

Advanced Systems Automation Ltd

Entry into aquaculture



StocksBnB.com

23 October 2024

Not Rated

LAST CLOSE PRICE SGD 0.018

COMPANY DATA

Bloomberg CODE:	ASA SP Equity
O/S SHARES (MN):	654.0
MARKET CAP (USD mn / SGD mn):	9 / 12
52 - WK HI/LO (SGD):	0.07 / 0.02
3M Average Daily T/O (mn):	2.11

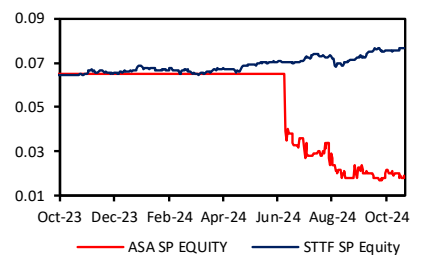
MAJOR SHAREHOLDERS

ASTI Holdings Ltd	13.6%
CGSI Pte Ltd	12.6%
Loh Soon Gnee	10.5%
Victoria Lim Yu	9.4%
Lim Chen Chong	9.4%
Structured Capital Solutions Inc.	9.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.0	(40.0)	(72.3)
STTF RETURN	1.3	6.9	17.1

PRICE VS. STTF



KEY FINANCIALS

Y/E Dec,SGDmn	FY20	FY21	FY22	FY23
Revenue	14.1	19.0	15.0	12.9
EBITDA	-1.9	2.0	1.6	-2.2
Net Profit	-3.9	-0.2	-0.5	-4.5
EPS (cents)	-0.010	-0.003	0.000	-0.018
P/E (X)	-10.0	-33.3	1,000	-361.1
Dividend Yield	0.0%	0.0%	0.0%	0.0%
ROE	n.m.	n.m.	n.m.	n.m.
ROA	-19.9%	-1.3%	-2.8%	-27.1%

Source: Company, PSR

Yik Ban Chong (Ben) (+65 6212 1851)
 Research Analyst
 chongyb@phillip.com.sg

SINGAPORE | TECHNOLOGY | UPDATE

- Advanced Systems Automation Ltd (ASA)'s current business is in semiconductor manufacturing. It is diversifying into the aquaculture industry. ASA acquired 100% of LSO Organization Holdings Pte. Ltd. (LSO) for S\$20mn.
- ASA believes the aquaculture industry is poised for sustainable growth of 4.6% CAGR from 2023 to 2032, reaching US\$462.2bn by 2032.
- ASA is proposing a renounceable non-underwritten Rights Cum Warrants Issue to raise S\$2.3mn to S\$5.2mn for expenses and cash considerations for the LSO acquisition.

Key Highlights

Advanced Systems Automation Limited (ASA)'s core business divisions of Equipment Contract Manufacturing Services (ECMS) manufactures electromechanical components and parts for the semiconductor and consumer electronics industries.

Due to economic factors, ASA decided to expand its business into the aquaculture industry. On 2 August 2024, ASA completed the acquisition of 100% of LSO Organization Holdings Pte. Ltd. (LSO) for an aggregate of S\$20mn, in which S\$12mn is paid in consideration shares and S\$8mn in cash (S\$2mn Bridging Loan and S\$6mn Cash Payment).

The ASA Board believes it is an investment opportunity to enter the aquaculture industry, which it believes is poised for sustainable growth of 4.6% CAGR from 2023 to 2032. It also believes the acquisition may allow ASA to turn around its loss-making position. The net profit of LSO in FY2023 was US\$621,066.

LSO's Business

LSO is involved in the management and technology licensing of operational know-how and expertise to aquaculture farms, managing aquaculture farms in Sumbawa Regency, Indonesia. It has also entered operational management contracts to manage aquaculture farms in Malaysia and the Republic of Palau.

On 9 September 2024, ASA announced that LSO has entered into a collaboration agreement with Hewlett Packard Enterprise (HPE) to co-develop, demonstrate and test an initial decision intelligence proof-of-concept for a Shrimp Farming Intelligence Centre (SFIC).

According to ASA, the SFIC will aid in the digitalization of aquaculture farming, where collection of big data and modern analytics can be expected to reduce costs and improve operating procedures at participating farms. It aims to raise shrimp survival rates from less than 50% to an estimated 70% to 80%, representing an increase of around 8.5% to 12% of shrimp and prawn aquaculture production.

