

MANAGEMENT DISCUSSION AND ANALYSIS

Ever Flow River Group Public Company Limited would like to release the Management Discussion and Analysis (“MD&A”) for the six-months period ended 31st March, 2020 (“HY March 2020”) in comparison with the previous six-months period ended 30th September, 2019 (“HY September 2019”). All currency amounts are expressed in Myanmar Kyats unless otherwise specified.

SUMMARY OF GROUP STATEMENT OF COMPREHENSIVE INCOME

MMK	HY September 2019 (Audited)	HY March 2020 (Unaudited)	% Change
Revenue	5,604,026,271	8,529,407,952	52.20%
Cost of goods sold	(4,341,874,252)	(6,950,254,607)	60.07%
Gross profit	1,262,152,019	1,579,153,345	25.12%
<i>Gross profit Margin</i>	<i>22.52%</i>	<i>18.51%</i>	<i>(17.80%)</i>
Administration expenses	(1,427,479,985)	(1,466,835,390)	2.76%
Profit before interest and tax	(165,327,966)	112,317,955	167.94%
Other income	80,998,659	21,061,827	(74.00%)
Finance cost	-	-	0%
Profit before tax	(84,329,307)	133,379,782	258.17%
Income tax expenses	(97,684,206)	(52,441,043)	(46.32%)
Profit after tax	(182,013,513)	80,938,739	144.47%
Share of associates profit	(174,790,664)	(61,217,875)	64.98%
Profit for the year	(356,804,177)	19,720,864	105.53%
Other comprehensive income for the year	15,485,574	(64,552,916)	(-516.86%)
Total comprehensive income for the year	(341,318,603)	(44,832,053)	86.87%
Profit attributable to:			
Owners of the Parent	(350,597,531)	17,619,571	105.03%
Non-Controlling Interest (NCI)	(6,206,645)	2,101,293	133.86%
Total profit of the year	(356,804,177)	19,720,864	105.53%
Total comprehensive income attributable to:			
Owners of the Parent	(335,111,957)	(46,933,345)	85.99%
Non-Controlling Interest (NCI)	(6,206,645)	2,101,293	133.86%
Total Comprehensive income for the year	(341,318,603)	(44,832,053)	86.87%
Weighted no. of ordinary shares	9,988,612	19,977,223	
Earnings Per Share	(35)	0.88	



BREAKDOWN OF GROUP REVENUE

MMK	HY September 2019 (Audited)	% OF TOTAL	HY March 2020 (Unaudited)	% OF TOTAL	% CHANGE
EFR (Stand Alone)	189,000,000	3.30%	189,000,000	2.14%	0%
MRTW Logistics	156,710,457	2.73%	632,080,283	7.17%	303%
UCS	117,978,003	2.06%	658,754,473	7.47%	458%
EFR GLE	738,752,478	12.89%	1,294,973,939	14.69%	75%
MRTW Manufacturing	555,853,533	9.70%	779,086,993	8.84%	40%
Gold Shipping	568,232,652	9.91%	460,215,865	5.22%	(19%)
EFR Trading	3,405,953,748	59.42%	4,069,807,233	46.16%	19%
LDC Mandalay	-	0.00%	733,116,900	8.31%	NM
Total Revenue	5,732,480,871	100%	8,817,035,687	100%	54%
Intercompany transaction	(128,454,600)		(287,627,735)		
Total Revenue	5,604,026,271		8,529,407,952		52%

*NM- not meaningful

Our consolidated revenue for HY March 2020 was MMK 8,529,407,952, which was a significant increase of 52.20%, from MMK 5,604,026,271 in HY September 2019, mainly contributed by forwarding business and LDC Mandalay. In HY March 2020, LDC Mandalay generated earnings of MMK 733,116,900 from trucking business which is generated before finishing main operation of LDC Mandalay railway transportation. We expect the revenue would be higher when the operation of Phase 1 commenced fully in third quarter of 2020. Revenue of almost all businesses of EFR increased in HY March 2020. During HY 2020, the main revenue has come from EFR Trading and EFR GLE. EFR Trading has contributed 46.16% of revenue with the growth rate of 19% and EFR GLE has contributed 14.69% of overall revenue with the growth rate of 75%.

