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## Responses to SIAS' questions on Yoma's Annual Report FY2016

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27 July 2016

Yoma Strategic Holdings Ltd. (“Yoma”) has received questions from Securities Investors Association (Singapore) relating to the Annual Report FY2016 as part of their initiative to improve the quality of Annual General Meetings. Our responses to the questions are as follows.

**Question:** In the annual report, the Chairman mentioned that “the new government has fully taken charge, positive sentiments have returned to the market and the economy is once again on an upward trajectory”. As confidence is restored, **what are some of the opportunities and threats facing Yoma at this stage of the country's growth? Specifically, how will legislation changes impact the group and how can Yoma take advantage of the possible changes? For instance, with the proposed revisions of the Myanmar Companies Act and the Myanmar Investment Law, there will be greater competition in the market. How well prepared is Yoma for the influx of new/external capital? What is the impact of the “Condominium law” and how does this affect Yoma's real estate business and the future strategy?**

**Reply:** Following the peaceful transition of power, the new civilian government of Myanmar has started work to address the country's priorities. A number of government committees have been formed to tackle the key issues around economic development, national reconciliation and peace. As the new government reviews and prioritizes initiatives, some projects may face reviews and delays. However, with State Counsellor Daw Aung San Suu Kyi personally chairing some of these committees, the Group is optimistic that good coordination and swift decisions can be made to effect positive progress.

As Myanmar opens up further, greater competition is inevitable. The Group aims to be the market leader in each of our businesses, and believes that strong human capital, good execution, access to capital and having few core businesses would help ensure that it is well-positioned to continue its growth trajectory.

The Condominium Law which was passed by the Myanmar Parliament allow foreigners to purchase up to 40% of a condominium apartment block as well as facilitating the greater use of mortgages. The timing of the implementation and procedure for the application of the Condominium Law is unclear, but when applied, it is likely to be positive for the Group's real estate business.

Q2: As the group invests in the four growing core businesses (in real estate, automotive & equipment, consumer and investments), gearing has gradually increased from a net cash position (2013), to 8-9% gearing in 2014-2015 and to 18% for the financial year ended 31 March 2016 (page 29 of the annual report). The group has a strategy of not exceeding 40% for its gearing. **Given the numerous and competing investment needs, can the board help shareholders understand how it makes the capital allocation decisions? How soon does the board see the group approaching the 40% limit? Can shareholders get an update on the proposed initiatives with IFC to co-invest in agriculture/logistics projects and with ADB to provide loans for infrastructure projects?**

Reply: The board and management periodically review investment opportunities to ensure that each investment meets the Group's strategic objectives and return hurdles. In making these determinations, the board and management take into account expected financial performance, projected levels of capital expenditure, timing and payback of the investment, management capabilities, size of the potential market and such other factors deemed appropriate. Future investment is expected to augment the 3 core businesses of Real Estate, Automotive & Equipment and Consumer.

Yoma does not expect to reach the 40% gearing limit in the near term. As at 30 June 2016, the Group's gearing ratio was 19.6%.

The Group continues its collaboration with IFC on agriculture/ logistics projects. The Group has drawn US\$29 million from the connectivity loan facility with ADB which has been used to fund the Group's investment in telecommunications towers, cold chain logistics business and fleet leasing business. The remaining US\$71 million of the loan facility can be used for the further expansion of these businesses and also be used for other connectivity projects, including education, and the Group will look to deploy this source of funding accordingly.

Question: The company is associated to Serge Pun & Associates (Myanmar) Ltd. (“SPA”) and First Myanmar Investment Co., Ltd. (“FMI”). The latter is listed on the Yangon Stock Exchange. All three entities have their own set of shareholders with significant overlapping business areas among the three entities. For instance, one of FMI’s “three pillars” is investing in real estate and most, if not all, LDRs originate from SPA. **Can the board elaborate further on how it ensures that there are no conflicts of interests, and when there are interested person transactions, the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of Yoma and her minority shareholders?** These potential conflicts of interests also extend to non-financial areas such as human resource and naming rights. As an example, Yoma is fortunate to have the rights to the Yoma Yangon International Marathon. **What about the conflicts of omission? FMI has significant investments in financial services. Has the Yoma board considered venturing into financial services as the group tries to diversify away from real estate?**

Reply: Each of Yoma and FMI have distinct core businesses and real estate is the only overlapping business, where Yoma has the majority control and rights for our joint real estate projects. FMI's other core businesses are financial services, which is restricted to foreign investors; and healthcare services. Both Yoma and FMI have decided that they would, as a general principle, focus on their respective core businesses.

On real estate, Yoma has a first right of refusal with SPA whereby for so long as SPA and its associates, including the Chairman, remain as controlling shareholders of Yoma, SPA will grant to Yoma a first right of refusal to purchase or acquire from SPA, in whole or in part, the land development rights owned or acquired or to be owned or acquired by SPA in respect of any land situated in Yangon, Myanmar.

In relation to interested person transactions, to ensure that shareholders are not prejudiced, SPA and its associates will not participate in any decision of the board, and such board decision must be concurred by all the independent directors with the recommendation of the ARMC. All interested person transactions are reviewed by the Board on a quarterly basis, and the ARMC has put in place adequate procedures to ensure that any potential conflicts of interests will not be prejudicial to the interests of the shareholders of Yoma, which includes seeking third party valuation and independent financial advisor reports when it deems necessary.