



INTERIM RESULTS - MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of First Myanmar Investment Co., Ltd. (the “Company”, and with its subsidiaries, the “Group”) refers to the Company’s unaudited interim financial statements for the six months ended 30 September 2018 (“HY 2018-19” or the “Period”), released in tandem with this announcement.

The Company’s management is pleased to provide a discussion and analysis of the interim results below:

KEY HIGHLIGHTS

Summary Group Statement of Comprehensive Income

	<u>HY 2018-19</u>	<u>HY 2017-18</u>	<u>% Change</u>
	(Ks. ‘000s)	(Ks. ‘000s)	
Revenue	130,534,069	95,756,962	36.3%
Cost of Sales	(79,425,965)	(63,896,870)	24.3%
Gross Profit	51,108,104	31,860,092	60.4%
Gross Margin	39.2%	33.3%	5.9%
Expenses	(46,232,283)	(31,115,308)	48.6%
Other gains or losses	(6,287,865)	553,764	see footnote*
Profit from associates and joint venture	14,508,782	11,929,786	21.6%
Profit before income tax	13,096,738	13,228,334	(1.0)%
Income tax expense	(3,282,985)	(1,239,737)	164.8%
Net profit for the period	9,813,753	11,988,597	(18.1)%
Fair value adjustment of investments	(2,497,798)	-	-
Total comprehensive income for the period	7,315,955	11,988,597	(39.0)%
Earnings per share	246	449	(45.2)%

Group revenue of Ks. 130.5 billion in the Period was 36.3% higher than the Ks. 95.7 billion recorded in prior HY 2017-18.

The main driver of the Group’s revenue increase was a 38.7% increase in financial services from Ks. 86.5 billion in HY 2017-18 to Ks. 120 billion during this Period. The increase was mainly due to an increase in interest income from loans, overdrafts and hire-purchase products, which

*The change in percentage is (1235.5)% and this substantial decrease is mainly due to unrealized forex loss on translation of foreign currency balance sheets items.

were mainly driven by its growing loan book, and a gradual raising in fee income from its agriculture financing program, loan facilities and hire-purchase products.

Similarly, the total revenue of Healthcare services had increased by 14.2% from Ks. 9 billion in HY 2017-18 to Ks. 10.3 billion in this Period. This was driven by the increase of 18% in ancillary services, particularly in radiology, pharmacy and lab areas, along with slightly increase in direct hospital services revenue.

A breakdown of HY 2018-19 Group revenues is set forth below.

	<u>HY 2018-19</u> (Ks. '000s)	<u>HY 2017-18</u> (Ks. '000s)	<u>% Change</u>
Financial Services	120,023,715	86,505,144	38.7%
Healthcare Services	10,335,348	9,053,810	14.2%
Dividend Income	148,006	167,311	(11.5)%
Rental	27,000	30,697	(12)%
Total	130,534,069	95,756,962	36.3%

Gross profit margin raised by 5.9% to 39.2% during the Period, compared to 33.3% in HY 2017-18. This was mainly due to Yoma Bank having an improvement in gross margin contributed by relatively lesser interest expenses compared to revenue growth, while Pun Hlaing Siloam Hospitals ("PHSH") maintained its margin constant.

Total Group expenses increased by 48.6% from Ks. 31.1 billion in HY 2017-18 to Ks. 46.2 billion in this Period. This was mainly due to higher costs incurred for employee compensation, professional fees, marketing and promotion expenses, finance expenses and specific provision on non-performing loans from bank subsidiary. Higher employee compensation is due to the Group's continuous strategy to hire qualified professionals to accommodate its expanding businesses. Yoma Bank's expansion and its digital initiatives for the organization were the main contributors in increasing professional fees. The increase in finance expenses from Ks. 1.4 billion in HY 2017-18 to Ks. 2.6 billion in this Period was mainly due to FMI's loan facility from Bangkok Bank, which mainly attributed to the increase. Compared to Ks. 0.5 billion gains recorded in HY 2017-18, other gains or losses during the Period declined to loss of 6.2 billion.

