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## RESPONSES TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

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The Company has on 23 July 2024 received queries from the Securities Investors Association (Singapore) (“SIAS”) in relation to the annual report for the financial year ended 31 March 2024. The responses are provided below.

**Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:**

- (i) **Yoma Land Development: The segment contributed US\$94.1 million in revenue in the financial year, making it the largest contributor (42.6%) of revenue for the group. Yoma Land Development remains strong with US\$147.1 million of unrecognised revenue for sold units of projects already underway at StarCity, Pun Hlaing Estate and City Loft West. Are the buyers mainly local Burmese? Are contracts and sales denominated in Kyat or the US Dollar?**

The buyers for StarCity, Pun Hlaing Estate, and City Loft West are Myanmar nationals, with contracts and sales conducted in Myanmar Kyat (MMK). As the selling prices of properties in the Myanmar market are affected by USD exchange rates, the Group closely monitors the MMK to USD exchange rate and adjusts the selling prices of its real estate projects accordingly.

- (ii) **Wave Money: What is Wave Money’s market share in the digital payment sector, and how does it compare to its closest competitors? In addition, with the Central Bank of Myanmar's push for greater digitalisation through the Myanmar Quick Response (MMQR) enhancements, how is Wave Money positioned to maintain its leadership amidst potential new entrants?**

There are no official market share statistics for the digital payment sector in Myanmar. Wave Money does have a meaningful market presence in the digital wallet space with its WavePay app, although Wave Pay is smaller than KBZPay, which has been established by KBZ Bank, the country’s largest bank. Together, WavePay and KBZPay combined dominate the digital payment sector, which already consists of more than 25 players, including mobile network operators, banks and individual mobile financial services players.

As at 31 March 2024, Wave Money has 11.4 million active users<sup>1</sup> across both digital payments and over-the-counter money transfers, which underscores its substantial market penetration and customer adoption. Wave Money is focused on expanding its user base, improving its user experience and expanding the services offered. In May 2024, the updated WavePay 2.2 app was launched with new features to streamline the user and merchant experience and simplify transaction journeys with minimal friction. In addition, the enhanced app is capable of scanning and reading dynamic QR codes which represents a significant step towards MMQR readiness. As of 31 March 2024, Wave Money has also onboarded 210,000 QR merchants and is one of the merchant acquirers for the MMQR pilot launch that is scheduled for the second half of 2024.

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<sup>1</sup> Unique users who perform any transaction in the last 90 days.

Along with an extensive network of over 59,000 agents that supports the leading over-the-counter money transfer business with a 75% market share, the large and growing base of active users is expected to allow Wave Money to maintain its dominant position in the mobile financial services space.

**(iii) Yoma F&B: Can management quantify the size of the total addressable market of the expansion of YKKO into international markets?**

The Group is focused on the measured development of YKKO's brand expansion into international markets, in particular regional countries with sizeable Myanmar populations. In the near term, the Group plans to target Bangkok with its growing Myanmar community in the city, and there are estimates that up to 10 million Myanmar workers reside in Thailand. However, the Group believes that YKKO's signature dish of kyah-oh, a popular vermicelli and flat rice noodle-based dish from Myanmar, could appeal all types of consumers in Thailand.

**(iv) Borrowings: As at 31 March 2024, the group's borrowings are denominated in Singapore Dollar (SGD), Myanmar Kyat (MMK), United States Dollar (USD) and Thai Baht (THB), with interest rates ranging from 6% to 15% (2023: 3% to 15%) per annum (Note 32 Borrowings). Further detailed in Note 43(a)(ii) (Financial Risk Management: Market Risk: Currency Risk), it is shown that USD and THB borrowings amounted to US\$94.2 million and US\$46.8 million, respectively (page 202). Can the board or management provide insights into the specific strategies and financial instruments employed to manage and mitigate currency risks associated with the group's borrowings? Regarding the recent issuance of a THB 1,700 million Thai bond, what specific risks are associated with this issuance, and how is the group addressing these risks?**

The Group has placed significant emphasis on reducing its leverage, with net debt decreasing from US\$284.3 million as of 31 March 2022 to US\$124.3 million as of 31 March 2024, marking a reduction of US\$159.1 million in net debt. Consequently, our net gearing ratio saw a substantial decline from 28.2% to 15.5% over the same period.

The Group has prioritised the repayment of USD borrowings and is planning to increase the proportion of MMK borrowings to match its revenue streams, thereby reducing its exposure to currency risks. Additionally, the Group has adjusted internal processes to shorten the duration of any currency mismatches.