Gross revenue recognition of MRTW Logistics, UCS and EFR GLE were stated including principal amounts as earnings in HY March 2020. Therefore, the earnings of those subsidiaries would not be directly comparable with HY September 2019 where net recognition was used. Regardless of the change in accounting policy, the earnings of UCS surged in HY March 2020 to MMK 658,754,473 as we secured new customers under freight forwarding services.

BREAKDOWN OF GROSS PROFIT

MMK	HY September 2019	% OF TOTAL	HY March 2020	% OF TOTAL	% CHANGE
EFR (Stand Alone)	189,000,000	14%	189,000,000	12%	0%
MRTW Logistics	127,135,378	9%	114,250,534	7%	(10%)
UCS	114,055,423	8%	103,758,950	7%	(9%)
EFR GLE	432,444,276	31%	346,235,039	22%	(20%)
MRTW Manufacturing	87,752,190	6%	263,437,223	17%	200%
Gold Shipping	250,389,906	18%	223,164,948	14%	(11%)
EFR Trading	191,545,854	14%	174,404,360	11%	(9%)
LDC Mandalay	(1,716,408)	0%	164,902,290	10%	-
Total Gross Profit	1,390,606,619		1,579,153,345		14%
Intercompany transaction	(128,454,600)				
Total Gross Profit	1,262,152,019		1,579,153,345		25%

Our consolidated gross profit ("GP") also increased by 25% from MMK 1,262,152,019 in HY September 2019 to MMK 1,579,153,345 in HY March 2020. However, our group gross profit margin has declined from 22.52% to 18.51% due to decrease in GP margin of EFR GLE, MRTW Logistics and UCS, as a result of change in revenue recognition method and higher direct cost at EFR GLE. Gross Profit and GP margin of MRTW Manufacturing has improved from MMK 87,752,190 in HY September 2019 to MMK 263,437,223 in HY March 2020 as the revenue increased and fixed labor costs remained constant.



BREAKDOWN OF ADMINISTRATIVE EXPENSES

MMK	HY September 2019	HY March 2020	% CHANGE
EFR (Stand Alone)	(382,565,174)	(261,430,410)	32%
MRTW Logistics	(111,606,222)	(138,256,557)	(24%)
Multipack	1,581,409	(1,004,663)	164%
UCS	(119,505,734)	(105,928,881)	(11%)
EFR GLE	(266,662,121)	(304,959,887)	14%
MRTW Manufacturing	(248,697,388)	(242,915,442)	(2%)
Gold Shipping	(148,534,884)	(141,557,332)	(5%)
EFR Trading	(117,583,590)	(132,684,726)	13%
LDC Mandalay	(144,360,881)	(138,097,491)	(4%)
Total administration expenses	(1,537,934,585)	(1,466,835,390)	(5%)
Intercompany transaction	110,454,600		
Total administration expenses	(1,427,479,985)	(1,466,835,390)	3%

Our consolidated expenses before offsetting intercompany transaction decreased by 5%, from MMK 1,537,934,585 in HY September 2019 to MMK 1,466,835,390 in HY March 2020.

Although there was an increase in administration expenses of MRTW Logistics, EFR GLE and EFR Trading due to higher operating cost especially for staff related expenses, we were able to control our administration expenses at group consolidated level compared to the previous HY ended September 2019.

