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Asia’s Last Frontier Market
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Myanmar
Asia’s Last Frontier Market

Executive Summary

Myanmar’s growth is fast and sustainable, thanks to the influx of foreign financial and human capital. Reforms have also been progressive. Despite scepticisms and multiple challenges, Myanmar’s sweeping reforms have resulted in further easing of sanctions on the country, which in turn is drawing more aid from international financial institutions, visitors from across the world as well as interest to trade and invest in the country. Foreign direct investments have reportedly jumped by more than 40% to US$1.4 billion and tourist arrivals have surged 54% to 1 million in 2013. Meanwhile, the Asian Development Bank projected that Myanmar’s GDP will expand by more than 6% in 2013 and could grow by 7-8% per year over the decade.

There are abundant opportunities in the consumer, tourism, infrastructure, and the oil & gas sectors, but realising them will take time. Infrastructure development and planning is underway for roads, railway, airports and power plants. To fast-track development, foreigners have been invited to bid for mobile networks, airports, and oil & gas exploration. At the same time, demand for fast moving consumer goods (including mobile phone services) is poised to grow as the nation marches towards prosperity.

Currently, direct access is limited with scarce pure plays. Singapore companies expanding into Myanmar are good gateways. Yoma Strategic Holdings is well-positioned to ride on Myanmar’s boom. Foreign companies already in or are entering Myanmar also deserve attention as they offer investors certainty of existing proven business and the opportunity to profit indirectly from the new Myanmar venture.
Overview

Towards Sustainable Economic Growth

It may be early days in Myanmar’s transformation, but sustained changes in the country has strengthened international support and attracted greater foreign direct investments to kick-start development and generate growth for the country.

Although Myanmar continues to face “significant challenges”, the World Bank acknowledged that the country is “rich in natural resources, including large natural gas reserves, and extensive agricultural potential, particularly in rice production. After decades of international isolation, Myanmar is already seeing increased trade and investment from the wider international community after unprecedented reforms”.

The World Bank has forecasted Myanmar’s GDP to grow by 6.4% during the 2012-13 financial year, compared with 5.5% in the previous year. Separately, the Asian Development Bank projects Myanmar’s GDP growth at 6.5% in 2013, rising to 6.7% in 2014. Growth is expected to be bolstered by the European Union’s reinstatement of preferential access for Myanmar’s exports and the United States’ suspension of its ban on imports from Myanmar.

Two large gas fields, Shwe and Zawtika, are expected to come onstream in 2013, which will more than double gas production and boost exports to China and Thailand. Higher gas exports, greater access to international markets, and faster economic growth in key markets such as China will support overall growth in exports. Visitor arrivals are also likely to post further large gains.
Foreign direct investments into Myanmar reached US$794 million over the first nine months of the 2012-13 fiscal year, according to the Myanmar Investment Commission in a February announcement. Investments were channelled into a variety of industries from clothing and seed production to IT and electronics engineering. China was reportedly the largest investor, accounting for nearly half of the current investment commitments.

The easing of economic sanctions is expected to lead to higher level of trade. In 2012, Myanmar's total foreign trade reached US$8.5-13.3 billion, accounting for 27% of the country's GDP for the entire year. Key exports are natural gas, agricultural products, gems and jewellery as well as timber and garments.

Rice export is an area that holds great potential for Myanmar, which was once the world's largest exporter under the British colonial rule. With its rich fertile land, all that Myanmar needs to ramp up production is modern agricultural machinery and better technology. To this end, the Myanmar Agribusiness Public Corporation (MAPCO) is collaborating with Japanese conglomerate Mitsui to form a joint venture to set up four rice-milling and processing plants. According to the US Department of Agriculture, Myanmar's total rice exports last year stood at 600,000 tons, making it the world's tenth largest supplier. The government hopes to raise rice exports to 5 million tons within five years, which would put Myanmar in the league of its neighbours Vietnam (7.4 million tons) and Thailand (8 million tons).
Strategies For Continued Growth

Political reforms

Since taking office in March 2011, President Thein Sein and key ministers in Myanmar have reformed laws, taken steps to liberalise the tightly controlled state economy, signed ceasefire agreements with the majority of the ethnic groups, enhanced freedom of expression by scrapping press censorship and allowed the circulation of privately-owned newspapers in Burma for the first time in nearly half a decade. Politically, the military-turned-civilian government has continued to release more political prisoners. Notably, the military-dominated power has also allowed opposition parties to hold seats in parliament.

