

**Keynote Address by  
Deputy Prime Minister KEAT CHHON  
Minister of Economy and Finance  
in the Initial Public Offering Conference**

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Mr. Sung-Hee Hong, Chief Executive Officer of Korea Exchange

Mr. Byung Kwan Kim, KOICA representative

Mr. Kimyong Nam, Chief Executive Officer of Tong Yang Securities Inc.

Your Excellencies, ladies, gentleman

Today, I am very delighted to be here with Your Excellencies, Ladies, Gentlemen, Representatives of Ministries, Leaders of state-owned enterprises and some leading private companies in Cambodia at the "Initial Public Offering Conference in Cambodia". I would like to take this opportunity to express my sincere thanks to the government of the Republic of Korea, through KOICA and Korea Exchange (KRX), for cooperating with the Ministry of Economy and Finance in organizing today's conference. This conference is to introduce the public, especially state-owned enterprises and other potential private companies, to the choices in mobilizing funds directly from the savers in order to expand investments or scope of business via "Initial Public Offering".

According to the rectangular strategy of government in the third mandate, as well as the second phase rectangular strategy of *Samdeach Akka Moha Sena Padei Techo* Hun Sen, the Prime Minister of the Kingdom of Cambodia, the Royal Government has considered solid and effective financial development to be the covered condition (an umbrella) for fostering economic growths and development, so as to alleviate poverty in Cambodia. As parallel, working under the scope of "*Vision and Financial Sector Development Plan 2001-2010*", which was updated to "*Financial Sector Development Strategy 2006-2015*", of the Royal Government of Cambodia, the Ministry of Economy and Finance has actively struggled in preparing law and legal frameworks, establishing and strengthening institutions, training human resources, and especially encouraging change of mindsets so that the establishment of securities market can be carried out on

time. Main progress of this effort includes the fact that legal infrastructures and legal frameworks, which are the prerequisites for the launch of securities market in Cambodia, have been put forward for implementation. These frameworks include Law on Issuance and Trading of Non-Government Securities and the development of Cambodian Accounting Standard... etc, the establishment of a regulator institution called Securities and Exchange Commission of Cambodia, which is an institution that manages and supervises the issuance and trading of securities in public, the development and large-scale training of human resources under the sponsorship of the Government of the Republic of Korea and the construction of the building for Cambodia Securities Market, which is now in the study and architectural design process and will start building soon.

His Excellency, Ladies and Gentlemen,

Please let me draw your attention to key principles of companies' and enterprises' participation in securities market in the name of an issuer. Traditionally, if companies and enterprises need financing from the bank, they have to come with collateral. However, if they want financing through securities market, they have to have good credit i.e. companies and enterprises have to hand down culture of good corporate citizenship to guarantee transparency and accountability of their operation for state institution and public. For instances, they have to display the management of International Accounting Standard, public release of their financial statements, and the respect to tax obligation...etc. In this context, corporate governance of companies and enterprises is the core of their reform in order to get ready to be the issuer of public offering in securities market.

Under the leadership of the Royal Government of Cambodia, with *Samdeach Akka Moha Sena Padei Techo* Hun Sen as the clever Prime Minister, the country's economy has been on the right track toward the development and alleviation of poverty. The Kingdom of Cambodia has successfully maintained stability of its macro-economy which has high economic growth at the average of 11% in the last 5 years. This notable growth clearly reflects the growth and contribution of private sectors, the fact mentioned by *Samdeach Akka Moha Sena Padei Techo* Hun Sen, in the first meeting of Council of Ministers for the fourth parliamentary session on 26 September 2008 which emphasized the result that the third-mandate of Royal Government has achieved, that "Private sectors have really become the spearhead of economic growth, investment and employment. The Royal Government has encouraged state-owned and private enterprises in order that they are able to fully reach their potentials and contribute to the improvement of welfare for themselves as well as the economic growth and the progress as a whole". Therefore, the Royal Government in the fourth mandate still considers private sectors as the spearhead of economic growth and the government is a preparer of strategies in order to establish business environment favorable for the private sector and is a regulator who manages the development. In addition, for the

purpose of public administration reform, the Royal Government urges and encourages privatization in order to gain direct participation from private sectors in effectively providing public services.

