

INTERIM RESULTS - MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of First Myanmar Investment Public Co., Ltd (“Company”), and with its subsidiaries (“Group”), wishes to announce the release of the Company’s unaudited interim financial statements for the six-month period ended 31st March 2020 (“HY 2020”).

For meaningful comparison, the Company’s management uses its interim financial report covering the period 1st October 2018 to 31st March 2019 (“HY 2019”). The discussion and analysis are provided as below:

KEY HIGHLIGHTS

Summary of Group Statement of Comprehensive Income

(MMK'000)	HY 2020 (Unaudited)	HY 2019 (Unaudited)	% Change
Revenue	177,108,555	149,201,865	18.7%
Cost of sales	(102,621,964)	(89,581,120)	14.6%
Gross profit	74,486,591	59,620,745	24.9%
<i>Gross margin</i>	<i>42%</i>	<i>40%</i>	
Administrative expenses	(51,698,601)	(54,286,838)	(4.8%)
Finance expenses	(5,143,037)	(4,226,148)	21.7%
Other gains or (losses)	1,564,119	453,654	244.8%
Share in (loss) profits of associates and joint ventures, net of tax	(68,379)	6,067,886	(101.1%)
Profit before income tax	19,140,693	7,629,299	150.9%
Income tax expense	(6,418,747)	(2,999,663)	114.0%
Profit for the period	12,721,946	4,629,636	174.8%
Fair value adjustment of available-for-sale investments	(64,175)	(3,517,881)	(98.2%)
Share of other comprehensive income of associates	5,675,942	-	NM ¹
Other comprehensive income (loss) for the period, net of tax	5,611,767	(3,517,881)	(259.5%)
Total comprehensive income for the period	18,333,713	1,111,755	1,549.1%
Profit attributable to:			
Owners of the Company	2,996,463	2,457,535	
Non-controlling interests	9,725,483	2,172,101	
	12,721,946	4,629,636	
Earnings per share			
Basic (MMK)	111	91	21.9%
Diluted (MMK)	83	91	(8.7%)

¹ NM – Not Meaningful

The Group's total revenue for the six months, HY 2020 increased by 18.7% to MMK 177.1 billion as compared to MMK 149.2 billion in HY 2019.

Below is the breakdown of revenue by business segment: -

(MMK'000)	HY 2020 (Unaudited)	HY 2019 (Unaudited)	% Change
Financial services	159,201,128	134,574,014	18.3%
Healthcare services	17,873,647	14,594,071	22.5%
Rental income	27,000	27,000	0%
Dividend income	6,780	6,780	0%
Total	177,108,555	149,201,865	18.7%

The main driver of increase in Group revenue is financial services. Revenue generated from the financial services segment increased by 18.3% from MMK 134.6 billion in HY 2019 to MMK 159.2 billion in HY 2020. The increase in revenue is primarily due to interest income contributed by demand loan, overdrafts, hire purchase, mortgage loan, microfinance and smart credit.

The Group also recorded a higher revenue of MMK 17.9 billion from its healthcare segment in HY 2020 as compared to MMK 14.6 billion in HY 2019 despite the negative impact of the COVID-19 pandemic. The 22.5% increase in revenue is due to clinical and ancillary services such as reinstatement of overseas specialist registration, orthopedics, general surgery, internal medicine and cardiology.

The gross profit has improved by 24.9% to MMK 74.5 billion in HY 2020, as compared to MMK 59.6 billion in HY 2019. The increase was mainly due to the improvement in gross profit margin contributed by financial services, Yoma Bank Limited. The gross profit margin of healthcare services remains the same due to the increase in direct medical costs in HY 2020.

Further, the Group's administrative expenses decreased from MMK 54.3 billion in HY 2019 to MMK 51.7 billion in HY 2020. The administrative expenses were mainly made up of staff costs, specific provision on loans and advances and repossessed properties, professional fees, the depreciation of property, plant and equipment, medium-term leases of premises, digital marketing and promotion expenses, technology expenses, travelling costs and directors' remuneration.