The Acquisition

ASA completed the acquisition of 100% of LSO at its fair market value of S\$20mn (Figure 1). S\$12mn was paid by issuance of 184.6mn Consideration Shares at S\$0.065 each. S\$2mn of Bridging Loan paid is part of the S\$5mn raised with Redeemable Convertible Notes (RCN) (Figures 2 and 3). The remaining S\$6mn balance is to be paid with cash within six months from the Completion Date (2 Aug 2024).

Figure 1: Breakdown of acquisition costs of LSO

Funds	Amount S\$
Consideration shares	12mn
Bridging loan	2mn
Cash Payment	6mn
Total	20mn

Source: Company, PSR

New shares have been issued as Consideration Shares, Introducer Shares, ZICAP Success Shares and ILAW Success Shares for services provided for the acquisition. Breakdown of the number of new shares and funds raised prior to the Rights Cum Warrants Issue are shown in Figure 2.

Figure 2: New shares and fundraisings prior to Rights Cum Warrants Issue

	No. of New Shares	Funds raised S\$	Remarks
T1 and T2 Redeemable Convertible Notes (RCN)	96,750,039	5,000,000	As of 16 Sep 2024, remaining conversion shares for issue is 74,972,617 shares
Consideration shares at issue price of S\$0.065 each	184,615,385	-	S\$12mn worth of shares
Introducer shares at issue price of S\$0.065 each	15,384,615	-	S\$1mn worth of shares
ZICAP success shares for financial advisor for proposed acquisition at S\$0.065 each	7,692,308	-	S\$500k worth of shares
ILAW success shares for legal advice for proposed acquisition at S\$0.065 each	6,153,846	-	S\$400k worth of shares
total new shares	310,596,193		
No. of shares as of 12 Jul 2024	343,445,316		
No. of shares as of 16 Sep 2024	654,041,509		
Conversion shares available for issue	74,972,617		
Total	729,014,126		

Source: Company, PSR

Figure 3: Breakdown of S\$5mn raised from RCN

Use of RCN Net Proceeds	Allocation (S\$'million)	Drawdown and utilised as at 2 August 2024 (S\$'million)	Balance (not drawdown) (S\$'million)
Bridging Loan ⁽¹⁾	2.0	2.0	-
General working capital ⁽²⁾	3.0	2.5	0.5
Total	5.0	4.5	0.5

Notes:

(1) The Bridging Loan has been utilized as part of the consideration in cash payable to the Vendors pursuant to the LSO Acquisition.

(2) Breakdown		(S\$)
(a)	Repayment of 1 st instalment to ASTI Holdings Limited ("ASTI")	1.00 million
(b)	Partial repayment of the debt to ASTI pursuant to the statutory demand letter issued by ASTI	0.67 million
(c)	Payment for administrative fees amounting to 6% of the sum of S\$4.5 million drawdown pursuant to the RCN Issuance	0.28 million
(d)	Professional expenses related to LSO Acquisition	0.36 million
(e)	Payroll related costs	0.16 million
(f)	Others	0.03 million
	Total	2.50 million

Source: Company

The Announcements

On 16 Sep 2024, ASA proposed to undertake a renounceable non-underwritten Rights Cum Warrants Issue to raise funds for expenses and cash considerations for the LSO acquisition. The issue is on the basis of 3 Rights Share for every 2 existing Shares, issue price of S\$0.005 for each Rights Share, and 2 Warrants for every 3 Rights Shares subscribed. Each Warrant carries the right to subscribe for 1 new ordinary Share at the exercise price of S\$0.003 for each Warrant Share.

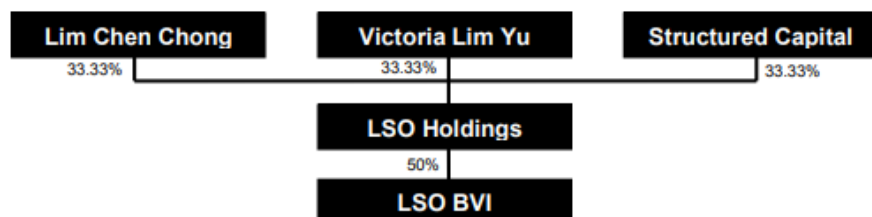
On 16 Oct 2024, the ASA Board announced that the Undertaking Shareholders, as defined in Figure 4, have each given an irrevocable undertaking to subscribe to their respective entitlements to the Rights Shares and/or Rights Shares with Warrants. Among the Undertaking Shareholders are the vendors of LSO Holdings - Victoria Lim Yu, Lim Chen Chong, and Structured Capital Solutions Inc (Figure 5).

