



Investment Apartments in Cambodia





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Brocon - company profile

- Established operations in 2005
- Mission statement: “To pioneer world class property development in Cambodia”
- Founders:
 - Rory Hunter - Previously general manager of Bates Advertising, Cambodia. Worked in major agencies, including Saatchi and Saatchi NZ, where he ran their largest account . Has successfully run variety of start-ups including a marketing agency and beer importation company. Holds a Bachelor of Economics from Sydney University
 - Randal Misch - Builder and qualified carpenter. Completed many personal property developments in Australia as well as running his own company. Randal has a vast experience of the building industry as well as a degree in interior design.
 - Melita Koulmandas - Designer. Melita has worked as an organic stylist in Sydney and Auckland and run successful companies in both countries. Her work has featured at Sydney fashion week, KD Lang’s Sydney performances, and countless photo shoots. She’s currently completing a degree in horticulture.
- Brocon has a team of 9 in the Phnom Penh office - a mix of local and expat specialists in real estate, finance and construction
- Currently developing apartment renovations in Phnom Penh’s “Old French Quarter” and a boutique apartment complex as well as an island resort off the coast

brocon



The Team in Cambodia





Cambodia - an overview

- 13.78 million people (est 2005)
- 43% under 15, 55% under 19, 69% Under 30 - Median age 20.6 years
- 84% population is rurally based
- Population growth 1.78%
- Life expectancy - males 58 and females 64
- Ethnicity - Khmer 90%, Vietnamese 5%, Chinese 1%, other 4%
- Religion - Buddhist 95%, Other 5%
- Language - Khmer (official), English, French
- Literacy - Total population: 73.6%

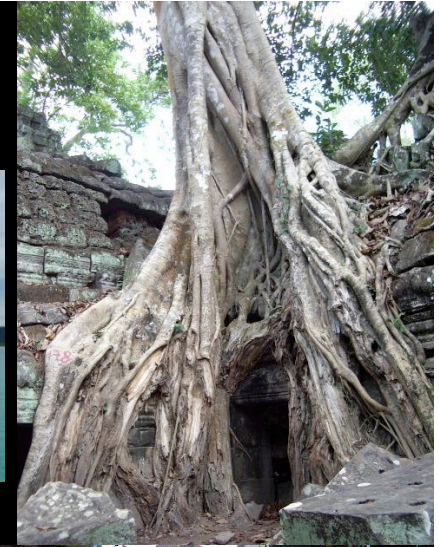


Cambodia - recent history

- 1975-79 - Khmer Rouge regime reigned, led by the infamous Pol Pot
- 1979 - Vietnamese occupation
- 1980s - Civil war
- 1991 - peace conference in Paris
- 1993 - UN sponsored elections, help to diminish fighting
- 1998 - Final Khmer Rouge forces surrender
- 1998 to present - With help from foreign donors, Cambodia has experienced continued political stability and peace
- 2003 - Cambodia acceded to the World trade Organisation. First least developed nation to gain accession. In part, due to it's rapidly growing garment industry, along with it's fast paced economic growth.

Phoenix-like, Cambodia is rebuilding itself rapidly and is following the lead of it's tiger neighbours, Thailand and Vietnam, and moving from an agricultural based economy to one which focuses on international trade, specifically manufacturing and tourism

Cambodia at a glance





Cambodia - Amongst good company



- With Thailand on one side and Vietnam on the other, and Malaysia, the Philippines and Singapore to the south, Cambodia is fortunate to be nestled between some of the worlds fastest growing economies.
- War is now only a bad memory for South east Asia, with the battlefield being economic rather than political
- Multi-lateral trade and investments are the key instruments of change as the region dramatically develops



