
Response to questions raised by Securities Investors Association (Singapore) (“SIAS”) in respect of the Company’s Annual Report for the financial year ended 30 September 2021 (“FY2021”)

Yoma Strategic Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to respond the following questions raised by SIAS in respect of its Annual Report for FY2021 as follows:

Question 1

- (i) **Ground sentiment: Can management help shareholders better understand the sentiment on the ground in Yangon and other major cities? How strong is the consumer sentiment? Are businesses holding back capital expenditure as a matter of prudence? What percentage of the group’s staff has been able to work-from-home?**

The Group’s operations have largely resumed with employees currently working at their usual locations, with the exception of the suspension of the Yoma Central project as the project’s shareholders consider revisions to the funding and construction plans. At the height of the COVID-19 pandemic and the disruptions to the business environment, the Group was able to continue to operate with office staff working from home, and customer facing staff working on the front line with health and safety precautions.

Most of the Group’s businesses are located in Yangon and Mandalay, where consumer activities have broadly recovered in the past year. Certain consumer businesses, such as KFC and YKKO, have experienced same store sales growth on a year-on-year basis, whilst Wave Money’s digital transactions are now higher compared to same time last year. Nonetheless, overall economic activity levels in Myanmar have shrunk over the past twelve months, and the Group remains cautious in its business planning, with a focus on maintaining the stringent financial management measures and deferring most capital expenditures as a matter of prudence.

- (ii) **Yoma Land: Has management received any requests for delays in settlement for City Loft @ StarCity? In addition, what is management’s view of the demand for City Loft West which is expected to launch in the first half of 2022?** The company has also stated that the group will “continue to benefit as buyers increasingly look to invest and store their wealth in hard assets, in particular real estate” (page 4). **What is the basis of management’s view that buyers will increasingly look to invest and store their wealth in real estate, presumably real estate in Myanmar given the “uncertain operating environment in the country since 1 February 2021”?**

Management has received a few requests to delay settlement for City Loft @StarCity. However, these amounts are not substantial, and the affected payment terms are negotiated on a case by case basis. In line with the Group’s belief that the buyers will increasingly look to invest and store their wealth in hard assets, in particular real estate, the Group remains positive about the long-term potential of the property development business, including City Loft West.

The Group has observed that historically in times of uncertainty the Myanmar people have rotated from financial assets, such as bank deposits and cash reserves, into hard assets, such as land, development properties and gold, as the store for wealth. Accordingly, the Group’s real estate sales teams have seen increased levels of enquiry at both StarCity and Pun Hlaing Estate as compared to the prior year.

- (iii) **Yoma F&B:** The group made the “strategic decision” to right size its Restaurants platform and closed Little Sheep Hotpot and Auntie Annie’s brands. Other ventures, such as Metro Myanmar (distribution platform) and Access Myanmar, were also discontinued via liquidation or disposal. **Can management clarify if these are temporary measures or is the group carrying out the restructuring to refocus the group on the remaining businesses even after the pandemic?**

Little Sheep Hotpot, Auntie Anne’s™ and Metro Myanmar have been permanently closed. In addition, certain KFC and YKKO restaurant locations have also been closed. The Group believes that the right-sizing of its Restaurant platform will result in better financial performance going forward. To clarify, the disposal of Access Myanmar was done in connection with the restructuring of the business into Seagram MM to continue with the production and distribution of whisky in Myanmar.

Whilst the Group believes that F&B remains an attractive opportunity in Myanmar over the long term, it is of the view that the Real Estate and Financial Services pillars will contribute the significant part of the Group’s business performance over the next three to five years.



(iv) **Yoma Fleet: Has management observed any signs of credit deterioration in the leasing business?**

Overdue accounts receivables have increased over the past year. As such, Yoma Fleet has taken a conservative approach in provisioning against these receivables, notwithstanding the equipment collateral held under the lease contracts, to be adequately covered for potential losses. Furthermore, the gains on sale for the equipment collateral have averaged around 3% above the net book values of the receivables. Therefore, the Group expects most of these provisions to be written back over time.

(v) **Working capital: As shown in the consolidated statement of cash flows (pages 96 & 97), the group raised net cash from financing activities of US\$144.1 million in FP2020 and US\$32.6 million in FY2021. Cash and cash equivalents at the end of FY2021 amount to US\$26.9 million. Does the group have sufficient working capital to fund its operations? With US\$92.96 million recognised as current borrowings, how will the group be able to repay or refinance its debt as and when they fall due?**

The Group has sufficient working capital to fund its operations. The Group is actively managing its balance sheet and is currently undergoing a deleveraging exercise and exploring potential asset disposals. As stated in the Group's unaudited financial statements for the six months ended 31 March 2021 and for the full financial year ended 30 September 2021 and in the Annual Report 2021, the Group will continue to remain prudent in managing its costs and focus on driving efficiencies in its businesses. Many of the stringent financial management measures will remain in place and are expected to result in improved profitability in the coming year. Furthermore, the Group has revised the payment schedules for certain loan facilities and discussions regarding covenant frameworks remain ongoing. The Group will continue to engage with its lenders to ensure a stable liquidity position and minimise any adverse impact to the Group.

Question 2

On 17 January 2022, the company announced that the group would be acquiring from Telenor Group its 51% stake of Digital Money Myanmar Limited (“Wave Money”) for USD 53 million. The company’s announcement can be found here:

<https://links.sgx.com/FileOpen/ProposedAcquisitionofControllingInterestinDMM.ashx?App=Announcement&FileID=697724>

If and when the transaction is concluded, the company will become the largest and controlling shareholder of Wave Money and will continue to drive Wave Money’s leading role in Myanmar’s fintech sector.

