KYAUK PHYU
SPECIAL ECONOMIC ZONE DEVELOPMENT
Road Show, Yangon, MYANMAR
Agenda

1. Why Kyauk Phyu?
2. Background
3. Industrial Park
4. Integrated Residential Area
Why
Kyauk Phyuu?
Agenda

1. Why Kyauk Phyu?
2. Background
3. Industrial Park
4. Integrated Residential Area
1.2 Background – Location
Opportunities

- Geographical advantage as a gateway to serve the hinterland of Myanmar, Eastern India and South-western China
- Only natural deep sea port in Myanmar
- Spillover of industries from the nearby SEZs which are near saturation
1.2 Background – Strengths

**Strengths**

- Abundant natural resources
- Labour resource with lower cost base
- Sufficient land resources for development
1.2 Background – The Economic Engine of KP SEZ

- Fulfil urbanization needs of Kyauk Phyu/Myanmar
- Process raw materials for local consumption

- Investment in Fixed Assets
- Transfer of technologies
- Develop higher skills

- Generate jobs for local
- Befit local skill sets
- Export oriented

Kyauk Phyu Special Economic Zone Development Plan (Tender No: KPSEZ 001/1314)
1.2 Background – The Development Framework of KP SEZ

- Manufacturing
- Processing
- Logistics
- Supply Base

Inclusive (create jobs, local participation)
Economically Sustainable
Environmentally Sensitive
1.2 Background – Development Suitability Analysis

- **Protect Environment**
  - Protected areas
  - Catchment areas
  - Eco-tourism areas

- **Reduce construction cost**
  - Flat terrain (below 10%)
  - Avoid wetland
  - Avoid low land

- **Access to infrastructure**
  - Proximity to town/infra.

- **Minimise impacts on existing settlements**
  - Reserve land
  - Proximity to ports

- **Minimise risk**
  - Away from possible environmental risk
  - Avoid existing villages
  - Location with minimal impact on environment
  - Location with minimal construction costs
  - Location with maximum access to infra
  - Location with minimal impact on existing settlement
  - Location with minimal risk

*Kyauk Phyu Special Economic Zone Development Plan (Tender No: KPSEZ 001/1314)*
1.2 Background – The Master Plan

Development Area: 19.51 km²

Illustrated plan is for marketing purpose only. Detailed Master Plan will be available in the EOI document.

Kyauk Phyu Special Economic Zone Development Plan (Tender No: KPSEZ 001/1314)
Agenda

1 Why Kyauk Phyu?
2 Background
3 Industrial Park
4 Integrated Residential Area
1.3 Industrial Park – Proposed Location

- Located south of the Kyauk Phyu town, north-east of the proposed Integrated Residential Area and west of the proposed port
- 85% of the land is located on flat terrain with gradient below 10%
- 1,000 hectares for Phase 1 development

Illustrated plan is for marketing purpose only. Detailed Master Plan will be available in the EOI document.
1.3 Industrial Park – Existing Site Conditions

Panoramic view of the proposed industrial park’s site
Agenda

1 Why Kyauk Phyu?
2 Background
3 Industrial Park
4 Integrated Residential Area
Integrated Residential Area
– Proposed Location

- Located close to the north-western shore of Yanbye Island
- Bounded by mountain ranges to the west, a beach to the south
- Strategically located to benefit from proximity to existing community in Kyauk Phyu town, and future areas of economic activities in the planned industrial park and port
- 500 hectares for Phase 1 development

Illustrated plan is for marketing purpose only. Detailed Master Plan will be available in the EOI document.
Immediate available flat land ready for development...
In proximity to Scenic Sea view...
KYAUK PHYU
SPECIAL ECONOMIC ZONE DEVELOPMENT
Port Development
Road Show, Yangon, MYANMAR

Date: 03 July 2014
2 Agenda

2.1 Port Market Positioning

2.2 Kyauk Phyu Port Master Plan
2 Agenda

2.1 Port Market Positioning
   • Myanmar Macro Economy
   • Myanmar Major Cargo Market and Hinterlands

2.2 Kyauk Phyu Port Master Plan
- Myanmar economy growing by an average **10.3% per year** over the last nine years.

- Total trade grew strongly at 18.2% per year due to the *fast import growth driven by growing domestic demand* (domestic consumer market expands alongside growing per capita income).