To implement a clean government and flush out corruption, the president has also formed a nine-member anti-graft team and overhauled his administration early this year where six high ranking officials were forced to retire on mismanagement or corruption while 40 others were transferred to other ministries. The authority further probed and placed the former minister of Posts and Telecommunications under house arrest while more than 50 officials were investigated over possible links to high level corruption in a proposed nationwide telecommunications network that is currently in a bidding process.

Externally, Myanmar has hosted many delegations and secured more human and/or financial aid to help rebuild the country. As part of its efforts to support Myanmar’s development, Singapore recently sent a team over, and President Tony Tan went on a state visit to Myanmar in April, a first by Singapore since both countries established diplomatic ties in 1966.
The sweeping reforms in Myanmar have prompted more countries to ease or remove sanctions. The EU ended political and economic sanctions against the country in April. Meanwhile, the US lifted the bulk of its sanctions in stages over the past year, permitting companies to invest and allowing imports from Myanmar. A key step to facilitate business flows eventually is the clearance of four Myanmar banks to handle transactions for US companies.

In Asia, Japan stands out as the most eager party that is buying into Myanmar’s growth prospects. Not only did the Japanese government waive US$3.36 billion in bilateral debt, its overseas development bank – Japan Bank of International Cooperation (JBIC) – also provided nearly US$1 billion in bridging loan to cover an outstanding debt to the World Bank and the Asian Development Bank so that the latter could resume lending. In addition, Japan pledged an additional US$220 million in soft loans for infrastructure and human resources development – the first such lending in 26 years.

China is Myanmar’s largest investor and its second largest foreign creditor, followed by Thailand, according to International Enterprise Singapore. Together, these two countries have invested US$25 billion out of Myanmar’s official total cumulative foreign investment of US$42 billion in 2012. The Chinese have mainly invested in energy/natural resources and infrastructure development projects such as the Nay Pyi Daw International Airport. They are also currently targeting Myanmar’s underdeveloped infrastructure and construction sectors as well as manufacturing due to the availability of cheap labour. Thailand’s investments, on the other hand, are mostly in oil and gas, through PTTEP, the overseas arm of state-owned PTT. PTTEP operates the Zawtika gas project in the gulf of Mottama, and is also a partner in the Yetagun and Yadana offshore gas projects. According to the Thailand embassy in Myanmar, new Thai investors are showing an interest in consumer goods manufacturing and agriculture ventures.
On the back of the debt restructuring, the World Bank, in cooperation with other foreign lenders, has pledged a US$2 million donation to set up a new microfinance institution in Myanmar to help address the significant financing demand from small and medium enterprises.

Meanwhile, the Asian Development Bank has resumed lending to Myanmar for the first time in 30 years in an attempt to boost its social and economic development.

### Revised Foreign Investment Law (FIL) to entice foreigners

After months of wrangling between the cabinet and the new parliament, President Thein Sein passed a new Foreign Investment Law on Nov 2, 2012. In essence, this new law sends the important message that the government is committed to welcoming foreign investors to fast-track the country's development and growth.

Under the new law, any investment can be up to 100% foreign-owned. Foreigners have the choice to either set up shop on their own or establish joint ventures with local firms or government agencies where they are free to agree on the ratio of foreign to local capital. To promote foreign investment, the new law has extended the tax grace period from three to five years and permits repatriation of funds/profits after tax at market exchange rates. Although Myanmar still prohibits foreign ownership of land, foreigners can now lease land for as long as 70 years, from 40 previously, giving them a degree of long-term security. The new Foreign Investment Law also provides guarantees to foreign investors against expropriation and nationalisation during the permitted term of investment.

### Growth from within

There is evidence that the Myanmar government understands the importance of upgrading its workforce and promoting home-grown industries to maintain growth. As a testament of the government’s commitment to support local workers and develop domestic industries, employment provisions within the Foreign Investment Law ensure that Myanmar workers are not left behind.

