



Summary Investment Proposal for:

ESTABLISHMENT OF A NEW BEETSUGAR PLANT IN NORTH EAST CHINA WITH A DAILY PROCESSING CAPACITY OF 1,500 TONS.

SPECIAL DECLARATION

This summary has been derived from an in depth Investment report prepared by Beijing Yuheng jiatai Investment Consultants Co Ltd for **Heilongjiang Anda Hongfu Sugar Co Ltd**. Every effort has been made to ensure that this Summary is accurate and complete, but we do not guarantee its accuracy, whether explicit or implicit and, to the fullest extent permitted by applicable laws, we do not accept financial or legal responsibility for any errors, inaccuracies, omissions, or for any loss which may result directly or indirectly from reliance on the content it contains. We reserve the right to correct or update content at any time without prior notification.

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I. SUMMARY

a) The Project

The **building and operating of a beet sugar plant** with a daily processing capacity of 1,500 Tons (200,000 tons per annum) by **Heilongjiang Anda Hongfu Sugar Co Ltd.**

Industry	Agricultural production and sales
Total Project Cost	¥153.3 M yuan (USD 22.5 million)
Investment sought	¥ 67 M yuan (USD 10 million)
Intended uses	(1) Acquisition of Land (2) Construction of a new production facility (3) Beet cultivation, processing and sale of sugar , ethanol and related products
Land Acquisition	Land targeted for acquisition has been designated and approved by the Anda municipal bureau of land and resources and the Heilongjiang provincial bureau of land and resources.
Entry timeframe	Within current year 2009
Exit options	(1) Yr 4 Initial Public Offering (2) Yr 4 buy-out
Break Even Point	4.16 years (inc construction time)
Estimated return on investment	(1) Appreciation of land and buildings value (2) 32.5% net annual return on investment
Collateral	Acquired land & newly constructed Plant
Entry timeframe	Within current year 2009

b) Project Financing Options

1. Joint Venture Partner
2. Project Investment loan

The project is situated within the '**Ha Da Qi' North Eastern Industrial Corridor**' which has been designated by the Chinese government as an economic development zone and receives preferential policies and measures to encourage inward investment. These include: quality services provided by the government, Tax free breaks etc. The project has received the backing of local and regional government and falls within the priorities of the national government of China. In addition the project has substantial social benefits for local farmers.

II. The Project

- The building and operating of a beet sugar plant with a daily processing capacity of 1,500 Tons. (200,000 tons per annum)
- Land with a surface area of 400,000 Square Meters being of grade 3 for industrial purposes to be acquired.
- Project to be located 5Km north of Anyi Highway, Chengguang Village, Wanbaoshan Town, Anda City, heilongjinag Province, China.

After extensive research of the regional national and international sugar industry and consultation with regional and provincial government **Heilongjiang Anda Hongfu Sugar Co Ltd** is looking to enter into a business venture to seize recently created opportunities to meet the national and international sugar supply shortage, to capitalise on the increasing sale prices of sugar and to exploit the incentives and tax breaks being offered by both the local and national Chinese government with regard to the expansion of sugar production. The medium term goal is to develop the business to a stage appropriate for Initial Public Offering.

III. Project Manufactured Outputs

- Annual Output of 30,500 tons of soft sugar of excellent grade quality meeting GB/445-2,000
- Daily production of 85 tons of Grain (12,940 tons Per annum)
- Annual production of 2,410 tons alcohol (of medical alcohol quality.)
- Annual Production of 102.9 tons of ethanol and other kinds of alcohols and oils.

IV. Planned Investment Budget

Expenditure	Chinese Yuan *	USD equivalent
Construction and equipment	12674.06	18.53 million
Operating costs	2654.31	3.97 million
Total	15328.37	22.5 million

* (To the multiple of 10,000)

V. Financial Forecasts

- Annual Sales Forecast = 20202.1元
- Annual Running Costs Forecast = 10887.9元
- Value Added Tax = 1882.8元
- Average Gross Annual profit = 7431.4元
- Average Net Annual profit = 4979.04元
- Net Annual Rate of Return on Investment = 32.5%
- Break Even Point = 4.16 yrs (including construction time of 1 Yr 7 months)

(To the multiple of 10,000)

VI. Financing

- Total project cost = 15328.37 yuan
- Land purchase = 4500 yuan
- Construction costs = 8674.06 yuan
- Working Capital = 2654.31 yuan
- **Investment required = 6700 yuan** - towards land purchase
(To the multiple of 10,000)

1. Financing method

- Joint Venture Partner
- Other

2. Collateral

- Acquired Land
- Newly constructed plant

3. Exit Strategy

Time frame From year 4 onwards
Options Negotiable – buy out, IPO

VII. Implementation Timescale

22 months including the following key phases:

Phase I

- Formal Project establishment
- Formal Acquisition of land
- Design & approval of architectural and other plans
- Building construction