Figure 4: Undertaking Shareholders. % stake based on the Company’s existing issued and paid-up share capital of 654.0mn shares

Name of Undertaking Shareholders	No. of Shares held / (%)
Victoria Lim Yu	61,538,462 (9.41%)
Lim Chen Chong	61,538,462 (9.41%)
Structured Capital Solutions Inc.	61,538,462 (9.41%)
The AOF Group	50,468,339 (7.72%)
Seah Chong Hoe	17,948,723 (2.74%)
Insights Law LLC	6,153,846 (0.94%)
ZICO Capital Pte. Ltd.	7,692,308 (1.18%)
Total	266,878,601 (40.8%)

Source: Company, PSR

Figure 5: Ownership of LSO Holdings by Vendors Lim Chen Chong, Victoria Lim Yu and Structured Capital



Source: Company

Below are some possible scenarios on the Rights Cum Warrants Issue.

Minimum Subscription Scenario is the scenario where **only** the Undertaking Shareholders subscribes for their entitled Rights Shares under the Rights Cum Warrants Issue according to their Irrevocable Undertaking. Assuming that:

- 1) No new shares and none of the remaining 74.97mn maximum conversion shares (from Figure 2) are issued prior to the Record Date (to be determined).
- 2) None of the entitled shareholders subscribe to their Rights Shares.
- 3) Undertaking Shareholders subscribe to their entitled Rights Shares and/or Rights Shares with Warrants according to their respective Irrevocable Undertakings.

Figure 6: S\$2.6mn will be raised from the Rights Issue under the Minimum Subscription Scenario

Shareholders	Existing @ S\$0.019			Rights Issue (3 for 2 @ S\$0.005)			TERP @ S\$0.0106 (excludes Warrant shares to be issued)			Warrants (2 for 3 Rights @ S\$0.003)	
	Shares (mn)	% Stake	Market Cap S\$mn	Shares (mn)	% Stake	Value S\$mn	Shares (mn)	% Stake	Market Cap S\$mn	Shares (mn)	Value S\$mn
ASTI Holdings	89.2	13.6%	1.7	-	0%	-	89.2	7.6%	0.9	-	-
Undertaking Shareholders	266.9	40.8%	5.1	523.4 ⁽¹⁾	100%	2.6	790.3	67.1%	8.4	348.9	1.0
Remaining Shareholders	297.9	45.6%	5.7	-	0%	-	297.9	25.3%	3.2	-	-
Total	654.0	100%	12.4	523.4	100%	2.6	1,177.5	100%	12.5	348.9	1.0

(1) Based on Irrevocable Undertakings conditions set out in the 16 Oct 2024 circular by ASA

Source: Company, PSR

Maximum Subscription Scenario is the scenario where **all** Shareholders, including Undertaking Shareholders, subscribes for their entitled Rights Shares Under the Rights Cum Warrants Issue. Assuming that:

- 1) No new shares issued on or prior to Record Date.
- 2) The remaining 74.97mn maximum conversion shares are fully issued on or prior to Record Date.
- 3) Undertaking Shareholders subscribe to their entitled Rights Shares and/or Rights Shares with Warrants according to their respective Irrevocable Undertakings.
- 4) All entitled shareholders subscribe for their entitled Rights Shares under the Rights Cum Warrants Issue

Figure 7: S\$5.5mn will be raised from the Rights Issue under the Maximum Subscription Scenario

Shareholders	Existing @ S\$0.019			Rights Issue (3 for 2 @ S\$0.005)			TERP @ S\$0.0106 (excludes Warrant shares to be issued)			Warrants (2 for 3 Rights @ S\$0.003)	
	Shares (mn)	% Stake	Market Cap S\$mn	Shares (mn)	% Stake	Value S\$mn	Shares (mn)	% Stake	Market Cap S\$mn	Shares (mn)	Value S\$mn
ASTI Holdings	89.2	12.2%	1.7	133.9	12.2%	0.7	223.1	12.2%	2.4	89.2	0.3
Undertaking Shareholders	341.9 ⁽¹⁾	46.9%	6.5	512.8	46.9%	2.6	854.6	46.9%	9.1	341.9	1.0
Remaining Shareholders	297.9	40.9%	5.7	446.9	40.9%	2.2	744.8	40.9%	7.9	297.9	0.9
Total	729.0	100%	13.9	1,093.5	100%	5.5	1,822.5	100%	19.3	729.0	2.2

(1) 75.0mn maximum conversion shares issued to Undertaking Shareholder

Source: Company, PSR

Net Proceeds. After deducting expenses of c.\$0.3mn from the Rights Cum Warrants Issue, the net proceeds are c.\$2.3mn under the Minimum Subscription Scenario and c.\$5.2mn under the Maximum Subscription Scenario. Figure 8 shows the intended use of the net proceeds as announced by ASA in its 16 October 2024 circular.