The decrease in administrative expenses is mainly related to lower professional fees, the depreciation of property, plant and equipment, reduced marketing and promotion expenses, reduced office rental expenses, travelling and related costs, and reduction in directors' remuneration in financial services segment.

Finance expenses increased by 21.7% from MMK 4.2 billion in HY 2019 to MMK 5.1 billion in HY 2020. Interest expenses on borrowings increased in the six months ended HY 2020 is due to higher average borrowing over the course of period combined as compared to HY 2019. Total borrowings, however decreased as at 31 March 2020 to MMK 35.0 billion as compared to MMK 81.5 billion as at 30 September 2019 following the repayment of certain facilities, with the proceeds from the private placement exercise from Ayala Corporation.

For other gains or losses, HY 2020 shows a gain of MMK 1.6 billion, which is higher than HY 2019. Below is the detail breakdown:

(MMK'000)	HY 2020 (Unaudited)	HY 2019 (Unaudited)
Loss on disposal of available-for-sale investments	-	(4,151)
Gain on disposal of property, plant and equipment	22,200	11,970
Gain on foreign currency exchange, net	1,787,072	2,967,739
Gain on write-off of unclaimed dividend	3,164	
Write-off of unsuccessful business development	-	(1,769,086)
Write-off of investment in associates	(187,363)	-
Write-off of available-for-sale investments	-	(258,941)
Capital gains tax	(2,220)	(429,925)
Write-off of tangible assets	(58,734)	(63,952)
Total Other Gains	1,564,119	453,654

The write-off of investment in associates of MMK 187.4 million is due to a write-off of initial development cost of Star City @ Thanlyin Estate Development. The gain on foreign currency exchange decrease to MMK 1.8 billion in HY 2020 and the gain is mainly due to unrealized foreign exchange gains on currency translation of US dollar denominated loans of the Group. The loss of MMK 58.7 million is due to a write-off of property and equipment by Yoma Bank Limited.

The Group recorded a share of losses of associates and joint ventures in HY 2020. Detailed breakdown is as below:

(MMK'000)	Stake	Group Share of (Loss)/Profit	
		HY 2020 (Unaudited)	HY 2019 (Unaudited)
FMI Garden Development Co., Ltd	47.50%	(50,264)	(89,082)
Thanlyin Estate Development Co., Ltd	30.00%	286,385	6,188,269
Pun Hlaing Link Services Co., Ltd	30.00%	1,393	70,483
Chindwin Holdings Pte Ltd	30.00%	(426,547)	31,901
LSC-FMI Co., Ltd	50.00%	(214)	(217)
Meeyatha International Hotel Ltd	20.00%	(104,636)	(64,527)
FMI Decaux Co.,Ltd	40.00%	225,504	(68,941)
Total Share of (Loss)/ Profit		(68,379)	6,067,886

The Group's share of profits from associates and joint ventures decreased by 101.1 % from MMK 6.1 billion in HY 2019 to loss of MMK 68.4 million in HY 2020. This reduction in the share of losses was mainly due to the decrease in net earnings from the real estate sector as compared to profit of MMK 6.2 billion in HY 2019, where revenue was primarily driven by fair value gains of investment properties from Thanlyin Estate Development Co., Ltd. The Group's share of loss MMK 426.5 million in Chindwin Holdings Pte Ltd mainly arise from provision of currency translation loss, follows the concept of prudence.

Profit before income tax increased by 150.9% in HY 2020 to MMK 19.1 billion as compared to MMK 7.6 billion in HY 2019, despite the 114.0% increase in income taxes, resulting mainly from the revenue growth of financial services segment. The increase is primarily due to the improvement in results of Yoma Bank, managing gross profit margin and operating expenses effectively. As a summary, the Group net profit in HY 2020 increased by 174.8% to MMK 12.7 billion.

In HY 2020, the losses of MMK 64.2 million from fair value adjustment of available-for-sale investments while that of HY 2019 is losses of MMK 3.5 billion. Shown below is the details of Group's fair value adjustment for available-for-sale investments.

