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## Myanmar Highlights

March 2015

### Yoma Strategic Holdings receives MIC approval for Landmark extension

Singapore-listed Yoma Strategic Holdings Limited (**Yoma**) has received approval from the Myanmar Investment Commission (**MIC**) in relation to the redevelopment of a 10-acre site opposite the Sule Shangri-La hotel on Bogyoke Aung San Street which includes the heritage-listed Burma Railways headquarters building, constructed in 1877, which is to be rehabilitated as a five-star Peninsula Hotel. Yoma's development plans are conditional on its securing an extension on its current lease arrangements for the site. Yoma is a party to two leases at the site with a duration of 24 and 26 years respectively. Yoma has been attempting to negotiate a new 70-year master lease with the Ministry of Rail Transportation (**Ministry**) on a build-operate-transfer basis since December 2013. The MIC approval directs the Ministry to proceed to renegotiate the lease. Yoma is expected to spend approximately US\$400 million on the project which will necessitate the removal of some existing buildings including the shuttered Grand Mee Ya Hta Executive Residence, replacing them with newer structures, including a business hotel, serviced apartments, a high-end condominium, and retail and office space. Yoma has an 80% share in the project and will be partnered by The Hong Kong and Shanghai Hotels Group, Mitsubishi Plc, the International Finance Corporation and the Asian Development Bank. (Source: <http://www.mmmtimes.com/index.php/business/13505-yoma-receives-mic-nod-for-landmark-extension.html>, 13 March 2015)

### Myanmar Central Bank to amend its reserve requirement rate

The Central Bank of Myanmar (**CBM**) has announced that it will amend its reserve requirement rate (**Reserve Rate**) from 1 April 2015. The current Reserve Rate – the ratio of a bank's deposits to its lending – is 10%. From 1 April 2015, the Reserve Rate will be 5% meaning banks can increase their lending relative to the deposits they have on hand. 25% of the current Reserve Rate (of 10%) can be retained in the form of cash deposits while the remaining deposits, representing 75% of the total Reserve Rate, must be deposited with the CBM. Deposits with the CBM can be in the form of bonds. However, under the new regime the entire Reserve Rate of 5% must be deposited with the CBM and cannot be kept in bonds. The prohibition on bank's retaining Reserve Rate funds in the form of bonds is common in the ASEAN region. However, it is a requirement banks are often critical of. As banks cannot lend out Reserve Rate funds, it essentially means that such funds are non-performing and unprofitable, whereas if banks were permitted to purchase Government bonds, they could expect a guaranteed yield, although at a lower rate than if they lent the money commercially. Myanmar recently re-started issuing bonds, however only 50% of the issued bonds have been sold to date. The Reserve Rate is also seen as a useful tool in regulating a nation's money supply thereby affecting rates of inflation. A larger Reserve Rate requirement has a negative effect on bank lending reducing the supply of money circulating in the economy and putting downward pressure on inflation. The CBM has found it difficult to control inflation as Myanmar has attracted more overseas investment. (Source: <http://www.mmmtimes.com/index.php/business/13506-central-bank-plans-change-to-reserve-requirement-rate.html>, 13 March 2015)

#### Ministry of Energy and Pakistan's Petroleum Exploration Ltd recommence delayed onshore PSC negotiations

The Myanmar Ministry of Energy (**MOE**) has recommenced delayed negotiations in relation to two onshore exploration blocks which were part of an onshore exploration and development tender offered to international oil and gas companies in 2013 (**2013 Onshore Bidding Round**). The MOE has already entered into petroleum sharing contracts (**PSC**) in relation to 16 of the 18 blocks that were part of 2013 Onshore Bidding Round. Exploration and development rights to the two remaining blocks - Block J located in Mon State and Block O located in Ayeyarwady Region - were awarded to Pakistan's Petroleum Exploration Limited (**PEL**) operating in cooperation with local partners. PEL has entered into partnership with Myanmar companies Parami Energy Ltd (in relation to the development of Block J) and Precious Stone Mining Ltd (Block O). The delay is believed to lie with Islamabad-based PEL although to date no exact reason for the delay has been provided by PEL or the MOE. (Source: <http://www.mmtimes.com/index.php/business/13487-talks-set-for-last-onshore-agreement.html>, 12 March 2015)

#### Myanmar to be a priority in Ratchaburi Electricity's long term investment plans

Thailand's largest private power producer Ratchaburi Electricity Generating Holding Public Co Ltd (**Ratchaburi Electricity**) has made Myanmar a priority as part of its plans to invest approximately US\$400 million in various operations across Southeast Asia in 2015. Ratchaburi's 2015 investment plan is part of a larger US\$1.5 billion programme to increase its electricity generating capacity by 47% to 9,700 MW by 2023. Ratchaburi is currently in negotiation with the Ministry of Energy to develop a 2,640MW coal-fired power plant in Myanmar's Tanintharyi Division. Ratchaburi Electricity has also announced that it plans to partner with the Petroleum Authority of Thailand Public Company Ltd in relation to the development of a liquefied natural gas terminal in Myanmar. (Source: <http://www.thuraswiss.com/update/myanmar-news-database>, 5 March 2015)

#### Google launches Myanmar language version of Gmail

Google has launched a Myanmar language version of Gmail making Myanmar the 74th language through which Gmail can be accessed. According to Google's product manager Brian Kemler, Myanmar has 2.6 million internet users, an increase

from 500,000 from 2011. The increase is mostly due to the increase in internet access via mobile phones after the arrival of the country's first private telecom companies Ooredoo Myanmar and Telenor Myanmar. Gmail users can access the Myanmar language via Google's Gmail settings page. (Source: <http://www.thuraswiss.com/update/myanmar-news-database>, 5 March 2015)

#### Drilling commences at Interra Resources' Chauk field

The Singapore-based oil and gas exploration firm Interra Resources Limited (**Interra**) has announced that Gold Petrol Joint Operating Company Inc. (**Gold Petrol**) has commenced drilling at development well CHK1197 in the Chauk oil field in Myanmar. Interra has a 60% interest in an improved petroleum recovery contract in the Chauk field and also owns 60% of Gold Petrol. CHK1197 is the first well drilled in Myanmar in 2015 and the eighth well drilled by Gold Petrol in a continuation of the successful development programme of directional drilling beneath the Ayeyarwaddy River from the east bank in northern Chauk field. CHK1197 will be the northern-most development well to be drilled in the Chauk field from the east bank and will attain a high angle of deviation reaching an expected maximum of 56 degrees. The primary objective of the current drilling programme is to accelerate production from the oil reservoirs that produce from offset wells. (Source: <http://www.mmbiztoday.com/articles/interra-spuds-chk1197-development-well-chauk-oil-field>, 10 March 2015)

#### VPower Group commences work on Kyaukphyu power plant

Hong Kong's VPower Group (**VPower**) has commenced construction on its first gas-fired power plant near the special economic zone of Kyaukphyu. In January 2015, VPower entered into an agreement with the state-owned Myanmar Electric Power Enterprise to build and operate a number of gas-fired power plants in Rakhine state. The Kyaukphyu plant will have 32 gas generators made by MTU Onsite Energy Ltd and will take just under four months to complete. The plant will connect directly to the country's 230kV power grid. According to the 'National Electricity Master Plan', a study carried out by Myanmar's Ministry of Electric Power in cooperation with the Japan International Cooperation Agency, electricity demand in Myanmar is expected to increase by between 500% - 800% by 2030. (Source: <http://www.mmbiztoday.com/articles/vpower-begins-delivering-power-national-grid>, 11 March 2015)

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