Figure 8: Usage of Net Proceeds under Minimum and Maximum Subscription Scenarios respectively

Use of Net Proceeds	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Amount (\$'million)	Percentage Allocation (%)	Amount (\$'million)	Percentage Allocation (%)
Partial payment of cash consideration to the Vendors for the LSO Acquisition	1.4 ⁽¹⁾	60.9	4.4 ⁽³⁾	84.6
Partial payment of indebtedness owing to SCH	0.6 ⁽¹⁾	26.1	0.1 ⁽⁴⁾	1.9
Partial payment of professional fees owing to ILAW and ZICAP in respect of the LSO Acquisition and the Rights Cum Warrants Issue	0.1 ⁽¹⁾	4.3	0.6 ⁽⁵⁾	11.6
General corporate and working capital	0.2 ⁽²⁾	8.7	0.1 ⁽²⁾	1.9
Total	2.3	100.0	5.2	100.0

Notes:

- (1) This amount will be set off against the subscription monies payable by the respective Undertaking Shareholders for their respective entitled Rights Shares and/or Excess Rights Shares with Warrants pursuant to the Set-off Arrangements. Please refer to paragraph 2.3 of this announcement for further details on the Set-off Arrangements.
- (2) The Net Proceeds in cash available for use on closing of the Rights Cum Warrants Issue for general corporate and working capital purposes, including payment by the Company of outstanding professional fees arising from previous corporate exercises (if any).
- (3) S\$1.4 million will be set off against the subscription monies payable by the respective Vendors for their respective entitled Rights Shares pursuant to the Set-off Arrangements, and the remaining balance will be paid with the Net Proceeds in cash.
- (4) S\$0.1 million will be set off against the subscription monies payable by SCH for his entitled Rights Shares pursuant to the Set-off Arrangements.
- (5) S\$0.1 million will be set off against the subscription monies payable by ILAW and ZICAP for their respective entitled Rights Shares pursuant to the Set-off Arrangements, and the remaining balance will be paid with the Net Proceeds in cash.

Source: Company

Financials
Income Statement

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22	FY23
Revenue	13,711	14,128	18,990	15,042	12,928
Cost of sales	(10,373)	(10,492)	(13,295)	(10,251)	(8,913)
Gross profit	3,338	3,636	5,695	4,791	4,015
Selling and marketing costs	(920)	(797)	(1,017)	(848)	(730)
General and admin	(5,613)	(4,639)	(4,328)	(3,496)	(4,307)
Other expenses	(220)	(142)	(218)	-	(1,988)
Other income	-	237	67	314	137
EBIT	(3,415)	(1,705)	199	761	(2,873)
Net Finance Expenses	(391)	(340)	(374)	(477)	(804)
Profit before tax	(3,806)	(2,045)	(175)	284	(3,677)
Tax Expenses	(149)	(162)	(602)	(261)	(340)
PAT	(3,955)	(2,207)	(777)	23	(4,017)
FX	-	-	-	(516)	(506)
Loss from discontinued ops	(682)	(2,596)	533	-	-
Minority interest	91	888	-	-	-
PATMI	(4,546)	(3,915)	(244)	(493)	(4,523)

Per share data (SGD Cents)

Y/E Dec	FY19	FY20	FY21	FY22	FY23
EPS	(0.0200)	(0.0100)	(0.0030)	0.0001	(0.0180)
DPS	0.0	0.0	0.0	0.0	0.0
BVPS	0.0031	-0.0085	-0.0100	-0.0122	-2.1107

