

CHARLTONS

SOLICITORS



Myanmar Highlights

November 2017

Myanmar to benefit from ASEAN – Hong Kong free trade agreement

Following three years of negotiations ASEAN and Hong Kong have entered into a free trade agreement (“**FTA**”) and a related investment agreement on the sidelines of the 31st ASEAN Summit in Manila. The agreements will bring about tariff reduction for trade in goods and services, better market access, legal security, a dispute settlement mechanism as well as investment protections for Myanmar and the rest of ASEAN. Apart from trade and investment, the deal includes provisions relating to Economic and Technical Cooperation (“**ECOTECH**”). Both parties, including Myanmar, have agreed to conduct ECOTECH activities in five areas: customs cooperation, professional services, small and medium-sized enterprises, trade facilitation and logistics as well as ‘e-commerce’.

ASEAN and Hong Kong commenced negotiations in July 2014. Hong Kong’s Secretary for Commerce and Economic Development, Edward Yau, said the two agreements will not only strengthen the trade and investment flows between the two regions but also boost business opportunities for Hong Kong enterprises and service-providers in ASEAN markets. According to Mr. Yau “all ASEAN member states are also ‘Belt and Road’ participant countries. The agreements will extend Hong Kong’s FTA and Investment Agreement network to cover all major economies in Southeast Asia. The closer ties forged will enhance Hong Kong’s role as a trading and investment hub and [allow it to] tap the business opportunities offered by the Belt and Road Initiative”. The deals cover agreements in trade in goods and services, investment, economic and technical co-operation, dispute settlement mechanisms among other matters. The lowering of customs duties on goods from the city is expected to facilitate a boom in investment from Hong Kong in the region as well as more services export to ASEAN.

Myanmar has enormous potential to promote itself via the FTA as Myanmar goods are relatively unknown compared to its ASEAN neighbours. Melvyn Pun, chief executive officer of Yoma Strategic Holdings Limited, added that the deal is expected to lead to an increase in Hong Kong FDI in the education and infrastructure sectors in Myanmar. The deal provides a clear framework for services, which according to Peter Wong, regional director of Hong Kong’s Trade Development Council is important for many Hong Kong investors seeking accelerate their investment plans in Myanmar. The agreements are expected to come into force on 1 January 2019, at the earliest.

According to Hong Kong’s trade and industry department, bilateral trade between Hong Kong and ASEAN grew by an average of 3.4% annually from 2012 - 2016; ASEAN was Hong Kong’s second largest trading partner in terms of goods in 2016, with total goods-trade of HK\$833 billion (US\$106.8 billion). The average annual growth rate for total services was 3.1% from 2011-15. ASEAN was Hong Kong’s fourth largest trading partner in terms of services in 2015, with trade amounting to HK\$121 billion. At 31 December 2015, the ASEAN region ranked sixth in terms of Hong Kong’s outward FDI, which was estimated to be approximately HK\$218 billion. It also ranked sixth in terms of inward FDI to Hong Kong’s, which was estimated to be approximately HK\$555 billion. While Myanmar’s year-on-year growth in bilateral trade with Hong Kong is significant, the actual volume remains very modest and lags behind most other ASEAN member states. (Source: www.mmtimes.com/news/asean-hk-ink-free-trade-deal-and-investment-pacts.html; 13 November 2017)

Yoma Strategic Holdings raises US\$60.1 pursuant to placement of 155 million primary shares on the SGX

Singapore-listed Yoma Strategic Holdings Limited (“**Yoma**”) has raised S\$82.2m (“**Placing Proceeds**”) (or approximately US\$60) through the placing of 155 million new ordinary shares (“**Placing Shares**”) for 53 cents each. The Placing Shares represent approximately 8.2% interest in Yoma. Citic CLSA was the sole global coordinator and book-runner while RHB Securities was the co-lead manager. Approximately 50-60% of the Placing Proceeds will be allocated for investment in Yoma’s real estate businesses including building rental properties and development properties at Pun Hlaing Estate and Star City and as capital expenditure for Yoma Central project and for the next phases of development of two Dulwich International Schools. Approximately 15-20% of the Placing Proceeds will be allocated as capital in Yoma’s automotive and heavy equipment businesses, which include New Holland tractors, YOMA JCB Myanmar Ltd, and Yoma German Motors Limited, the official importer and distributor for Volkswagen in Myanmar and operator of Volkswagen showrooms. Yoma will allocate 15-20% of proceeds to opening new KFC outlets in Myanmar as well as to new food and beverage investments. (Source: <http://www.businesstimes.com.sg/companies-markets/yoma-raises-s82m-for-business-expansion>; 5 November 2017)