The new laws designate that only local citizens shall be employed for all unskilled work and that 25% of employees must be local citizens for the first two years, rising to 75% for the fifth and sixth year. In addition, foreign employers are required to train local employees to upgrade their skills. These provisions are crucial in ensuring that low-skilled Myanmar workers are not left behind in the wake of the country’s economic progress. Furthermore, upgrading its workforce allows Myanmar to realise its real growth potential and to sustain that growth in the future.

Myanmar has announced a draft forestry law to completely ban the export of the country’s

<table>
<thead>
<tr>
<th>Items</th>
<th>1988 Summarised</th>
<th>2012 Summarised</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic principles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote &amp; expand exports</td>
<td>Produce goods to substitute imports</td>
<td>Build self-sustainability</td>
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<tr>
<td></td>
<td>• Extract natural resources requiring heavy investment</td>
<td>• Focus on businesses beyond financial or technical ability of the state and people</td>
<td>Broader knowledge and know-how</td>
</tr>
<tr>
<td></td>
<td>• Acquisition of high technology</td>
<td>• Supports exchange of information and technology</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreigner ownerships</td>
<td>Minimum of 35%, maximum of 50% in 13 restricted sectors</td>
<td>Foreign investment ratio is negotiable between the investor and the local partner</td>
<td></td>
</tr>
<tr>
<td>Local partner</td>
<td>Foreigner cannot own full stake in businesses without any local partner</td>
<td>Not compulsory for all businesses. However, there remains a ban on 100% foreign ownership of ventures in certain sectors. Permitted foreign ownership percentage likely to be published in the FIL rules</td>
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<tr>
<td>Employment</td>
<td></td>
<td></td>
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<tr>
<td>requirements</td>
<td></td>
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<td></td>
<td>Local hiring requirements:</td>
<td>Local hiring requirements:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To provide training</td>
<td>• To provide training</td>
<td>• Unskilled positions - only citizens</td>
</tr>
<tr>
<td></td>
<td>• No wage discrimination between local and foreign staff of similar positions</td>
<td>• No wage discrimination between local and foreign staff of similar positions</td>
<td>• Skilled positions - 25% within the first two years, 50% within the next two years, 75% within the third two years (local staff in skilled and unskilled positions)</td>
</tr>
<tr>
<td>Land use rights</td>
<td>30 + 15 + 15 years</td>
<td>50 + 10 + 10 years</td>
<td>Longer term security</td>
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<tr>
<td>Tax incentives</td>
<td>3 years corporate income tax exemption</td>
<td>5 years corporate income tax exemption + tax relief of up to 50% on profits of exports + tax exemptions on imported machineries, materials for construction and expansion of business + tax exemption on imported raw materials for first 3 years of commercial production</td>
<td></td>
</tr>
<tr>
<td>Restricted sectors</td>
<td>Not permitted but no clear definition</td>
<td>Restricted sectors include agriculture/ cultivating enterprise which locals can do, livestock breeding, fishing in Myanmar’s sea. MIC may nevertheless approve if proposition is in the interests of the country</td>
<td></td>
</tr>
<tr>
<td>Dispute resolutions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Disputes may be settled in accordance to the provisions of the relevant contract</td>
<td>• Disputes may be settled in accordance to the provisions of the relevant contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• In a conflict between the FIL and an international treaty ratified by Myanmar, the international treaty shall prevail</td>
<td>• In a conflict between the FIL and an international treaty ratified by Myanmar, the international treaty shall prevail</td>
<td></td>
</tr>
</tbody>
</table>

Source: Myanmar Investment Commission
Banning the export of raw teakwood helps to keep value-add within the country.

Advancing reforms

While the first two rounds of domestic economic and political reforms have gained Myanmar some rewards from the international community in the form of lifting sanctions and restructuring debts, more has to be done to restructure the country’s antiquated economy.

