b>	<b>29,607,026</b>	26,208,679	▲	13.0%
<b>Equity</b>				
Issued Share Capital	24,999,130	21,753,001	▲	14.9%
Advance received for Right Issue	-	1,559,002		N/A
Retained Earnings	4,607,896	2,896,676	▲	59.1%
<b>Total Equity</b>	<b>29,607,026</b>	26,208,679	▲	13.0%

Total current assets increased from Kyat 12.54 billion as of 31<sup>st</sup> March 2023 to Kyat 19.96 billion as of 30<sup>th</sup> September 2023, an increase of 59%. The increase was mainly due to increase of trade receivable and work in progress. Trade receivable was shop house sold with installment but we can collect during the second 6 months of this financial year. The work in progress is construction in progress of shop houses to hand over to YCDC as per contract and construction in progress of medium wholesale building. We have been continually constructing and expanding the market aggressively.

Total non-current assets increased by 8.1% to K25.975 billion as of September 30, 2023, from K24.036 billion at the end of the previous financial year. The increase are develop the property, plant and equipment. The developed items are infrastructure, such as road, drain and culvert around the shop house, cold storage installation items, auto scrubbing machine (floor sweeper) and genset.

Total current liabilities increased by 43.9% to Kyat 11.33 billion as of 30<sup>th</sup> September 2023 as compared to Kyat 7.87 billion as of 31<sup>st</sup> March 2022. It was increased in trade and other payables. Trade and other payables are advance received from customers for sale of shop house and construction cost. The non-current liability increased by 100% to kyat 5 billion as of 30<sup>th</sup> September 2023, from K2.5 billion at the end of the previous financial year. It was terms loan from bank to use in Project development.

Company's equity increased to 29.61 billion, which was increased the share capital from right issue and the retained earnings from net profit for the period.

The summary of the Company's cash flow statement is as follows:

**Summary Cash Flow Statement for the six months period ended 30<sup>th</sup> September 2023**

	<b>1<sup>st</sup> April 2023 to 30<sup>th</sup> September 2023</b>	<b>1<sup>st</sup> April 2022 to 30<sup>th</sup> September 2022</b>
	<b>MMK'000</b>	<b>MMK'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	2,061,711	2,048,260
<i>Adjustments for:</i>		
- Depreciation and amortization	464,505	356,140
- Interest income	(87,267)	(59,871)
- Fixed assets/ IP	0	(179,797)
Operating profit before working capital changes	<b>2,438,949</b>	<b>2,164,732</b>
Changes in working capital		
- Trade and other receivables	(2,153,755)	(1,393,473)
- Advances and prepayments	(586,766)	(232,399)
- Inventory	1,967,717	415,417
- Work in progress	(8,275,799)	(955,432)
- Trade and other payables	3,609,046	697,538
- Provisions	(468,109)	860,808
Cash generated from operation	(3,468,717)	1,557,191
Interest received	87,267	59,871
Income tax paid	(270,000)	(1,925)
<b>Net cash provided by operating activities</b>	<b>(3,651,450)</b>	<b>1,615,137</b>
<b>Cash flows from investing activities</b>		
Additions to investment properties	(3,232)	(56,290)
Additions to property, plant and equipment	(2,399,173)	(461,351)
Additions to intangible assets	(800)	(43,711)
<b>Net cash used in investing activities</b>	<b>(2,403,205)</b>	<b>(561,352)</b>
<b>Cash flows from financing activities</b>		
Proceed from advance received for Right Issue	1,687,127	-
Proceed from borrowing	2,500,000	-
Dividend paid to shareholders	(47,895)	(1,992,202)
<b>Net cash used in financing activities</b>	<b>4,139,232</b>	<b>(1,992,202)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(1,915,423)</b>	<b>(938,417)</b>
Cash and cash equivalents at beginning of period	3,255,896	3,106,736
<b>Cash and cash equivalents at end of period</b>	<b>1,340,473</b>	<b>2,168,319</b>

Company cash and cash equivalents decreased from Kyat 2.17 billion as of 30<sup>th</sup> September 2022 to Kyat 1.34 billion as of 30<sup>th</sup> September 2023, a decrease of 38.18%. During the reporting period about Kyat 3.65 billion used from operating activities. This is because the receivable from customer for Shop House sales and increase in work in progress for construction in progress of shop houses to handover to YCDC. We used about Kyat 2.4 billion on investment activities for developing infrastructure, installation equipment for cold storage, floor sweeper and genset. Inflow from financing activities Kyat 4.14 billion was received from the right issue share and term loan.

## **Forward Outlook**

With the close guidance of Board of Directors of the Company, diligent work of Chief Executive Officer, the management team and accountable employees, MAEX has witnessed consistent growth in income derived from Danyingone Wholesale Market, including proceeds from the sales of shop-house and operational and service revenues, and MAEX remains committed to ongoing enhancements from all aspects. Our largest continuation of sales of shophouses will continue to play a big part of our revenue structure with on going boom in real estate and popularity of commercial space in our market for the coming years. Up to date, we have constructed and sold 93 number of shophouses out of our 200 shophouses designed as part of our master plan.

Costs are also well under control by increasing efficiency and productivity of our workforce. Implementation of 3Rs, Reduce, Reuse and Recycle on the utilities and implementing solar renewable energy pilot project. In order to reduce reliance on the National Grid in terms of energy consumption and to support electricity needs, continuous investment plans are being developed to generate electricity with solar energy in the market.

In addition, the installation and construction of cold storage in the market building (1) has been completed and providing storage services for both fruits and vegetables. More cold storages are planned to be constructed in the coming years.

We are also working on opening new market building 5 and 7 to cater for growing demand of rental for dry food stores and vegetables and we expect to have good steady market rental.

The board of directors and the management team of the company are planning to pursue investment in other state and regions by constructing the assembly collector markets and establishing the post-harvest agricultural service centers for the benefits of farmers across various regions and cities. The company's field of knowledge and expertise is specialized in market operating management and Agri Supply Chain Process, and there are many opportunities to expand in an agriculture dependent country like Myanmar.