

. general information of cambodia

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. GENERAL INFORMATION OF CAMBODIA Cambodia is a country with area of 181, 035 km², located in Southeast Asia; bordered to the northwest by Thailand, the northeast by Laos, the east by Vietnam and the southwest by the Gulf of Thailand. Population: young; 14, 139, 000 people (in 2010) 2007 2008 2009 2010 GDP growth (%) 10. 2 6. 7 0. 1 6. 0 GDP per capita (current US\$) 632 749 744 795 Inflation, consumer prices (%) 7. 7 25. 0 -0. 7 4. 0 Interest rate: Commercial bank prime lending rate: about 15. 8 - 16% Exchange rates: not very stable, Riels (KHR)/USD: 4, 000 (2012), 4, 042 (2011), 4, 145 (2010); 4, 139 (2009) Cambodia has a strategic location, many natural resources (especially oil deposits), membership with many international organizations, investment incentives. Recently, it has attracted a lot of investment from foreign countries. Among the investment sectors, the real estate has recovered recently due to the currently increasing capital inflow. From September 2010 to September 2011, Ministry of Land Management, Urbanization & Construction has approved 1, 689 projects, value of 999. 3 million US\$, which increases 97% in compared to the same period last year. . CAMBODIA POLICIES IN INVESTMENT AND LAND - All investment projects: regulated by the Law on Investment of the Kingdom of Cambodia (August 6, 1994) and its Amendment (March 24, 2003). - Authorities evaluate and approve projects (Article 3 & 4): The Council for the Development of Cambodia (CDC), consisting of the Cambodian Rehabilitation and Development Board (CRDB) and the Cambodian Investment Board (CIB) - Land Law 2011: Foreigners are not allowed to own land, but only property and buildings on the land, rights only from the first floor up. A Khmer nationality company: has a registered office in Cambodia, and more than

51% of voting shares held by Khmer citizen(s). Law on ownership rights in private units of co-owned building (Chapter 2, Article 6): In case the co-owned buildings are constructed on land leased from a third party, foreigners enjoy perpetual lease rights in private units similar to how Khmer citizens do.

- Law on Investment (Article 16): Use of land for investment permitted in the form of a concession, with unlimited long-term leases or limited short-term leases.
- Land leases (Part 4 — Leases on Immovable Property, Article 106): two kinds of leases, one for indefinite period of time (short-term with an option to renew and long-term for up to 99 years) and one for definite period of time.

. OVERVIEW OF HOANG ANH GIA LAI (HAGL): Started its business in 1993 as a small furniture manufacturer in Gia Lai province, Vietnam, HAGL has achieved continuous successes in multi-industries such as wood & granite, rubber, mineral resources, real estate, hydro power and football). Today, it has become a public company with total asset worth VND 15, 942 billion (759 million US\$ approx.). Its remarkable successes in Foreign Investment in:

- Laos: In 2008, sponsored US\$ 19 mil for Laos' Government to build Athletes Village for SEA Games 2009, then get investment license for development of a 10, 000-ha rubber plantation in Attapeu, Laos; also invested two hydro-power plants with total capacity of 110MW on Nam Kong River; exploited an iron mine with estimated total reserve of 20 million tons.
- Cambodia: also got license to exploit an iron mine with estimated total reserve of 30 million tons beside 12, 000-ha of rubber plantation.
- Thailand: started a residential project in Bangkok with 140 units. At this moment, HAGL have owned 26 property projects in Vietnam, Lao and Thailand with GFA is over 2. 5 millions of squared meter. Revenue from properties

contributes more than 75% in total revenue. "SWOT analysis: Strength
Weakness - A leading real estate company in Vietnam - High reputation in Vietnam as well as Cambodia and Laos - Sound financial status and ability to raise fund from domestic market and international market - Ability to control product cost, therefore can sell product as competitive price - Active management team - New participant in Cambodia real estate market
Opportunity in Cambodia real estate market Threat in Cambodia real estate market - Good geographic location - Member of WTO, ASEAN - High growth rate of GDP - Potential to attract more investment from foreigner investors - Increasing of population - Increasing of income level - Migration from rural area to big cities (Phnom Penh, Sihanouk Ville, Siem Riep, etc.) - Tourism development - Laws allow foreigners to own apartments and condominium units (not land) - High cost (transportation/ electricity) - Poor education workers - Poor health - Loss of aid - Political risk - Price of real estate fell when the global economic and financial crisis occurred after the peak in 2007 - Many unclear and excessive regulations - Risk from being minority shareholders of land right based on Investment Laws in property Factors which contributed into the development of real estate sector in Cambodia include the growth of population, urbanization and income level increasing. Additionally, the recent changes to the property legal system which allows foreigners to own condominiums and apartments on the upper floors of buildings would boost the market. The law indeed created to give the investors from oversea more confidence in the security of ownership in Cambodia. There is an opportunity for HAGL in Cambodia real estate market, especially in hospitalities and middle-condominiums market. . "HOW TO DO

REAL ESTATE BUSINESS IN CAMBODIA

1. Joint Venture Structure: In order to do real estate projects in Cambodia, HAGL can incorporate a local company (51% Cambodian owned), set up a joint venture (call Land Holding Company) with Cambodian partners. It is even possible to buy land by acquiring Cambodian citizenship, an avenue encouraged by the government yet impractical for many investors. HAGL can own the buildings or structures they develop on land owned by Land Holding Company. The local partner as a stated-owned company is at first priority. Land Holding Company and Operating Company (which owned 100% by HAGL) will comprise another Joint venture company. The Operating Company becomes a minority shareholder (49%) in the joint venture. There are several ways to ensure security within a JVC. Despite owning less than half of the company, HAGL's people can hold a higher class of rights than the local counterparts. Cambodian shareholders can also sign a contract granting special rights to the HAGL's people (ex. permanent majority on the board). Besides, Operating Company can make a loan to the Land Holding Company, and Operating Company holds a mortgage. With a mortgage, the Operating Company has a registered security interest in the land purchased by Land Holding Company.

2. Advantages Of This Model: - HAGL can also take advantage of the significant incentives and tax breaks that the Cambodian government grants to Qualified Investment Projects, as long as a majority ownership of land is vested in legal entities of Cambodian citizenship. - HAGL can do real estate projects in Cambodia when they wish to own a land.

3. Disadvantages Of This Model: - Higher transaction costs and registration fees, high taxes and burdens of administration and reporting than HAGL can

set up their own company directly. - Risk from minority shareholders. .

CONCLUSION As an inevitable rule, the population density is high where the economy grows, and thus the real estate industry will develop and fruitful.

With optimistic signals of Cambodian economy and the world economic recovery, we can trust HAGL's success in Cambodia's real estate. This trust bases on HAGL's strong ability in real estate in local market combined with its competency in foreign investment in an explored country.