The government has vowed to continue reforms, particularly administrative, in 2013. More specifically, the government announced it is drafting the National Comprehensive Development Plan which covers the next 20 years and the Comprehensive Development Vision for the next 25 years with the help of Japanese and ASEAN economists. Key goals of Myanmar’s Fifth Five-Year Plan (FY2011-2015) include 1) 7.7% average GDP growth, 2) raising industrial and services share of GDP to 32% and 38% respectively, and reducing agriculture share of GDP to 29%, and 3) grow GDP per capita by 30-40% from 2010.

So far this year, the government has expanded foreign exchange to include the Chinese yuan and Thai baht instead of just crisp and new US dollars to make it more convenient for Chinese and Thai travellers and encourage them to spend more while visiting the country.

This year, a number of economic reforms seem imminent:

Condominium Law – Anticipated to be issued in three months’ time. It is expected to include provisions on foreign ownership rights, and it should be positive for both developers and foreigners who are currently renting apartments for their stay in Myanmar. Ownership of land would also facilitate the eventual implementation of housing loans.

Banking sector reforms – To improve banking systems and functionality to 1) provide credit, raise capital for local companies, 2) handle the wave of foreign investment, and 3) to re-align and re-engage with the global financial system. Already, Myanmar’s central bank is considering local joint ventures with foreign lenders to help overhaul the country’s financial system. It is expected that joint ventures for foreign banks will eventually be followed by wholly-owned subsidiaries and subsequently, full branches.

Infrastructure developments

The huge influx of visitors and the reduction of car import taxes have led to congested roads and an overburdened infrastructure. In order to tackle a rising population and further...
economic development and growth, the Myanmar government has called for an ambitious infrastructure development and introduced a new masterplan for Yangon, the economic heart of the country.

Drawing expertise from urban planners in Singapore, the Yangon City Development Committee (YCDC), in coordination with the government’s Division of Urban Planning, announced plans to decentralise Yangon’s central business district (CBD) to avoid over-concentration in the future by shifting it outwards. The urban planning authority announced that construction will soon begin on an outer green belt with four new towns surrounding Yangon’s CBD within a 10- to 15-kilometre radius.

Yangon's new masterplan
Other initiatives include upgrading the existing airport and building a new one. The Yangon City Government anticipates significant growth in visitor arrivals, which will easily surpass the current airport capacity of some 3 million air passengers a year. Hence, the Department of Civil Aviation has sought investors to finance the upgrade of Yangon International Airport to increase its capacity to 6 million visitors by 2015.

Part of the masterplan also includes the development of Hanthawaddy International Airport in central Bago region (80 kilometres from Yangon). This airport with a planned capacity of up to 12 million visitors is targeted to commence construction in July this year and is set to be completed by 2016.

The government is also calling for the timely completion of the Thilawa Special Economic Zone. The development situated on the Yangon River is a 51-49 joint cooperation between Myanmar and Japan (represented by trading giants Mitsubishi, Sumitomo and Marubeni). Thilawa is intended by President Thein Sein’s government to be the first of several specially designated industrial development zones. However, it was reported that the development faced land access problems, electricity and water supply shortages, and transport and other infrastructure impediments.

The first stage of the Thilawa project is expected to be completed in 2015. The government also has plans for another special economic zone development that will focus around the Chinese-built oil and gas terminal on the west coast in Kyaukphyu.

**Early Bird Opportunities**

**Property Boom to Continue on Acute Supply Shortage**

**Hotels**

Myanmar is short on quality hotels to support its booming tourism. Out of the 8,000 hotel rooms in Yangon, property consultant Jones Lang LaSalle reported that only 1,500-2,500 are of international standard. This translates to a maximum of 912,500 room nights against 1 million tourist arrivals last year. As a result, hotel room rates in Yangon have more than tripled to US$250-300 from US$80 in 2011.

Myanmar’s tourist arrivals are expected to grow by 30% in 2013 to 1.3 million, and rise to 2 million by 2015. In view of the supply crunch, the government has been encouraging developers to build hotels. Hilton will open their first 300-room hotel in Yangon in 2014 while French hotel chain Accor is in talks to partner with Max Myanmar to open a Novotel Hotel in Yangon. In total, Jones Lang LaSalle estimates that the international hotel supply in Yangon will triple to around 6,240 rooms by 2015. Even then, supply will likely remain tight, providing room for hoteliers to raise room rates progressively.

