

CHAPTERS 8 LABOR FORCE

Article 21: Use of Labor Force

The Council has the duty to advise and help facilitate the investor with regard to obtaining, for the foreign spouse accompanying the investor, a visa, the right to stay and appropriate travel permit in compliance with the immigration law and its regulations.

For the recruitment by the investor of foreign staff and management experts, technical staff, skilled workers who are not available among Cambodians citizens, the Council shall help facilitate the investor to obtain the right to recruit those foreign employees to work as needed, in accordance with the Labor law, Immigration law and relevant regulations in force.

CHAPTER 9 PENALTIES

Article 22: Penalties

If the Investor fails to perform any obligation imposed by this Sub-Decree or the Law on Investment, the Investor shall be subject to penalties defined in Article 8.1, Article 12 or Article 18.5 of this Sub-Decree or other Laws regarding the omission or failure to perform obligations.

CHAPTER 10 TRANSITIONAL PROVISIONS

Article 23: Recognition as QIP of Investment Project Approved Prior to the Amendment to the Law on Investment

23.1 Any Invest Project approved under the Law on Investment of the Kingdom of Cambodia promulgated by Royal Kram No. 03/NS/94 dated August 05, 1994 and whose activity is undergoing before the date of entry into force of this Sub-Decree will be recognized as a QIP after the Investor has submitted a written proposal to the Council to have it deemed as a QIP and after satisfying all obligations defined in the Law on Investment and this Sub-decree.

The Council shall issue to the investor a Certificate of Recognition for the above Investment Project as QIP no later than 3 (three) Working Days.

For the Investment Project that has been approved but failed to perform any Investment Activity or started an Investment Activity for a period of time but later postponed the Activity without any notice of such postponement or termination to the Council, such Investment Project shall be subject to further regularization of documents in order to obtain QIP's entitlement before recommencement of the Investment Project.

23.2 Incentives for Investment Projects Approved Prior to the Adoption of the Amendment to the Law on Investment.

Investment Project which was approved prior to the adoption of the Amendment to the Law on Investment and has been recognized as QIP entitled to the profit tax rate of 9% before the promulgation of the Amendment to the Law on Investment of the Kingdom of Cambodia, is entitled to such 9% rate for a transitional period of not more than 5 (five) years starting from the fiscal year after the promulgation of the Amendment to the Law on Investment of the Kingdom of Cambodia and this Sub-decree only if the Investor has fulfilled all obligations stipulated in Chapter 6 of this Sub-Decree.

Investment Project which was approved prior to the adoption of the Amendment to the Law on Investment and has been recognized as a QIP and provided with Investment Incentives in writing by the Council may still be entitled to incentives in the form of profit tax and Customs Duties exemption on the import of Production Equipment, Construction Materials, and Production Inputs only if the Investor has fulfilled all obligations stipulated in Chapter 6 of this Sub-Decree.

CHAPTER 11 FINAL PROVISIONS

Article 24: Abrogation

The Sub-Decree No 88/ANK/BK dated December 29, 1997 on the Implementation of the Law on Investment of Cambodia, Amendment Sub-Decree No 53/ANK/BK dated June 11, 1999 on the Amendment to Sub-Decree on the Implementation of Law on Investment of Cambodia, Sub-Decree No 130/ANK/BK dated December 26, 2001 on the Amendment to Sub-Decree No 53/ANK/BK dated June 11, 1999, and any other regulation in contrary to this Sub-Decree shall be abrogated.

Article 25:

The Minister in charge of the Office of the Council of Ministers, the Minister of Economy and Finance, the Council for the

Development of Cambodia, Ministers of all ministries, heads of all institutions, and provincial/municipal governors shall effectively implement this Sub-decree within their respective functions commencing from the date of signature.

Phnom Penh, 27 September 2005

PRIME MINISTER
HUN SEN

CC:

- Ministry of Royal Palace;
- General Secretariat of Constitutional Council;
- General Secretariat of the Senate;
- General Secretariat of the National Assembly;
- Cabinet of Samdech Prime Minister;
- General Secretariat of the Royal Government;
- As defined in Article 25;
- Archives - Chronicle

ANNEX 1

of the Sub-Decree No. 111 ANK/BK date on September 27, 2005 on the Implementation of the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia

Negative List (Article 6.1)

Section 1: Investment Activities Prohibited by the Relevant Law and Sub-Decrees:

1. Production/processing of psychotropic substances and narcotic substances;
2. Production of poisonous chemicals, agriculture pesticide/insecticide and other goods by using chemical substances, prohibited by international regulations or the World Health Organization, that affect the public health and environment;
3. Processing and production of electricity power by using any waste imported from a foreign country;
4. Forestry exploitation business prohibited by Forestry Law;
5. Investment activities prohibited by law.

