



BUSINESS PLAN AND INVESTMENT PROPOSAL

(6 VILLA PROPERTY)

Presented by SOL7 Partners



OVERVIEW

SOL7 is seeking investment for a pool villa project in Koh Lanta, Thailand.

- 34,743,735 Thai Baht for 54% of the company
- The Investment funds Phase 1 of the 2 phase project which is 6 x SOL7 pool villas
- Land and planning permission already secured
- Construction schedule 12 months
- Average Annual Returns 9% > 14%

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SOL7 BUSINESS MODEL

The main drivers to a successful resort business in Thailand are the right product, developed at the right price, marketed effectively and operated professionally.

The Right Product

Location - exotic locations that excite people

Views - an ever changing memorable backdrop to your holiday

Privacy - your space should feel like your private property

Comfort - in everything you touch and see

Service - our mission is to provide our guests a totally satisfying experience, a holiday they will want to repeat and recommend to their friends and family

Developed at the Right Price

The two major costs in developing a resort / villa project are the initial land purchase and the costs associated with the build of the villas and supporting infrastructure.

In order to achieve acceptable returns on investments for both the SOL7 founders and our investors, we have been looking for land at the right value, land that the potential has been hidden either because of restricted access or some other unrealised potential. This site, once we opened it up through the generous access road and clearing the dense undergrowth and excess foliage gives us that “wow” factor and we believe this has been achieved at the right price.

The second part of developing at the right price is accurate budgeting and management of the construction costs. We have lots of experience designing and building our previous resorts. However, we are constantly learning and looking at ways in which we can complete the build phase on time and to budget. Our build management will be undertaken in house giving better control over the whole process and reducing the cost considerable as we avoid paying third party overheads and profits.

Marketed Effectively

The major marketing activities that we plan are:

- Start early to build an audience for the project before it opens;
- Creating the highest quality website and online digital presence and brand;
- Create good and up-to-date local knowledge to provide a useful service and increase rankings;
- Utilising OTA's like Agoda and booking.com;
- Targeted Google and Facebook Ads;
- Soliciting media for free coverage (e.g. travel sites, airline magazines, travel shows, etc);
- Word of mouth - let the product sell itself;
- Social Media

Operated Professionally

We believe that professionalism is a prerequisite for success. A professional organisation brings together specialised knowledge, competency, integrity, accountability and honesty which gives investors and customers alike confidence in the product. We have chosen to manage this particular project over employing an existing hospitality management company because we believe in our product and service philosophy and want to embed these values into the concept as we move forward forging a robust brand that can be repeated and scaled up with confidence.

SOL7 Service Philosophy

Our service philosophy will set us apart from our competitors and we'd like to take some time to explain why. From our experience we believe that service is the key to customer relations impacting both the customer's perception of their visit and customer loyalty.

The 4 dimensions of quality of service are defined as:

- Reliability - The ability to deliver promised performance dependably and accurately
- Responsiveness - Willingness to provide prompt service and help customers
- Assurance - Employees ability to convey trust and confidence through their knowledge and courtesy
- Empathy - Personalised attention and care given to customers

This is the management challenge - achieving a high level of quality in all dimensions of service, especially the intangibles - that makes the difference between a mediocre and a great business. Any company, and most do, can claim to deliver on some or all of these dimensions of service, but very few achieve it to a high enough degree.

SOL7'S Customers

Russian and Chinese tourists arrivals are rapidly increasing to the traditional Thai tourist areas such as Phuket and Pattaya and are displacing western tourists who are moving to newer areas in Thailand. In time, we can expect the average Chinese and Russian tourist to become more discerning and for the distribution of different nationalities over the range of Thai tourist destinations to reach a more even distribution. In the meantime, this creates two different market opportunities in Thailand: Chinese and Russian tourists in the main tourist areas, and primarily Western and South East Asian tourists looking for new destinations everywhere else.

SOL7 is focused on the second opportunity - creating new resorts for Western and South East Asian tourists. They represent the largest demographic and they can be marketed to mostly in English which plays to our strengths. We expect our customers to start off being primarily Western and then by the second season, as word of mouth spreads, to see more South East Asian tourists and by the third or fourth season to see Chinese and Russian tourists starting to become a part of the customer mix.

The majority of customers are couples or groups of friends between 30 and 50, both with and without children. They are well travelled and are either used to a high standard of living or are treating themselves to a special holiday.

SOL7'S Competitors

Independent boutiques and small chains are SOL7's primary competitors. Their rooms and villas are often done in a Thai style or heavily relying on Thai elements for their design. Properties in this niche are generally too small for the large international hotel management chains and are usually operated by Thai management companies. Many of them are older properties and have beach front or close access to the beach. Often not well marketed they rely heavily on other channels to sell their rooms for them.