- The **stable inflow of FDI** in recent years reflects foreign investors’ confidence on Myanmar economy.
2.1 Macro Economy
– Drivers for Myanmar economic growth

• GDP growth is mainly driven by the **agricultural and manufacturing (gas) sectors**; both sectors contributing more than 50% of total GDP over the last 12 years.

• The **industrial sector**, accounting for 22% in 2012, is relatively small but has achieved **strong average growth of 18.7% per year** during the same period.

• The **stable inflow of FDI**: 46% of incoming FDI have been channeled into manufacturing sector mainly gas industry over the past few years to further power Myanmar economic growth.

• **Large domestic market** – Myanmar has a population size of about 60.0 million people in 2012 with growing per capita income and has formed a large domestic market for economic expansion.

• **Large regional market** – The South East Asian and North East Asian countries with a combined large population size of more than 1.9 billion people has formed a large consumer market to support Myanmar export goods.

Myanmar GDP contribution by major sector

Sources: ADB and Myanmar National Planning and Economic Development 2012

Kyaik Phyu Special Economic Zone Development Plan (Tender No: KPSEZ 001/1314)
2 Agenda

2.1 Port Market Positioning
   - Myanmar Macro Economy
   - Myanmar Major Cargo Market and Hinterlands

2.2 Kyauk Phyu Port Master Plan
• South and North East Asian regions are the largest container markets for Myanmar.

• Europe and North America will be the next potential markets for Myanmar’s export goods as Myanmar has been re-instated in the European Union’s Generalized System of Preference for duty free and quota-free market access in the coming years.
2.1 Myanmar Hinterland

- The container market share generated by the nine major provinces represents more than 80% of total Myanmar container volume.
  - Nine Provinces: Yangon, Sagaing, Magwe, Mandalay, Rakhine, Bago, Ayeyarwady, Napyitaw, Shan

- The key immediate cargo hinterlands to generate containers for Kyauk Phyu port comprises Sagaing, Mandalay, Shan, Magwe, Rakhine and Nay Pyi Taw.

- KP Port is poised to capture cargo from Yangon hinterlands as Yangon port will reach its maximum handling capacity in 2020 for containerised cargo and 2016 for non-containerised cargo.

Projected Cargo Volume Contribution by Myanmar Hinterland

- Yangon 22%
- Sagaing 11%
- Ayeyarwaddy 11%
- Bago 9%
- Rakhine 5%
- Mandalay 11%
- Shan 7%
- Naypyitaw 3%
- Others 11%
2 Agenda

2.1 Port Market Study

2.2 Kyauk Phyu Port Master Plan
2 Agenda

2.1 Port Market Study

2.2 Kyauk Phyu Port Master Plan

- Port Phase 1 Development – Multi-purpose / Container Handling Terminal
  - Containerisation Potential at Kyauk Phyu Port
  - Multi-purpose / Container Handling Terminal to support offshore development

- Port Phase 2 Development (Long Term Development & Implementation)
### Kyauk Phyu Port Master Plan Phase 1 (Immediate Development)
- Multi-purpose / Container Terminals

#### Site 1 – Made Island
- Berth Length: 2,500m
- Land Depth: 600m
- Total Area: 150ha
- Planned Water Depth: 16m

#### Site 2 – Yanbye Island
- Berth Length: 1,600m
- Land Depth: 600m
- Total Area: 96ha

Planning to accommodate 6,000 – 8,000 TEU vessels
2.2 Containerisation Potential at Kyauk Phyu Port

**Overview of Myanmar Cargo Market**

- Total cargo volume grew by an average of 11.0% per year from 11.3 million tons in 2004 rising to 28.8 million tons in 2013, of which the volume of containerised cargo increased from 24.0% to 27.0% during the same period.
- Volume of container throughput increased from 158,000 TEU to 575,000 TEU during the same period, a compound growth rate of 15% per year.
- **Myanmar container penetration factor is less than 30% over the last 10 years.**
- Compared to other regional countries, Myanmar is still in its early stage of containerization. There is great potential for Myanmar ports to increase its volume of container traffic because the existing types of cargo handled at Myanmar ports are highly containerisable.