Regional airlines are also boosting their services to Myanmar to ride on the tourism boom.
Market watchers expect ample room for tourism growth in Myanmar as it is a country rich in cultural heritage not unlike its Indochina neighbours Vietnam and Cambodia which saw visitor arrivals of 6.5 million and 3.5 million respectively.

**Office**

There is insufficient Grade A offices in Myanmar to address the surge in business formations. With no new supply from 1997 until 2010, there is an acute shortage of office space with merely 62,000 sq m of office space in Yangon. Today, 86% of the current supply of office space is in Downtown area. Apart from two modern office towers, Sakura Tower and Centrepoint Towers, most office units date back to the British colonial period. As such, rents have skyrocketed from US$20-45/sq m six months ago to US$80/sq m now. Some market watchers believe rents could even go beyond US$150/sq m as the country stabilises its political situation and continues to open up the economy.

Already, occupancy rate in Grade A offices are full with a long waitlist. The Asian Wall Street Journal reported that new developments are already preleased at current rates. Yoma believes that most new office tower developments would move towards the Inner City area given the apparent shortage of land for further development in Downtown.
Residential

Myanmar’s residential market also has a lot of catching up to do with population growth.

The real estate market, particularly in Yangon, was buoyant in 2012 due to the continued tight supply on the back of growing demand. Apartments/condominiums remain the mainstay accommodation due to affordable pricing. For a city of 5 million, there is a massive supply shortage. A total of 1,070 condominium units were added in 2011, and another 1,100 units were added in 2012. Demand is reportedly highest in mid-to-high income sectors in good locations. Based on an estimated 2% population growth yearly in Yangon and a household size of 4.87, an additional 25,000 new homes need to be built in the city every year. However, only about 1,500 units are expected to be delivered in 2013 and just slightly more in 2014.

[Graphs and charts showing population growth, housing stock, and future housing supply]
Meanwhile, Myanmar’s industrial land is hindered by high land prices. We understand that prices of land in Yangon’s key industrial areas including Shwe Than Lwin, Hlaing Tharyar, East Dagon and Dagon Seikkan have increased dramatically in recent months due to high demand. The high land prices have raised concerns among industrialists who still prefer to set up shop in countries like Cambodia and Vietnam.

To keep land prices in check, the government has developed several special economic zones including Thilawa and Dawei. International agencies like Japan International Cooperation Agency (JICA) have granted aid packages including 17 billion yen for infrastructure projects, 20 billion yen specifically for infrastructure development for the Thilawa Special Economic Zone, and 29 billion yen for power supply infrastructure in Yangon and upgrading the Kyangin cement plant.

Opening Up Untapped Oil & Gas Resources

Myanmar, one of the oldest oil producers in the world, is believed to have vast oil reserves. The country exported its first barrel of oil in 1853. Following the military regime’s power seizure, the industry was nationalised in 1962. From 1962 to 1988, oil exploration and production were mainly controlled by the Myanmar Oil and Gas Enterprise (MOGE). In 1998, the government passed a foreign investment legislation to draw foreign technologies and capital. By 2007, foreign companies were involved in 16 onshore blocks and many more offshore blocks. Today, Myanmar’s oil output remains small. The scale of oil reserves is difficult to predict because of very limited exploration. However, strong bidding interests for recent oil blocks up for bids highlights strong hopes among oil and gas majors of rich finds in Myanmar.

According to official data, Myanmar exported US$3.5 billion worth of gas, mainly to neighbouring Thailand in the 2012 fiscal year compared with US$2.5 billion a year ago and US$2.4 billion in 2008-2009. Myanmar is believed to be rich in natural gas reserves, which government officials estimate to range between 11 trillion and 23 trillion cubic feet. Currently, the country produces around 19,600 barrels of crude oil and 1.475 billion cubic feet of natural gas each day.

