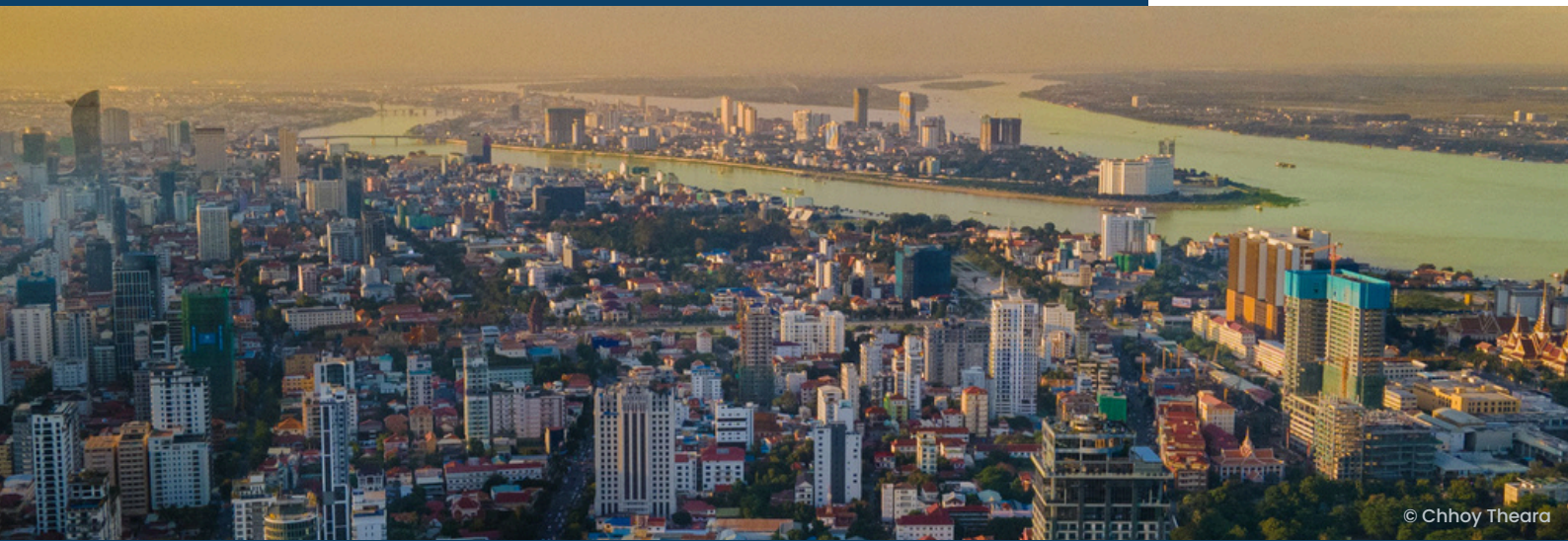


MAY 2024

CONNECTING DOTS



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Aquarii BD is a cross-sectoral business strategy and development company that leverages on its diverse network of contacts and its strong partnerships with leading in-market service providers, qualified trusted industry experts and competent resource persons.

Connecting Dots is a monthly compilation of salient local developments in Cambodia.

In this publication, our focus is to help businesses and investors connect the dots on what's been happening in the preceding month in the market and economy in Cambodia.

See last page for details on how to be featured in Connecting Dots.

M&A in Cambodia's Banking and Finance Industry

Amidst recent reports that banks and financial institutions (FIs) in Cambodia have seen falling revenues and rising Non-Performing Loans (NPLs) over the past 18 months, Taiwan-based SinoPac Co Ltd's plans to acquire Amret, one of five Microfinance Deposit-taking Institutions (MDIs) in Cambodia, has generated some interest and curiosity.

What does this mean given that Cambodia's banking and financial market has long been perceived as 'overly crowded', with more than 60 commercial / restricted banks and FIs operating in the Kingdom of 16+m population, and an economy whose GDP is approximately USD 30 billion in 2023.

We provide a few insights into this development from an industry expert who is familiar with the local banking and finance scene.

