

NEW FRONTIERS:

What an executive should know before landing in Myanmar

Myanmar market overview, industry assessments and challenges ahead
2013 V2.0 Edition

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MYANMAR AT A GLANCE

WHY BOTHER WITH MYANMAR?

- An untapped regional hub in a largely mature Asia
- Wholly new consumer market
- Many promising sectors providing attractive returns
- Large and educated workforce, investment incentives
- Proximity to major Asian markets: shipping, supplies

CURRENT STATE OF BUSINESS

- Lack of responsive, transparent and accountable regulatory framework
- Many major industries still owned by the state; privatization soon underway
- IP protection virtually non-existent

FOREIGN INVESTMENT AND TRADE

- Existing investors: China, India, Indonesia, Japan, Malaysia, Singapore, Thailand ■
- ~60% of Myanmar's exports, ~50% of imports are to/from Asia ■
- Key trade goods: agriculture, timber, and minerals ■



WHAT TO LOOK FOR ON THE HORIZON

- Significant changes in foreign investment law ■
- Creation of Industrial Zones and Special Economic Zones ■
- Privatization of state-owned industries ■

REMAINING QUESTIONS

- Will structural reforms be introduced to encourage private enterprise? ■
- Can the country resolve its long-running ethnic conflict? ■
- How will the economy respond to a flood of foreign investment? ■

TELECOMS

Myanmar's information and communications technology (ICT) sector is the most outdated in the ASEAN region. It will soon allow up to 5 licenses for foreign operators.



KEY INFORMATION AND MARKET HIGHLIGHTS

- Low mobile penetration rate of just 1.5% (around 800,000 subscribers), and Internet penetration rate of 0.2% (2012)
- The cost of ICT services is prohibitively high for the average Burmese citizen

OPPORTUNITIES

- Engage the government through training, advisory support, and investment in telecom infrastructure (i.e. mobile towers and broadband)
- The sector's development may create new or greater opportunities in areas like VoIP services and ICT training
- Demand for telecom services will grow due to young labour force with rising income, new business start-ups and restructuring of the financial sector

GOVERNMENT POLICY AND LEGISLATION

- The sector is largely controlled by businessmen who have close relationships with the former ruling Junta as contracts have been offered on non-transparent terms

CHALLENGES

Unstable politics and bottlenecks, such as:

- High handset prices (US\$45-600)
- SIM registration cost of US \$150-200
- Long waiting period (up to 2 years) and connection hurdles
- Poor network and coverage
- Lack of competition has hampered growth



TELECOMS 2010 -2011

	2010	2011
Fixed-line services		
Total number of subscribers	604,700	620,000
Annual growth	9%	7%
Fixed-line penetration (population)	1.2%	1.2%
Fixed-line penetration (household)	5%	6%
Internet		
Total number of subscribers	30,000	40,000
Annual growth	20%	33%
Internet subscriber penetration (population)	0.06%	0.08%
Mobile services		
Total number of subscribers	594,000	680,000
Annual growth	18%	14%
Mobile penetration (population)	1.2%	1.4%



International payment cards will replace cash and government to allow joint ventures with foreign banks

BANKING

- The World Bank will provide Myanmar with a \$397m loan and \$85m in grants so it can start paying off its debts
- U.S. banks wishing to do business in Myanmar must apply for a “general license” in Washington, which may take weeks or months



OPPORTUNITIES

- Foreign banks can work with local banks to offer more services to lift the performance of the financial sector
- Foreign banks may consider securing branch licenses, which could fuel domestic growth by providing commercial and project financing services
- Foreign banks may be allowed to operate fully in Myanmar within the next two to three years. This seems to be achievable given the current rate of liberalisation
- A proposed new foreign exchange law will make it easier for foreign financial institutions to operate in the country. It will provide greater freedom in sending and withdrawing foreign currencies

CHALLENGES

- Companies should be prepared to self-finance investments as financing is limited until sanctions are fully lifted
- Many exporters face issues regarding the strength of Myanmar's currency, which is affecting export competitiveness
- The financial industry is still very underdeveloped due to the government's tight controls

PRIVATE BANKS IN MYANMAR

- | | |
|-----------------------------|---|
| ▪ Myanmar Citizens Bank Ltd | ▪ Kanbawza Bank Ltd |
| ▪ Co-operative Bank Ltd | ▪ Asian Yangon International Bank Ltd |
| ▪ Yadanabon Bank Ltd | ▪ Myanmar Industrial Development Bank Ltd |
| ▪ First Private Bank Ltd | ▪ Sibin Tharyaryay Bank Ltd |
| ▪ Myawaddy Bank Ltd | ▪ Innwa Bank Ltd |
| ▪ Yangon City Bank Ltd | ▪ Asia Green Development Bank Ltd. |
| ▪ Yoma Bank Ltd | ▪ United Amara Bank Ltd. |
| ▪ Myanmar Oriental Bank Ltd | ▪ Myanmar Apex Bank Ltd. |
| ▪ Tun Foundation BankLtd | ▪ Ayeyarwady Bank Ltd |



PUBLIC INFRASTRUCTURE



KEY ISSUES

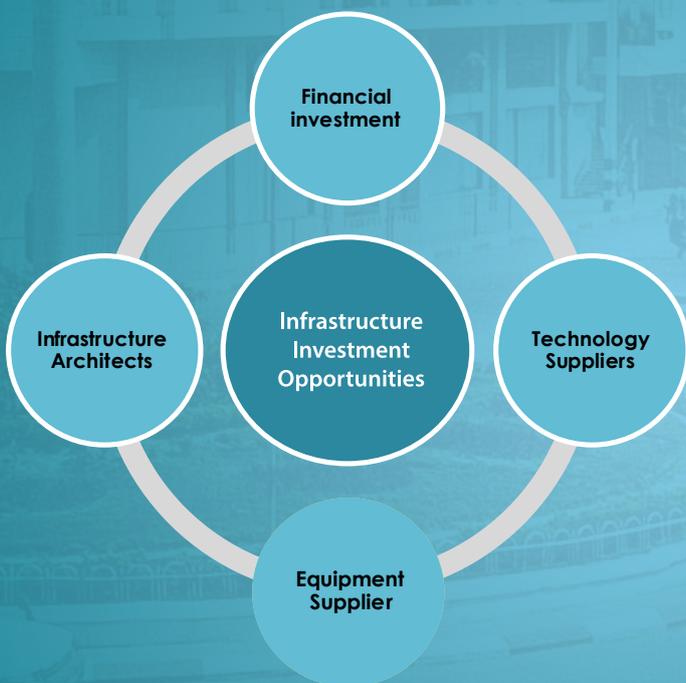
- Significant investments are needed to repair transport, energy and telecommunications
- Severely underdeveloped transport, logistical links and power
- Ethnic rebel groups continue to attack government infrastructure

