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Myanmar Highlights

May 2016

Myanmar Thilawa SEZ Holdings becomes second company to list on Yangon Stock Exchange

After delays during the approvals process, Thilawa SEZ Holdings Public Limited (**Thilawa**) has become the second company to list on the Yangon Stock Exchange (**YSX**). Thilawa's listing took place on Friday 20 May having originally being planned for March 2016. Thilawa's share price on listing was 40,000 kyat (US\$34.10) per share. Trading volume for the day totaled 10,157 shares, for a value of 507.85 million kyat. The financial adviser and lead securities company on the listing was CB Securities Ltd. The highest historical price for Thilawa's shares on the over-the-counter market was K85,000 per share, although typically they traded for between K60,000 and K80,000 per share. Thilawa published a disclosure document (**Prospectus**) setting out its shareholding structure as well as the risks potential investors should be aware of when making a decision whether or not to invest.

According to the Prospectus, as of 31 December 2015 Thilawa's directors and executive officers held 46% of the total issued shares. Managing Director U Win Aung held 220,750 of the issued shares, while a number of other directors hold between 195,000 and 197,000 shares. Of a total of 16,720 shareholders, 13,565 held between one and 100 shares. Thilawa's top 25 shareholders - the top 10 of which are all directors or executive officers - owned more than half of the company.

Thilawa was established in 2013 by a nine-shareholder consortium, to invest in the Thilawa special economic zone (**Thilawa SEZ**) project and other real estate ventures across Myanmar. Thilawa's Prospectus cites Thilawa SEZ's proximity to Yangon, the huge potential for Myanmar's manufacturing and export sectors to expand, and the involvement of both the Myanmar and Japanese government

are all supportive of the company's prospects. Thilawa cites its reliance on shares and investments in its subsidiary companies for its cash flow and revenue together with its engagement in several joint ventures with other entities, where they do not exercise control or could have conflicting interests with their joint venture partners, as business risks. The two investments upon which Thilawa most relies are its subsidiary Thilawa Property Development (**TPD**) and its affiliate Myanmar Japan Thilawa Development (**MJTD**). According to the Prospectus these projects are responsible for a "significant portion" of Thilawa's cash flow and revenues. MJTD is a joint venture between Thilawa, the Myanmar government-owned Thilawa SEZ Management Committee and the Japanese consortium MMS Thilawa Development. MJTD will develop, construct, market, sell and operate the 'Zone A' industrial park area of Thilawa SEZ. Thilawa owns 41% of MJTD, the Myanmar government 10% and a consortium of Japanese companies the remaining 49%. Another Thilawa's subsidiaries, TPD will provide similar services as those to be provided by MJTD, but for the residential and commercial components of Zone A. Thilawa's revenue will be in the form of dividends from TPD and MJTD, as well as on fees and commissions it receives. Thilawa will provide management services to MJTD for a management service fee of US\$656,000 for each of the two two-year periods from 2014-16 and from 2016-18. Management fees paid by MJTD accounted for 21% of Thilawa's revenue in the financial year ended 31 March 2016. Interest income, which is typically from cash held in other accounts or investments, contributed 49%. Thilawa has also entered into an agreement with MJTD to provide marketing services for five years, which can be extended until all properties in Zone A have been leased out. (Source: <http://www.mmtimes.com/index.php/business/20207-thilawa-holdings-lays-out-risks-pre-ipo.html>, 10 May 2016; and <http://mizzima.com/business-domestic/heavy-trading-yangon-stock-exchange-second-company-lists>, 21 May 2016)

CNN and SkyNet to launch 24 hour Myanmar-language news channel

The U.S.-headquartered Cable News Network (**CNN**) has entered into a partnership arrangement with the Myanmar satellite television operator 'SkyNet Direct to Home' (**SkyNet**), a subsidiary of Shwe Than Lwin Media Co., Ltd. CNN International operated by CNN subsidiary Turner Broadcasting System Asia Pacific Inc. will support SkyNet with its launch of *Channel One*, a 24-hour Burmese-language news network. CNN International will provide consulting, employee training and technical support. (Source: <http://www.irrawaddy.com/business/amid-bribery-rumors-cnn-links-up-with-skynet.html>, 7 May 2016)

Kanbawza Bank opens Thai representative office

Kanbawza Bank Limited (**KBZ**) has announced that it is to become the first Myanmar bank to open a representative office in Thailand. KBZ will establish a representative office to promote trade, as well as provide advisory services to Thai businesses looking to establish operations in Myanmar. In the year ended 31 March 2016, Thai investment in Myanmar was approximately US\$236 million, an increase from approximately US\$165 million in the year ended 31 March 2015. KBZ estimated that Myanmar–Thai bilateral trade to be approximately US\$6.8 billion since 2011. KBZ is also waiting final approval from the Thai government in respect of the establishment of a branch office, through which it will be able to provide banking services locally. KBZ has also applied to open representative offices in Singapore and Malaysia. (Source: <http://www.irrawaddy.com/business/burmas-kanbawza-bank-to-open-rep-office-in-thailand.html>, 9 May 2016)

United GP Development to partner with Soilbuild on Kabaraye Pagoda Road condominium project

Soilbuild (Myanmar) Company Ltd, a subsidiary of the Singapore-headquartered Soilbuild Construction Group Ltd has entered into a joint venture agreement with United GP Development Ltd in respect to the development of a six and a half storey serviced apartment and a twenty-six and a half storey condominium on Kabaraye Pagoda Road in Yangon's Bahan Township. Construction is expected to commence before the end of June 2016 and be completed before the end of September 2018. (Source: <http://www.mmbiztoday.com/articles/singapore-firm-wins-third-myanmar-construction-contract>, 9 May 2016)

Central Bank's Foreign Exchange Management Department to introduce electronic bidding before the end of 2016

The Foreign Exchange Management Department of The Myanmar Central Bank (**MCB**) has announced it plans to introduce an electronic system to conduct its daily foreign exchange auctions before the end of 2016. As part of the daily auctions Myanmar's private sector lenders bid to buy or offer to sell dollars in exchange for kyat. Using the auction as indicator of demand the MCB then sets the daily Kyat-Dollar exchange rate. Theoretically this means the MCB can intervene in the market by releasing foreign exchange (typically dollars) when there is a shortage in the market. Currently private sector banks taking part in the auctions have to submit sealed bids and offers manually to the MCB. The MCB proposes to move to an electronic bidding system to be provided by media and information firm Thomson Reuters Corporation (**Thomson Reuters**). Through Thomson Reuters' 'Eikon' platform the MCB will also be able to access real time financial data including global commodity and currencies prices. (Source: <http://www.mmtimes.com/index.php/business/20200-central-bank-eyes-electronic-auctions.html>, 10 May 2016)

Dulwich College to open two new international schools in Yangon

Dulwich College International (**Dulwich**) has entered into an agreement with Yoma Strategic Holdings (**YSH**) pursuant to which Dulwich will open two new schools in Yangon. The schools will be located at sites currently owned by YSH at Pun Hlaing Estate in Hlaing Tharyar, on the west side of Yangon, and Star City, in Thanlyin, southeast of Yangon. The schools will be developed for a cost of US\$30 million and are set to open in time for the 2017/18 academic year. Founded in 1619, Dulwich College is one of the most prestigious independent schools in the U.K. and has international campuses in China, South Korea and Singapore. Dulwich will offer a curriculum based upon the English national curriculum expanded to include Myanmar language and culture classes together with courses in Mandarin. (Source: <http://www.thuraswiss.com/update/myanmar-news-database>, 28 April 2016)

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