- **The primary drivers for M&A in Cambodia's banking and finance industry** are foreign FIs seeking to establish a presence in Cambodia. This is seen as a strategic move to gain entry into a region considered the last frontier for growth.
- **In terms of future trends**, an increase in M&A activities involving foreign FIs can be anticipated, while the establishment of new banks is more likely to slow down due to market saturation. This is partly driven by MDIs upgrading to commercial bank status, and existing banks facing rising NPLs.
- **One of the factors that could influence M&A activities in the banking and finance industry is government policy**, particularly the new/upcoming policies appear to adopt a more accommodative stance towards cryptocurrency, as it may in turn encourage commercial banks to explore partnerships or acquisitions with Fintech companies in the crypto space.
- **In terms of risk factors**, investors should carefully scrutinize asset quality, especially re-financed assets, as re-structured loans can mask delayed NPLs. It is also crucial to evaluate operational processes and staff quality. Overall, current economic conditions make the valuation of financial institutions particularly challenging.
- **For companies considering M&A in the Cambodian banking and finance industry**, it is important to note that regulatory authorities appear to favor shareholders of banks and FIs to be financial institutions themselves, which might pose challenges for non-FI acquirers. New entrants must also prepare for a highly competitive market, and prioritize digitization in their operations to remain viable, as conventional banking methods are increasingly being replaced by electronic transactions. Ensuring that staff are digitally proficient is also essential to meet the demands of a modernized financial landscape.



These views are courtesy of Mr. Ong Teong Hoon, an experienced banker of 47 years in the banking and finance industry, and is currently the Shareholders' Representative of Phillip Bank Plc, the only Singapore-owned commercial bank in Cambodia. Phillip Bank is also the third largest commercial bank – by the number of branch outlets – in the Kingdom.

Cambodian Prime Minister's Visit to South Korea



Cambodian Prime Minister Hun Manet visited the Republic of Korea from May 15 to 18, 2024, at the invitation of President Yoon Suk Yeol. Bilateral relations were elevated to a strategic partnership, and several agreements were signed to strengthen and improve economic, financial, social, cultural, and development cooperation between Cambodia and South Korea.

During the Cambodia-Korea Business Forum, Prime Minister Hun Manet encouraged Korean businessmen to invest in Cambodia. The automotive sector, special economic zones for Korean enterprises in Cambodia, and cooperation through grants and concessional loans from the Korea International Cooperation Agency (KOICA) and the Korea Economic Development Cooperation Fund (EDCF) were also discussed.

Source:

- [Cambodia, S Korea announce 'strategic partnership' during visit by Manet \(phnompenhpost.com\)](https://www.phnompenhpost.com)
- [Kingdom, Korea ink 6 agreements - Khmer Times \(khmertimeskh.com\)](https://www.khmertimeskh.com)
- [SK Securities, SM Entertainment, KIAF, Daewoo E&C, Booyoung Group \(khmertimeskh.com\)](https://www.khmertimeskh.com)
- [Cambodia Proposes Exclusive Special Economic Zone for Korean Firms to Boost Investment \(freshnewsasia.com\)](https://www.freshnewsasia.com)



The visit yielded several key outcomes

- **Strategic Partnership:** Cambodia and South Korea agreed to elevate their bilateral relations to a “strategic partnership”, focusing on strengthening exchanges and cooperation in various areas.
- **Memorandums of Understanding (MoUs):** Six MoUs were signed between the two countries, involving several industries such as finance, industry and energy, property, investment corporation, and skill development program.
- **Economic Collaboration:** A proposal was made to establish an exclusive Special Economic Zone for South Korean firms in Cambodia.
- **Infrastructure Development:** The construction of the Cambodia-Korea Friendship Bridge was confirmed to begin soon.
- **Investment Interest:** Several South Korean chaebols, including SK Securities and Daewoo E&C, expressed interest in investing in Cambodia’s financial sector, infrastructure, and clean energy.
- **Cultural Exchange:** PM Hun Manet’s visit included cultural engagements, such as meeting with Korean entertainment industry to foster deeper cultural understanding and exchange.



Driving Forward: Toyota Tsusho Revs Up Vehicle Assembly in Cambodia

Toyota Tsusho, a subsidiary of Toyota Group that has been operating in Cambodia since 1993, commenced operation of its USD 36.8 million auto assembly plant in Phnom Penh, a collaboration with the Kong Nuon Group which holds a 10% stake in the partnership.

The plant is located in the Phnom Penh Special Economic Zone to produce Toyota's Hilux pickup trucks and Fortuner SUVs. Employing a semi-knockdown production method, the plant will source parts and components from various Southeast Asian countries, Japan, and the United States for final assembly. The objective is to enhance affordability of Toyota vehicles for Cambodian consumers, with an initial anticipated annual output capacity of 6,000 units.