GOVERNMENT REGULATIONS TOWARD INVESTMENT

- The Special Economic Zone (SEZ) Law and the Dawei Special Economic Zone Law plan to make doing business easier by offering incentives like tax exemptions
- Basic infrastructure projects with short time frames, local community benefits, and low environmental impact will face lower regulatory and contract risk

OPPORTUNITIES

- Infrastructure development will create opportunities for busses and trains as the country modernizes its public transport systems
- Myanmar welcomes institutions with experience in urban development and planning
- Sustainable urban development can be a differentiating factor for architectural firms
- Foreign investment in infrastructure projects may lead to a boom in the property market



Myanmar's public infrastructure will require tremendous investment, but opportunities for international firms to participate directly may be scarce

Source: The Diplomat

SHIPPING AND TRANSPORT

Using Myanmar as an alternate shipping route can save US\$80,000 per ship.



POTENTIAL FOR MYANMAR'S PORTS

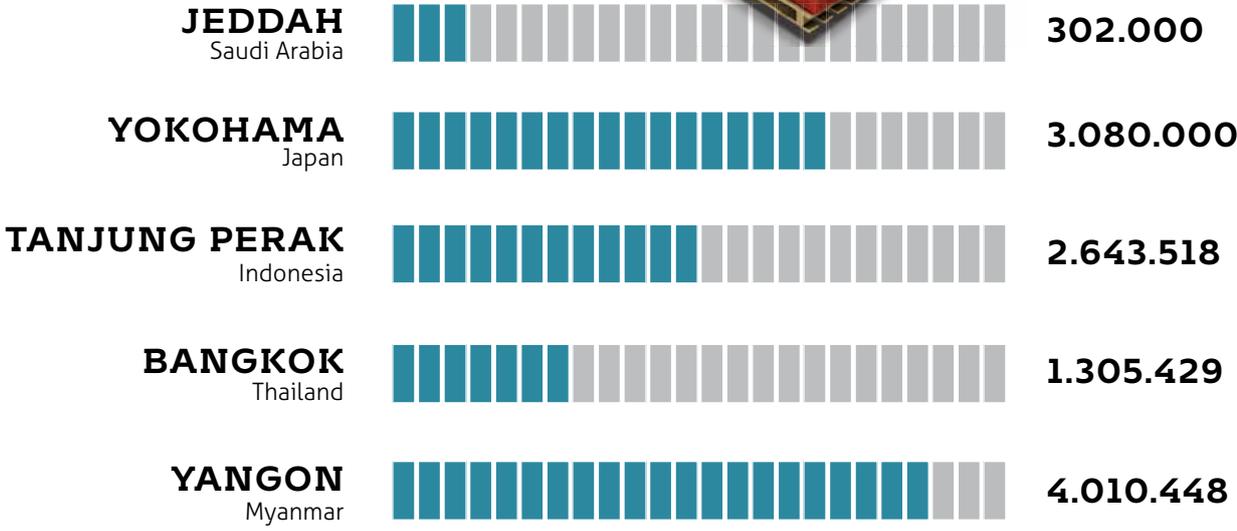
- Infrastructure construction and industrial activity are likely to increase given the demand for bulk cargo and liquid bulk cargo ports
- Inland there is a need for logistics services, container depots and freight stations. This presents opportunities for companies with operations and management expertise
- The infrastructure construction opportunities will attract interest from engineering, procurement and construction (EPC) companies
- In five years' time, the capacity of Dawei deep sea port is expected to rival the capacity of Singapore

CHALLENGES

- Current port capacity pales compared to the major ports in Asia
- May have difficulty handling deep-sea vessels, and increased economic development will bring additional congestion

Country	Reason for investing in Myanmar	Result
Thailand	Developing deep sea ports and industrial complexes at Dawei	New international trade route
China	Undertaken the deep sea port at Kyauk Phyu and the pipeline to Yunnan Province	New logistics route to supply energy
India	Developing the port of Sittway	Gateway to northeast India

PORT CONTAINER TRAFFIC (TEUs)



Source: CLSA Asia Pacific Markets



OIL & GAS

Myanmar's gas reserves are relatively small, but privatization of oil refineries will attract foreign investors.





OPPORTUNITIES

- Foreign investors are targeted because local businesses lack experience and technology
- Myanmar has already awarded 10 of its 18 onshore oil and gas blocks
- Development of Myanmar's energy resources will provide new source of energy for the region. Gas is already Myanmar's biggest export

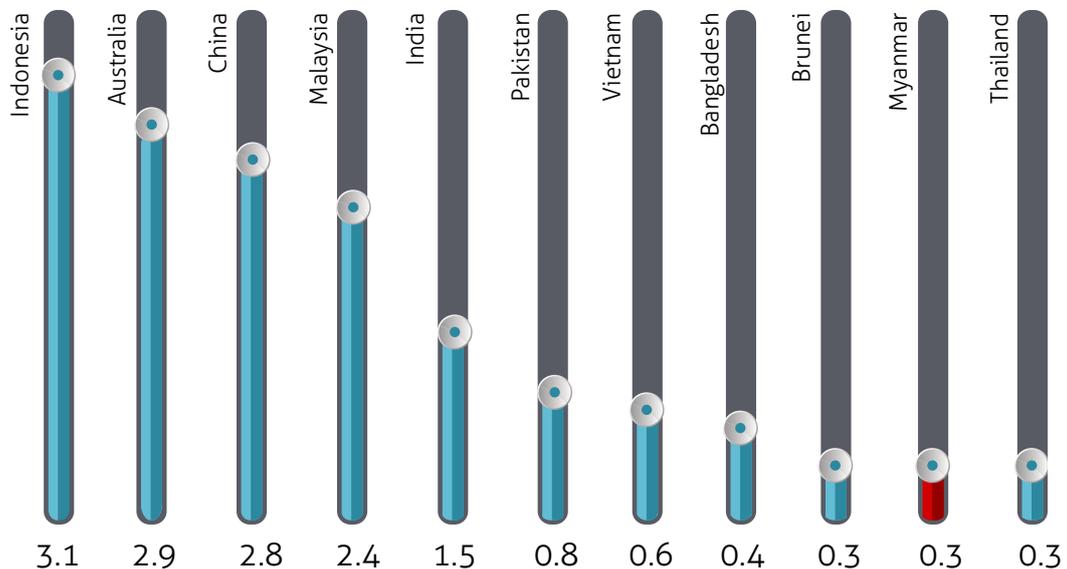
CHALLENGES

- Offshore operating companies may face political risks when they transfer their product onshore
- Local communities gain no benefits or compensation