Investments (MMK'000)	Carrying Value Before Adjustment	Fair Value Adjustment	Carrying Value after Adjustment
MTSH	2,638,362	(386,102)	2,252,260
MM Group	3,056,458	(1,497,842)	1,558,616
Digital Money Myanmar Ltd.	10,484,352	1,819,769	12,304,121
Total	16,179,172	(64,175)	16,114,997

The loss in fair value adjustment is due to the Company investment in Myanmar Thilawa SEZ Holdings Public Co.,Ltd ("MTSH") and Memories Group Limited ("Memories Group"), both of which are companies listed on YSX and SGX respectively, and the fair value gains of Digital Money Myanmar Ltd ("Wave Money") via a 5% shareholding held by Yoma Bank, based on the recent market transaction.

For the HY 2020, the Group had a share of MMK 5.7 billion of other comprehensive income of its associate. The gain is due to the net of the foreign currency translation adjustments of Thanlyin Estate Development Limited and Chindwin Holdings Pte Limited.

As a result of the above, the Group recorded a net profit attributable to equity holders of the Company of MMK 3.0 billion in HY 2020 as compared to a net profit of MMK 2.5 billion in HY 2019.

As a net profit was incurred to profit attributable to equity holders of the Company, the basic earnings per share ("EPS") of MMK 111, increased by 21.9% in HY 2020 and diluted EPS of MMK 83. The weighted average number of shares issue for the purpose of calculating diluted earnings per share has been adjusted assuming that any dilutive convertible securities were duly exercised as at 31 March 2020.

A summary statement of financial position for the group, together with a comparative statement as at the end of the immediately preceding financial year, 30 September 2019.

Summary of Group Balance Sheet

(MMK'000)	As at 31-Mar-2020 (Unaudited)	As at 30-Sep-2019 (Audited)	% Change
ASSETS			
Total current assets	2,612,931,760	2,317,152,720	12.8%
Total non-current assets	760,578,757	788,003,321	(3.5%)
Total assets	3,373,510,517	3,105,156,041	8.6%
LIABILITIES			
Total current liabilities	2,892,929,211	2,720,380,253	6.3%
Total non-current liabilities	17,742,665	61,087,662	(71.0%)
Total liabilities	2,910,671,876	2,781,467,915	4.6%
NET ASSETS	462,838,641	323,688,126	43.0%

EQUITY

Equity attributable to the equity owners of the Company	344,141,172	214,716,140	
Non-controlling interest	118,697,469	108,971,986	
Total equity	462,838,641	323,688,126	43.0%

Current assets increased from MMK 2,317.2 billion as at 30 September 2019 to MMK 2,612.9 billion as at 31 March 2020. The increase was mainly due to the bank's loan portfolio, prepayments and advances, and increase in cash and cash equivalents in financial services segment and the Company.

Non-current assets decrease from MMK 788.0 billion as at 30 September 2019 to MMK 760.6 billion as at 31 March 2020. This decrease is primarily due to the sales of money market (deposit auction) by Yoma Bank as well as the fair value adjustments of available-for-sale financial assets, particularly the quoted market securities price of Memories Group and MTSH.

Current liabilities increase to MMK 2,893.0 billion as at 31 March 2020 as compared to MMK 2,720.4 billion as at 30 September 2019 which is mainly due to increase in advances for share subscription and bank deposits from customers at Yoma Bank, and provision for income taxes. Advances for share subscription of MMK 52.17 billion were received for the subscription of the Bank's capital by the investor. Subsequent to reporting period, the Bank has received CBM approval and such fund has already been used to issue new shares to the investor.

Non-current liabilities decreased from MMK 61.1 billion as at 30 September 2019 as compared to MMK 17.7 billion as at 31 March 2020. The decrease was primarily due to the repayment of bank borrowings.

As at 31 March 2020, net asset attributable to equity owners stood at MMK 344.1 billion as compared to MMK 214.7 billion as at 30 September 2019. The retained profits as at 31 March 2020 slightly increased to MMK 84.3 billion as compared to MMK 81.4 billion as at 30 September 2019.