BREAKDOWN OF NET PROFIT AND COMPREHENSIVE INCOME

MMK	HY September 2019	HY March 2020	% CHANGE
EFR (Stand Alone)	64,538,409	110,187,823	71%
MRTW Logistics	20,673,549	(6,587,534)	(132%)
Multipack	1,729,590	(838,513)	(148%)
UCS	(4,689,094)	(3,592,990)	23%
EFR GLE	119,877,943	25,433,508	(79%)
MRTW Manufacturing	(160,945,198)	18,373,343	111%
Gold Shipping	76,900,589	61,210,219	(20%)
EFR Trading	57,924,541	31,289,726	(46%)
LDC Mandalay	(83,310,676)	28,017,237	134%
Share of Profit from Associates	(174,790,664)	(61,217,875)	65%
Total net income for the year	(82,091,011)	202,274,944	
Intercompany transaction	(274,713,166)	(182,554,080)	
Total net income for the year	(356,804,177)	19,720,864	106%
Foreign Currency Translation	15,485,574	(64,552,916)	
Total comprehensive income for the year	(341,318,603)	(44,832,053)	

Our group net income after offsetting intercompany transaction climbed from loss of MMK 356,804,177 in HY September 2019 to profit of 19,720,864 in HY March 2020 which is increased changes in 106%.



The profit after tax of MRTW Manufacturing turned into positive from loss of MMK 160,945,198 to profit of MMK 18,373,343 because the earnings and gross profit increased whereas there was a reduction in administrative expenses. Moreover, LDC Mandalay's net profit increased from loss of MMK 83,310,676 to MMK 28,017,237 in HY March 2020 since the income of the subsidiary significantly increased. Taking into account of the non-cash currency translation gain MMK 15,485,574 for HY September 2019 and loss MMK 64,552,916 for HY March 2020, our group's total comprehensive income for HY September 2019 and HY March 2020 would be loss of MMK 341,318,603 and MMK 44,832,053, respectively.

FINANCIAL CONDITION SUMMARY GROUP BALANCE SHEET

MMK	As of 30th September, 2019	As of 31st March, 2020	% CHANGE
	(Audited)	(Unaudited)	
ASSETS			
Total Non-Current Assets	5,648,264,764	9,811,607,045	73.71%
Total Current Assets	13,291,391,653	9,689,809,309	(27.10%)
Total Assets	18,939,656,417	19,501,416,354	2.97%
LIABILITIES			
Total Non-Current Liabilities	Nil	Nil	
Total Current Liabilities	2,904,475,590	3,511,067,581	20.88%
Total Liabilities	2,904,475,590	3,511,067,581	20.88%
EQUITY			
Total Equity	16,035,180,827	15,990,348,774	(0.28%)
Total Equity and Liabilities	18,939,656,416	19,501,416,354	2.97%

Non-Current Assets

Our non-current assets consist of Properties, Plant and Equipment, Intangible Assets, Investments and Project Underdevelopment. Total non-current assets as of 31st March, 2020 increased by 73.71% from MMK 5,648,264,764 to MMK 9,811,607,045. The principal reason of the increase was the additional investment amount of MMK 4,300,000,000 made in HILTC.

Current Assets

Our current assets are composed of cash and cash equivalents, trade and other receivables, prepaid, advance tax and deposits. Our current assets declined by 27.10% from MMK 13,291,391,653 to MMK 9,689,809,309. The main reason was the decrease in inventory and trade and other receivables. The inventory of EFR trading has also fallen in HY March 2020 from MMK 577,159,026 to MMK 323,771,964. Our trade and other receivables dropped from MMK 11,106,829,494 to MMK 3,355,122,091 in HY March 2020. This was mainly due to receipt of unpaid capital of MMK 6,360,272,166 from shareholders in HY March 2020. Moreover, we managed to collect trade debts within credit terms.

Current Liabilities

Our current liabilities consist mainly of trade and other payables, tax provisions, advanced received and accruals. There was a rise in total current liabilities by 20.88% from MMK 2,904,475,590 to MMK 3,511,067,581. The main reason is the advance receive amount of MMK 733,301,424 from oversea buyer for export of Rubber Smoked Sheets (RSS) under EFR Trading subsidiary. It can be considered as stock in transit and the amount will be accounted as revenue once the export is finished from Yangon Port.