- (i) **Can management help shareholders understand the penetration rate of Wave Money in Myanmar? Who are the competitors and what market share does Wave Money have?**

Wave Money is the leading non-bank financial services provider in Myanmar. As stated in the announcement on 17 January 2022, the company has over 45,000 active agents in 295 out of 330 townships nationwide. Competitors of Wave Money include True Money and MPT Money in the money transfer business and KBZ Pay, the mobile finance services application of KBZ Bank, in digital wallet business. In Myanmar, Wave Money has over a 90% market share in the money transfer business based on proprietary market research results and has one of the largest digital wallets supported by an extensive cash in and cash out agent network.

- (ii) **Did the board carry out an independent valuation of Wave Money as part of its due diligence process? If not, what was the board approval process?**

The Company is a 44% shareholder of Wave Money and has board representation in the company. As such, Management is actively involved in the business of Wave Money and the Board has been fully apprised of its business. In arriving at the consideration for the recently announced acquisition from Telenor, the Company took into account, *inter alia*, the valuation previously agreed in relation to the proposed strategic partnership in Wave Money with Ant Group and the Group’s proposed acquisition of controlling interest from Telenor in 2020, the economic and business developments in Myanmar since those previous announcements, Wave Money’s recent financial performance along with its earnings and growth potential, the potential synergies in collaborating with the Group’s other businesses, comparable market valuations for similar fintech players and the current level of cash on Wave Money’s balance sheet. As such, there was no independent valuation of Wave Money.

- (iii) **Does the group have the expertise and experience to manage and grow Wave Money?**

Yes. There is a strong management team in place at Wave Money and the Group has been actively engaged in the board of Wave Money.

(iv) **Will this significantly alter the risk profile of the group?**

The Company is of the view that there would be no material change in the risk profile of the Group arising from the proposed acquisition of a controlling stake in Wave Money given that the Group already holds 44% interest in Wave Money and the Wave Money business has been part of the Group's Financial Services pillar since 2018. Wave Money is not a new business and the proposed acquisition will only result in an expansion of an existing business pillar within the Group.

(v) **Has the board evaluated the regulatory risks of Wave Money, given that the fintech space is new and especially so under the “*uncertain operating environment in the country since 1 February 2021*”?**

The Board has been regularly updated and has reviewed the risk profile of Wave Money, including the regulatory environment in Myanmar. The Group is actively engaged with the Central Bank of Myanmar on a number of levels, including Wave Money.

(vi) **How is the group seeking out new investors for Yoma MFS to co-invest in Wave Money? What progress has been made?**

In support of the proposed acquisition, the Group is in advanced discussions with the consortium investors for Yoma MFS who are aligned with the long-term strategic vision for and prospects of Wave Money. More information on the consortium investors would be made upon execution of the definitive agreements relating to their investment in Yoma MFS.

Question 3

On 29 December 2021, the company announced the proposed restructuring of the investment by Ayala Corporation. The group had entered into a new agreement with Ayala to restructure the subscription of the Second Tranche Placement Shares into a perpetual loan that can only be redeemed by way of allotment and issuance of ordinary shares in the capital of the company. The Restructured Loan will be redeemed by way of allotment and issuance of Redemption Shares at the share issue price of S\$0.45 per Redemption Share. An EGM will be convened to seek shareholders' approval of the Proposed Redemption Shares Issuance.

(i) **Can the board/management help shareholders understand if there are any major capital expenditure required in the next 18-24 months?** As noted in the annual report, the group has already implemented stringent financial management measures, including strict cost controls, cash preservation initiatives, potential asset disposals and the deferral of most capital expenditures.

Please refer to the replies to Questions 1(i) and 1(v).

(ii) **Has the group breached or is at risk of breaching any financial covenant?**

As disclosed in Group's unaudited financial statements for the six months ended 31 March 2021 and for the full financial year ended 30 September 2021 and the Annual Report 2021, the Group has been in dialogue with its lenders to revise certain loan repayment schedules and the existing covenant frameworks to address their appropriateness in the current operating environment and in light of the Group's latest business profile and mix. The Group has secured extensions to the repayment schedules for certain loan facilities and discussions on the covenant frameworks remain ongoing. The Group will continue to engage with its lenders to ensure a stable liquidity position and minimise any adverse impact to the Group.

(iii) **How much debt headroom does the group have?**

As disclosed in the Annual Report 2021, as at 30 September 2021, the Group's net gearing ratio stood at 32.3% and the Group's pro-forma gearing ratio was 27.7% (after taking into account the restructuring of the loan extended by Ayala Corporation into a perpetual security). This ratio remains well below the target ratio of 40.0%.

(iv) **Is the group looking to further improve its financial position?**

Please refer to the reply to Question 1(v).

(v) **What is the level of engagement between the board and Ayala? Are the potential areas of collaboration or synergy with Ayala Corporation?**

There is regular engagement between the Group and Ayala Corporation, with active participation by Ayala's representatives, Mr. Cezar Peralta Consing and Mr. Paolo Maximo Francisco Borromeo, on the Board, as well as frequent discussions between the two management teams. This partnership has been particularly beneficial to the Group during these difficult times in leveraging the wealth of knowledge and advice from Ayala Corporation.

BY ORDER OF THE BOARD

Melvyn Pun
Chief Executive Officer
26 January 2022