Eighteen onshore blocks are up for bids and the pre-qualification list indicates more interest from Western oil majors. Last year, Myanmar awarded nine onshore blocks to foreign companies. This year, the Ministry of Energy has invited bids for another 18 onshore blocks in various parts of the country. We understand that the tender will close on 23 August. The list of 59 pre-qualified companies showed a significant increase in interest from the West i.e. companies based in Europe, the US and even Australia. We believe the easing of sanctions has partly inspired confidence in foreign multinational corporations to initiate investments in Myanmar.
Tapping Myanmar’s Infrastructure Deficit

On Myanmar, we agree with Maung Zarni, a visiting fellow at the Department of International Development at the London School of Economics, that it is “one of the last few remaining places that have not been penetrated, but the infrastructure is just not there”.

In terms of infrastructure development, the government’s immediate priorities are in urban transportation systems, upgrading of national airports and water utilities. The government’s commitment to infrastructure development is clearly reflected in their earnest invitations to foreigners to develop telecom network, extend existing airports and build new airports in addition to the many road works and flyovers.

In view of its favourable geographical location to benefit from rising trade, Myanmar is also actively looking for ways to upgrade existing ports and develop new ones. According to official statistics from the Myanmar Port Authority, Myanmar’s ports handled 24 million tons of imports and exports freight in 2011. Currently, the Port of Yangon handles 90% of the cargo throughput. We see good potential for the Thilawa port, which we think is poised to benefit from the development of the Thilawa Special Economic Zone.

Telecom Services, Fast Moving Consumer Goods in Demand

With a young population in excess of 50 million, the once-reclusive state represents one of the biggest untapped consumer markets in Asia. Myanmar is virgin territory for businesses, and as the country opens up, foreigners are scouting for new opportunities including the telecommunications and fast moving consumer goods sectors.

Stocks Awarded Myanmar Premium

Proxies highlighted in our last Myanmar report have all advanced. Super was the best performer as its share price doubled within eight months. Aussino rallied but gave back all gains after the Singapore Exchange rejected the planned reverse takeover of Max Myanmar Energy. Pure play Yoma also generated credible returns for investors. Positive returns across the board suggest the market is generally upbeat on Myanmar despite challenges. In fact, a performance analysis showed that companies which have reported Myanmar developments tend to spike about 3% a week after the announcement and about 20% in the subsequent three months. It seems that the market is assigning such stocks a “Myanmar premium”.
### Myanmar proxies have generally performed

<table>
<thead>
<tr>
<th>Company</th>
<th>Avg 6 month daily turn</th>
<th>Share price performance since announcement</th>
<th>Exposure in Myanmar</th>
<th>Presence in Myanmar</th>
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<tbody>
<tr>
<td><strong>Company</strong></td>
<td><strong>Price</strong></td>
<td><strong>Value</strong></td>
<td><strong>Vol</strong></td>
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<td>Yoma</td>
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<td>32.1</td>
<td>3.5</td>
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<td>Ezion</td>
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<td>15.9</td>
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<td>Parkson Retail Asia</td>
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<td>6.0</td>
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<td>0.11</td>
<td>11.3</td>
<td>108.2</td>
<td>77.3</td>
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</table>

Source: BloombergFinance L.P, DBS Vickers
Singapore Companies Are Better Gateways

Currently, Myanmar proxies can be broadly sorted into two categories: those with presence or are already in the process of initiating businesses in the country, and those that are still negotiating and awaiting their chances.

Yoma remains the only pure play in Myanmar for equity investors. But in the past six months, more Singapore companies have ventured into Myanmar to leverage on the opportunities abound. We believe investors can piggyback on these proxies as they offer the certainty of existing proven businesses and the opportunity to profit indirectly from the new Myanmar venture.

Yoma Strategic Holdings

With close to 100% of its land bank in Yangon, Yoma Strategic Holdings is a direct proxy to Myanmar’s booming real estate sector and is well-positioned to benefit from Yangon’s severe demand/supply mismatch for quality residential, office, hotel/serviced apartment properties. Our latest channel checks with industry players indicated that selling prices of Yoma’s properties have hit new highs recently. Yoma’s share price performance has continued to hit new highs in recent trading sessions following our upgrade at end of May. Catalysts could come from price hikes for its properties, agriculture development, Digicel’s potential win and development/sales of its China Shopping Mall.