GOVERNMENT REGULATIONS

- Foreign companies need to create joint ventures with local partners to receive a license for exploration
- Myanmar's new foreign investment law permits foreign companies to lease land and grants them legal protection from nationalization

NATURAL GAS: PROVEN RESERVES - CUBIC METERS (TRN)



Source: CLSA Asia Pacific Markets

NATURAL RESOURCES

Myanmar's massive mineral and gem resources are valued at billions of dollars



OPPORTUNITIES

- Myanmar mineral resources include tungsten, tin, zinc, silver, copper, lead, coal, gold and industrial minerals. It is the largest jade producer in the world
- Ministry of Mines expected to privatize most state-owned operations
- 7 foreign companies from Australia, China, Russia, Thailand and Vietnam are already mining for metals

CHALLENGES

- Natural resource control is a major cause of conflict
- Increase in foreign investment could trigger new environmental regulations
- Minister of Energy wants to change the country's foreign investment focus away from oil and gas towards more job-intensive sectors

REGULATION

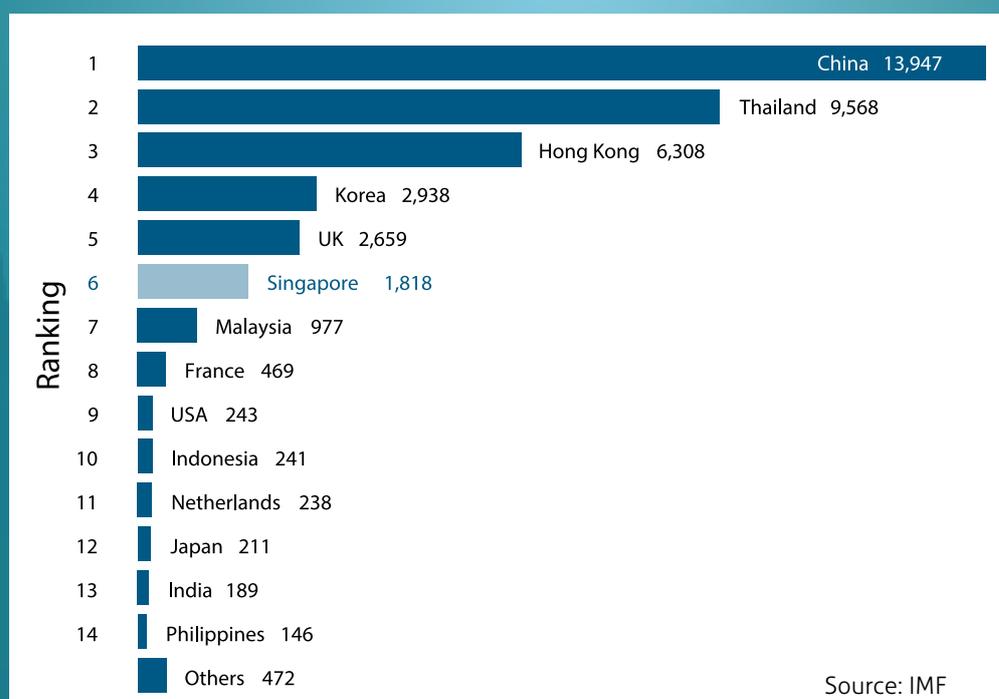
- Local companies need a strong foreign partner with a proven track record of exploration and production to secure exploration rights
- Two-tier system: local companies are entitled to exploration licenses that last one year and require renewal, whereas foreign companies can get up to a five year exploration license
- Nevertheless, the Ministry is unlikely to give licenses to foreign companies that do not have a local partner (minimum 25% equity)

FDI BY SECTOR

Sector	Total Number of Companies	Approved Amount (US\$M)	%
Power	4	14,530	40.3
Oil & Gas	104	13,816	38.3
Mining	64	2,794	7.8
Manufacturing	159	1,752	4.9
Hotel & Tourism	45	1,065	2.9
Real Estate	19	1,056	2.9
Livestock and fisheries	25	324	0.9
Transport and communication	16	313	0.9
Industrial estate	3	193	0.5
Agriculture	7	173	0.5
Construction	2	38	0.1
Other	6	24	0.1
Total	454	36,078	100

Source: Myanmar Ministry of Commerce

CUMULATIVE FDI INTO MYANMAR FROM 1989 TO 2012 (US\$M)



Source: IMF



Foreign investors will be attracted to this sector due to Myanmar's tax breaks and exemptions

INDUSTRIALS

- This sector accounts for only about 11 percent of the GDP and employs only 10 percent of the total labour force
- It is the goods-producing segment of the economy, including agriculture, construction, fisheries, forestry and manufacturing



OPPORTUNITIES

- The garment and apparel industry is a potential low-cost manufacturing base attracting investors with low overheads and wage rates
- Several industrial laws including special economic zones providing incentives have been set up making operating a business less difficult
- The abundance of low-skilled labour means that investors can expand the sector which, prior to the sanctions, exported US\$860 million of clothing a year at its peak

CHALLENGES

- Much of the industrial sector, especially heavy industry, is still controlled by the government, although the share of private enterprise in this area is steadily growing
- Slowing demand resulting from the global financial crisis has begun to have a dramatic effect on Myanmar's industrial sector
- Job orders from the EU and Japan, which together with Latin America account for all Myanmar's garment exports, are dramatically decreasing

SPECIAL ECONOMIC ZONES

Zone	Target clusters
Dawei Special Economic Zone	Low tech industries: textiles, garments, footwear, furniture, glassware, toys
Kyaukpyu Economic and Technology Zone	Medium tech industries: automobiles, chemicals, machinery
Thilawa SEZ	High tech industries: electronics, pharmaceuticals, biotechnology, precision instruments and aerospace

TRADING

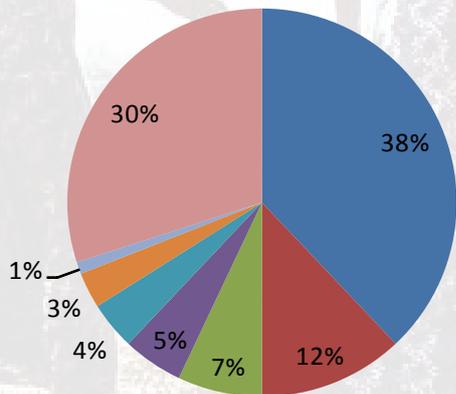
Myanmar sells resources and low value-added materials to import oil, machinery, and electronics.

