MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") is based on Myanmar Thilawa SEZ Holdings Public Limited ("MTSH") Consolidated Financial Statements for the financial year ended 31st March 2018 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.

As of 31st March 2018, majority of MTSH's investments are in Thilawa Property Development Limited and Myanmar Japan Thilawa Development Limited.

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%.

For the financial year ended 31st March 2018, TPD achieved net profit of Ks. 3.8 Billion amidst slow growth in real estate sector.

Myanmar Japan Thilawa Development Limited ("MJTD")

MJTD was established to undertake the development, marketing, leasing and operation of Industrial Area in Thilawa SEZ. MTSH is the largest shareholder of the MJTD and hold 41% of MJTD's paid up share capital.

For the financial year ended 31st March 2018, MJTD achieved net profit of USD 16.5 million. MJTD has reflected slow growth in economic situation when setting target for FY2017-18 at the beginning of financial year. This year result is 112% of targeted profit.

Summarized consolidated income statement for year ended

Kyat in million

	Percentage changed	31-Mar-18	31-Mar-17
Revenue	8%	11,000	10,209
Cost of sales	19%	(5,605)	(4,726)
Gross profit	(2%)	5,396	5,483
Expenses	(17%)	(2,648)	(3,188)
Share of profit from associate	(46%)	9,083	16,744
Operating profit	(38%)	11,831	19,039
Income/(expense) from non-operating activities	(70%)	1,134	3,802
Total profit before tax	(43%)	12,964	22,841
Income tax expense	(92%)	(43)	(524)
Net profit	(42%)	12,921	22,317

Gross profit margin	(9%)	49%	54%

Earning per share (Kyat)	(44%)	312	553

Revenue for the year ended 31st March, 2018 has increased by 8%, mainly due to Ks. 1.6 Billion increases in construction activities and Ks. 0.8 Billion increases in property sales activities of TPD.

Despite 8% increase in revenue, the gross profit for the year ended 31st March, 2018 has decreased by 2% from Ks 5.5 Billion to Ks 5.4 Billion. This was mainly due to Ks. 0.9 Billion decreases in sales commission income of MTSH, a comparatively high margin activity.

Group's net profit after tax for the year ended 31st March 2018 decreased by 42% to Ks. 12.9 Billion. This is mainly due to Ks. 7.7 Billion decreases in share of profit from our investment in associate and Ks. 2.6 Billion decreases in exchange gain due to stable MMK/USD exchange rate.

Summarized consolidated balance sheet as at

Kyat in million

	Percentage changed	31-Mar-18	31-Mar-17
Assets			
Current assets	(2%)	66,699	67,776
Non-current assets	8%	25,625	23,675
Total assets	**1%**	**92,324**	**91,451**
Liabilities			
Current liabilities	9%	4,112	3,765
Non-current liabilities	(48%)	2,509	4,784
Total liabilities	**(23%)**	**6,622**	**8,549**
Net assets	**3%**	**85,702**	**82,903**
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	5%	39,230	37,198
Non-controlling interest	11%	7,543	6,776
Total equity	**3%**	**85,702**	**82,903**

Current assets have decrease by 2%, mainly cause by reduction in other receivables from related parties. The 8% rise in non-current assets was primarily from increase of investment amount in associate, due to undistributed share of current year profit.

The 9% rise in current liabilities mainly came from increase in trade payables of TPD, as TPD has increase its business activities in FY2017-2018. Non-current liabilities have decrease 48% due to revenue recognition of advance from customers in FY2017-18. Advance from customers are recognize as revenue only after completion of contract arrangements and due process.

Group's retained earnings grew 5% in FY2017-18 by Ks. 2.0 Billion, mainly due to increase in retained earnings of TPD.

Future prospects

The Group financial performance for FY2017-18 was lower than previous year, this is mainly due to decrease in revenue from land lease in MJTD. The management is confident that investors' demand for industrial land in Thilawa SEZ remain high, and the development works for Zone B – Phase 2 is progressing. MJTD is also expanding numbers of factories available for rent and expect to increase revenue from renting of factories & offices. The management also expect revenue from utilities services will grow in coming year as most of factories in Thilawa SEZ have commence their commercial operation, which increase demand for utilities consumption.

TPD had secured a contract for road works and construction of factory, these projects are expected to contribute construction revenue for next financial year. There is gradual increase in occupancy rate of 3 buildings of workers' accommodation and expect further increase in coming years. TPD inventory includes 22 units of 4-storey shop houses and residential & commercial land available for lease. The management believe that sales proceed of shophouses, income from renting out some units of shophouses and income from land lease will contribute revenue for coming years.

Apart from these two strategic investments, the management has engaged initiatives to look for potential investment, and these initiatives are expected to materialize in coming years. Overall, the management is optimistic and confident that the group financial performance of coming years will remain strong.

Board of directors have proposed Ks. 230 per share for dividend. It is intended to maximize the dividend to shareholders while maintaining sufficient funds for future investment. The proposed dividend is 97% of the Company current year profit and retained earnings from previous years are kept for future potential business development.