Competitor Profile

- Size - 4 - 20 room independent boutique properties and small chains.
- Price - Mid to high Range 5,000 - 20,000 thb per night.
- Product - Pool Villas.
- Marketing - Rely on traditional travel agents and large online travel sites.
- Location - Tropical, exotic locations, older ones on beaches, newer ones on hills
- Operations - Often poor or inadequate service

The SOL7 Brand

We have created the SOL7 brand to market our product philosophy under. Deliberately not drawing on any cultural or ethnic elements, the brand is clean, modern and slightly understated.

image below: Website design/brochure mock up examples



THE INVESTMENT

Koh Lanta

Koh Lanta is a chain of islands and was recently voted #4 in Trip Advisor's [Asia's Top 10 Islands 2014](#). The 52 islands, including the main island Koh Lanta Yai where SOL7 Koh Lanta is situated, make up the [Koh Lanta National Park](#). Koh Lanta is 75km from Krabi airport and the journey which currently includes two short ferry crossings takes about 2 hours. Koh Lanta can also be reached by one of the many boats that connect the major tourist destinations on the Andaman coast.

The Thai government is investing in Koh Lanta's infrastructure including a 400 million THB bridge due to open in mid 2016 to connect Koh Lanta Noi and Koh Lanta Yai, which will cut one of the ferry crossings and considerably reduce transit times to the island.

Although close to Krabi, Koh Phi Phi and Phuket, Koh Lanta enjoys a quieter reputation with no large international hotels. Already popular with Swedish tourists Koh Lanta and its long laid back beaches is just beginning to be discovered by a broader range of Western tourists and is set to benefit from the over crowding in nearby Phuket.



The Site

The site is located on the West side of the island near the popular “Long Beach” area. It is a 8,800 Sq. M plot in an elevated position set back 1.5 km from the ocean. The elevated position and gently undulating topography means every villa will have fantastic panoramic views of the Andaman Sea and the nearby islands with unobstructed views of the dramatic sunsets.

It is surrounded by agricultural land and unspoilt natural forest with native birds, wildlife and trees. The site has been provisionally cleared leaving most of the large established trees which have been incorporated into the site design. Following the construction phase landscaping will be carried out to create a lush tropical garden paradise.

The plot is reached by a purpose built access road that stops at the resort site. This means there will be no through traffic to spoil the peace and quiet of this beautiful and secluded location. The location gives easy access to Ko Lanta's popular beaches, shops, bars and restaurants.



Planning Permission & Construction Schedule

Planning permission has already been granted by the Aor Bor Tor (the government department head) of Ampur (district of) Koh Lanta.

Preliminary works such as providing access roads, topographical survey and site clearing have already been carried out.

The main construction works are scheduled to begin in April 2016* with a planned completion date of April 2017. A detailed construction plan is now being prepared.

**subject to the financial investment being secured and in place.*

Start Up Costs

Start Up Summary	Amount
Owners Retained Equity Value	16,000,000
Land Value	12,000,000
Legal	1,340,000
Build Breakdown	28,589,392
Systems	665,000
Fees	2,523,904
Contingency	2,925,439
Cashflow	200,000
Total	64,243,735

Investment

An investor (or group of investors) could invest up to 34,743,735 THB and in return receive a proportionate amount of 54% of the SOL7 Management Company shareholding. The SOL7 founding partners retaining the remaining 46%.

SOL7 Management Company will manage the property as a whole to maximise rental incomes and maintain the assets and the site in general.

SOL7 shareholders would receive an annual dividend in line with the projections / forecasts within the body of the proposal. Currently projections show an average return on investment of 12% per annum which is based upon fairly conservative occupancy estimates and room rates.

Once the Phase 1 project was meeting pre-defined targets, Phase 2 would be opened up for investment (scheduled 18 months from the opening date of the Phase 1 operations).

The Phase 1 investors would be approached 1st and be offered preferential terms before the investment would be opened up to a wider audience.

Thailand

Thailand dominated the top ten Asia Pacific destinations 2015:

- | | |
|--------------------------------|----------------------------|
| 1. Bangkok – 21.9 million | 6. Seoul – 9.2 million |
| 2. Singapore – 11.8 million | 7. Hong Kong – 8.3 million |
| 3. Tokyo – 11.8 million | 8. Pattaya – 8.1 million |
| 4. Kuala Lumpur – 11.3 million | 9. Bali – 7.2 million |
| 5. Phuket – 9.3 million | 10. Osaka – 6.5 million |

SOL7 Koh Lanta Pool Villa Spec. (outline):

- Piled Foundations;
- Reinforced Concrete Ring beam with concrete slab base construction;
- Concrete columns with QCOM block walls (rendered and plaster finish);
- Reinforced Concrete roof ring beam;
- Insulated roof space with synthetic “natural look” roof covering;
- Real hardwood architectural finishings / features;
- High quality appliances, fixtures and finish throughout;
- Fully fitted state of the art kitchen / bathrooms;
- Traditional concrete / ceramic tiled pool (min 4m x 6m) with high quality equipment spec.