The Group's equity grew at a rate of 43% which is attributable to the private placement proceeds of US\$ 82.5 million from Ayala Corporation, which is recorded as a quasi-equity loan. Upon the regulatory approvals, ordinary shares of the company equivalent to 20% of the enlarged total share capital of the Company will be issued for the conversion of the quasi-equity loan.

Summary of Group Cash Flow Statement

(MMK'000)	HY 2020	HY 2019	% change
	(Unaudited)	(Unaudited)	
Net cash (used in) provided by operating activities	(18,064,012)	71,378,324	(125.3%)
Net cash provided by investing activities	25,594,849	49,413,890	(48.2%)
Net cash provided by financing activities	136,568,334	7,686,820	1676.7%
Net increase in cash and cash equivalents	144,099,171	128,479,034	12.2%
Cash and cash equivalents at beginning of the period	384,154,922	222,155,112	72.9%
Cash and cash equivalents at the end of the period	528,254,093	350,634,146	50.7%

Group cash and cash equivalents stood at MMK 528.3 billion as at 31 March 2020 as compared to MMK 351.0 billion as at 31 March 2019. The majority of cash and bank balances as at 31 March 2020 were bank balances of the Company and Yoma Bank. As at 31 March 2020, the Group used MMK 18.1 billion in operating activities, mainly due to the increase in loans and advances to customers by Yoma Bank. The MMK 25.6 billion of cash generated from investing activities was primarily due to the sales of government bonds and other securities by Yoma Bank. The MMK 136.6 billion of cash generated from financing was mainly due the receipt of proceeds from the share subscription in Yoma Bank and Quasi-equity loan in the Company.

Forward Outlook

The Group

Myanmar reported its first COVID-19 cases at the end of March, since then approximately 300 people have been diagnosed with the Covid-19 virus. Both the Union Government and Regional Government have implemented strict measures for public health aimed at limiting the spread of the COVID-19 virus, including shutting down of international airports, limiting movement of the people at the borders, restricting residents' movements between townships, issuance of stay-home orders and the cancellation of mass public gatherings, including the Myanmar New Year celebration between 10-19 April 2020. As a result, business activities have slowed down with supply chain and trade flow disruptions, and the consequential impact on business and consumer expectations. The impact from these measures remains uncertain and will vary in each of the businesses depending on the type of business and pace of recovery in each business.

Since the beginning of the COVID-19 crisis, the Group's priority remains with the health and wellbeing of its employees and customers and it has put in place a range of health and safety measures to mitigate their risks. The cost of these measures to the Group will be reflected in the coming quarters. As the recovery from the COVID-19 pandemic remains uncertain, the Group has taken numerous steps to manage costs and preserve cash, including the suspension and deferral of non-essential operating and capital expenditures.

Furthermore, the Board and the Group's senior management will take voluntary reductions in directors' fees and salaries of 25 per cent starting 1 May 2020 for the next six months, while middle management executives will also take a voluntary salary reduction reflective of each business unit's expected performance over the next three to six months. The Group is grateful to all of its employees who have contributed to this collective effort with professionalism, resilience and dedication during these difficult times.

Despite the challenging business environment and economic slowdown, the COVID-19 pandemic has presented opportunities for the Group to accelerate the digital transformation of some of its businesses, most notably at Yoma Bank and Pun Hlaing Siloam Hospitals. We expect to see continued investor interest in Myanmar which will bring about meaningful strategic investment in these businesses and underscore the confidence in the future of Myanmar and in the Group.

Financial Services

The Company's primary participation in this sector is the investment in Yoma Bank Limited.