This latest development is not only testament to the favorable factors / conditions / investment incentives for manufacturing in Cambodia, but is also a strong commitment from Japan in the Kingdom's socio-economic development.

Source: [Toyota group member's Cambodian auto plant builds on African success \(asia.nikkei.com\)](http://asia.nikkei.com)

Do you know?

There are nine automobile assembly plants in Cambodia, including 2-3 still under construction or just completed but not yet commenced operations. They are:

- Hyundai (Camko Motor, Koh Kong province)
- Ssangyong (Daehan Auto, Svay Rieng province)
- Ford (RMA Automotive, Pursat province)
- Kia (HGB Motors, Banteay Meanchey province)
- GTV (GTV Motor, Kandal province)
- Toyota (Toyota Tsusho, Phnom Penh)
- Isuzu (K Cambodia, Kampong Speu province)
- Electric Vehicle (China Matrix Technology Group, Koh Kong province)
- Heavy trucks (EM Automotive, Koh Kong province)

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Funan Techo Canal

What is Funan Techo Canal

The Funan Techo Canal is a proposed 180 km long canal in Cambodia, connecting Phnom Penh Autonomous Port with Kep and the Gulf of Thailand.

This waterway will pass through four Cambodian provinces: Kandal, Takeo, Kampot, and Kep. The canal will be 100 meters wide upstream and 80 meters downstream and have a depth of 5.4 meters.

By providing a direct route for ships, the canal aims to increase trade, reduce reliance on Vietnamese ports, and create economic opportunities for the 1.6 million people who live along its path.

The development project is estimated to cost USD 1.7 billion and is scheduled to commence in August 2024, with completion expected in 2028.

This announcement aligns with a broader initiative aimed at enhancing Cambodia's infrastructure, including the construction of major expressways, international airports, seaports, and waterways. These investments are intended to drive diversification and economic growth while positioning Cambodia as an attractive destination for logistics and shipping activities.

Source:

- [Funan Techo Canal – Opening Cambodia Up To The World \(khmertimeskh.com\)](https://www.khmertimeskh.com)
- [Cambodia says it will cut shipping through Vietnam by 70% with new China-funded Mekong canal \(reuters.com\)](https://www.reuters.com)

Why Funan Techo Canal

The construction of the Funan Techo Canal in Cambodia presents several advantages for the country's logistic industry.

Shorter Route to the Sea: The canal will eliminate the need for cargo from Phnom Penh and other Cambodian regions to navigate the Mekong River and rely on Vietnamese ports for international access, thus reducing shipping distances and transit times.

Times and Cost Effective: This bypass of Vietnamese ports not only accelerates goods transportation to international markets, enhancing supply chain efficiency, but also curtails logistical complexities, like port handling and customs procedures, thereby lowering transportation costs.

Ownership: The canal, which is located and to be built entirely within Cambodia's sovereign territory, will allow Cambodia greater ownership and control over shipping logistics, enhancing flexibility and reliability while ensuring that the country retains more revenue within its borders, including port fees and related service revenues.

Reduced Greenhouse Gas Emissions: The streamlined route of the canal contributes to environmental sustainability by minimizing fuel consumption and greenhouse gas emissions associated with longer shipping routes.

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Special Investment Promotion Program in Sihanouk Province 2024 Initiative Attracts 14 Additional Projects Worth USD 213 Million

The Sihanoukville City's authority has recently approved 14 additional projects, totaling USD 213 million in investment. These projects form part of the "**Special Investment Promotion Program in Sihanouk Province 2024**" initiative, launched by Prime Minister Hun Manet in January 2024. The program aims to revive stalled construction by providing incentives to developers, addressing the economic disruptions caused by the suspension of construction projects, due to socio-economic shifts and the COVID-19 pandemic since 2019.

To stimulate investment and business activities rapidly in 2024, the focus is on three types of projects within Sihanoukville in 2024: investment projects related to unfinished buildings, projects unrelated to unfinished buildings but set to commence in 2024, and expansion of existing projects meeting specific criteria starting in 2024. (For more information, refer to Page 4, **Aquari's Connecting Dots – January 2024 Issue**).