- Shipping, logistics, infrastructure and hospitality will all benefit from the additional trade that is expected to come from Myanmar's opening
- Myanmar imports from China, Thailand, Singapore, South Korea, Malaysia and Indonesia (in declining order)
- Its export partners are: Thailand, India, China, Japan, Malaysia, the EU, South Korea and Vietnam (also in declining order)





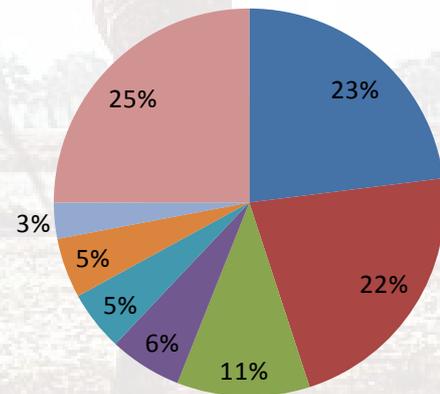
EXPORT PRODUCTION BY VALUE



- Gas
- Wood
- Rice & Maize
- Rubber

- Pulses, beans & seeds
- Garments
- Seafood
- Others

IMPORT PRODUCTION BY VALUE



- Oil & coal
- Manufactured goods
- Electronics
- Fabrics

- Machinery & transport eqpt.
- Chemicals and plastics
- Vegetable oils
- Others

Source: Eurostat

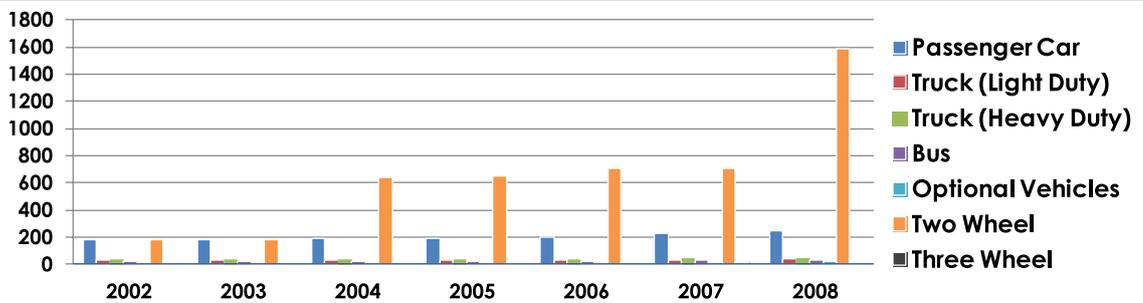




AUTOMOTIVE MARKET

Two-wheelers make up the vast majority of vehicles running on Myanmar roads.

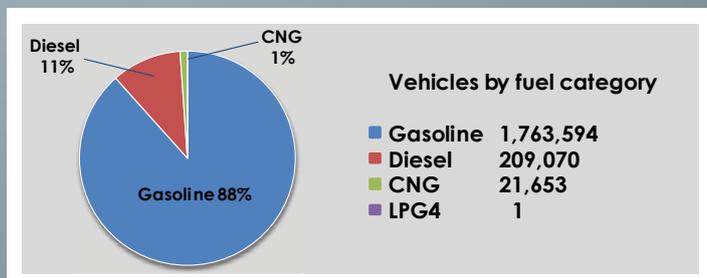
Two wheelers in circulation have grown by CAGR 41% since 2002 to reach ~1.6 million. Sales have been boosted by low tariffs on foreign vehicles



Number of vehicles in circulation (as of December 2008)

1,994,358
UNITS

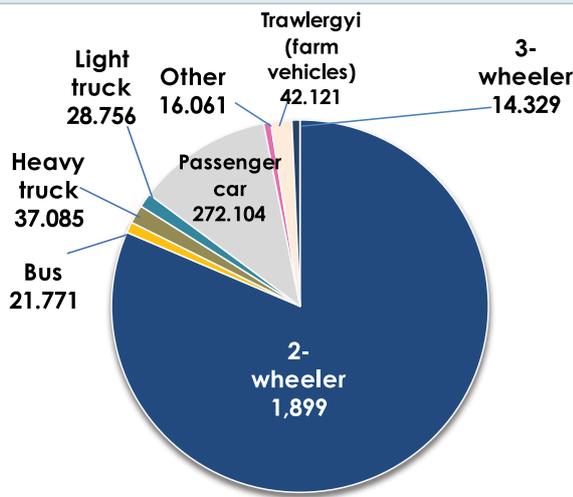
Total number of vehicles, Dec 2008



Source: Regional EST Forum

MYANMAR MARKET SIZE OF VEHICLES IN CIRCULATION HAS INCREASED BY CAGR 5% BETWEEN 2008 AND 2011

Number and type of registered vehicle in Myanmar (in ,000, 2011)



81%

of total registered vehicles are two-wheelers, due to the country's extremely low tariffs on imported motorcycles, at only 5 percent.

9.3%

The 2011/2012 y-o-y passenger vehicle segment grew at 9.3%, while the commercial vehicle segment grew at 4.4%. Two wheelers grew at 10.9%.

KEY INSIGHTS

- Used imported vehicles still dominate the roads. The infrastructure for new auto sales is only beginning to form
- Passenger vehicles are mainly imported from Japan*, due to their abundant spare parts and durability. Korean and Chinese brands have also been gaining market share in recent years due to their low prices

Source: Department of Road Transportation, World Bank, Bangkok Post

* Note: Toyota, Nissan, Honda, Isuzu, Mitsubishi are dominant imported brands





LUBRICANT MARKET

MYANMAR LUBRICANT MARKET IS FRAGMENTED WITH A FEW PROMINENT PLAYERS

Caltex has been in the market for a long time and is the brand of choice in the premium segment.

