

CHARLTONS

SOLICITORS



Myanmar Highlights

September 2018

Myanmar's Ministry of Commerce negotiating resumption of development works at Dawei SEZ and Kyaukphyu SEZ

Myanmar's Ministry of Commerce has announced it is working towards the resumption of development works at the Dawei Special Economic Zone ("**Dawei SEZ**") and Kyaukphyu Special Economic Zone ("**Kyaukphyu SEZ**"). The development of the US\$8 billion Dawei SEZ, which has been suspended since 2013 following the Italian-Thai Development Company ("**ITD**") withdrawal from a development agreement signed in 2008 due to financial constraints. There were also complaints from the local community regarding lack of adequate compensation for the construction and potential pollution and disruption caused as result of developing the Dawei SEZ. In 2015, Thailand offered to extend Myanmar a loan facility Myanmar of 4.5 billion baht at an interest rate of 0.1% to upgrade a two-lane tarred road from the Dawei SEZ to Htee Khee, near the Thai border. Construction work is currently under way. The Myanmar SEZ Central Committee and the Dawei SEZ Management Committee are currently in negotiations in respect to the resumption of development works proper. The Government is also in negotiations with the Japan International Cooperation Agency in respect to Japanese investment in the project. Discussions are being carried out to establish a framework agreement for Kyaukphyu SEZ with CITIC Group Corporation Limited ("**CITIC**"), the Chinese company that won the tender to develop the Kyaukphyu SEZ in Rakhine State. An agreement has already been reached in regard to the ownership ratio of the Kyaukphyu SEZ. (Source: <https://www.mmtimes.com/news/dawei-kyaukphyu-sez-projects-resume.html>; 11 September 2018)

JICA to provide US\$100m local to Myanmar SMEs

The Japan International Cooperation Agency ("**JICA**") will lend 11.5 billion Japanese yen (Kyats 151.685 billion or US\$103.2 million) to small and medium-sized enterprises ("**SMEs**") in the year ending 31 March 2019. The loans will be made available through domestic banks. The JICA's two-step loan programme will be managed by state-owned Myanmar Economic Bank under its SME loan programme. To be eligible for the loan, businesses must meet the criteria set out in Small and Medium Enterprises Development Law (2015). SME's engaged in manufacturing, labour-intensive activities, retail and wholesale activities, or the services sector, can apply for loans. The maximum loan amount per SME is Kyats 500 million (or approximately US\$322,000). 80% of loans received should be used as fixed capital expenditure while and 20% can be used as working capital. Loans are for terms of 1-5 years with a rate of interest of 8.5% per annum. Participating financial institutions include the Small and Medium Industrial Development Bank, Myanmar Citizens Bank, Myanmar Apex Bank, AYA Bank, KBZ Bank, and CB Bank. For the second phase, the include the Myanmar Citizens Bank (MCB), KBZ, Myanmar Economic Bank (MEB), CB, AYA Bank, First Private Bank (FPB) and United Amara Bank (UAB) Ministry of Planning and Finance. (Source: <https://www.mmtimes.com/news/jica-lend-us100m-local-smes-2018-19.html>; 10 September 2018)

Yoma Bank enters into funding agreement with VisionFund Myanmar

Yoma Bank Limited ("**Yoma Bank**") has entered into an agreement to provide a Kyat 7 billion (or approximately US\$4.9 million) loan to VisionFund Myanmar Company Limited ("**Vision Fund Myanmar**"), a microfinance company with in excess of 180,000 clients in Myanmar. VisionFund Myanmar

