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Myanmar Highlights

December 2017

Institute of Singapore Chartered Accountants and Myanmar Institute of Certified Public Accountants to co-develop accountancy sector in Myanmar

The Institute of Singapore Chartered Accountants (“**ISCA**”) has entered into a Memorandum of Understanding (“**MOU**”) with the Myanmar Institute of Certified Public Accountants (“**MICPA**”) to co-develop the accountancy sector in Myanmar through capability-building programmes. These programmes will include training on Principles of Accounting and on International Financial Reporting Standards (“**IFRS**”), IFRS for small and medium-sized enterprises (“**SMEs**”), and continual professional education classes on accounting issues and trends. The ISCA will also conduct training on the ISCA Audit Manual and Micro Accounting Model (“**MAM**”). The MOU was signed on Monday 27 November 2017 by ISCA chief executive officer Lee, Fook Chiew and MICPA chairman Wan Tin. Mr Lee stated that “As the national accountancy body of Singapore, we are honoured to contribute to the development of the accountancy sector in Myanmar. In particular, we hope that the MAM can be a helpful framework for businesses, especially micro-business entities to take the step up from cash to accrual accounting, and eventually adopt international accounting standards, thereby raising financial reporting quality and enhancing investor confidence in the country” (Source: <http://www.businesstimes.com.sg/government-economy/singapore-chartered-accountants-body-to-co-develop-accountancy-sector-in-myanmar>; 28 November 2017)

SHC Capital Asia to acquire MM Myanmar from First Myanmar Investment Limited

The Singapore Stock Exchange (“**SGX**”) – listed, investment holding company SHC Capital Asia Limited (“**SHC Capital**”) has announced it intends to acquire MM Myanmar Limited

from the Yangon Stock Exchange (“**YSX**”) – listed, First Myanmar Investment Limited (“**FMIL**”), Yoma Strategic Investments Limited and Exemplary Ventures Limited for US\$69.7 million. MM Myanmar operates tourism-related businesses in Myanmar. The company comprises three main business divisions – ‘Experiences’, ‘Services’ and ‘Hotels’. The ‘Experiences’ business comprises ‘Balloons Over Bagan’ and ‘Bagan Land’, while Services comprises the ‘Asia Holidays travel agency’. The ‘Hotels’ business comprises Hpa-An Lodge and Pun Hlaing Lodge. Pursuant to the proposed acquisition MM Myanmar will change its name to Memories Group Limited (“**Memories Group**”). According to SHC Capital’s SGX announcement the Memories Group intends to market itself as a multi-service tourism company “with the aim of giving tourists a seamless and holistic tour experience in Myanmar.” The acquisition will be funded by issuing 265 million new SHC shares priced at 26.3 cents each following a 7:1 share consolidation exercise. The proposed acquisition comes during a time when there has been a dip in tourist arrivals to Myanmar as a result of the unfolding humanitarian crisis in Northern Rakhine. According to the World Travel and Tourism Council, Myanmar’s tourism sector is expected to grow by 7.6% over the next ten years. In 2015, the number of tourist arrivals in Myanmar reached 4.7 million. Tourism contributed approximately US\$1.6 billion, or around 2.6%, to Myanmar’s GDP. (Source: <https://www.mmtimes.com/news/malaysia-singapore-backed-firm-acquires-tourism-business-serge-pun.html>; 23 November 2017)

Indian Oil Corporation to export jet fuel to Myanmar, explore LPG marketing deal

The Indian Oil Corporation (“**IOC**”) has announced it will begin exporting aviation turbine fuel (“**ATF**”) to Myanmar from December 2017. The State-owned oil major is also exploring

the prospects of exporting Liquefied Petroleum Gas (“LPG”) and intends to establish an office in Yangon. The IOC will export 12,000-14,000 tonnes of ATF and an equivalent amount of diesel to Myanmar between November 2017 to January 2018 to the joint venture established by the State-owned Myanmar Petroleum Enterprise (“MPE”) and P.E.S Myanmar Company Limited, a wholly owned subsidiary of Puma Energy International Limited. Diesel will be added to the consignment to ensure critical volume and optimise shipping costs. The MPE is interested in entering into a long-term contract to meet its 15,000 tonnes a month of ATF. Meanwhile, the Myanmar government has approved a proposal from IOC to open office in Yangon. The IOC is also exploring the possibility of applying for a comprehensive licence for end-to-end LPG distribution in Myanmar. A company delegation visited prospective partners in Yangon in October. (Source: <http://www.thehindubusinessline.com/companies/ioc-to-export-jet-fuel-to-myanmar-explore-lpg-marketing-deal/article9968798.ece>; 21 November 2017)

Yoma Strategic Holdings awards building contracts worth over US\$400m for new Yangon developments