Lubricant market is already competitive in Myanmar

- About 100 brands in the market
- Market segmented into 3 categories:
 1. High-end (Caltex)
 2. Middle (Apoil, Falcon)
 3. Low-end (Solar - SP)

There are 4 standard packaging sizes commercialized in Myanmar.

Lubricants are available in sizes from 1 L to 27L

- 1 liter – Popular for 2 wheelers
- 5 liters – popular for petrol cars
- 6 liters – popular for diesel cars
- 25 – 27 liters – Trucks and large vehicles

THREE MARKET SEGMENTS WITH SIGNIFICANT PRICE DIFFERENCES

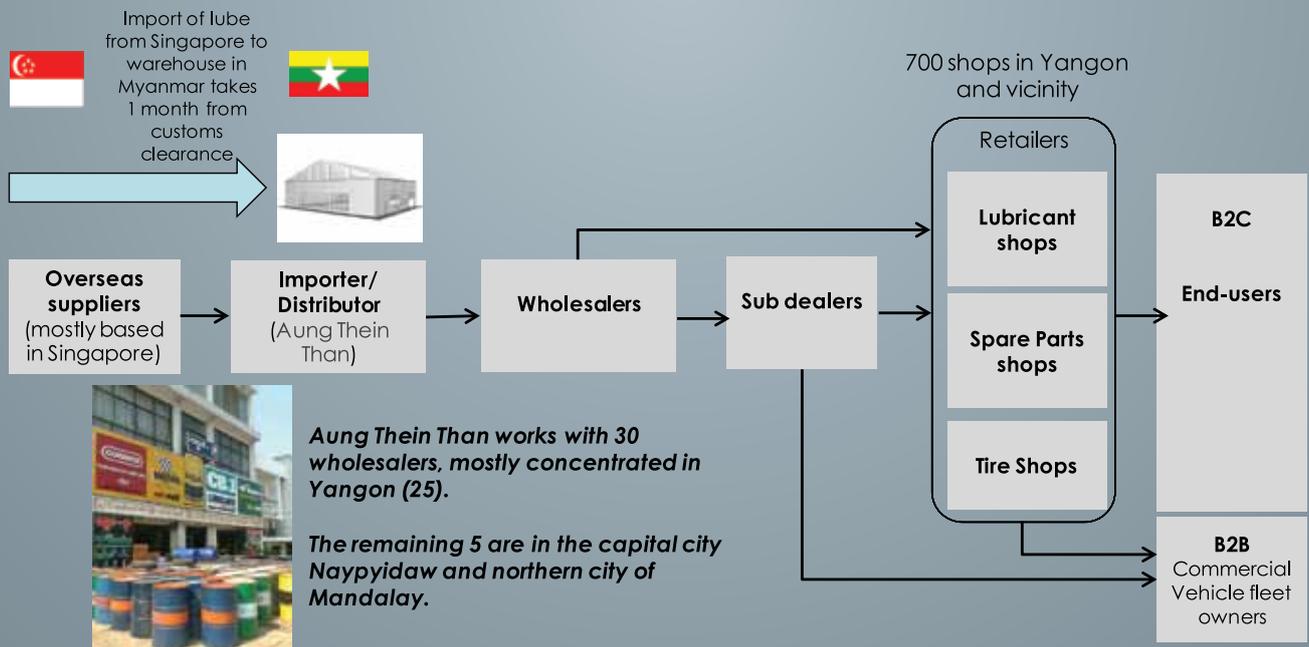
			
Price per Liter	2,000 Kyat \$2.3	3,000 Kyat \$3.5	4,000 Kyat \$4.6

Source: Solidiance interviews, Aung Thein Than

MYANMAR LUBRICANTS DISTRIBUTION CHANNEL: ONLY A FEW LARGE IMPORTERS / DISTRIBUTORS HAVE COMPREHENSIVE MARKET COVERAGE

Example of Aung Thein Than – one of the largest lubricant distributors in Myanmar.

Distributor for:

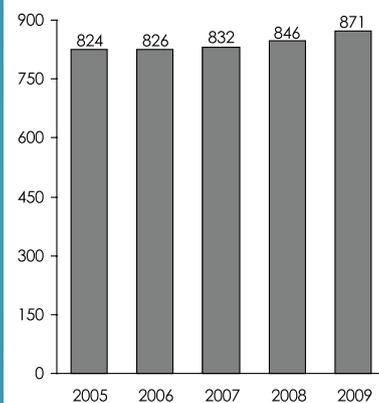




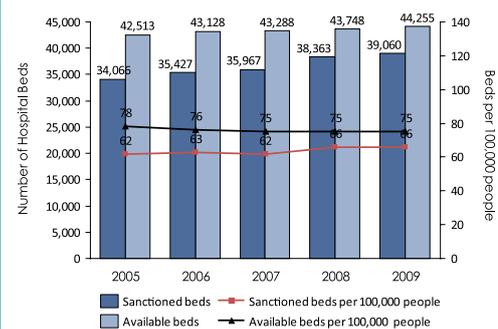
MYANMAR HOSPITALS

Private investment is beginning to fill some of the many gaps in Myanmar's public health system. Expect private hospital and clinic investment to continue even as the government aims to provide universal basic healthcare.

Number of Public Hospitals, 2005-11



Public Hospital Beds, 2005-09



Source: 'Annual Hospital Statistics Report 2009', Department of Health Planning, Ministry of Health, Myanmar, Nov 2011; Taiwan Trade Centre

- Myanmar had 871 public hospitals as of Dec 2009 with ~44,000 available beds
- As of December 2010, 103 private hospitals (87 general and 16 specialist), 192 special clinics, and 2,891 general clinics were licensed to provide services
- Besides public hospitals, Myanmar also has 86 Primary and Secondary Health Centers, 348 Maternal and Child Health Centers, 1,504 Rural Health Centers, 80 School Health Teams, 14 Traditional Medicine Hospitals, and 237 Traditional Medicine Clinics (Dec 2009)
- As per WHO's reports, Myanmar's hospital infrastructure is backward compared to neighboring ASEAN countries



