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Myanmar Highlights

March 2017

PTT Exploration and Production Plc enters into exploration and production partnership agreement with Total

Bangkok-listed PTT Exploration and Production Plc (**PTTEP**) has entered into a partnership agreement with Total E&P Myanmar Limited (**Total**) pursuant to which PTTEP will divest a 50% participating interest in its Myanmar MD-7 Project. PTTEP and Total will jointly undertake exploration and development activities in the deep-water block, located in the Gulf of Moattama, offshore Myanmar. The transfer has been approved by the Myanmar government. PTTEP remains the licenced operator of the project, through its subsidiary PTTEP South Asia Limited, which was awarded exploration rights in 2013. Total and PTTEP have entered into a number of long-term strategic partnerships over the past three decades. Block MD-7 covers an area of 7,798 square kilometres. At present, a 3D seismic assessment is being carried out to assess the block's resource potentials. PTTEP is interested in 8 exploration and production projects in Myanmar. It is the operator in the Zawtika Project, the Myanmar MD-7 Project, the Myanmar PSC G & EP 2 Project, the Myanmar M11 Project, the Myanmar M3 Project and the MOGE 3 Project. It is also a joint venture partner in the Yadana and the Yetagun Projects. (Source: <http://www.bangkokpost.com/business/news/1210989/pttep-partners-with-total-in-myanmars-md-7-field>, 8 March 2017)

Ministry of Electricity and Energy to invite expressions of interest in respect to the development of Myanmar's first liquefied natural gas terminal

Myanmar's Ministry of Electricity and Energy is expected to invite expressions of interest from international energy companies in respect to the development of Myanmar's first

liquefied natural gas (**LNG**) terminal by the end of April 2017. Bidders will be asked to submit proposals in respect to the construction of a floating LNG terminal with an annual capacity of 3-4 million tons, 200km of pipeline to transport gas to urban areas and a 1-gigawatt gas-fired power plant. The Ministry of Electricity and Energy anticipates the total cost of the project will be approximately US\$2 billion. The proposed site for the terminal has yet to be determined, although the most likely location is the coastal area in the eastern state of Mon, near Yangon. The government will select the winning bid by the end of 2017. The terminal is expected to be operational by 2020 at the earliest. Thailand's biggest construction company, Italian-Thai Development Plc, Thailand's PTT Resource Co. Ltd, Anglo-Dutch Energy L.L.C and Royal Dutch Shell Plc are also planning to develop LNG terminal projects in the south-east of the country. (Source: <http://asia.nikkei.com/Politics-Economy/Economy/Myanmar-to-solicit-bids-for-its-1st-LNG-terminal>, 14 March 2017)

Myanmar Investment Commission announces details of new tax incentives to attract investment in underdeveloped areas

The Myanmar Investment Commission (**MIC**) has announced details of new tax incentives intended to encourage investment and development in some of the most underdeveloped areas in Myanmar. The scheme, an initiative of Myanmar's Ministry of Planning and Finance, incentivises investment in specific townships and regions and involves a devolving of MIC's power to regional and state investment committees. These committees have the power to authorise to permit investments of up to US\$5 million (or approximately Kyats 6 billion). Investors in the 'least-developed regions' will receive a corporate income tax exemption for seven years; investors in 'moderately developed' townships for five years, while investors in developed regions

will be able to avail of an exemption for three years. The MIC has been authorised to designate townships as 'least developed', 'moderately developed' or 'developed'. (Source: <http://www.elevenmyanmar.com/business/8140>, 3 March 2017)

KBZ Bank expresses interest in the sale of shares to foreign investors

KBZ Bank (**KBZ**) Executive Director Nang Kham Nong has indicated that the bank is in favour of the proposed new law changes that would allow foreign investors to acquire shares in Myanmar banks. KBZ is seeking to increase its capital to reflect the increased demand for lending and other financial services in Myanmar. The draft Myanmar Companies Law, which is expected to be introduced before the end of March 2017, and which will replace the existing Myanmar Companies Act, will allow foreign investors to acquire up to 35% of total capital in Myanmar companies. KBZ is in the process of introducing international standards in corporate governance and intends to appoint additional independent directors to its board. KBZ's assets grew 44% between 2012 and 2016. The current value of its assets is estimated to be approximately US\$8 billion. (Source: <http://www.elevenmyanmar.com/business/8304>, 15 March 2017)

Myanmar clothing exports increase by almost US\$1 billion in under a year

According to Myanmar's Ministry of Commerce, Myanmar apparel makers manufactured more than US\$1.64 billion of clothing under the cut-make-pack (**CMP**) system since 1 April 2016, an increase of nearly US\$1 billion on the previous year. The increase in production reflects the increase in foreign investment in the CMP sector. Japan is Myanmar's largest clothing customer however orders from the European Union (**EU**) have been growing since the reinstatement of the EU's Generalised System of Preferences in 2016. In the year beginning 1 April 2016 Japan accounted for 33% of CMP exports, Europe 25% and South Korea 25%. The United States and China account for just 2.4% of Myanmar's CMP exports respectively. Chinese owned companies dominate Myanmar's apparel manufacturing sector, representing 65% of all clothing companies. According to the Myanmar Garment Entrepreneurs Association, domestic demand for Myanmar produced clothing remains low. (Source: <http://www.elevenmyanmar.com/business/8264>, 12 March 2017)

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