A full breakdown of other gains or losses during the Period can be seen below:

	(Ks. '000s)
Gain on disposal of property, plant and	32,563
Property, plant and equipment written off	(97,760)
Loss on foreign currency exchange, net	(5,346,371)
Write off unsuccessful business development	(755,053)
Capital gains tax	(121,244)
Total	(6,287,865)

Both Ks. 32.5 million profit from disposal of property, plant and equipment and Ks. 97.7 million loss from writing off the tangible assets mainly came from Yoma Bank.

Compared to Ks. 0.4 billion gains in HY 2017-18, the Group had Ks. 5.3 billion loss from foreign currency translation during the Period which was the main contributor in the overall losses. The foreign currency exchange loss was mainly due to unrealized foreign exchange losses on the Company's borrowing in United States dollars loan.

The written off unsuccessful business development related to the Company's airport upgrade project, Taunggyi Business Center project and Yangon Central Railway station project which were not viable to pursue further business development.

Capital gain tax mainly related to additional tax payment of FY 2014-15 after finalization of relevant tax year assessment.

Our share of profit of associates and joint ventures increased by 21.6% from Ks. 11.9 billion in HY 2017-18 to Ks. 14.5 billion during the Period. This increase was primarily driven by fair value gains of investment properties from Thanlyin Estate Development and one-time profit gained from Pun Hlaing Link Services Co., Ltd for transfer of investment in financial assets to Yangon Land Co., Ltd.

A breakdown of our share of profit of associates & joint venture in HY 2018-19 is set forth below:

Associates & Joint Venture	Stake	Group Share of profit/(loss) (Ks. '000s)
Chindwin Holdings Pte Ltd	30.0%	(82,543)
Thanlyin Estate Development Co., Ltd.	30.0%	11,351,200
Meeyahta International Hotel Ltd.	20.0%	192,813
LSC-FMI Co., Ltd.	50.0%	(1,423)
Pun Hlaing Link Services Co., Ltd	30.0%	3,243,198
FMI Garden Development Co., Ltd.	47.5%	(74,249)
FMIDecaux Co.,Ltd	40.0%	(120,214)
Total		14,508,782

On account of relatively lower profit before income tax marginally dropped by 1%, total Group net profit decreased by 18.2% to Ks. 9.8 billion in this Period in comparison to Ks. 11.9 billion in HY 2017-18.

Fair value adjustment of available-for-sale investments during this Period was mainly due to the Company's share investments in Myanmar Thilawa SEZ Holdings Public Ltd (MTSH) and Memories Group (MM Group) which both have quoted market price. In compliance to Myanmar Financial Reporting Standards, the fair value approach in this context refers to the accounting measurement basis that the Company uses to value its assets periodically to reflect the fluctuations in share prices in established Securities Exchange. Shown below is the details of fair value loss adjustment of Ks. 2.49 billion:

Investments	Carrying Value before Adjustment	Fair Value Adjustment	Carrying Value after Adjustment
MTSH	1,833,983,550	64,350,300	1,898,333,850
MM Group	9,754,034,968	(2,562,148,780)	7,191,886,188
TOTAL	11,588,018,518	(2,497,798,480)	9,090,220,038

Earnings per share decreased by 45.2% from Ks. 449 in HY 2017-18 to Ks. 246 in the Period. The decrease in earnings per share was mainly due to lower in net profit and higher average number of shares outstanding in the Period which was caused by the issue of bonus shares 1.2 million during the Period.

Summary Group Balance Sheet

	<u>HY 2018-19</u>	<u>FY 2017-18</u>	<u>% Change</u>
	(Ks. '000s)	(Ks. '000s)	
ASSETS			
Total current assets	1,849,887,037	1,734,498,732	6.7%
Total non-current assets	762,306,704	558,315,502	36.5%
Total assets	2,612,193,741	2,292,814,234	13.9%
Liabilities			
Total current liabilities	2,246,067,925	1,952,768,391	15.0%
Total non-current liabilities	57,490,044	32,321,163	77.9%
Total liabilities	2,303,557,969	1,985,089,554	16.0%
Equity			
Total equity	308,635,772	307,724,680	0.3%
Total equity and liabilities	2,612,193,741	2,292,814,234	13.9%

Total current assets have risen by 6.7% since 31 March 2018 ("FY2017-18"), driven primarily by increase in loans at Yoma Bank. As at 30 September 2018, the bank's loan book had grown to Ks. 1,540.6 billion from Ks. 1,366.3 billion at FY2017-18.