Interra Resources

Interra Resources has been in Myanmar since 1996. The company is the largest onshore oil producer in Myanmar with two producing oil fields. It also owns two producing fields and one exploration site in Indonesia. Myanmar is a key market, having contributed to 86% of the company’s earnings before interest, taxes, depreciation and amortisation in the 2012 fiscal year. Based on its expanded drilling programme, we see near-term growth from higher production and further upside would come from exploration assets and bids for new licences.

Super Group

Super’s presence in Myanmar is represented by one packaging plant in Yangon in the Myothit Seik Kan Industrial Zone, Dagon Myothit Seik Kan Township. Established 15 years ago with their distributor through a 60-40 joint venture, Super’s mainstay coffee products have a presence of over 80% in the Myanmar market with more than 40% market share. The plant procures bulk non-dairy creamers and coffee powder from Super’s factories in China, Malaysia
and Singapore to package into finished goods. Annual packaging output is estimated to be 100-150 tons. Myanmar is the second largest revenue contributor in the branded consumer segment behind Thailand. According to our estimates, Myanmar sales currently contribute to more than 20% of branded consumer sales. We estimate that Myanmar’s contribution will grow at 15-17% per annum, driven by higher volume sales of coffee products and new product stock keeping units in the form of basic staple food items such as noodles, cereals, and other hot beverages like tea.

Fraser and Neave

FNN has a 55% stake in Myanmar Brewery Limited, which was established in 1995 and has grown into a market leader, with an estimated 60-70% market share. We estimate Myanmar Brewery Limited to account for around 10% of Group PBIT, though this is likely to taper down as contribution from other business segments, particularly development properties, pick up in the latter part of the 2013-14 financial year. We expect the opening up of the Myanmar market to stoke greater competition. Already, two international brewery groups – Carlsberg A/S and Heineken – have announced plans to partner local Myanmar companies and invest US$50 million and US$60 million respectively to build breweries and distribute their brands there. This could create pressure on Myanmar Brewery Limited, though in the near term, the distribution and brand strength could help it to defend its market share.

Ezion Holdings

Ezion secured its first and only Myanmar-related contract in February 2012. The charter contract worth US$118 million involves the provision of a service rig to French-based TOTAL in Myanmar over a three-year period. The rig is scheduled to commence work in the field of Yadana by early June 2013. We expect this project to contribute around 5% to Ezion’s 2013/14 financial year core earnings. Myanmar is one of the world’s oldest oil producers, having exported its first barrel in 1853. However, oil output is fairly small, at around 20,000 barrels/day, accounting for 0.02% of global oil production. Since late 2004, Myanmar’s authorities have intensified the opening of blocks to foreign companies, leveraging on their technology and capital to revive its oil and gas industry. We believe rising oil & gas activities in Myanmar and successful deployment of the service rig to TOTAL will underpin stronger demand for Ezion’s liftboat/service rigs in the region.

Parkson Retail Asia

Parkson Retail Asia opened a new 4,000 sq m store at FMI Centre in Yangon in May 2013. The store is a 70-30 joint venture with Yoma, which also owns the building. The joint venture has a tenancy agreement of up to 20 years with rental step ups every three to five years. Parkson
Myanmar has become a platform for various concessionaire brands to enter Myanmar. We expect breakeven to be immediate as we believe minimum guarantees from concessionaires will be able to sufficiently cover costs. Parkson could be looking to increase its retail area to 12,000 sq m in four years’ time.

**Yongnam Holdings**

Yongnam is currently bidding for two airport projects in Myanmar – the expansion of Yangon International Airport and development of the new Hanthawaddy International Airport. Changi Airport International Group and Japan-based JGC Corporation are partners. The consortium has been prequalified for both airport projects and has submitted a tender for Yangon International Airport. Tender for Hanthawaddy International Airport is expected to close at the end of May. Both projects allow the winning bidder the right to construct, operate and maintain the airports. Results for the Yangon International Airport bid will likely be announced in July. If Yongnam consortium wins the tender, we expect Yangon International Airport to contribute to earnings in the 2015 financial year.