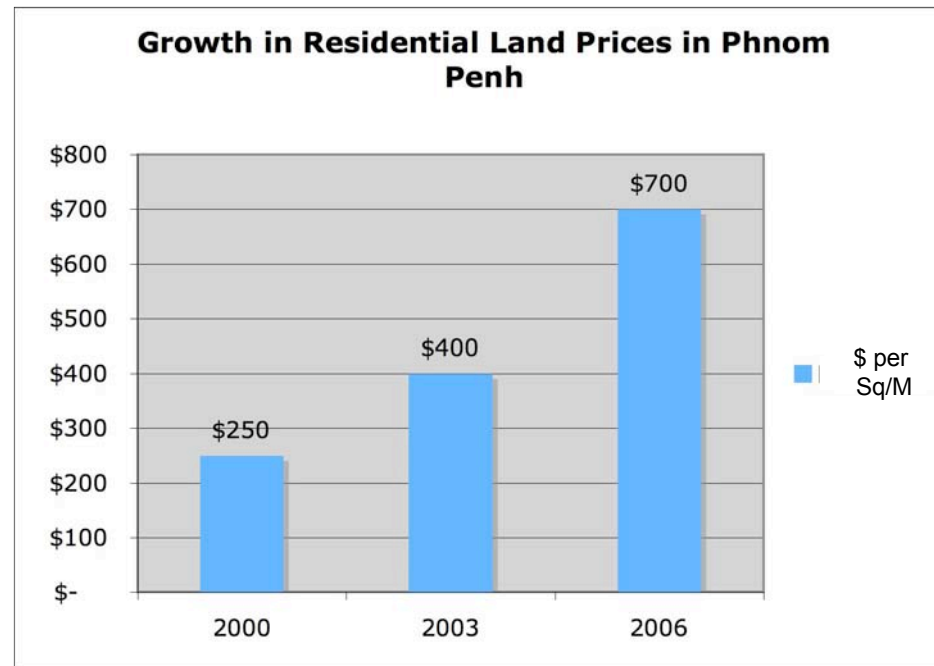
Cambodia - Economic indicators

- 2005 GDP growth - 13.5% (IMF figures)
- GDP growth from 1999-2004 averaged 7%
- Growth in foreign direct investment from 2004-2005 - 450%
- Unemployment 2.5% (est)
- Foreign Aid for 2006, \$US601 million, up from \$US504 million in 2004
- Per capita GDP (PPP) \$US2,200
- Tourism grew at 35% in 2005 (predicted to grow at over 20% for the next 5 years). Total number of tourists in 2005 was 1.5 million
- Textile exports grew at 20% in 2005
- Main industries: Tourism, garments, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles
- Oil reserves recently been found - revenues predicted to be up to \$US2 billion by 2009



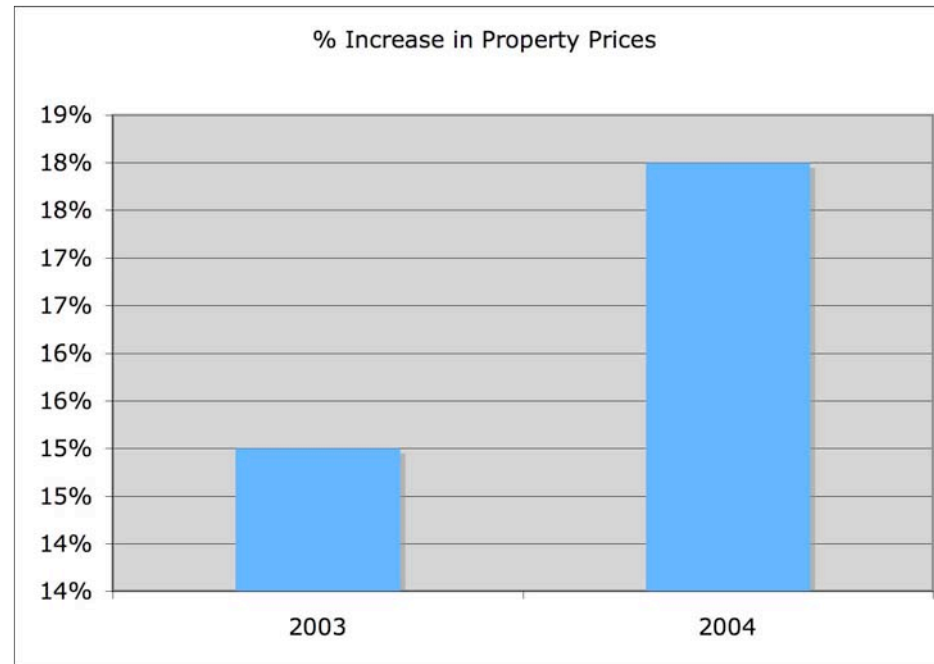
Real Estate Market - Phnom Penh

Phnom Penh is a city on the move. After years of inertia, the construction and real estate market has exploded in the past 3 years