The increase of 36.5% in non-current assets was primarily due to the purchase of additional Myanmar treasury bonds by Yoma Bank.

The 15.0% rise in the Group's current liabilities was due to significant growth in customers deposits at Yoma Bank. At the end of the Period, deposits at Yoma bank was Ks. 2,093 billion, up from Ks. 1,811.5 billion at FY2017-18.

The increase of 77.9% in non-current liabilities from Ks. 32.3 billion in FY2017-18 to Ks. 57.4 billion in the Period was mainly due to the additional loan taken by the Company and PHSB.

Group equity grew marginally at a rate of 0.3%, which is mainly due to the increase in Yoma Bank's reserve which is being mandated by the Central Bank during the Period.

Summary Group Cash Flow Statement

	<u>HY 2018-19</u>	<u>HY 2017-18</u>
	<i>(Ks. '000s)</i>	<i>(Ks. '000s)</i>
Cash provided by operating activities	121,762,840	35,667,962
Cash (used in) investing activities	(197,148,314)	(47,659,198)
Cash provided by/(used in) financing activities	10,584,640	(4,090,471)
Net decrease in cash and cash equivalents	(64,800,834)	(16,081,707)
Cash and cash equivalents at beginning of financial year	286,955,946	203,244,224
Cash and cash equivalents at the end of the Period	222,155,112	187,162,517

Group cash and cash equivalents totaled to Ks. 222.1 billion at the end of the Period, as compared to Ks. 187.1 billion as at 30 September 2017. Yoma Bank represents the majority of cash reported on the Group cashflow statement and its deposits from customers increased faster than its loans, resulting in majority of positive cash flow from operations. The Ks. 197.1 billion of cash used in investing activities in HY 2018-19 was primarily due to additional purchase of government securities by Yoma Bank. The cash provided by financing activities of Ks. 10.5 billion mainly relates to the additional loan taken by the Company and the Hospitals.

Forward Outlook

We continue to focus on our strategy of investing in core businesses namely the financial services, real estate and healthcare sectors. We expect financial services sector will continue to deliver a remarkable performance while healthcare and real estate will make contributions to the Group in the long term.

In financial services, we expect to see sustainable growth in Yoma Bank as it is entering unique partnerships and growing execution capabilities while continuing to serve Myanmar's business community. Operationally the Bank is focused on developing further digital capabilities while optimizing its branch network. The Bank continues to leverage its strong corporate governance and strong balance sheet to create a unique profile in Myanmar's financial sector.

For the real estate sector, we remain optimistic that demand will increase with improvement of the economy. The Group has recently launched City Loft located in StarCity, a new division of modern affordable housing that targets the underserved middle-income market in Yangon. City Loft is designed to bring quality apartments at an accessible price point and has received a very strong and positive response with approximately half of the first phase which comprises 250 units sold within a week from the date of the launch. Additional phases of City Loft @ StarCity are expected to be launched in the coming months. This will open up a sizable new market for the Group that can generate a meaningful profit stream for the future.

Pun Hlaing Siloam Hospital ("PHSH") will continue to execute its expansion plan of the 'Hub and Spoke' service delivery model.

Our portfolio investments in Tourism has grown well in terms of its asset base and Memories Group recently completed the acquisition of SM Assets Holdings Pte Ltd and Mokaan (S) Pte Ltd. The acquisition includes acquiring development rights of Bo Ywe Island, Nga Mann Island

and Kyun Pila Island (collectively, the “Islands”), together with Awei Pila which is a five-star beachfront resort located on the Kyun Pila Island and is scheduled to open by the end of December 2018 as well as Hotel Suggati, a three-star business and leisure hotel in Mawlamyaing which is also planned to open by the end of December 2018. With the optimistic view to Myanmar Tourism sector, Memories Group will continue to pursue its strategy for long-term development.

Together with productive competition, we will continue to pursue joint ventures and partnerships with qualified international and local partners should the right opportunity presents itself in the vibrant and modernizing economy of Myanmar.

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