is a subsidiary of VisionFund International (“VFI”) – both affiliated with World Vision. Globally, VisionFund International has a network of microfinance institutions in over 30 countries. VisionFund Myanmar serves both rural and urban communities in Myanmar, with 48 branches in 12 regions in the country. VisionFund Myanmar received a US\$4-million loan from the Japan ASEAN Women Empowerment Fund and Microfinance Initiative for Asia Debt Fund, both managed by impact investment manager BlueOrchard Finance Limited. The International Finance Corporation, a member of the World Bank Group, has also been providing financial assistance to VisionFund Myanmar in the form of a debt facility. The latest funding is Yoma Bank’s eighth MFI funding agreement. It has previously extended debt facilities to Pact Global Microfinance Fund, Advans MFI Myanmar Company Limited, the AIM-listed Myanmar Investments International, Maha Agriculture Finance Company Limited and BRAC Myanmar Microfinance Co Limited. (Source: <https://www.dealstreetasia.com/stories/yomabank-extends-5m-debt-to-microfinance-entityvisionfund-myanmar-105248/>; 22 August 2018)

Myanmar National Airlines suffers losses of almost US\$12 million over past three years

Myanmar National Airlines (“MNA”) suffered losses in excess of Kyats 18 billion (or approximately US\$11.6 million) over the three financial years ending 31 March 2018. MNA suffered losses of Kyats 8.96 billion (or approximately US\$5.7million) in the year ending 31 March 2016, Kyats 5.6 billion (or approximately US\$6.6 million) in the year ending 31 March 2017 and Kyats 3.4 billion (or approximately US\$2.1 million) in the year ending 31 March 2017. MNA currently flies on 27 domestic and 15 international routes. The number of passengers reached 587,272 in the year ending 31 March 2016, 1,027,904 in the year ending 31 March 2017 and 1,425,439 in the year ending 31 March 2017. According to the Office of the Union Auditor-General MNA’s losses are in part attributable to increased capital costs involved in its expansion to international routes. The Government borrowed US\$ 54.33 million from the Export-Import Bank of China to purchase Xian MA-60 planes. MNA is moving to a fully computerized sales system and upgrading its IT systems and has appointed more than 840 ticket sale agents. (Source: <http://www.elevenmyanmar.com/business/14679>; 23 August 2018)

Japan External Trade Organisation welcomes proposed new intellectual property laws

Myanmar’s parliament is expected to enact four new pieces of intellectual property (“IP”) related legislation. Draft laws in respect to trademark, patent, copyright and design rights, drafted during the tenure of the previous administration in cooperation with the Japan International Cooperation Agency, the Ministry of Education and the former Ministry of Science and Technology. The proposed new legislation has been welcomed by investors. According to Mr. Hiro Yamaoka, managing director of the Japan External Trade Organisation (“JETRO”) “Enacting proper IP laws is fundamental and urgently required to attract Japanese businesses to invest in Myanmar. Some investors are afraid to invest here because the government has not enacted any IP-related laws until now” Myanmar is the only country among the ten ASEAN countries yet to enact IP legislation. (Source: <https://www.mmtimes.com/news/intellectual-property-laws-needed-attract-fresh-foreign-investment.html>; 24 August 2017)

Destini Bhd enters into a US\$5.2mil contract with the Posco Daewoo Corp in respect to provision of services in Myanmar

Bursa Malaysia-listed Destini Bhd (“Destini”) has entered into a US\$5.2mil contract with the Posco Daewoo Corp (“PDC”) in respect to the provision of tubular running services (“TRS”) in Myanmar. President and group CEO Datuk Rozabil Abdul Rahman said the Destini is seeking to enter into additional agreements in Myanmar. In a statement he said “The award for this contract reinforces Destini’s position as a global TRS provider. Further, it showcases Destini’s recognition in the industry by another major international company”. Destini first entered Myanmar as TRS service provider to Petronas Carigali Sdn Bhd (“PCSB”) and has completed a number of offshore projects. Currently, Destini is commissioning two other land and offshore exploration related contracts with PCSB and its subsidiaries. (Source: <https://www.thestar.com.my/business/business-news/2018/08/29/destini-scores-trs-job-in-myanmar/#VCsTW99cfzH2PEIB.99>; 29 August 2018)

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