High capital growth



Starting from a low base, the real estate market in Phnom Penh has seen excellent capital growth over the past 3 years. Given the base was so low for so long and combined with high levels of economic growth, this capital growth is expected to continue for years to come



Construction is booming

- 2004 - Construction industry grew by 34%
- 2005 - Construction industry grew by a staggering 63%
- Building approvals in first quarter of 2006 are up by 35% on 2005 in Phnom

Penh

As the city modernises and grows, building and construction become key indicators of not only economic growth, but also opportunity



Making the most of the opportunity

- Major lack of supply of stylish “western apartments” for expats to rent, due to little or no western property developers
- Due to lack of supply of high quality rental apartments, investing in a recently renovated apartment by Brocon means your tenancy levels are certain to be 100%
- Excellent rental yields due to low relative property prices - guaranteed at 10% for 2 years
- By buying in the “Old French Quarter”, excellent capital gains are possible as the market value is still very low and this area is the most desired by westerners = great potential

So where is the “Old French Quarter”?

The Old French Quarter



- Either on, or just off the river front, north of the beautiful Royal Palace
- One of the main destinations for tourists
- Many modern bars, restaurants and Cafes
- French colonial style apartments built in 1950s and 1960s
- Once renovated - provide a great mix of the old and the new - west and east

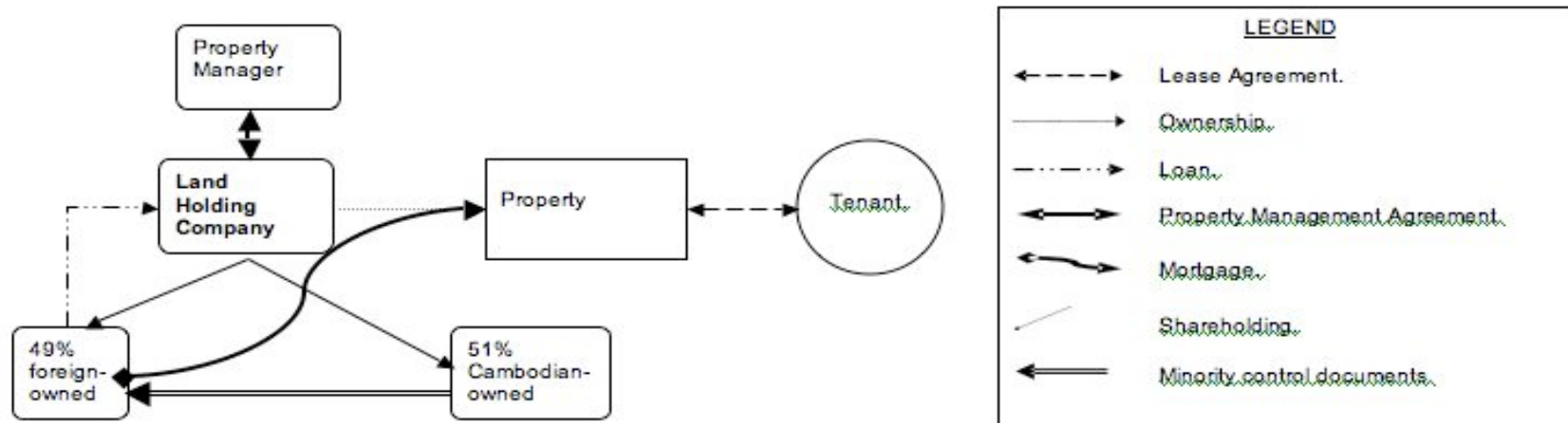


Owning property in Cambodia

Like most Asian countries, there are laws against foreign ownership. However, this can easily be circumvented through buying the property in a foreign controlled, majority locally owned, land holding company. Following are the details of how this is structured



Legal structure



Proposed mechanism

- Land Holding Company, with Brocon BVI as the 49% foreign investor, purchases the Property, which is funded by the Loan to the Land Holding Company (LHC), secured by a mortgage over the property.
- Brocon BVI renovates the Property, which is also funded by the Loan to the LHC.
- Brocon BVI and Investor enter into a pre-sale agreement (PSA), whereby Brocon BVI agrees to sell its 49% shareholding to Investor. 35% of the purchase price is paid on execution of the PSA, and 65% on completion (which is triggered by completion of the development of the property).
- Upon completion, the loan is assigned to the Investor, Brocon BVI's mortgage over the land is discharged, Investor registers a mortgage over the land, and the minority control documents (MCDs) between Brocon BVI and the Cambodian shareholder (CS) are terminated and replaced with MCDs between CS and Investor.