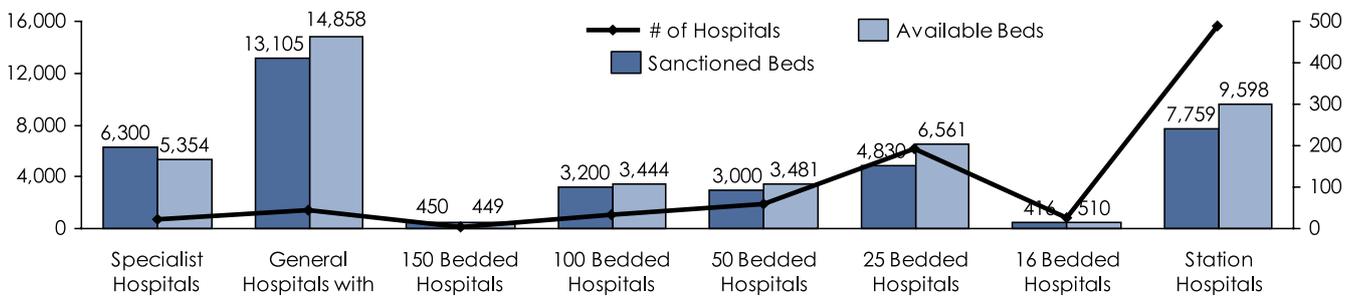
MYANMAR PUBLIC HOSPITALS

REGIONAL SPLIT AND SIZE, 2009

- Top-4 regions – Mandalay, Ayeyarwady, Yangon, and Sagaing – account for 50% of the population, ~40% of hospitals and ~54% of available beds
- Average available beds per hospital in Myanmar is ~51; however, the ratio is skewed in Mandalay and Yangon with 75 and 122 beds per hospital, respectively
- Larger hospitals in Myanmar comprise Specialist and General Hospitals with Specialist Services with 250-300 beds each. However, bulk of hospitals (~500) are station hospitals with 20 beds each

	Population ('000)	% of Population	# of Hospitals	Sanctioned Beds	Available Beds	Available Beds per 100,000 People	Daily Use of Beds per 100,000 People
Mandalay Region	8,295	14.0%	96	7,230	7,264	88	43.9
Ayeyarwady Region	8,113	13.7%	86	2,894	3,476	43	19.8
Yangon Region	6,921	11.7%	78	9,332	9,588	139	86.8
Sagaing Region	6,458	10.9%	92	2,856	3,706	57	26.3
Others	29,477	49.6%	519	16,748	20,221	1,103	372
Total	59,264	100.0%	871	39,060	44,255	1,430	549

~50% of total population



Available Beds per Hospital	Specialist Hospitals	General Hospitals with Specialist Services	150 Bedded Hospitals	100 Bedded Hospitals	50 Bedded Hospitals	25 Bedded Hospitals	16 Bedded Hospitals	Station Hospitals
	243	323	150	108	58	34	20	20

OPPORTUNITIES AND CHALLENGES

MYANMAR HEALTHCARE SECTOR OPPORTUNITIES AND CHALLENGES



SMALL PRIVATE SECTOR

- The government allowed Private Hospitals and Private Health Care Services to register in 2010
- By December 2010, only 103 private hospitals (87 general and 16 specialist) existed in the country compared to ~900 public hospitals
- With the opening of the economy in 2012, several new private hospitals are expected to open with collaboration / support from foreign players as well

GROWING HEALTH FINANCING

- Myanmar's health financing is aimed towards providing universal coverage. To achieve this, the government aims to increase health financing from ~2% GDP currently to at least 4-5% of GDP
- Hospitals account for ~70% of the total health financing followed by ambulatory health care at ~17% - an increase in government's health financing is expected to grow the hospital industry in Myanmar

IMPROVEMENT IN INFRASTRUCTURE

- Significant investment is required to improve the facilities and equipment in hospitals, provide adequately trained staff, and bridge the regional divide in hospitals across the country

TRADITIONAL MEDICINE

- One of the unique features of Myanmar's hospital system is the existence of traditional medicine along with allopathic medicine
- 14 traditional medicine hospitals (public) and 237 traditional medicine clinics (public), complement the public-private allopathic medical system

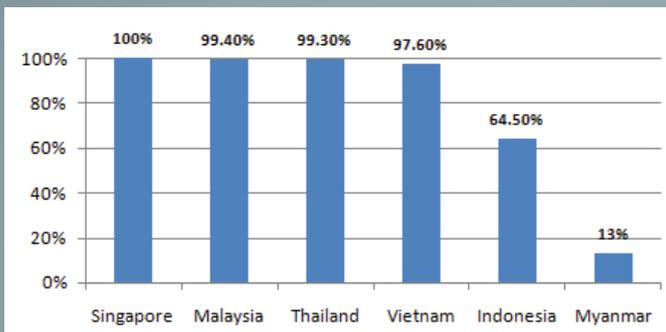
MYANMAR - ENERGY & POWER AT A GLIMPSE

- The electrification ratio in Myanmar is 13%, significantly below other South East Asian nations
- 70% of energy is generated from hydro power plants
- Due to poor connectivity to the power grids, many rural areas still rely on diesel generators
- Electricity demand is projected to grow at an annual rate of 12% over the next 10 years
- Myanmar plans to meet demand through the development of more power generation units, in particular, hydro power plants



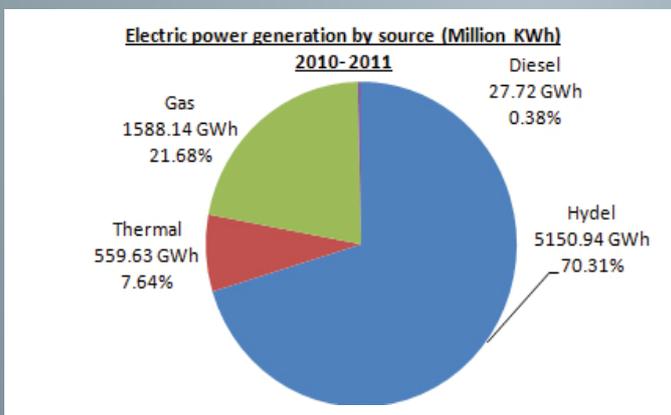
MYANMAR - ENERGY & POWER PLAYING CATCHING UP

Much of Myanmar's development is held back by its poor power infrastructure, but its improvement is a top government priority and major international investment is expected.