Since the launch of the initiative, a total of 27 projects have been granted special incentives. Recently, 14 out of 17 projects approved include a diverse mix of developments such as five-star hotels, casinos, resort complexes, condominiums, multifunctional buildings for office and accommodation, a concrete mixing plant, and a cardboard manufacturing facility. Amongst them, 10 projects are to resume construction on stalled buildings. Another 3 unapproved projects are to be rechecked and reevaluated.

These developments signal Cambodia's commitment in Sihanoukville's future as both a tourist destination and a commercial hub.

Source: [Invest in Preah Sihanouk Province 2024 Initiative Attracts 14 Additional Projects Worth USD 213 Million \(khmertimeskh.com\)](https://www.khmertimeskh.com)

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Driving Growth: Cambodia's Tyre Industry and Untapped Agricultural Commodities

Prime Minister Hun Manet's recent announcements on the approval of two new investment projects with an initial investment of USD 500 million have cast the spotlight on the burgeoning tyre manufacturing sector in Cambodia. This development signals the country's potential as a manufacturing hub and its emerging role in the international export of tyres.

The Prime Minister's emphasis on supporting domestic industries, particularly by encouraging tyre manufacturers to use domestic rubber, reflects a strategic move towards self-sufficiency and economic resilience. Currently, there are 3 tyre manufacturers operating in Cambodia including General Tires Technology (Cambodia) Co., Ltd., Sailun Group Co., Ltd. operating through its subsidiary, Cart Tire Co Ltd., and Qingdao Doublestar Group.

Beyond rubber, Cambodia's agricultural sector holds immense untapped potential, particularly in commodities like cashews, pepper and rice. Despite abundant supply, the processing of these commodities remains underexploited. Investing in processing facilities and value-added products could unlock new economic opportunities, driving growth and job creation.

With a supportive government and favorable market conditions, Cambodia offers an attractive environment for businesses seeking to capitalize on its diverse agricultural sector. By diversifying beyond traditional exports and focusing on value-added and finished products, investments can contribute to a more resilient and sustainable economy, fully realizing Cambodia's agricultural wealth.

Source:

- [Use domestic rubber as raw material, PM tells tyre factories \(khmertimes.kh.com\)](#)
- [Roll out of tyre industry pumping up rubber producers \(phnompenhpost.com\)](#)

Key Agri-Export Data 2023

- **Pepper:** Total exports amounted to 6,153 tons, reflecting a 26.76% decrease from 2022. This was because farmers and planters holding back sales due to low prices.
- **Cashew Nut:** Raw cashew nuts exported at 425,977 tons, a 9.9% decrease compared to 2022. Cambodia ranks among the top 10 global cashew nut producers but processes only 5-10% locally.
- **Rice:** Milled rice exports valued at USD 567 million, registering a modest 3% year-on-year increase, with a total of 656,323 tons.
- **Rubber:** Export value reached USD 789.75 million, indicating a significant increase of 74.5% compared to 2022.

Other agriculture products include coconuts, bananas, cassava, wild honey, etc.

For additional information, refer to:

- Page 6, **[Aquarii's Connecting Dots January 2024 Issue](#)** for exports of agricultural products.
- Page 7, **[Aquarii's Connecting Dots- April 2024 Issue](#)** for rubber exports.

Cambodia's Trade Shows An Uptrend in the First Four Months of 2024



According to The Ministry of Commerce (MOC) and the General Department of Customs and Excise (GDCE), Cambodia's trade performance in the first four months of 2024 showed robust growth.

Exports

- Total exports were valued at USD 8.82 billion, marking a 15.2% increase from USD 7.60 billion over the same period in 2023.
- Within the Regional Comprehensive Economic Partnership (RCEP), Cambodia's exports to member countries reached USD 3.36 billion in 2024, marking a 16% increase compared to the same period last year. This represents 38% of Cambodia's total exports.
- Major exports included garments, footwear, travel goods, bicycles, and agricultural produce such as rice, rubber, cassava, bananas, etc.
- The top three export destinations remain the United States, Vietnam, and China.

Imports

- Total imports reached USD 8.66 billion, a 9.3% increase from the previous year.
- Imports from RCEP member countries were valued at USD 7.83 billion, up 13% from USD 6.93 billion in the same period last year.
- Key imported goods were petroleum, raw materials for garments, footwear and travel goods, vehicles, machinery, electronic appliances, etc.
- Significant import partners were China, Thailand, and Vietnam.