Tax implications

Rental Income	Capital Gain upon resale - exit options
<p>Allowable expenses:</p> <ul style="list-style-type: none">• Tax depreciation schedule• Interest• Management fees• Operating expenses (including travel) <p>Tax:</p> <ul style="list-style-type: none">• Company tax = 20%• Withholding Tax = 14% <p>Through deducting the above expenses, 14%WHT is the only tax that will need to be paid.</p>	<p>Option 1 - Sell shares to other foreign investor</p> <p>No tax implications</p> <p>Option 2 - sell to local Cambodian</p> <p>“Loan” is repaid to investor “management fees” charged to LHC for capital gain which incurs 14% WHT Closing fees deducting from capital gain Therefore, max tax exposure is 14% of capital gain after any related expenses</p>

The above is only provided as a guide. For professional tax advice, please contact either KPMG or PWC in Cambodia



Case Study - 11E1 Street 136

- Located on street 136, 50m from riverfront
- 2 br apartment with balcony and private garden
- 114sq/m
- Right next to an excellent café and on sought after street. New development being built across the road
- Sale price = \$US70,000
- Rental = \$583 per month (10%) guaranteed for 2 years. Includes full property management services
- Capital gain projections = 15-20%

Location of Apartment

Location of Apartment

X

FCC



Following are images of
the completed renovation











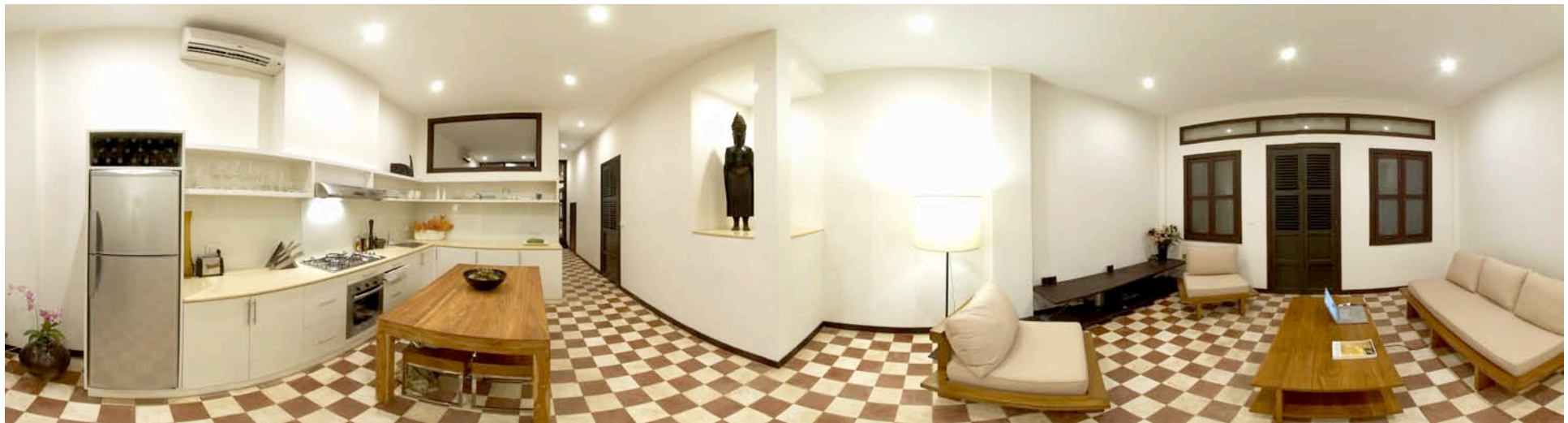


360 degree Panorama from bathroom/garden at night





360 degree Panorama view of living room and kitchen



Before Shots





For information on further opportunities

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