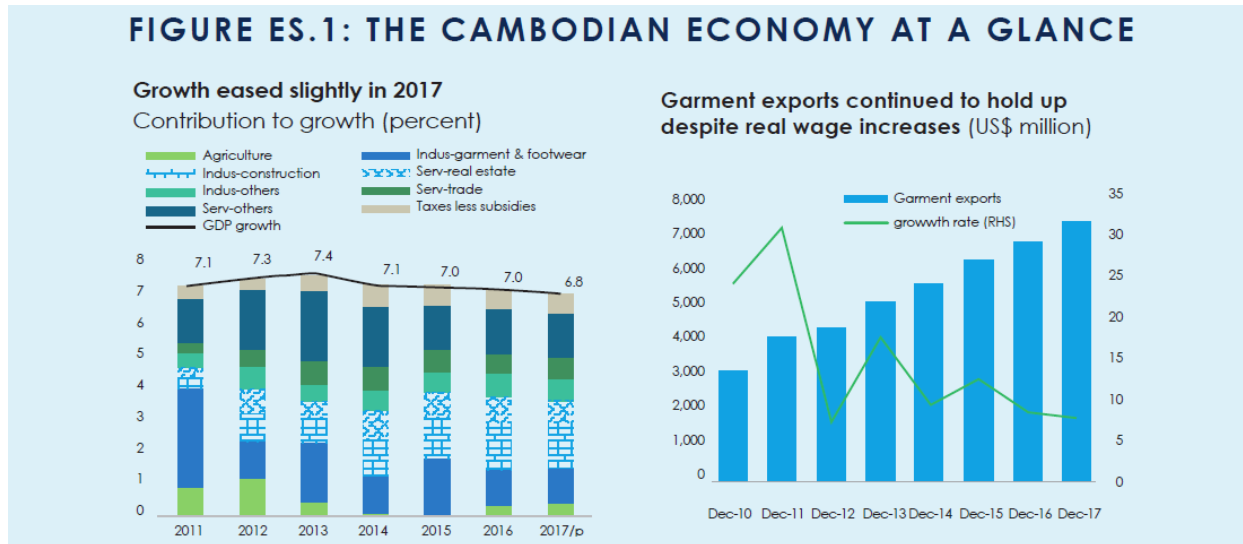




Economic Climate

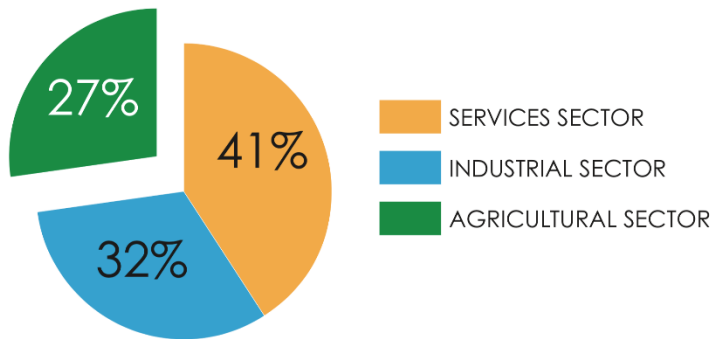
Despite political uncertainty for the election year ***Cambodia economic able to remain strong growth in 2018 and 2019***, projected at 6.9 percent by World Bank (WB), and at 7 percent by National Bank of Cambodia (NBC), Asian Development Bank (ADB) and International Monetary Fund (IMF), backed by strong export, higher public spending, robust growth in construction and real-estate, solid of numbers

tourist arrival, higher foreign direct investment inflows and rising public investment in infrastructure, higher agricultural production.



Sources: Cambodian authorities and World Bank staff estimates and projections.
 Note: e = estimates; GIR = Gross International Reserves; p = projections; RHS = right-hand side.

CAMBODIA GDP SHARE BY SECTORS



SOURCE WORLD BANK 2017

Recently Ministry of Commerce has announced that the 2018 Cambodia export could achieved 12,000 million dollar, which increase 15 percent compare to 2017 of 11,000 million dollar. Export growth is based on the better situation in Cambodia's main export market such EU, United States, Japan and Canada. Cambodia's main exports are 70 percent textile and footwear, and the rest exports are electronic part, automobile components, bicycles, milled rice, rubber and other agricultural product.

Cambodia industrial output is likely to continue to grow by 9.6% in 2018, with a slowdown in the garments and footwear industries offset by stronger growth in emerging industries, such as electrical parts, automobile components, bicycles, milled rice, and rubber.