Electrification Ratio in Myanmar, 2009

- As of 2009, the electrification ratio¹ stood at 13%, significantly behind its South East Asian neighbours
- In 2012, Myanmar had an estimated installed power capacity of 2,254 MW that has grown annually at a rate of 10% since 2007



- Up to 70% of the power generation capacity is from the 18 hydropower plants which generate up to 1,270 MW during the rainy season and 1,000 MW during the dry season
- Hydro generated electricity is comparatively cheap (sale price to Ministry of Electric Power is 20 kyats/kWh) compared to combined-cycle gas turbines (at 130 kyats/kWh)

¹Defined as the number of electrified households connected to the grid over the total number of households

- Diesel generated power is the key source of power in many parts of rural Myanmar that lack utility grids. However, diesel fired generator sets also cater to the power requirements of urban areas during power outages
- In May 2012, the Myanmar government bought 52 heavy duty generators from multinational companies such as GE, Caterpillar and Japanese firms as a result of the nationwide rolling blackouts

It will take many years for Myanmar's power infrastructure to match that of its ASEAN peers. Until then, privately-owned generators will be necessary to run much of the country.



- Thilawa, Kyauk Phyu and Dawei are the first three Special Economic Zones ("SEZ") to be set up in Myanmar
- To meet the energy requirements of the 3 SEZs, Myanmar is currently constructing (and planning for further) numerous hydro power plants
- Many of these hydro power plants will be in the north, hence high voltage transmission lines will also be built to supply energy to the main economic centres in the south

DAWEI

- A deep sea port and industrial estate which includes a coal-fired power plant, oil and gas refinery and storage, downstream petroleum industry and also a medium and light industry zone

KYAUK PHYU

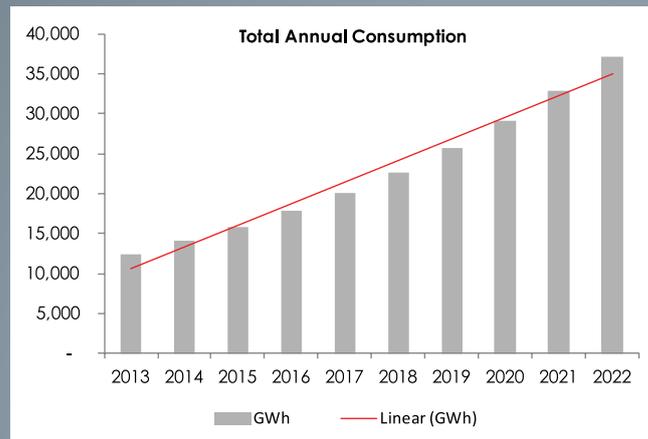
- A deep sea port and a gas pipeline project to Kunming, China

KYAUK PHYU

- An industrial estate that is located close to Yangon

MYANMAR - ENERGY & POWER

PROJECTED DEMAND AND FUTURE PROJECTS



- Myanmar Electric Power Enterprise ("MEPE") projects for annual consumption to grow at a CAGR of 12% in the next 10 years or so. This is based on the assumption that GDP grows 10.5% per annum with a population growth rate of 1.1%

Table A6.1 Estimated Growth in Power Demand

Year	Individual Consumption (kilowatt-hour)	Total Annual Consumption (gigawatt-hour)	Maximum Demand (megawatt)
2012-13	203.90	12,459	2,155
2013-14	227.04	14,025	2,426
2014-15	252.91	15,795	2,732
2015-16	281.86	17,797	3,078
2016-17	314.91	20,102	3,477
2017-18	351.99	22,717	3,929
2018-19	393.61	25,683	4,442
2019-20	440.35	29,049	5,025
2020-21	492.88	32,873	5,686
2021-22	550.13	37,096	6,416

Source: Ministry of Electric Power.

Asian Development Bank, Myanmar Ministry of Electric Power

Myanmar will meet most of its increased power demand through hydro projects. The country's valuable coal and gas are primarily used for trade with countries like China.





- To cope with the expected increase in annual consumption in the next 3 years, MEPE will be launching specific measures including:
 - Increasing energy purchased from hydro power plants
 - Increasing generation capabilities of existing hydro power plants
 - Construction of transmission lines from generation sources to demand drivers
- Hiring of mobile gas turbines
- Construction of new hydro power plants and gas turbine combined cycle ("GTCC") plants
- In the long term, MEPE expects 5 hydro power plant projects (which are already under construction) to be completed after 2016, which will collectively supply an additional 5,527GWh

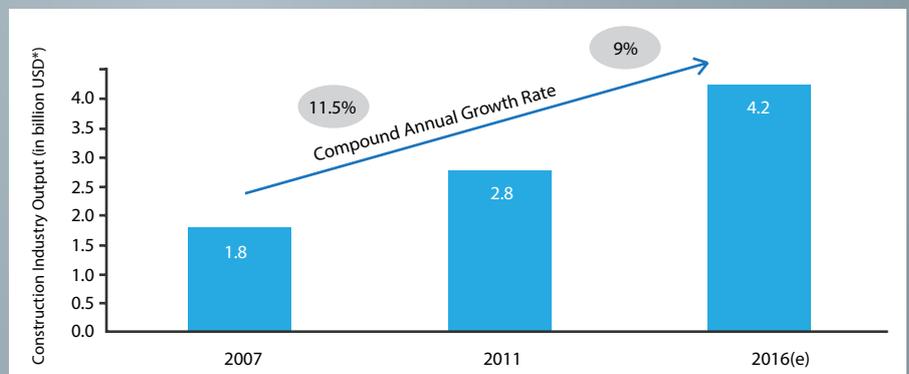


THE CONSTRUCTION INDUSTRY IN MYANMAR

KEY MYANMAR CONSTRUCTION MARKET INSIGHTS



Myanmar's construction boom actually began half a decade ago but is expected to continue to grow for years to come.



- The construction industry in Myanmar is currently valued at approx. US\$ 2.8 billion and is expected to grow at a CAGR of roughly 9% until 2016 to reach US\$4.2 billion
- Industry growth was robust in the past 5 years because of increased investment opportunities in energy and public infrastructure projects with inflow of FDI from Thailand, Vietnam, China, Singapore & Malaysia
- The growth from 2012-16 will be driven by investments across all segments – rising interest in residential construction, government's focus on infrastructure development, construction of office buildings and hotels (especially since the 2013 Southeast Asian Games and 2014 Asian Summit will be held in Myanmar) as well as construction of industrial zones and SEZs to support industrial development

RESIDENTIAL / COMMERCIAL CONSTRUCTION IN MYANMAR

RESIDENTIAL / COMMERCIAL SECTOR

- Residential construction market constitutes about half the industry value at roughly \$1.4 billion in 2011
- There is tight supply and strong demand in residential, office, hospitality and retail sectors
- Both foreign and local investors are building low-cost housing projects initiated by the government (such as Ayeyar Wun and Yadana housing projects)
- Construction of high-rise buildings – both office buildings and residential condominiums - is on the rise with increasing foreign investment. While most construction companies used to build 12-16 storey buildings – recent projects extend up to 35 storeys