Equity Attributable to Equity Holders

Our group equity has slightly declined by 0.28% from MMK 16,035,180,827 to MMK 15,990,348,774. It was due to decrease in foreign exchange gain reserve resulted from currency translation loss within HY March 2020. Our retained earnings have grown from MMK 1,897,500,806 in HY September 2019 to MMK 1,915,120,377 in HY March 2020.

REVIEW AND FUTURE PROSPECT OF EFR

The first ever company of Ever Flow River Group Company Limited (“EFR”) was set up in 1998 as a custom clearance agent. EFR has become a public listed company at Yangon Stock Exchange on 28th May, 2020. During two decades of operating in logistics industry, we have strategically expanded our businesses and service lines into such wide range as domestic and international freight forwarding services, inner river port, container depot, customs-bonded warehouse and overall logistic engineering and are providing total logistics solutions to our clients. Looking back to past six months, EFR has delivered good operational and financial performance as a group and we believe to sustain our strong performance for the forthcoming years while continuously improving our transparency and corporate governance as a participant of UN Global Compact Network.

For the short term, current global pandemic crisis and uncertainty have the potential to significantly impact many industries including logistics. EFR management is tackling to mediate and mitigate the situation by adapting with changes and simultaneously seeking for new opportunities. As logistics sector plays an essential role in making headway of all other industries, we believe good potentials of our businesses aftermath of Covid-19 pandemic. As a one-stop logistic company, some of our subsidiaries such as Gold Shipping and EFR LDC were performing well even during Covid-19 period and we anticipate the impacts of the outbreak to be temporary and expect an upturn of businesses from June onwards. However, the magnitude of potential business disruptions is unknown and there may have a restraint in some subsidiaries as in EFR Trading and thus, we are excelling our best effort to secure existing customers and concurrently pursue new clients. EFR will continue to diversify our services strategically by expanding operations, for example, at EFR GLE, we are planning to extend trade plus all-total-logistics services pattern for international trades. We, sincerely, hope to contribute ourselves during our country’s economic recovery stages and post Covid-19 period.

Based on our long-term group vision, we apply synergistic combination of Logistics, Finance, IT & E-commerce and Commercial Intelligence, and carefully design our services in consideration of the welfare of our client and promoting Myanmar businesses to the international market. Every member of EFR devotes ourselves for the organization to become one of the leading total logistics service providers, whether locally and globally.

By Order of the Board

Daw Khin Sone
Finance Director
30 / 06 / 2020

Ever Flow River Group Public Company Limited
YSX Code 00006
Level 11, No. 62, Room 1104, Mahabandoola
Complex B, Tarwatainthar Street,
Pazundaung Township, Yangon,
Republic of the Union of Myanmar
www.efrgroupmyanmar.com



ABBREVIATIONS

EFR	Ever Flow River Group Public Company Limited.
EFR GLE	EFR G-Link Express Services Co., Ltd.
EFR Trading	Ever Flow River Trading Co., Ltd.
Gold Shipping	Gold Shipping Agency Services Co., Ltd.
HITLC	Hlaing Inland Terminal and Logistics Co., Ltd.
KEFR	Kamigumi-EFR Logistics (Myanmar) Co., Ltd.
LDC Mandalay	Ever Flow River Logistics & Distribution Center (Mandalay) Co., Ltd.
MRTW Logistics	Myanmar Round the World Logistics Co., Ltd.
MRTW Manufacturing	MRTW Manufacturing & Inspection Co., Ltd.
Multipack	Multipack Engineering Services Co., Ltd.
UCS	Unison Choice Services Co., Ltd.
UTOC Multipack	UTOC Multipack Myanmar Co., Ltd.