Grid Corporation of China launches projects in Shwebo in northwestern Myanmar as part of the Belt and Road Initiative

The state-owned Grid Corporation of China (“**SGCC**”) has commenced construction on a 230 KV Nabar-Shwebo-Ohntaw power transmission line and a substation project in Shwebo in Myanmar’s northwestern Sagaing region. In the first phase of the project approximately 516 villages (70,078 households) in Kathar and Shwebo district will be provided with electricity. Chinese Ambassador Hong Liang said that China would supporting Myanmar’s electric power industry’s as part of the Belt and Road Initiative, the project will be implemented by China Electric Power Equipment and Technology Co Ltd (“**CET**”), which is wholly-owned subsidiary of SGCC. The project is scheduled for completion by the end of 2019 (Source: http://www.chinadaily.com.cn/business/2017-11/10/content_34362769.htm; 10 November 2017)

Japan’s ANA Holdings Inc. abandons Myanmar’s Asian Blue Airline Project

Japan’s ANA Holdings Inc. (“**ANA**”) has announced it will wind up its joint venture in Myanmar, after its application for an air operator’s certificate (“**AOC**”) was rejected by Myanmar’s Department of Civil Aviation. ANA established the Asian Blue Airways Co. Ltd (“**Asian Blue**”) as a joint venture in partnership with local investor Golden Sky World in 2016. ANA had agreed to invest US\$70.8 million and take a 49% share in Asian Blue. The new airline intended to focus on international routes, in anticipation of growing demand as Myanmar. ANA’s Myanmar representative Mr. H. Sammy Aramaki said the Department of Civil Aviation a reason for refusing to issue an operating licence. ANA, which operates daily flights between Myanmar’s commercial capital Yangon and Tokyo, also holds an 8.8% share in Vietnam Airlines. (Source: <https://www.nytimes.com/reuters/2017/11/06/business/06reuters-myanmar-ana.html>; 6 November 2017)

Myanmar’s first corporate credit card introduced by Ayeyarwady Bank

Ayeyarwady Bank (“**AYA Bank**”), a major commercial bank in the Republic of the Union of Myanmar, Myanmar Payment Union (“**MPU**”), and JCB International Co. Ltd. (“**JCB**”), has announced that AYA Bank has launched the AYA Universal Corporate MPU-JCB co-branded credit card (“**AYA – JCB Card**”) in Myanmar. This is the first corporate credit card targeted for business payment use ever issued in Myanmar. The AYA -JCB Card is associated with 2 different card products: Universal Corporate Platinum Credit Card and Universal Corporate Gold Credit Card. All card members can enjoy the same JCB privileges as personal credit card members. AYA Bank received its banking licence from the Central Bank of Myanmar and opened for business in mid-2010. It offers retail and commercial banking services. MPU was established in 2011 under the guidance of the Ministry of Finance and the Central Bank of Myanmar. It started operating as national payment switch in late 2012 with the issuance of debit cards. (Source: <http://www.asiaone.com/business/first-corporate-credit-card-myanmar-introduced-ayeyarwady-bank-aya-universal-corporate-mpu>; 14 November 2017)

CHARLTONS

Boutique Transactional Law Firm of the Year 2017

Asian Legal Business Awards

This newsletter is for information purposes only.

Its contents do not constitute legal advice and it should not be regarded as a substitute for detailed advice in individual cases.

Transmission of this information is not intended to create and receipt does not constitute a lawyer-client relationship between Charltons and the user or browser.

Charltons is not responsible for any third party content which can be accessed through the website.

If you do not wish to receive this newsletter please let us know by emailing us at unsubscribe@charltonslaw.com

Hong Kong Office:

Dominion Centre
12th Floor
43-59 Queen's Road East
Hong Kong
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596

Myanmar Office:

Charltons Legal Consulting Ltd
161, 50th Street
Yangon, Myanmar
email: myanmar@charltonslaw.com

www.charltonslaw.com