RETAIL SECTOR

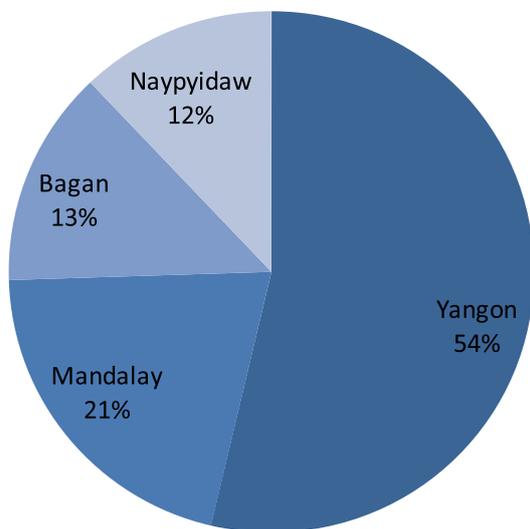
- The retail market is immature with only a small number of shopping malls and supermarkets. The current retail landscape is usually limited to small shop houses
- Many Japanese supermarket and convenience store chains are looking to set up in Myanmar following a new FDI law that has eased foreign entry into the retail sector
- Foreign investors in supermarkets and malls are allowed to operate on the condition that they are not located in proximity to existing locally-run outlets

Expect Myanmar's urban skylines to change as high-rise residential building becomes the norm. Supermarkets, hypermarkets, and shopping malls are now possible following a regulation change.



THE HOSPITALITY SECTOR IN MYANMAR

Yangon alone will more than triple its hotel rooms in the next five years. Mandalay, Bagan, and Naypyidaw will also be hotspots for hospitality investment. Current prices for hotel rooms reflect the very tight supply. Even basic accommodations can run US\$150/night.



Hotel rooms supply in Myanmar (2011)

City	Hotel Rooms
Yangon	8,000
Mandalay	3,100
Bagan	2,000
Naypyidaw	1,800

HOSPITALITY SECTOR

The hospitality sector is expected to experience tremendous growth over the next 5-10 years because of a serious shortage of hotel rooms and the increase in foreign tourists and businesspeople visiting the country.

- The supply of hotel rooms in Yangon, which is around 8,000 rooms at present, is expected to increase by over 30% year-on-year until 2016
- New hotel zones are planned for all major cities. The government recently allocated land (roughly 2,200 hectares) near Mandalay at Tada-U for foreign and local investors to build hotels and shopping malls. It is expected to draw up to \$560 million in investment
- Foreign investment is required for infrastructure development, hotel construction as well as hospitality training that meets international standards

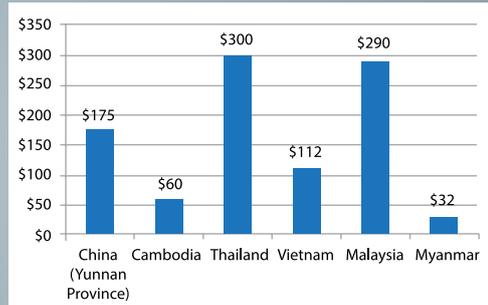
Source: Ministry of Hotels & Tourism, Myanmar

INDUSTRIAL CONSTRUCTION IN MYANMAR

Myanmar's industrial construction is fairly limited. Unlike industrial powers like China or Thailand, Myanmar's output is heavily focused on raw materials with little value-added processing.

Key industry sectors

- Agriculture, wood and wood products
- Metal
- Oil & natural gas
- Garments
- Gems & stones



Minimum monthly wage, January 2013

CHALLENGES

- Higher costs of doing business may result due to lack of proper infrastructure (ranked 129th out of 155 countries on Logistics Performance Index)
- Lack of skilled technicians
- Power shortages
- Underdeveloped banking system
- High levels of corruption
- The industrial construction market constitutes roughly 14% of the total industry value in 2011

OPPORTUNITIES

- Rich in natural resources
- Favorable geographic location in Southeast Asia
- Abundant labor supply
- Availability of low cost labor force
- Investment and tax incentives offered by the government for manufacturing established in special economic zones (SEZs)

*Chinese province bordering Myanmar





NEXT STEPS

Chief consideration: economic growth vs. industry opportunity.

Investment can skyrocket and manufacturing can boom but economic development takes many years. Is there actual demand for your products and services in Myanmar or is it merely potential? Search for evidence of growth in industries similar to yours. If those industries are growing, it is likely demand for your goods and services is growing as well.

Smart investment requires more than a growing macro environment in an emerging economy.



BEFORE INVESTING, HAVE YOU...

... LEARNED THE RELEVANT REGULATIONS?

- What is the process for making a foreign investment?
- What incentives are available for foreign investment today?
- How might a foreign company do business in Myanmar without establishing a presence there?

... CONDUCTED A FEASIBILITY ANALYSIS OF YOUR IDEAL SECTOR?

- What is your expected ROI in 1, 5, and 10 years?
- Is there a large enough local talent pool for your operations?
- How does the bureaucracy view your industry?
- Are your team's local language skills adequate to perform?
- Will your HQ tolerate poor communication connectivity with its Myanmar operations?

... FOUND RELIABLE PARTNERS?

- Strategy consultants
- Lawyers
- Ad agencies
- Governmental lobbies
- Accountants
- Existing businesses
- Cultural guides



CONTACT US

When your company is ready to investigate Myanmar market opportunities, contact one of our offices near you or send us an email: info@solidiance.com

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ABOUT SOLIDIANCE

What We Do

We help multinational clients understand the Asian market landscape by profiling industries and competition, sizing the markets, segmenting customers, analyzing distribution channels, determining the best locations, preparing investment feasibility studies, identifying suppliers, reviewing potential joint ventures or acquisitions, and delivering market entry and growth strategy in Asia.

Our Focus

Our industry experience

is centered on industrial applications, green buildings, cleantech, technology, and healthcare. Our Asian market entry and growth strategy services provide the required insights and the necessary roadmap to capture a profitable market share in the region.

Specialties

Asia marketing & competitive strategy, innovation consulting, market intelligence, market entry & growth strategy, B2B research, pricing & distribution strategy, M&A due diligence

Additional Details

Solidiance has offices in China, India, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam. We are expanding quickly and are always on the lookout for exceptional people





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