**Myanmar Cargo Market 2013**

- **Containerised Cargo**
- **Non-Containerised Cargo**

Myanmar Ports handled commodities that are highly containerisable:

- Petrol oil & lubricant
- Rice & rice products
- Minerals
- General Cargoes

Source: Myanmar Port Authority 2013

Kyauk Phyu Port presents to Myanmar the opportunity to develop its container market.
20 oil block concessions were recently awarded in April 2014, of which 11 are within the Kyauk Phyu vicinity.

Generates demand for marine supply functions to support future offshore activities

- Offshore exploration activities expected to ramped up in 2017 – 2018 after 3 years of seismic works (reference Seatrade Global 29 May 2014 - Myanmar seen as biggest opportunity in SE Asian offshore)
2.2 Multi-purpose / Container Terminals as a Facilitator for development of Offshore and other Marine Activities

Marine Supply Function to support Development of Offshore Activities

To provide one-stop service centre for comprehensive logistics and support services for oil & gas exploration, development and production activities.

- Port facilities
- Berthing services
- Cargo handling services
- Storage facilities
- Warehousing services
- Equipment supply and servicing
- Marine engineering
- Repair and fabrication services
- Inspection services
- Waste management
- Customs clearance

Technical Considerations
- Similar to Commercial Ports
- Smaller scale (size of vessels, type of cargoes)

Kyauk Phyu Multi-purpose / Container Terminals to facilitate initial phase of offshore development until the sector matures enough for the establishment of a dedicated Marine Supply Base.
Potential and Challenges of Kyauk Phyu Port Terminals

The Potentials

- KP Port, being a natural deep sea harbour (>17m) is capable of accommodating mega-sized container and bulk carriers.
- Supported by available large cargo hinterlands:
  - Proximity to the nine major cargo-generating provinces which generates more than 80% of total Myanmar market.
- Located close to two large regional destination markets comprising North East and South East Asian markets.
- KP SEZ development plays an integral part and provides a cargo base for the KP SEZ port.
- Hence, KP Port is in a strong position to attract both short-sea carriers to provide direct services to the port (Cost and Time savings)

The Present Challenges

- Essential road linkages between Kyauk Phyu and Myanmar immediate hinterlands are still being developed by the Government.
  - On-going road upgrading
  - Plans to connect Kyauk Phyu to Magway (National Highway 2 connection)
- Greenfield development
  - Risks associated with greenfield development are offset by SEZ incentives and first-mover advantages.
2.1 Port Market Study

2.2 Kyauk Phyu Port Master Plan

- Port Phase 1 Development – Multi-purpose / Container Handling Terminal
  - Containerisation Potential at Kyauk Phyu Port
  - Multi-purpose / Container Handling Terminal to support offshore development

- Port Phase 2 Development (Long Term Development & Implementation)
2.2 Kyauk Phyu Port Master Plan Phase 2 (Long Term Development)
- Marine Supply Base

**Proposed Dedicated Marine Supply Base**
- Total Land Area – 20ha (tentative)
- Sheltered waters
- Available land and waterfront area for future expansion
- Close proximity to Kyauk Phyu Town
- Availability of manpower and resources
2.2 Kyauk Phyu Port Master Plan Phase 2 (Long Term Development) - Potential Development for offshore and other marine terminals & facilities

Other Proposed Marine Terminals and Facilities:
- Bunkering Facilities
- LNG storage and handling
KYAUK PHYU
SPECIAL ECONOMIC ZONE DEVELOPMENT
Market Positioning
Road Show, Yangon, MYANMAR
3 Agenda

1 Proposed Industries and Phasing Strategy
2 Construction Materials Industries
3 Textile and Clothing Industries
4 Food Processing Industries
5 Residential
Agenda

1. Proposed Industries and Phasing Strategy
2. Construction Materials Industries
3. Textile and Clothing Industries
4. Food Processing Industries
5. Residential
**3.1 Proposed Industries**

