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## Myanmar Highlights

January 2017

### First Private Bank Ltd to list on Yangon Stock Exchange

First Private Bank Limited (**First Private**) has been approved to list on the Yangon Stock Exchange (**YSX**). First Private issued its disclosure document for listing (**DDL**) on 30 December 2016. According to its DDL, First Private registered as a public company on 9 September 1991. First Private extends loans to corporate, small and medium sized enterprises, retailers, traders and exporters secured against real estate, gold and other eligible forms of security. First Private also provides hire-purchase car loans. According to its DDL, First Private practices a conservative lending policy to minimise its credit risk and number of non-performing loans. The Central Bank of Myanmar granted First Private a Money Changer Licence on 24 October 2011 and an Authorised Dealer Licence on 24 August 2012. First Private operates 32 branches across Myanmar, and has US dollar, Euro, and Singapore dollar exchange desks in each of its major branches. It has also established cooperative relationships with more than ten banks across Asia. On 12 January 2013, First Private entered into a currency remittance agreement with Western Union. It has also entered into an agreement with Frontier Technology Partners in respect of the utilisation of mobile banking software solutions for mobile payments and mobile banking. First Private will be the first company to list on the YSX in 2017 and the fourth YSX-participant overall, joining First Myanmar Investment Ltd, the Myanmar Citizens Bank Ltd and Myanmar Thilawa SEZ Holdings Public Ltd, who were all listed in 2016. As at 30 December, First Private's share price was Kyats 30,000 per share. It had 7,728 shareholders and 2,472,053 issued shares, with a par value of 10,000 Kyats per share. Its total paid up capital was 36,566,727,59 Kyats. As at 30 December 2016, the ten largest shareholders of First Private were individuals. The single largest shareholder was U Nay Lin Oo who owns 60,060

shares or 2.54% of First Private's total issued shares. First Private has paid dividends every year since its establishment. The estimated aggregate listing expenses to be paid by First Private are approximately 13,500,000 Kyats. (Source: <http://www.irrawaddy.com/business/first-private-bank-to-trade-on-yangon-stock-exchange.html>, 3 January 2017)

### BASF to produce cement and construction materials at new facility in Myanmar

Germany's BASF SE (**BASF**) has announced that it intends to build a new factory in the Yangon area to produce cement and other construction materials. In recent years there has been a dramatic increase in domestic demand for sophisticated construction materials used in high-rise developments, roadways and bridges. BASF expects the facility to be operational by the end of 2017. The Myanmar Investment Commission has not yet issued details of the sum to be invested and the project has yet to receive Government approval. Domestic demand for high quality cement exceeds 8 million tonnes annually, whereas annual domestic production capacity is only 3.1 million tonnes. More than half of the cement used in Myanmar is imported. BASF has been supplying concrete admixture, construction systems, and mining chemicals to Myanmar for over ten years. It opened an office in Yangon in September 2015. BASF has supplied construction materials to a number of major infrastructure projects in Myanmar, including the Thilawa Special Economic Zone (**Thilawa SEZ**), the Yeywa hydropower dam, and the Myingyan steel mill. BASF is not the only foreign cement producer planning to produce materials locally. Lafarge (M) Bhd, a Malaysian subsidiary of LafargeHolcim Group, has announced that it plans to develop a 20,000-tonne capacity cement factory in the Thilawa SEZ in partnership with two unnamed Myanmar companies. (Source:

<http://asia.nikkei.com/Business/Companies/BASF-plant-to-produce-construction-chemicals-in-Myanmar>, 21 December 2016)

## Myanmar Agribusiness Public Corporation announces details of new industrial zone

The Myanmar Agribusiness Public Corporation (**MAPCO**) has reached an agreement with the Ministry of Agriculture, Livestock and Irrigation in respect of the development of a new industrial zone to be constructed in 2017 on a 221-acre site in the Myaungmya Township, in the Ayeyarwady Region. According to MAPCO's managing director, U Ye Min Aung, the project will be small-scale but innovative, with MAPCO planning to invest approximately US\$12 million. U Ye Min Aung noted that the project site is already served by basic infrastructure including roads and a jetty, and is connected to electricity. The zone aims to attract companies manufacturing agricultural products and providing agri-business related services. Investors from Japan, Thailand, China and Taiwan have expressed interest in establishing milling operations in the new zone. MAPCO was founded in response to the growing demand for a state-owned corporation to drive the development of Myanmar's rice industry. Using market-based approaches and strategies, as well as working in partnership with stakeholders such as rice farmers and exporters, MAPCO promotes sustainability and profitability in the interest of national food security, and the development of rice and agriculture sector of Myanmar. MAPCO's largest export market is Africa. From 2012 – 2016, MAPCO exported 86,043 tonnes of rice to African countries. During the same period it exported 17,885 tonnes of rice to China, 13,775 tonnes to Indonesia, 11,050 tonnes to Japan, 6875 tonnes to Europe and 7022 tonnes to other countries. (Source: <http://www.elevenmyanmar.com/business/7270>, 3 January 2017; and <https://consult-myanmar.com/2017/01/10/mapco-courts-investment-for-agri-industry-park/>, 10 January 2017)