In response to the COVID-19 pandemic, Yoma Bank's management has since implemented a Business Continuity Plan ("BCP") to monitor and assess the likely impact on its business in the next 12 to 18 months. The BCP's focus has been in the following areas:

1. Supporting customers

The Bank's focus has been to support all customers through the COVID-19 pandemic. The Bank has implemented various measures including: (a) launching of Principal Loan Repayment Deferral Program of up to 6 months to soften the financial commitments for customers as revenue uncertainty has increased; (b) increased regular and structured communication with the customers; and (c) aligning the Bank's internal organization, policies and processes to ensure customers will be supported. The likely financial impact will see increased short-term delinquencies and potential mid to long term impacts on the non-performing portfolio.

2. Supporting its people

The Bank's primary aim has been to protect, support and prevent its people from exposure to COVID-19 virus. With banking being an essential service in Myanmar, maintaining our branch operations have been paramount in the continuation of banking business operations. The Bank has invested in upgrading its branch and technology infrastructure, improving physical security, increasing medical and health coverage and actively implementing social distancing protocols. The likely financial impact will see increased expenses resulting from investment to support and protect its people.

3. Maintaining a strong balance sheet

The Bank has received proceeds of MMK 54 billion from share subscription from the new investor, which will increase the Bank's equity and Capital Adequacy Ratio way above prescribed standards. The Bank is proactively reassessing its customer risk grading at a portfolio level to better understand the likely economic impact of the deterioration of its credit portfolio. The likely financial impact will see the Bank increase provisioning in anticipation of the deterioration of the economic environment. This will be assessed as the COVID-19 situation develops.

4. Managing liquidity

The Bank has instituted internal processes to keep the Bank's liquidity position to be more liquid than trading under normal business activities pre-crisis. This has been a preventative measure to ensure its customers have access to cash when and as they need it. It has also been necessary given lock-down of geographic areas particularly in regional locations. The likely financial impact will see the Bank holding increased cash on hand reducing the net interest income given the non-earning nature of cash. These holding levels will continue to be assessed in accordance with the development of the COVID-19.

Healthcare

The Company's primary participation in this sector is the investment in Pun Hlaing Siloam Hospitals.

Well before COVID-19 became a global pandemic and before the first COVID-19 case was announced in Myanmar, the hospital management started planning in January 2020 in preparation for a possible wider outbreak in Myanmar.

In anticipation of significant revenue loss, possible disruption in supply chain and with patient, visitors and staff safety in mind, the hospital management put in place specific action plans on space, staff, system and supplies to mitigate the situation. In light of significant impact on throughput and revenue, the hospital management put in order of its financial management to ensure liquidity and solvency. In addition, the hospital management also responded to the adversity around by looking at opportunities to set up new service lines based on tele-medicine.

The duration and impact of the COVID-19 pandemic remains unclear at this time. Notwithstanding the financial performance for the half year ended 31 March 2020 have been performing in line with the budget, the hospital management is cautiously optimistic for the early intervention action plan that will help to ride out the storm.

Real Estate

The Company's primary participation in this sector is the investment in Star City Project and Yoma Central Project which are flagship projects carried out under Yoma Land brand.

City Loft @ Star City remains the key driver of Star City's development business supported by healthy demand with 90% of the 455 launched units already sold or booked. As the construction of City Loft @ Star City picks up in the HY 2020 dry season, the residual revenue recognition from the sold units will be complemented by additional sales, including from further launches, to create a sustainable revenue stream for Yoma Land's development business. As at 30 September 2019, the unrecognized revenue in relation to the sales of City Loft @ Star City amounted to more than approximately MMK 23 billion. The Group has also started to explore the expansion of the City Loft product in other locations in Yangon and Mandalay.

Tourism

The Company's primary participation in this sector is the investment in Memories Group.

The outlook of Myanmar's tourism industry has been severely impacted by the COVID-19 pandemic, and its adverse impact on business volume is expected to continue in the next few months. Customers' preferences and markets are expected to change, and the industry will have to adapt accordingly. The Memories Group will use this period of downturn to review strategically and make necessary adjustments, create new tourism products and experiences, to be ready when the demand for travel recovers. As this investment is a relatively new entry in the Group's investment portfolio, the Company will continue to support this investment in view of long-term strategic growth.

By Order of the Board

Tun Tun
Executive Director
29 June 2020

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