Section 2: Investment Activities Not Eligible for Incentives

1. All kinds of commercial activity, import, export, wholesale, retails, including duty free shops;
2. Any transportation services by waterway, by road, by air except investment in railway sector;
3. Restaurants, karaoke parlors, bars, nightclubs, massage parlors or fitness clubs which are located outside of international standard hotel. However, though it is located in the international standard hotel if the Investor leased the above locations to a non-QIP third party lessee to conduct business, such investor shall not be entitled to profit tax exemption as granted to the Investor under the Amendment to the Law on Investment;
4. Tourism service provider, tourism agent, tourism information and tourism advertisement;
5. Casino and gambling business and service of any kind;
6. Currency and Financial business and services, including bank, financial institution, insurance company, and all kind of financial intermediation;
7. Activity related to newspaper and media, including radio, television, press, magazine, movie, video production or reproduction, theatre, studio, and related activities;
8. Professional services;
9. Living Modified Organisms LMOs that causes danger to biodiversity, human health and environment;
10. Production and processing of wood products which using wood from natural forest with a legal domestic supplying source as raw materials;
11. Production of tobacco products;
12. Production of food products and beverages with the investment capital less than USD500,000(five hundred thousand);
13. Production of product for textile industry with the investment capital less than USD500,000 (five hundred Thousand);
14. Production of garments, textiles, footwear, hats with the investment capital less than USD500,000 (five hundred thousand);
15. Production of furniture and fixture, which not using natural wood with the investment capital less than USD500,000 (five hundred thousand);
16. Production of paper and paper products with the investment capital less than USD 500,000 (five hundred thousand);
17. Production of chemicals, cement, agriculture fertilizer, petrochemicals with the investment capital less than USD1,000,000 (one million);
18. Production of rubber products and plastic product with the investment capital less than USD500,000 (five hundred thousand);

19. Production of leather products and other related products with the investment capital less than USD300,000(three hundred thousand);
20. Production of all kinds of metal products with the investment capital less than USD300,000 (three hundred thousand);
21. Production of electrical and electronic appliances and office materials with the investment capital less than USD300,000 (three hundred thousand);
22. Production of toys and sporting goods with the investment capital less than USD300,000 (three hundred thousand);
23. Production of motor vehicles, parts and accessories with the investment capital less than USD300,000 (three hundred thousand);
24. Clean water supplies with the investment capital less than USD500,000 (five hundred thousand);
25. Supporting industry, which has its entire production (100%) supplying export industry with the investment capital less than USD100,000 (one hundred thousand);
26. International trade exhibition center and convention halls with the investment capital less than USD8,000,000 (eight million)
27. Construction of modern market or trade center with the investment capital less than USD2,000,000 (two million) with size less than 10,000 (ten thousand) square meters and has inadequate space for car park;
28. Production of animal feed with the investment capital less than USD200,000 (two hundred thousand);
29. Production of ceramic products with the investment capital less than USD300,000; (three hundred thousand);
30. Training and educational institutes that provide training for skill development, technology, or poly technology that serve industrial, agricultural, tourism, infrastructure, environment, engineering, sciences, and other services with the investment capital less than USD4,000,000 (four million);
31. Hotel below 3-star grade
32. Complex tourism center with hotel containing less than 100 rooms or tourist inns of less than 30 housing and tourist estates (resort) less than a minimum length of ten (10) hectares;
33. Natural Tourism and creation of natural tourism site with the size less than 1,000 (one thousand)hectares of land with the investment capital less than USD1, 000,000 (one million);
34. Complex resort, including hotel, theme park, sport facilities, zoo with less than 50 (fifty) hectares;
35. Car parking;
36. Warehouses facilities;
37. Polyclinic having less than 50(fifty) patient beds with no modern equipment, laboratories, surgical operation, x-ray, emergency, pharmacy room, lift elevator (for up to 3 story building), apply no ambulances, morgue, with the investment capital less than USD1,000,000 (one million);
38. Production of modern medicines with the investment capital less than USD1,000,000 (one million);
39. Production of traditional medicines with the investment capital less than USD500,000(five hundred thousand);
40. Agricultural production:
 - 40.1 Paddy farming less than 1000 (one thousand) hectares
 - 40.2 All kinds of cash crops less than 500 (five hundred) hectares
 - 40.3 Vegetables less than 50 (fifty) hectares
41. Livestock production
 - 41.1 Cattle husbandry less than 1,000 (one thousand) heads;
 - 41.2 Dairy farm less than 100 (hundred) cows;
 - 41.3 Poultry farm less than 10,000 (ten thousand) heads;
42. Aquatic production:
 - 42.1 Fresh water aquaculture farm less than 5 (five) hectares;
 - 42.2 Sea water aquaculture farm less than 10 (ten) hectares;
43. Timber plantation, tree plantation, and wild animal farm:
 - 43.1 Timber plantation less than 1,000 (one thousand) hectares;
 - 43.2 Tree plantation less than 200 (two hundred) hectares;
 - 43.3 Wild mammal husbandry less than 100 (one hundred) heads;
 - 43.4 Wild bird husbandry less than 500 (five hundred) heads;
 - 43.5 Wild reptile husbandry less than 1,000 (one thousand) heads

The Ministry of Agriculture, Forestry and Fisheries shall define the definitions of each category in paragraph 43 above.
44. Freezing and processing of aquatic products and cereals and crops products for exports:
 - 44.1 freezing and processing of aquatic product for export with the investment capital less than USD 500,000 (five hundred thousand);
 - 44.2 processing of any kind of cereals and crops products for export with the investment capital less than USD 500,000 (five hundred thousand);
45. Provision of value added services of all kinds of telecommunication services
46. Real estate development.

Section 3: Investment Activities with specific characteristics which shall be Eligible for Custom Duties Exemption, but not Eligible for the Profit Tax Exemption

1. Telecommunication basic services;
2. Exploration of gas, oil and all kinds of mining, including supply bases for gas and oil activities.