
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 30 September 2023 (“FY2023-2024”) 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 13th December 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 represented four out of nine MJTD board seats.

For the period ended 30 September 2023, MJTD achieved a net profit of USD 2 million. Retained Earnings USD 57.4 million and Cash & bank balance was USD 45 million (USD equivalent) as of 30 September 2023. New inquiries related to the land parcel, rental factories, and rental offices are starting to recover due to investors’ re-evaluation of stable and high-quality infrastructures and special privileges in Thilawa SEZ. Income mainly from the recurring business in the maintenance and utilities business unit. Furthermore, MJTD will have an additional source of income from the Solar business starting from next financial year.

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 incurred MMK 214 million loss for the period ended 30 September 2023 amidst four years from the onset of COVID-related travel restrictions. Sales 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. We secured one land sublease in the post-reporting period and it will lead to a positive result for this financial year. The company has MMK 8.3 billion Retained Earnings and Cash & Bank equivalent MMK 3.1 billion as of 30 September 2023, out of which 1.39 million were in USD currency.

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 period ended 30 September 2023 is MMK 1.5 billion. Which included the share of profit from the investment in MJTD is MMK 1.7 billion

The company has MMK 39.8 billion Retained Earnings and MMK 7.7 billion Cash and bank balance as of 30 September 2023.

Myanmar Thilawa SEZ Holdings Public Company Limited and Its Subsidiary (“MTSH GROUP”)**Summarized Consolidated Income Statement for the half year ended**

		Kyat in million	
	Changes	30-Sep-2023	30-Sep-2022
Revenue	▼	1,047	1,555
Cost of sales	▼	(440)	(881)
Gross profit	▼	607	674
Selling & administrative expenses	▲	(1,098)	(749)
Share of profit from associate	▲	1,715	1,387
Operating profit	▼	1,224	1,312
Income from non-operating activities	▲	87	44
Realised Foreign Exchange Gain	▼	(54)	12
Unrealized Foreign Exchange Gain/(Loss)	▼	-	1,702
Total profit before tax	▼	1,257	3,070
Income tax expense	▲	31	(10)
Net profit	▼	1,288	3,060
Gross profit margin	▲	58%	43%
Earning per share (Kyat)	▼	34	75

Revenue for the period ended 30 September 2023 is MMK 1 billion mainly from the management fee received and normal recurring income. The gross profit is MMK 0.6 billion and the gross profit margin has increased to 58% from the previous year from 43% mainly due to the currency exchange appreciation.

The share of the profit earned from investment in associate company MJTD is MMK 1.7 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 economic recession during these years.

Compared to the prior period there was no Foreign Currency Exchange gain during this period. However, there was MMK 1.7 billion gain from the revaluation of the USD fund in the comparison period.

Net profit for this financial period is MMK 1.3 billion and the profit attributable to the equity holders of the company is MMK 1.3 billion.

Overall, the net impact of the above factors contributes to the decline in consolidated EPS to MMK 34 per share for the period ended 30 September 2023 from MMK 75 per share for the period in the previous financial year.

Summarized Consolidated Statement of Financial Position as at 30 September 2023

		Kyat in million	
	Changes	30-Sep-2023	31-Mar-2023
Assets			
Current assets	▼	38,116	40,584
Non-current assets	▲	54,489	52,980
Total assets	▼	92,605	93,564
Liabilities			
Current liabilities	▼	1,832	2,130
Non-current liabilities	▼	728	730
Total liabilities	▼	2,560	2,860
Net assets	▼	90,045	90,704
Equity			
Issued and paid up capital	-	38,929	38,929
Retained earnings	▼	43,446	44,062
Non-controlling interest	▼	7,670	7,713
Total equity	▼	90,045	90,704

The decrease in current assets is the net impact of decreasing cash and cash equivalent due to working capital requirements during this period. The group has a cash and bank balance equivalent to MMK 10.8 billion out of MMK 38.1 billion in current assets. Out of which 4.7 million were in USD currency.

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 1.7 billion during this period.

Total liabilities from MMK 2.86 billion to MMK 2.56 billion have slightly decreased due to prior period expense provisions that had been realized during this financial period.

Group's retained earnings faced by MMK 0.6 billion decreasing (from MMK 44.1 billion to MMK 43.5 billion) on 30 September 2023 mainly due to the net impact of dividend payout and profit during this period.

Future prospects

MTSH and its subsidiaries continue to maintain stable business from recurring income businesses such as power and water. In order to enhance the utility business, we will continue to invest in renewable energy resources and aim to become an eco-friendly industrial park developer.

As of now, we have yet to have any new land lease. However, existing factories have continued to normalize in their operations with increasing employment opportunities and productivity. We have also started to see the restart of factory construction in our Special Economic Zone, which is a positive sign that investor confidence in SEZ is on the rise.

We have maintained our abundant capital reserves in our joint ventures to be ready for further investment as soon as an opportunity presents.