Source:

- [Cambodia's exports rise 15% in four months \(khmertimes.com.kh\)](https://www.khmertimes.com.kh)
- [Cambodia's exports to RCEP countries up 16 percent in 4 months \(khmertimes.com.kh\)](https://www.khmertimes.com.kh)

Despite challenges like slowing global demand, rising inflation, and a downturn in the property market, Cambodia's economy showed resilience in the first four months of 2024. There was an increase in Foreign Direct Investment (FDI), more tourists, and growth in non-garment exports. Institutional forecasts (e.g. World Bank and Asian Development Bank) suggest Cambodia will be one of the fastest-growing economies in Asia/ASEAN in 2024 and 2025, offering a positive outlook for businesses and investors. However, ongoing geopolitical developments and global sentiments, as well as how domestic fundamentals are addressed, are variables that warrant close monitoring.

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CSX Reports Growth in Trading Accounts in Q1 2024

Trading accounts with the Cambodia Securities Exchange (CSX) reached 51,044 by the end of the first quarter of the year, demonstrates a 32% year-on-year increase. This growth can be attributed to initiatives undertaken by CSX to enhance accessibility and convenience for investors.

The introduction of the Online Trading Account Opening Platform in November 2023 has played a role in facilitating immediate account openings for investors. By simplifying the process, CSX has effectively lowered barriers to entry, attracting a broader base of investors.

The implementation of a new trading mechanism in January of this year, allowing trading in Khmer riel and settlement in US dollars, has offered greater flexibility and convenience and further bolstered investor confidence.

The growth in trading accounts not only reflects the effectiveness of these initiatives but also underscores growing interest and awareness among investors towards the Cambodian stock market.

Established in 2011, CSX is Cambodia's sole stock exchange, promoting capital market development.

Hong Sok Hour, CEO of the CSX, reported that there are 21 firms listed on the exchange, including 11 stocks and 10 corporate bonds, collectively raising \$349 million.

Sources: [CSX report growth in trading accounts in Q1 2024 \(khmertimes.kh.com\)](https://www.khmertimes.com).

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A Charity Art Exhibition on Mother's Day

"Save Mommy" is the charity art exhibition recently held on Mother's Day, aimed at empowering women through art and providing support to victims of violence by merging artistic expressions with philanthropy in a meaningful celebration of motherhood and resilience.

Exhibition Duration: 12 May to 31 July 2024

Time: 2:00 PM to 6:00 PM

Venue: Marum Estate In-City Sales Gallery at The Point Community Mall, Mao Tse Toung Blvd., Phnom Penh, Cambodia

Organizers: Angkor Art Gallery and Marum Estate

Source: [A Charity Art Exhibition on Mother's Day](https://www.cambodianinvestmentreview.com)
([cambodianinvestmentreview.com](https://www.cambodianinvestmentreview.com))



Sweet Success and Savory Innovations from 2 Cambodian Farmers

Vouch Thuch, a craftsman from Pailin province, is creating wine from unsold and overripe Keo Romiet mangoes to reduce waste. Starting in late March, he used 2 tonnes of mangoes to produce 2,000 bottles, set for release in October. Mango wine production is more efficient and cost-effective than longan wine, allowing the use of less visually perfect mangoes at lower costs. Thuch's journey began in 2008 with longan wine, inspired by a Scottish expert. He encourages local farmers to process mangoes to avoid waste and maximize value. He plans to expand his operation and has set the price of mango wine at \$10 per bottle. He calls for community and financial support to aid local agricultural processing, especially as Cambodia faces challenges in exporting fresh mangoes. This initiative aims to enhance economic resilience for local farmers and add a unique product to Cambodia's market. Read more [here](#).

Local communities in Mondulkiri province's Phnom Prich and Srepok Wildlife Sanctuaries harvest up to 150 tonnes of wild honey annually, potentially generating up to \$3.6 million per year. WWF-Cambodia highlights that this sustainable practice supports community livelihoods and conservation efforts. Honey collection, mainly done during the dry season, involves nearly every household, although it is not their primary income source. Sreung Sinuon, a Bunong bee-hunter, emphasizes the importance of group safety during expeditions and notes that the price of honey varies, with early-season honey fetching higher prices. He also stresses the critical link between forest conservation and their income. Read more [here](#).

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