**SingTel**

SingTel is vying for a telecommunications licence in Myanmar. The authorities in Myanmar began a process this year to potentially issue two permits as part of its efforts to liberalise the tightly controlled sector. SingTel has sent in its expression of interest and is awaiting further details on the bidding process and terms of the permit. SingTel is also partnering the Al Noor Group to distribute satellite-based technology and services in Myanmar. Under the pact, Singapore-based Al Noor, one of the largest importers of mobile phones in Myanmar, will help SingTel sell satellite phones, broadband internet and broadcasting services in Myanmar. At this juncture, we do not see much impact on share price as these are very small investments relative to the entire SingTel group.

**Tiong Seng Holdings**

Tiong Seng has signed a non-binding Memorandum of Understanding (MOU) with Shwe Taung Development, one of the most prominent corporations in Myanmar, to explore a possible joint venture to set up a precast plant in Myanmar. The MOU is timely and comes on the back of the Myanmar Ministry of Construction’s plan to build more than 1 million houses nationwide over the next 20 years. Residential construction accounts for 51%, or US$1.5 billion, of Myanmar’s total construction output. In Yangon alone, the yearly demand for affordable housing is 200,000 units, but only 20,000 units are supplied every year.
Amara Holdings

Amara is expanding its chain of hotels to Myanmar with a proposed joint venture to develop and operate a business hotel in the Dagon Township of Yangon. It has inked an MOU with Myanmar’s Youth Force Hotel and Youth Force Construction to develop hotels and engage in other real estate projects. The parties plan to establish a joint venture to collaborate on the development and operation of the hotel as its first project. The proposed total investment is estimated to be about US$50 million.

Sin Heng Heavy Machinery

Sin Heng has formed a 50-50 joint venture with Starhigh Asia Pacific in Myanmar. The group has also incorporated a subsidiary, SH Equipment (Myanmar), for the purpose of undertaking heavy equipment leasing, rental, distribution and sales in Myanmar.

WE Holdings

WE Holdings is proposing to incorporate a 50-50 joint venture company with Nay Win Tun, a prominent Myanmar businessman and the chairman of the Ruby Dragon Group of companies. The Ruby Dragon Group of companies is engaged in mining, manufacturing, agriculture, food & beverage, trading, and hospitality businesses across Myanmar and has over 3,000 employees.

ISDN Holdings

ISDN has entered into a non-legally binding MOU with Tun Thwin Mining to explore joint partnerships in energy opportunities in Myanmar. TTMCL is a Myanmar-based company engaged in the business of coal mining, processing and supply. TTMCL holds a concession to a coal mine located in Kalay District and a development permit for a 2 x 270 megawatt coal-fired power plant located at the mouth of the coal mine.
Country Profile

Myanmar

Geography
Region: Southeast Asia
Area:
- Total: 676,578 sq km
- Land: 653,508 sq km
- Water: 23,070 sq km

Demographics
Population: 55.17 million
Urban population: 34%
Languages:
- Burmese (Official)
- Minority ethnic groups have their own languages
Ethnic Groups:
- Burman 68%, Shan 9%, Karen 7%, Rakhine 4%, Chinese 3%, Indian 2%, Mon 2%, other 5%
Religion:
- Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, Animist 1%, other 2%
Main Cities:
- Yangon (Capital)
- Nay Pyi Taw (Administrative capital)
- Mandalay

Fiscal Year: 1 April - 31 March
Demonym: Burmese / Myanmar
Currency: Kyat (MMK)

Government
Official name: Union of Burma*
Government Type: Parliamentary government

Economic Indicators (US$) (2012 est.)
- GDP: $89.23 billion
- GDP (PPP): $1,400
- GDP - growth rate: 6.2%
- GDP by sector:
  - Agriculture: 38.8%
  - Industry: 19.3%
  - Services: 41.8%
- Labour force: 33.41 million
- Unemployment rate: 5.4%
- Below poverty line: 32.7% (2007 est.)

* Since 1989 the military authorities in Burma, and the current parliamentary government, have promoted the name Myanmar as a conventional name for their state; the US Government has not adopted the name, which is a derivative of the Burmese short-form name Myanma Naingngandaw.
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