- **Construction Materials Industries**: Fulfil the needs of Myanmar’s **urbanisation and reduce imports in the construction sector**
- **Textile and Clothing Industries**: Possible spillover from nearby EPZs/SEZs which are already saturated, due to resource or other limitations
- **Food Processing Industries**: Utilise marine and other produce resources in this region, and generate jobs that are easier to be adopted by the locals
- **Supply Base**: Utilise the richness of marine based resources in this region
- **Tourism**: Utilise the beautiful and well conserved natural environment and culture of Kyauk Phyu
3.1 Phasing Strategies

- Industries to be introduced in KP SEZ should be developed with different intensity throughout the phases of development.
Agenda

1. Proposed Industries and Phasing Strategy
2. Construction Materials Industries
3. Textile and Clothing Industries
4. Food Processing Industries
5. Residential
### Construction Materials Industries
- **Top Ten Import Items of Myanmar (2012 – 2013)**

About 90% of construction materials in Myanmar are imported. Kyauk Phyu is positioned to tap on construction materials business opportunities.

<table>
<thead>
<tr>
<th>Items</th>
<th>Value (USD Million)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Products</td>
<td>1,599.73</td>
<td>20</td>
</tr>
<tr>
<td>Vehicle &amp; Spare Parts</td>
<td>1,243.56</td>
<td>15</td>
</tr>
<tr>
<td><strong>Construction Materials</strong></td>
<td><strong>704.05</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td>Iron and Steel Materials</td>
<td>495.59</td>
<td>6</td>
</tr>
<tr>
<td>Machinery &amp; Spare Parts</td>
<td>352.01</td>
<td>4</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>281.63</td>
<td>3</td>
</tr>
<tr>
<td>Plastic Raw Materials</td>
<td>268.36</td>
<td>3</td>
</tr>
<tr>
<td>Ships, Boats &amp; Spare Parts</td>
<td>249.38</td>
<td>3</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>239.84</td>
<td>3</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>150.52</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Imports</strong></td>
<td><strong>8,192.04</strong></td>
<td></td>
</tr>
</tbody>
</table>

Urban population in Myanmar could double from 13% to around 25% in 2030

- Population in large cities could double from just 13% of the total population today to around 25% in 2030
- In these large cities alone, there could be around ten million new urbanites—the equivalent of:
  - two new cities the size of Yangon or
  - ten new cities the size of Mandalay
- Large cities could generate 54% of Myanmar’s GDP growth to 2030

Source: McKinsey Global Institute, June 2013
3.2 Construction Materials Industries
- Urbanisation

Kyauk Phyu is strategically located to supply construction materials to support nationwide urbanisation

Myanmar’s urban structure today
- heavily dominated by Yangon municipal area, with a population of 5m
- Mandalay municipality about 1m inhabitants
- Mawlamyine, only around half a million

7 more large cities—Bago, Monywa, Meiktila, Pathein, the new capital Nay Pyi Taw, Sittwe, and Myingyan

Additional 64 cities with population of more than 50,000

Source: McKinsey Global Institute, June 2013
Agenda

1. Proposed Industries and Phasing Strategy
2. Construction Materials Industries
3. Textile and Clothing Industries
4. Food Processing Industries
5. Residential
Total World Textile & Clothing Export grew from USD 352 billion in 2000 to USD 750 billion in 2013, with an average annual growth rate of 6.24%.

Myanmar shares 0.1% of the world total clothing export market volume (2012) with huge potential to regain market share.
Agenda

1. Proposed Industries and Phasing Strategy
2. Construction Material Industries
3. Textile & Clothing Industries
4. Food Processing Industries
5. Residential
Myanmar is rich in Agriculture and Marine Resources 
**Rakhine State:**
- Fish and Prawn Breeding
- Livestock Breeding
- Cooking Oil
- Local Rice
- Rubber
- Pepper
- Monsoon Rice
- Main Crops: Sugar Cane, Green Gam, Pigeon Pea, Groundnut, Sesame, Sunflower, Maize and Cotton