Yoma Strategic Holdings Limited (“Yoma”) has announced it has entered into agreements with two international construction companies to develop ‘Yoma Central’ and The Peninsula Hotel in Yangon at the former headquarters of the Burma Railway Company a 10-acre (four hectares) site in downtown Yangon. The combined value of the two projects exceeds US\$400 million. The Yoma Central project will be developed by BTJV Myanmar Company Limited, a joint venture between Dragages Singapore Pte. Limited (“**Dragages Singapore**”), a subsidiary of international construction firm Bouygues Construction, and Japanese builder Taisei Corporation. The Peninsula Yangon project will be built by BYMA Myanmar Limited, a joint venture between Dragages Singapore and Yoma. According to Yoma construction work on the projects has already commenced. (Source: <http://www.straitstimes.com/business/companies-markets/yoma-awards-building-contracts-worth-over-us400m-for-new-yangon>; 28 November 2017)

Jotun Group opens first facility in Myanmar

The Jotun Group (“**Jotun**”) a Norwegian chemicals company dealing mainly in decorative paints and performance coatings (marine, protective and powder coatings), has opened its first manufacturing facility in Myanmar in the Bago foreign industrial zone. The facility occupies 4 hectares and will initially have 60 employees. Jotun has invested more than Kyats 14 billion (or approximately US\$10.2) on plant and machinery. According to Odd Gleditsch D.Y. Chairman of the Board in Jotun, “Myanmar

is an attractive market for Jotun with its strategic location in the centre of Asia’s rapidly growing countries, abundant natural resources and a sizable 53 million population. Myanmar has all the right features for strong economic growth now available for foreign investments,” Jotun is a multinational privately owned paint company incorporated in 1926. It has established 40 production facilities in 63 countries. The company is ranked number 8 amongst the global leading paint companies. In Myanmar it started its sales and marketing activities in 2013 before obtaining an investment license from the Myanmar Investment Commission in 2014 to build the Bago facility. (Source: <https://www.mmbiztoday.com/articles/norwegian-paint-company-jotun-opens-its-first-factory-myanmar;23> November 2017)

Soilbuild Construction awarded US\$3.9m contract to develop food service distribution centre in Thilawa Special Economic Zone

Soilbuild Construction (Myanmar) Company Limited (“**Soilbuild**”), a wholly-owned subsidiary of the Singapore-listed Soilbuild Construction Group has entered into an agreement with Metro Wholesale Myanmar Limited (“**Metro**”) in respect to the construction of a food service distribution centre in the Thilawa Special Economic Zone (“**Thilawa SEZ**”). The project is expected to cost approximately US\$3.9 million. Work on the project is expected to commence in December 2017 and take seven months to complete. This is the third engineering and construction contract Soilbuild has been awarded by Metro. Mr. Ho Toon Bah, executive director of the Soilbuild Construction Group, said: “We are delighted to be awarded with this third construction contract by Metro, which demonstrates the confidence our client has in the group. Moving forward, the group will continue to leverage on our multi-disciplinary track record and experience within the construction space, particularly in the industrial building sector, to secure more contracts in Myanmar.” (Source: <http://www.btinvest.com.sg/markets/news/159528.html?source=btbn>; 29 November 2017)

Myanmar’s Construction and Housing Development Bank to increase loan period for low-cost housing

Myanmar’s Construction and Housing Development Bank (“**CHDB**”) has announced it is planning to increase the loan period for low-cost and affordable housings from 15 to 20 years. According to CHDB’s managing director Myint Myint Mu the plan excludes high-cost housing because high-income earners can meet interest payments within existing loan periods. Buyers acquiring low-cost, medium-cost

and affordable housing from the Department of Urban and Housing Development under a long-term installment plan will be required to open a housing savings deposit account with a minimum balance of K1000 and save 30% of the apartment value. There is no minimum monthly deposit. CHDB will pay 8.5% per annum interest on savings. (Source: <http://www.elevenmyanmar.com/business/12517>; 22 November 2017)

Nestlé Myanmar to produce half of its products locally

Nestlé Myanmar Limited (“Nestlé”) has announced it intends to reduce its imports into Myanmar by up to 50% when its recently-opened facility in Yangon reaches full production in 2018. To date all of Nestlé’s products sold in Myanmar have been imported from other ASEAN countries with Thailand being its main supplier. As part of its strategy to ensure deeper, wider distribution of its products throughout the nation, Nestlé has entered into a cooperative arrangement with the Myanmar Distribution Group as well as other local partners. Nestlé has over 2,000 brands globally six of which are available in Myanmar - Cerelac, Milo, Nescafe, Bear Brand and Maggi. Nestlé estimate sales growth of 400% over the next four years, putting Nestlé in the top three in Myanmar’s food and beverage business. Nestlé has invested US\$25 million in Myanmar to date. (Source: <http://www.nationmultimedia.com/detail/business/30332551>; 27 November 2017)

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