Cash Flow

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22	FY23
CFO					
Profit before tax	(3,806)	(2,045)	(175)	284	(3,677)
Adjustments	1,853	1,263	1,832	1,339	3,574
WC changes	1,596	1,509	(693)	984	536
Cash generated from ops	(357)	727	964	2,607	433
Net interest received/paid	(147)	(99)	(128)	6	31
Tax paid	(319)	(309)	(391)	(495)	(218)
Cashflow from ops	(823)	319	445	2,118	246
CFI					
CAPEX, net	(807)	(1,476)	(1,413)	(521)	(660)
Issuance of bridging loan	-	-	-	-	(2,000)
Others	111	235	134	219	71
Cashflow from investments	(696)	(1,241)	(1,279)	(302)	(2,589)
CFE					
Payment of lease liability	(892)	(397)	(406)	(239)	(212)
Loans, net of repayments	(378)	1,750	1,269	(339)	2,324
Others	800	-	-	(130)	(144)
Cashflow from financing	(470)	1,353	863	(708)	1,968
Net change in cash	(1,989)	431	29	1,108	(375)
Cash at start of period	3,836	1,858	2,302	2,352	3,678
Currency translation	11	13	21	218	266
CCE, end	1,858	2,302	2,352	3,678	3,569

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22	FY23
ASSETS					
Inventories	1,052	595	974	1,010	809
Trade and other receivables	4,195	4,168	4,709	2,292	4,386
Cash and bank balances	2,305	3,151	3,151	4,426	4,251
Others	3,097	1,322	190	401	398
Total current assets	10,649	9,236	9,024	8,129	9,844
PPE	5,948	7,008	7,771	6,936	6,354
Intangible assets	2,884	2,654	2,481	2,131	-
Others	1,239	736	231	484	495
Total non-current assets	10,071	10,398	10,483	9,551	6,849
Total Assets	20,720	19,634	19,507	17,680	16,693
LIABILITIES					
Accounts payable	11,987	13,256	14,709	6,147	5,174
Loans and borrowings	202	496	936	839	662
Bank overdraft	603	797	799	748	682
Others	6,285	4,780	3,256	1,909	4,790
Total current liabilities	19,077	19,329	19,700	9,643	11,308
Trade and other payables	-	1,354	1,339	8,838	10,765
Loans and borrowings	293	1,748	1,572	1,354	1,339
Deferred tax liabilities	444	427	437	412	478
Others	224	(1,322)	(1,308)	159	52
Total non-current liabilities	961	2,207	2,040	10,763	12,634
Total Liabilities	20,038	21,536	21,740	20,406	23,942
Equity					
Share capital	148,841	148,841	148,841	148,841	148,841
Shareholder Equity	682	(1,902)	(2,233)	(2,726)	(7,249)

Valuation Ratios

Y/E Dec	FY19	FY20	FY21	FY22	FY23
P/E (X)	-5.0	-10.0	-33.3	1000	-361.1
P/B (X)	32.7	-11.7	-10.0	-8.2	-3.1
EV/EBITDA (X)	-9.2	-10.3	9.9	12.1	-10.6
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Growth & Margins

	FY19	FY20	FY21	FY22	FY23
Growth					
Revenue	12.5%	3.0%	34.4%	-20.8%	-14.1%
EBITDA	-54.1%	16.1%	205.1%	-23.6%	-241.6%
EBIT	26.7%	14.8%	121.4%	-66.5%	-1479.2%
Net profit	24.7%	13.9%	93.8%	-102.0%	-817.4%
Margins					
Gross margin	24.3%	25.7%	30.0%	31.9%	31.1%
EBITDA margin	-16.8%	-13.7%	10.7%	10.3%	-17.0%
EBIT margin	-24.9%	-12.1%	1.0%	5.1%	-22.2%
Net profit margin	-33.2%	-27.7%	-1.3%	-3.3%	-35.0%

Key Ratios

	FY19	FY20	FY21	FY22	FY23
ROE	-666.6%	n.m.	n.m.	n.m.	n.m.
ROA	-21.9%	-19.9%	-1.3%	-2.8%	-27.1%
Net Gearing (%)	Net cash	Net cash	-7.0%	Net cash	Net cash

Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking & Finance

Glenn Thum – glenthumjc@phillip.com.sg

US Tech Analyst (Digital Entertainment/Semicons)

Jonathan Woo – jonathanwookj@phillip.com.sg

US Tech Analyst (Software/Services)

Ambrish Shah – amshah@phillipventuresifsc.in

US Tech Analyst (Hardware/E-commerce/ETF)

Helena Wang – helenawang@phillip.com.sg

Construction

Yik Ban Chong (Ben) – chongyb@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
25-2, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited

Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler

Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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