In the context of economic growth and in progress of companies and other enterprises both state and private-owned, fundamentals of production and services in Cambodian economy are expanded gradually. As parallel, companies and enterprises see the opportunities in expanding their investment or business which they have to catch the benefit of generating their own income as well as competing and existing with good characteristics in the market. Actually, in order to grasp this opportunity, companies and enterprises can not avoid the need of long-term financing from outside. This is companies and enterprises' financial problem as they can not afford for long-term financing from bank or the use of companies and enterprises owner's fund is limited. As mentioned above, by seeing this main problem, the Royal Government has been implementing the establishment of securities market project and expects to be successful by the time determined. The presence of securities market will provide another new choice for companies and enterprises to mobilize fund from public with lower expenditure compared with bank's loan to finance investment project or expand their own business which in general, saw as long-term financing. Generally speaking, such public capital mobilization through securities market by companies and enterprises is called Initial Public Offering.

Taking this opportunity, I would like to assure Your Excellencies, ladies, gentleman that not only companies and enterprises are able to mobilize fund via initial public offering in securities market, but also state-owned enterprises. In this case, this operation is called privatization via equitization. The audience will listen to the lecture about experiences and the success of privatization of state-owned enterprises through equitization of some countries this evening.

### **Your Excellencies, Ladies and Gentlemen**

Although the Royal Government has struggled to achieve the purpose as mentioned, you are or may have been aware of the fact that the launch of Securities Market in Cambodia is in the stage of world financial crisis, especially in the rich countries where this problem will lead to the general downfall world economy. Therefore, you can be concerned about the impacts of this financial crisis on the result of the struggle to establish securities market in Cambodia. It is true that we don't ignore the problem that is taking place in the world nowadays.

The root of this worst financial crisis happening nowadays is caused by the explosion of Sub-prime Mortgage and the drought of loan involving in home market in the United State of America, the impacts that have been gradually widespread to other countries.

Till now, through the calculation by IMF, the credit default in the whole world for the debt originated in the United States, in which the majority is for buying homes, has increased up to 1.4 trillion USD. In this much amount, no one knows how much one owes whom. This is because of such debt instruments, Credit Default Swap (CDS) were traded between investors without management and transparency. These instruments were sold from investor to investor in the form of spider netting; sometimes they were sold back to the original owner. According to Mr. Christopher Cox, Chairman of Securities Committee, since September 2008, CDS markets in the whole world were estimated about 58 trillion USD.

Starting from the lesson faced by the whole world, Cambodia must be very careful in the process of establishing its securities market in order to avoid such crisis, which is possible to happen and can cause economic crisis. Moreover, it is also possible to cause philosophical crisis which stays in human mind. I always tell and remind my officials directly in charge of the establishment of securities market in Cambodia that we have to step forward very carefully and solidly with this task, just like the saying that "have to hurry but slowly"

### **Your Excellencies, ladies and gentlemen**

In today conference, you will listen and discuss with speakers who are the senior officials from the Ministry of Economy and Finance, Cambodia and Exchange Commission of Cambodia and the skilled professionals from Korea about the benefits of Public Offering, listing in securities market and the procedures of Public Offering in Cambodia. In addition, the audiences will gain knowledge related to experiences and implementation of Public Offering in Korea, case studies about Public Offering presented by state-owned enterprises in some countries, especially in some sector such as telecommunication, port and water supply authority and about the success of state-owned enterprises listed in securities market.

Therefore, through today conference, I hope that Your Excellencies, ladies and gentlemen will understand clearly on the process and benefits of Public Offering and the success of companies and enterprises after privatization and have shares sold in Joint Stock Company. I would like to encourage all audiences for active discussion.

I would like to express my profound gratitude to the Government of Republic of Korea and Korea Exchange for your support and cooperation in both budget and techniques in organizing this conference. Finally, I would like to wish for the success of the conference.

I would like to announce the opening of this conference from this time on.  
Thank You!