## Ministry of Natural Resources and Environmental Conservation issues new large-scale mining permits

Myanmar's Ministry of Natural Resources and Environmental Conservation has granted new large-scale mining permits to three marble-mining companies with operations in Kachin State. The permits cover a total area of 10,000 acres. Chainreitaung Mining Company Ltd has been granted permits to mine marble on 49.5 acres in Chiphwe Township and on 198 acres in the Sawlaw Township. Both permits are for eight years and expire in 2025, although extensions can be applied for. Sanlin International Company Ltd has been granted a

13 year large-scale mining permit in respect of 198 acres in Chiphwe Township. Htoo International Holdings Company Ltd (**Htoo**) has been granted a 25 year large-scale mining over 9,573 acres in the Waingmaw Townshi. The permit granted to Htoo includes a two year exploration period ending in 2019. (Source: <http://www.elevenmyanmar.com/business/7074>, 17 December 2016)

## APR Energy extends contract on 102MW Kyaukse power plant project

APR Energy Plc has announced that its contract in respect of its 102MW Kyaukse power plant project has been extended into the fourth quarter of 2017. The original contract for the plant, signed in February 2014, was the first power-generation agreement between a U.S.-based company and the Government following the lifting of sanctions. The Kyaukse power plant is located south of Mandalay, which is estimated to have an electrification rate of as low as 30%. The turnkey facility was installed in just 90 days and is one of the largest thermal power plants in Myanmar, providing electricity for more than 6 million people. The Kyaukse plant is powered by locally produced natural gas. The plant was expanded by 20MW in the first quarter of 2015 to help meet the country's growing power needs. (Source: <http://www.mizzima.com/business-domestic/apr-energy-extends-contract-102mw-myanmar-plant>, 23 December 2016)

## All Nippon Airways to partner with Myanmar's Shwe Thanlwin Co. Ltd

Japan's All Nippon Airways Holdings Co. Ltd. (**ANA**) has announced that it plans to enter into a joint-venture (**JV**) with Shwe Thanlwin Co. Ltd (**Shwe Thanlwin**). Shwe Thanlwin is a wholly Myanmar-owned company invested in transportation, banking and media in Myanmar. According to the Department of Civil Aviation ANA and Shwe Thanlwin propose to establish a new JV company (**ANA Myanmar**) and make an initial capital investment of US\$150,000. Pursuant to the investment proposal submitted to the Myanmar Investment Commission (**MIC**), ANA intends to take an 80% share of ANA Myanmar, with Shwe Thanlwin taking the remaining 20%. The rules implementing Myanmar's Foreign Investment Law (**FIL Rules**) set out the equity-split requirements applicable to foreign-Myanmar JVs. The FIL Rules divide a wide range of economic activities into four categories. Foreign investment in a given economic activity is permitted, prohibited, conditional on the production of an Environmental Impact Assessment, or permitted only by way of JV with a local partner. The level of foreign participation in a JV varies from sector to sector

and is determined by the relevant Government Ministry. In certain sectors foreign participation is capped at 80%. In other sectors the maximum permitted equity is 49% regardless of capital contribution. JV partners engaged in non-restricted activities are free to negotiate their own shareholdings. To date, the Department of Civil Aviation has insisted on capping foreign investment in JVs in the aviation sector at 49%. It is unclear whether the equity split proposed by ANA and Shwe Thanlwin will be acceptable to the MIC or the Department of Civil Aviation. ANA has stated that it expects ANA Myanmar to commence operations in 2018. In 2014, ANA tried to acquire 49% of domestic carrier Asian Wings Airways Ltd. ANA subsequently withdrew from the deal citing the high level of competition in Myanmar's domestic aviation market. ANA Myanmar will focus on international routes. (Source: <http://www.irrawaddy.com/business/japanese-ana-airline-to-invest-in-burmas-air-industry.html>, 13 December 2016)

(Source: <http://www.mmtimes.com/index.php/business/24203-central-bank-to-crack-down-on-illegal-foreign-accounts.html>, 14 December 2016)

## Central Bank of Myanmar issues directive on undeclared foreign bank accounts

The Foreign Exchange Management Department of the Central Bank of Myanmar (**CBM**) has issued a directive warning against non-compliance with the Foreign Currency Management Act 2012 (**Foreign Currency Act**). The directive was issued to Myanmar's commercial banks, as well as to their board members and shareholders. Pursuant to the directive banks are required to notify their customers – individuals and companies – of their obligation (pursuant to Article 15 of the Foreign Currency Act) to provide the CBM with details of any foreign bank accounts held by them. The holding of foreign bank accounts by Myanmar citizens was illegal prior to the introduction of the Foreign Currency Act. The CBM's directive is aimed at getting people who opened bank accounts illegally to report them, and apply to the CBM for a licence to allow them to continue to hold the account. Article 38 of the Foreign Currency Act makes it an offence to engage in "foreign exchange activities without a licence", whereas Article 42 states that any person found to be in violation of Article 38, may be subject to a prison sentence of up to three years, or a fine, or both and confiscation of their assets. The purpose of the directive is to make it easier for the authorities to monitor foreign currency earnings from activities such as exports. The CBM requires accurate information on foreign currency earnings to effectively manage the value of the Kyat against the US dollar and other currencies. Funds transferred to and from undeclared foreign exchange accounts can skew the accuracy of relevant information available to the CBM.

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