



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Yoma Strategic Holdings Ltd.

Security: Yoma Strategic Holdings Ltd.

Meeting details:

Date: 24 July 2018

Time: 10.00 a.m.

Venue: The Straits Room, Level Four, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178

Company Description

Yoma Strategic Holdings Ltd., an investment holding company, engages in real estate, automotive and heavy equipment, consumer, tourism, and agriculture businesses in Myanmar and the People's Republic of China. The company's Real Estate Development segment develops and sells land and properties. Its Real Estate Services segment provides project management, design, and estate management services, as well as property leasing services. The company's Automotive & Heavy Equipment segment supplies and leases motor vehicles and automotive equipment; and provides maintenance services. Its Consumer segment engages in the operation of quick service restaurants; and food and beverage distribution and other retail businesses. The company's Tourism Services segment operates hot air balloons, as well as offers related hospitality services. Its Agriculture Activities segment is involved in the cultivation and management of plantation estate, as well as development of related businesses and services. Yoma Strategic Holdings Ltd. is also involved in KFC franchisee and advertising activities. The company was formerly known as Sea View Hotel Limited and changed its name to Yoma Strategic Holdings Ltd. Yoma Strategic Holdings Ltd. was incorporated in 1962 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=Z59)

1. Would the board/management provide better clarity on the following operational and financial matters of the group? Specifically:

- (i) **Yoma Land:** In March 2018, the Group launched the sales of The Peninsula Residences Yangon with an initial batch of 30 residences made available for sale. The launch was said to have attracted “strong interests from both local and international buyers”. **How many of the 30 units have been sold? What is management’s strategy to launch and sell these luxury residence units?**
- (ii) **Yoma Land (Galaxy Tower):** In 2Q2018, the group bought back StarCity Zone C/Galaxy Tower from a third party investor who had bought the Land Development Rights in September 2014 at the investor’s original cost. The sales of units at Galaxy have stalled in the past two years. Out of 1,038 units, only 102 units were sold (page 49). **Would the board/management help shareholders understand why the Galaxy Tower development was bought back at the investor’s original cost when the market has slowed down considerably since September 2014?**
- (iii) **Yoma F&B (KFC):** The increased net loss in the F&B segment was attributed to the expansion of the KFC business outside of Yangon. There are currently 22 stores in Yangon, Mandalay, Taunggyi and Bago as of 31 March 2018 and management has set a target of more than 70 KFC stores nationwide by FY2023. This is a deliberate decision by management to scale up aggressively to establish a strong leadership position. **What is the capital expenditure required to fund the expansion of KFC?** The group also has plans to operate 125 stores across all brands. **Is the group looking to bring in strategic partners who can contribute both capital and expertise to help the group with the expansion?**

2. For the financial year ended 31 March 2018, the group reported revenue of \$107.8 million and a total profit of \$33.9 million. Total profit was boosted by other income of \$57.9 million. This was mainly derived from the following non-cash/revaluation gains:

- \$8.2 million fair value gain for its 12.5% stake in edotco
- \$27.7 million net disposal gain from the spin-off of its tourism-related businesses
- \$19.2 million in fair value gain on investment properties

- (i) **Can the audit and risk management committee (ARMC) help shareholders understand if the group has been prudent in recognising fair value gains that are non-cash in nature?**
- (ii) **What are some of the key assumptions used in the group’s valuation models in assessing the valuation of its investment properties?**
- (iii) **When does management carry out impairment assessment for its investments in associated companies?**

As seen in Note 12 (page 172 – Cash and bank balances), the Cash and cash equivalents per consolidated statement of cash flows as at 31 March 2018 amounted to just \$17.1 million, down from \$25.1 million a year ago. In Note 36(a) (page 225 – Capital commitments), it is disclosed that the group has total commitment of \$15.9 million for capital expenditure contracted but not recognised.

- (iv) Does the group have sufficient financial resources to support the growth of all its four key businesses given that many of these businesses are capital-intensive and have moderate-long gestation period?**

3. The group acquired a 34% stake in Wave Money in March 2018 from First Myanmar Investment Company Limited (“FMI”) for US\$19.4 million. Following the transaction, Telenor holds 51% in Wave Money with the balance held by FMI (10%) and Yoma Bank (5%).

As noted in the announcement dated 6 March 2018, the proposed transaction was considered an interested person transaction.

The company has disclosed that the purchase consideration of US\$19.4 million was arrived at after arm’s length negotiations and on a willing-buyer willing-seller basis taking into consideration, amongst others, a valuation prepared by an independent valuer, PricewaterhouseCoopers Myanmar Pte Ltd, appointed by the Company which has indicated that the valuation for 100% interest in Wave Money ranges between US\$38 million to US\$73 million as at 31 December 2017 using discounted cash flow as the primary method.

- (i) Who led the negotiations with the vendor, FMI?**
- (ii) What was the level of involvement by the independent directors in the negotiation process and in the preparation of the valuation by the independent valuer?**
- (iii) Did the independent directors evaluate the assumptions used in the valuation process? Is it equally likely for the valuation to be US\$38 million or US\$73 million?**

The company has applied and obtained a waiver for the acquisition as the target was loss making and hence the relative figure computer under SGX Rule 1006(b) is a negative number.

According to FMI’s financial statement for the financial year ended 31 March 2018, the disposal of Wave Money (including the market value adjustment) resulted in a gain on disposal of Ks. 11.86 billion or approximately US\$8.33 million. FMI had acquired the 44% stake in Wave Money/Digital Money Myanmar Ltd. for Ks.11.83 billion in June 2016.

- (iv) Given that the acquisition of the loss-making target from an associate of the controlling shareholder at a high premium to the acquisition price less than 2 years ago, did the board consider it appropriate to seek independent shareholders’ approval on the acquisition?**



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A copy of the questions for the Annual Report for the financial year ended 31 March 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=20

The company's response could be found here:

https://sias.org.sg/media/qareport/company_responce/1476168731_Yoma-s-Answers.pdf