*Source: Government of Rakhine State*
### 3.4 Fishery Production - Overview of Myanmar Fishery Market

Myanmar has high domestic fishery consumption and strong growth in export

<table>
<thead>
<tr>
<th>Year</th>
<th>Myanmar Total Fishery Production</th>
<th>Myanmar Fishery Exports</th>
<th>% of export</th>
<th>Total Value of Export (million USD)</th>
<th>Export Value Value USD / tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2,148,580</td>
<td>205,463</td>
<td>9.6%</td>
<td>19767.54</td>
<td>96,210 *</td>
</tr>
<tr>
<td>2005</td>
<td>2,581,780</td>
<td>255,780</td>
<td>9.9%</td>
<td>23665.94</td>
<td>92,525 *</td>
</tr>
<tr>
<td>2006</td>
<td>2,817,990</td>
<td>271,090</td>
<td>9.6%</td>
<td>11982.11</td>
<td>44,200 *</td>
</tr>
<tr>
<td>2007</td>
<td>2,808,037</td>
<td>343,427</td>
<td>12.2%</td>
<td>468.16</td>
<td>1,363</td>
</tr>
<tr>
<td>2008</td>
<td>3,147,605</td>
<td>351,652</td>
<td>11.2%</td>
<td>561.02</td>
<td>1,595</td>
</tr>
<tr>
<td>2009</td>
<td>3,491,103</td>
<td>324,711</td>
<td>9.3%</td>
<td>483.23</td>
<td>1,488</td>
</tr>
<tr>
<td>2010</td>
<td>3,901,979</td>
<td>375,092</td>
<td>9.6%</td>
<td>496.59</td>
<td>1,324</td>
</tr>
<tr>
<td>2011</td>
<td>4,149,799</td>
<td>373,893</td>
<td>9.0%</td>
<td>555.515</td>
<td>1,486</td>
</tr>
<tr>
<td>CAGR</td>
<td></td>
<td></td>
<td>10.1%</td>
<td></td>
<td>7.8%</td>
</tr>
</tbody>
</table>

* Large discrepancy due to kyat – to – USD currency exchange rates.
Source: Southeast Asian Fisheries Development Centre, Myanmar Ministry of Livestock and Fisheries, April 2014

- Low export volumes, high domestic consumption, 9 – 12.2% of fishery products were exported from 2004 – 2011
- However, fishery export has shown strong growth of 7.8% per annum (2004-2011)
- Major Export Markets: China, Thailand, the Middle East, Japan, Hong Kong, Vietnam, the US (limited demand)
- Export value: USD 1,486/ton in 2011
Agenda

1. Proposed Industries and Phasing Strategy
2. Construction Materials Industries
3. Textile & Clothing Industries
4. Food Processing Industries
5. Residential
3.5 Residential

- Residential will play a crucial role of providing housing and social infrastructure for the workforce and other residents
- Self reliant: integrated residential development will include other supporting infrastructure like hospitals, schools, commercial establishments
- Enhance quality of life: parks, places of worship, sports complex, public transport system
- Built in phases and market-driven
- Sustainable development
KYAUK PHYU
SPECIAL ECONOMIC ZONE DEVELOPMENT
Investment Opportunities
Road Show, Yangon, MYANMAR

Date: 03 July 2014
Investment Opportunities

Why invest now?

Factors supporting a successful economic zone

- Government support
- Legal framework
- Incentives
- Infrastructure

Kyauk Phyu Special Economic Zone Development Plan (Tender No: KPSEZ 0011/1314)
Investment Opportunities

Why invest now?

Factors supporting a successful economic zone

- Government support
- Legal framework
- Incentives
- Infrastructure

Efforts to strengthen the SEZ business model

► Plan to coordinate efforts across all 3 SEZs to form them into focal points of economic development

Dedicated to promote and sustain KP SEZ

► Commitment to dedicate resources to monitor and market the SEZ to promote investment into both Phase One and subsequent expansion phases

Obtain support of all stakeholders

► The Government is currently engaging local residents and is committed to undertaking a transparent bid process in order to get buy-in from all stakeholders
Why invest now?