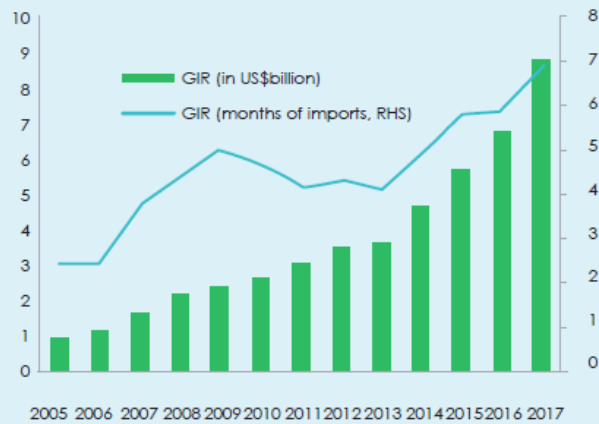
According to the World Bank, **economic downside risks** include erosion of export competitiveness due to rapidly rising real wages, a buildup of vulnerabilities from a prolonged real estate and construction boom, and periodic jolts to the international trade order in the form of protectionism and escalating trade disputes. WB -Invest to develop human capital. A skilled labor force helps boost productivity growth and compensate for rapidly rising real wages. To address a skills constraints as envisioned in the 2017 - 25 national technical and vocational education and training policy is, therefore, a priority. Greater coordination among public and private entities will be essential to the successful implementation of this framework.

Investment Climate

Cambodia is the land of opportunity for foreign investors to explore and expand its investment, due to macroeconomic stability, low-cost labor, competitive investment incentives and a pro-business government. Additionally, Cambodia export benefits from the preferential access to the world market with reduced and or free tax to many export markets such EU, North America, South Korea and Japan.

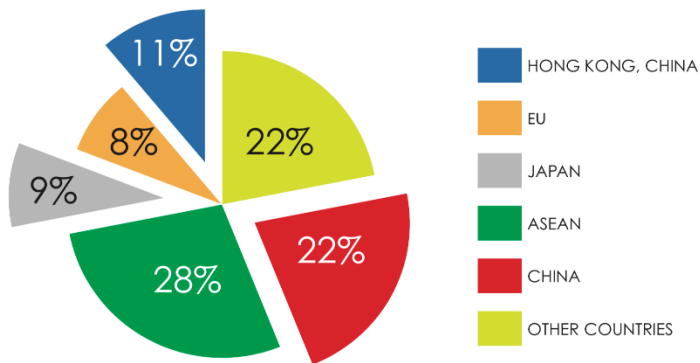
Investment policy continue to attract strong inflows of foreign direct investment (FDI). In the first half (H1) of 2018, the FDI up by 14 percent to \$3.5 billion, especially investment in agriculture and agro-industry has soared 77 percent. Meanwhile, industrial and manufacturing investment up by 22 percent in the H1 2018. Banking, construction and real estate sectors continue its strong grow of inflow of foreign capital.

Rising FDI inflows strengthened the external sector, boosting foreign reserves



Sources: Cambodian authorities and World Bank staff estimates and projections.
 Note: e = estimates; GIR = Gross International Reserves; p = projections; RHS = right-hand side.

FDI INFLOWS BY COUNTRY



SOURCE ASIAN DEVELOPMENT BANK 2017

Cambodia Investment opportunities:

- Agribusiness and food processing,
- Tourism infrastructure and resorts,
- Garments and footwear,
- Construction and real-estate
- as well as the rising energy sector.

China, Japan, South Korea, ASEAN countries, EU are the main sources of investment into Cambodia. Chinese investors are involved in almost every economic sector, from energy to infrastructure, and from tourism to construction and real-estate and finance, making it the biggest investor in Cambodia.

Cambodia ten years Industrial Policy 2015-2025, outlines strategies to expand the country's narrow industrial base beyond garment and rice. It aims to modernize industrial to be "Skill-driven" and move toward technology/ knowledge base economy, which purposely aims to attract more FDI.

Cambodia Investment Policy:

- Preferential access to the world market
- Cambodia government is a pro-investor legal and policy framework
- Investment climate in Cambodia is treat fairly for all investors and no discrimination
- USD dollar based economy
- No foreign exchange restriction, under the 1997 foreign exchange law, there are no restrictions on foreign operations, including the purchase and sale of foreign exchange and the transfer of of all types of international settlements
- Investment incentives available to foreign investor includes:
 - 100 percent foreign investment ownership
 - Corporate tax holiday of up to eight years
 - Duty-free import of capital goods
 - No restrictions on capital repatriation
 - Access to special economic zones
 - The Council for Development of Cambodia requires a qualified investment project on manufacturing and production to have a minimum investment of US\$200K to US\$500K, much lower than other neighboring countries.