Regarding the recent issuance of THB 1,700 million Thai bonds, the entire proceeds have been used for the partial redemption of the existing THB 2,220 million bonds issued by the Company on 25 January 2019. The THB 1,700 fixed-rate bonds, with maturities of three and five years, allow Yoma Strategic to better align its debt maturity profile and cash flows.

**(v) Sanctions: How have international sanctions impacted the group's operations and financial performance?**

Myanmar, as a whole, is not currently under international sanctions. The sanctions imposed by western countries are designed primarily to target specific individuals and entities, rather than imposing measures on all Myanmar entities.

The Company's business operations are primarily focused on serving the general population, and as such, the Group is not and never has been subject to international sanctions and is not impacted by international sanctions.

- Q2. For the financial year ended 31 March 2024, the group reported net fair value gains of US\$41.9 million, which boosted profit for the year to US\$21.2 million. As seen on page 22, US\$ 47.7 million could be attributed to fair value gains on investments properties at StarCity and Pun Hlaing Estate in MMK terms at the Myanmar subsidiary level.

The “valuation of investment properties” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

**(i) Net fair value gains**

| US\$ million |                                                                                                                            |
|--------------|----------------------------------------------------------------------------------------------------------------------------|
| 47.7         | Fair value gains on investments properties at StarCity and Pun Hlaing Estate in MMK terms at the Myanmar subsidiary level. |
| (2.6)        | Fair value losses on investment properties at Yoma Central                                                                 |
| <b>45.1</b>  | <b>Net fair value gains on Yoma Land’s investment properties</b>                                                           |
| (0.4)        | Fair value loss on the Group’s investment in a private equity fund                                                         |
| (2.8)        | Fair value loss on the shopping mall in Dalian, China                                                                      |
| <b>41.9</b>  | <b>Net fair value gains</b>                                                                                                |

The company had disclosed the following:

*The group recorded net fair value gains of US\$43.02 million in 6M-Mar2024 instead of net fair value losses of US\$21.76 million in 6M-Mar2023. This was mainly due to fair value gains on the group’s investment properties of US\$45.11 million in 6M-Mar2024 based on the annual valuation exercise performed at the end of the financial year. Investment properties in Myanmar are held by subsidiaries which have a functional currency of MMK. However, the valuation of certain investment properties at the end of each financial year is determined in USD mainly due to (i) the rental being charged in USD and (ii) the selling prices of comparable properties in the Myanmar market being mostly determined in USD per square foot. As compared to 31 March 2023, USD had appreciated by more than 45% against MMK as at 31 March 2024. As a result, the fair value of the group’s investment properties was higher in MMK terms as at 31 March 2024 due to currency translation gains of approximately US\$46.04 million when translating the USD fair value of the investment properties into the MMK accounts of the respective subsidiaries.*

- (i) What were the exchange rates used in the preparation of the financial statements? From the website of the Central Bank of Myanmar, the reference exchange rate of Myanmar Kyat1 against the US Dollar as at 31 March 2024 was 2,100 while the indicative exchange rates for Singapore Dollar was about 1,540.

The Company refers to USD:MMK exchange rates published and transacted by authorised dealer banks to determine the appropriate exchange rates to be used for its reporting purposes. At the end of last year, the Central Bank of Myanmar (“CBM”) announced that authorised dealer banks would be allowed to conduct transactions on the online FX trading platform at exchange rates not set by the CBM. As such, several authorised dealer banks have now begun to publish exchange rates that are more influenced by market forces.

- (ii) Did rental rates/prices in USD for the group’s investment properties experienced any material increases?

Rental rates and prices in USD terms for the Group’s investment properties did not experience any material changes in FY2024. As part of the Group’s annual fair valuation exercise, investment properties at Pun Hlaing Estate and StarCity recorded a fair value gain of US\$1.7 million in USD terms, whilst Yoma Central recorded a fair value loss of US\$2.6 million.

**(iii) Can management clarify if the Central Bank of Myanmar has imposed any foreign currency restrictions affecting the group's operations? Are local transactions in foreign currency allowed?**

Since April 2022, the CBM has announced a number of foreign currency regulations, including the mandatory conversion of USD into MMK, approval processes for the purchase and remittance of USD, and regulations relating to offshore payments. The development of these regulations remains fluid and the Group continues to monitor any additional announcements or clarifications from the CBM.