Revenue Assumptions (SOL7 Management X6 Villas)

The following occupancy and room rates are used to calculate projected revenues in the profit and loss projection on the next page. These are very conservative projections.

	Y1	Y2	Y3	Y4	Y5
Occupancy					
High Season	65%	77%	86%	90%	91%
Peak Season	72%	85%	95%	95%	95%
Low Season	27%	32%	36%	37%	38%
Average	55%	58%	65%	67%	75%
Villa Rates by type and season					
2BR - Low	5,400	5,400	5,562	5,562	5,729
2BR - High	12,000	12,000	12,360	12,360	12,731
2BR - Peak	13,800	13,800	14,214	14,214	14,640

SOL7 Koh Lanta Profit & Loss Statement

Summary 5 year P & L						
Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Consolidated
Accommodation Dbl.	10,076,400	11,890,152	13,716,479	14,150,905	14,671,116	64,505,053
F & B	-	-	-	-	-	-
Total Revenue	10,076,400	11,890,152	13,716,479	14,150,905	14,671,116	64,505,053
Cost of Sales						
<i>Travel Agents Commissions</i>	251,910	297,254	342,912	353,773	366,778	1,612,626
<i>Food & Beverage</i>	-	-	-	-	-	-
Cost of Sales	251,910	297,254	342,912	353,773	366,778	1,612,626
Gross Profit	9,824,490	11,592,898	13,373,567	13,797,133	14,304,339	62,892,427
Operating Expenses						
Selling and Marketing Expenses						
<i>Marketing and promotion</i>	302,292	356,705	411,494	424,527	440,133	1,935,152
<i>Courtesy Payments</i>	12,000	12,000	12,000	12,000	12,000	60,000
General and Administrative						
<i>Salaries</i>	1,368,000	1,436,400	1,508,220	1,583,631	1,662,813	7,559,064
<i>Telephone</i>	60,000	60,000	60,000	60,000	60,000	300,000
<i>Electricity</i>	160,200	189,036	211,720	219,359	220,982	1,001,297
<i>Satellite Internet</i>	144,000	144,000	144,000	144,000	144,000	720,000
<i>Diesel expense</i>	120,000	120,000	120,000	120,000	120,000	600,000
<i>Insurance</i>	67,285	67,285	67,285	67,285	67,285	336,426
<i>Vehicle Repayments or lease fee</i>	168,000	168,000	168,000	168,000	168,000	840,000
<i>Bank Charges</i>	50,382	59,451	68,582	70,755	73,356	322,525
<i>Legal and Accounting Fees</i>	72,000	72,000	72,000	72,000	72,000	360,000
<i>VAT</i>	129,792	158,799	187,762	193,561	200,841	870,753
<i>Planned Maintenance</i>	80,408	80,408	80,408	80,408	80,408	402,038
<i>Inventory Renewal (wear and tear)</i>	114,358	114,358	114,358	114,358	114,358	571,788
<i>Bad Debt Expense</i>	50,382	59,451	68,582	70,755	73,356	322,525
Management Fees						
<i>On Gross Turnover</i>	302,292	356,705	411,494	424,527	440,133	1,935,152
<i>On Operating Income (Before Depreciation + Tax)</i>	709,992	849,187	1,005,019	1,036,029	1,075,028	4,675,255
Depreciation						
<i>Buildings</i>	464,578	464,578	464,578	464,578	464,578	2,322,888
<i>Equipment & Hardware</i>	536,051	536,051	536,051	536,051	536,051	2,680,256
<i>Decorations & Furnishings</i>	571,788	571,788	571,788	571,788	571,788	2,858,939
	-	-	-	-	-	-
Total Expenses	5,483,798	5,876,199	6,283,341	6,433,610	6,597,108	30,674,057
Profit/(Loss) for the period	4,340,692	5,716,699	7,090,226	7,363,523	7,707,230	32,218,370

Investor Returns

From the projected Profit & Loss, we propose the following dividends which will still leave money in the business for unplanned events or as a cash reserve.

	Y1	Y2	Y3	Y4	Y5	Consolidated
FREE CASH FLOW	5,913,108	7,289,116	8,662,643	8,935,939	9,279,647	40,080,453
PROPOSED DIVIDEND	3,172,101	3,780,179	4,386,854	4,428,276	4,566,001	20,333,410
INVESTORS ROI	9.1%	10.9%	12.6%	12.7%	13.1%	58.5%
CASH LEFT AFTER DIVIDEND	300,000	600,000	900,000	1,100,000	1,200,000	4,100,000



YOUR NEXT STEP

If you have further questions before you can make a decision please contact us directly.

If you are still reading, great, it means you're probably as excited by this business as we are and you are considering investing in the SOL7 Property company. Please contact us on details below and together we can discuss how you invest in the company.

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