Clear legal framework

- The recently enacted SEZ Law allows developers and approved businesses operating within the SEZ to be up to 100% foreign-owned.
- The SEZ Law grants protection to the assets and profits of Investors and Myanmar has also signed the New York Arbitration Convention
- As part of the SEZ Law, the Government has the ability to grant extended land leases of up to 75 years
- This will give investors in Phase One ample time to participate in Myanmar’s economic growth.
Why invest now?

Factors supporting a successful economic zone

### Income tax relief
- Developers are income tax exempt for the first 8 years of operations
- 50% income tax relief for the following 5 years
- 50% income tax relief for another 5 years following that provided that profits are reinvested within one year
- The Central Body, with government approval, may further extend the tax exemption and relief periods
- Approved businesses established within the SEZ will also benefit from similar tax exemption and relief

### Customs duty exemptions
- Both developers and approved businesses set up in the SEZ will enjoy customs duty exemptions for importing construction materials, machinery and equipment, vehicles, and other items
The Government is committed to **investing in the surrounding infrastructure** in order to spur the development of the SEZ. This includes:

- Energy
- Telecommunication
- Water
- Road upgrades

Currently Kyauk Phyu offers the following:

- Domestic airport
- Commercial jetty
- Road connecting Yanbye Island to mainland
KYAUK PHYU
SPECIAL ECONOMIC ZONE DEVELOPMENT
Tender Process
Road Show, Yangon, MYANMAR
5 Tender Process

3 Invitations for Expression of Interest (EOI)

1) Development of Deep Sea Port

2) Development of Industrial Park

3) Development of Integrated Residential Area
5 Tender Process

Road Shows
- Road Show Yangon: 03/07
- Road Show Singapore: 07/07

EOI evaluation
- Opening of EOI documents on 26/08
- Evaluation of EOI
- Recommendation to BEAC

Call for EOI
- Advertisement on homepage and in media networks
- Issuance of documents upon receipt of payment

EOI evaluation
- Opening of EOI documents on 26/08
- Evaluation of EOI
- Recommendation to BEAC

Issuance of EOI 14/07/2014
Submission of EOI 25/08/2014
Notification of Qualified Applicants 15/09/2014

All dates are indicative only
5 Tender Process

EOI Submission

- Instructions at http://kpsez.org
- Payment of US$1,000.00
- Download soft copy of EOI document
- Individual/Consortium Lead to submit EOI
- Soft Copy – To be submitted via email
5 Tender Process

EOI Evaluation Criteria for Deep Sea Port

- **Track Record – 60%**
  - Experience with design, build, finance and operation of at least 1 port terminal

- **Financial Strength – 40%**
  - Evaluation based on previous 3 financial years
Tender Process

EOI Evaluation Criteria for Industrial Park

• **Track Record** – 50%
  • Evaluation of projects completed no longer than 7 years back
  • Emphasis will be on larger projects

• **Financial Strength** – 40%
  • Evaluation based on previous 3 financial years

• **Awards & Certifications** – 10%
5 Tender Process

EOI Evaluation Criteria for Residential Area

- **Track Record** – 50%
  - Evaluation of projects completed no longer than 7 years back
  - Emphasis will be on larger projects

- **Financial Strength** – 40%
  - Evaluation based on previous 3 financial years

- **Awards & Certifications** – 10%
5 Tender Process

- Issuance of RFP
  - Notification on homepage and in media networks
  - Issuance of documents upon receipt of payment

- Tender stage
  - Site visit to Kyauk Phyu 29/09 to 03/10

- RFP evaluation
  - Opening of tender documents 11/11
  - Tender Evaluation
  - Tender Interviews in Naypyitaw
  - Recommendation to BEAC

Issuance of RFP 15/09/2014
Submission of RFP documents 10/11/2014
Tender award early 2015

All dates are indicative only
5 Tender Process

RFP Submission

- Payment of deposit (to be refunded upon award of winning bid)
- Download soft copy of RFP document
- Hard Copy - To be submitted by courier to BEAC Office in Naypyitaw
- Soft Copy – To be submitted via email
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