There is no specific restriction on the use of foreign currency for local transactions between private commercial parties. However, conducting local transactions in foreign currency is challenging and impractical due to the lack of liquidity in foreign currencies and mandatory conversion regulations

**(iv) What specific measures and processes does the board have in place to ensure compliance with local regulations and laws across the group, including the real estate businesses and Wave Money operations?**

The Group has implemented several specific measures and processes to ensure compliance with local regulations and laws, including in our real estate businesses and Wave Money operations. The Group's Risk Management & Assurance Team (RMAT) oversees risk management and compliance, fostering a culture of accountability and ownership across all of our businesses. Operating entities are responsible for setting up their own policy management, identifying business- and industry-related risks, building a robust internal control environment, and constructing a strong financial and operational governance framework within their own segments, with real-time monitoring and reporting to the RMAT.

The RMAT reports directly to the Chairman of the Audit and Risk Management Committee ("ARMC") and ensures the implementation of all Groupwide risk management policies.

Additionally, the Group has a government affairs team that maintains engagement with the relevant government ministries and regulators to stay informed about any changes in local regulations and laws.

Please refer to pages 33 and 34 of the Company's 2024 Annual Report for more information on the Group's risk management framework.

**(v) In Note 25 Investment properties (page 163), it is noted that the net fair value gains recognised in the P&L amounted to US\$45.1 million, while currency translation differences totalled US\$(49.3) million. The total carrying amount of investment properties declined from US\$319.1 million to US\$304.9 million, partly due to disposals. As detailed in Note 39 (Other Reserves; page 198), the currency translation reserve has significantly increased to US\$(227.5) million from US\$(138.2) million. Could the board elaborate on how this substantial increase in the currency translation reserve impacts strategic planning and operations?**

In accordance with SFRS(I)-21: The Effects of Changes in Foreign Exchange Rates, the Company is required to translate its subsidiaries' financial statements denominated in a foreign currency (i.e. predominately MMK) into the Company's reporting currency (i.e. USD) when the Group presents its consolidated financial statements. Currency translation reserve in the Group's balance sheet refers to the accumulated gain or loss resulting from this translation that arises only upon consolidation.

The purpose of the above is to present a set of financial statements that is solely presented in the Company's reporting currency. The negative amount in the Group's currency translation reserve relates mainly to the currency rate movement between MMK and USD, where MMK had depreciated sharply against USD in the last 3 years. It reflects that the MMK net assets held by the Group's subsidiaries had decreased in USD terms, notwithstanding the generation of profits by some of those businesses. As such, the currency translation reserve is not reflective of the currency gain or loss that arises from the Group's business operations.

**Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Mazars LLP (page 63 of the annual report).**

**(i) Can the audit and risk management committee (ARMC) confirm if the internal audit function has been outsourced to Forvis Mazars LLP?**

As stated on page 63 of the Company's 2024 Annual Report, the internal audit function has only been partly outsourced to Mazars LLP ("Mazars") with part of the function undertaken by the Group's RMAT. The collective "Internal Auditors" as defined on page 63, comprising Mazars and the RMAT, report directly to the Chairman of the ARMC.

**For reference, the group has a register of key risks, which covers strategic risk, operational risk, financial risk, compliance risk and IT risk from pages 35 to 38 of the annual report.**

**(ii) Can the ARMC provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor**

The scope of the internal audit for FY2024 involved the assessment of the adequacy and effectiveness of the Group's risk management and key internal controls covering financial, operational, compliance and information technology. In particular, the internal audit coverage included reviews and assessment of the procurement-to-pay, revenue and cash collection cycles at all major segments. The findings that were highlighted related to the improvement of efficiency, the upgrade towards automated processes and the segregation of duties that were agreed and accepted by management. These were not considered material internal control weaknesses and were addressed within the specified timeframe.

**(iii) What was the extent of the field work, such as site visits, onsite observations, in-person meetings, document observations, and direct verifications involved in the audit? How much of the work was carried out in Myanmar?**

The internal audits performed include all of the above field work as outlined on pages 63 and 64 of the Company's 2024 Annual Report. All of this work is carried out in Myanmar, where the business entities operate.

**(iv) What is the level of oversight by the ARMC on the actions taken by management to follow up on the recommendations?**

The RMAT reports directly to the Chairman of the ARMC and presents the status of the annual internal audit programme to the ARMC at quarterly meetings. These reports include key audit findings, progress on work already performed, and recommended action plans with implementation due dates. As stated on page 64 of the Company's 2024 Annual Report, follow-up reviews are conducted to validate the existence and effectiveness of the action plans implemented.

Please refer to page 33 of the Company's 2024 Annual Report for its Three Line of Defense Approach to manage risk where the Board and the ARMC are ultimately responsible for the oversight of risk management systems and internal controls.

BY ORDER OF THE BOARD

Melvyn Pun  
Chairman and Chief Executive Officer  
29 July 2024