Phase II

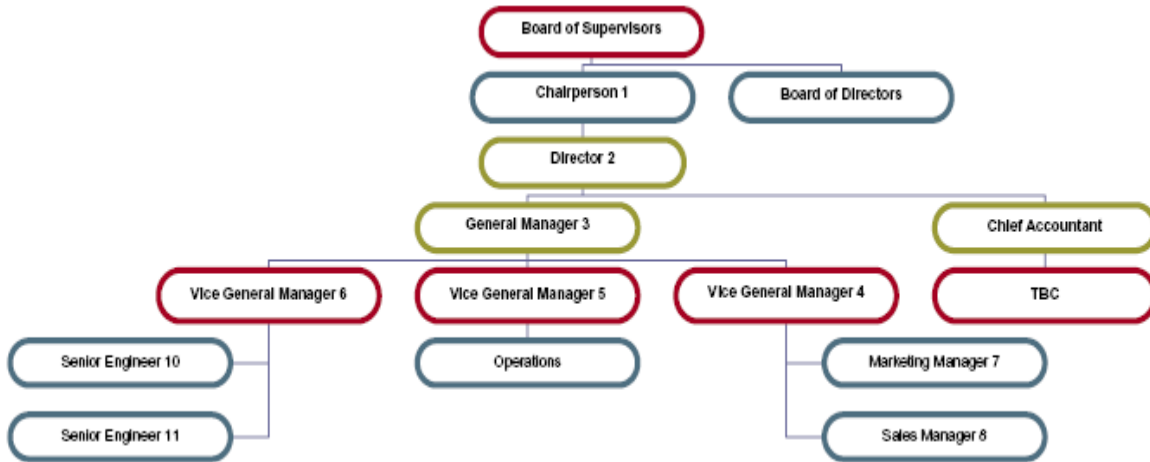
- Ordering of equipment & Installation of equipment
- Training of personnel
- Acquisition of raw input materials

Phase III – 22nd month onwards

- Commencement of operations

VIII. Key Personnel

The management Team is composed of the Board of Directors, the Board of Supervisors and General Managers as indicated below.



Top and Senior managers have long educational and work backgrounds in the sugar industry including both management and engineering experience and some have Local Government and Party connections which may be an advantage to the smooth achievement of the Project business goals.

To ensure strong and effective management of the project post will be included to deal specifically with the regulation of financial management and financial systems.

The middle level managers will have a background in both technology and management.

Naturally if an investor intends to engage in a joint venture then the design of the management structure would be open to amendment to include input from the joint venture partner.

IX. Market Conditions

In the last 5 years the sugar industry has seen sharp price rises. Reasons include rising consumption levels in China commensurate with increased disposable income and changing lifestyle habits. This includes both direct consumption and also downstream consumption by the confectionery and beverages industries. Statistics from 2002 to 2006 suggest an average annual growth in sugar consumption of 7.4%. The recent shift in the cultivation of ethanol producing crops by previously large sugar producing nations such as Brazil also has a role to play in the international shortage. In recognition of the shortage of and instability in supply of sugar the Government of China listed the development of a strategy for sugar production and support for the development of the industry as a priority in the 11th Five Year Plan.

China has two main sugar producing areas and this project is situated in one of them being the North East of China. Approximately 30% of all sugar manufactured from beet in China is produced in the North east region of Heilongjiang. Existing manufacturers are small and currently use outdated technology and methods from the early 1980s when these factories were first constructed. The competition from these manufacturers will therefore be minimal and the market is in need of a project such as this current one. In fact is anticipated that this project will attract key and gifted individuals from these faltering manufacturers mentioned above.

X. Endorsement

Local Government Support

Anda City has considered this project of key importance in their plans to stimulate development in the area and has made great efforts to support the project. In this respect Anda City has established a special leadership team with the vice mayor as chair. The aim is to push forward the project and provide a single point of contact between the local government and the investor. Other team members include members of the Economic Bureau, Business Tendering Office, Bureau of Planning & Development, Bureau of Environmental Protection, Bureau of Land Resources and the Bureau of Construction. They also aim to provide preferential incentives to investors including reduced taxes, wavering of applicable service charges and protection of business rights.

National Government Support

In early 2008 the PCCP of the PR China declared it's priorities as to support the development nationwide of agricultural projects, the support is of the following nature:

Agricultural projects such as this beet sugar plant project are encouraged under the Governments' 1995 Interim Provisions for Guiding Foreign Investment and the Industrial Catalogue for Foreign Investment.

Income tax on enterprises with foreign investment is levied at the rate of 33 percent however, given the agricultural nature of the project it is possible that income tax may be levied at the reduced rate of 15 percent. However further clarification is necessary.

In addition, Enterprises with foreign investment engaged in agriculture, forestry and animal husbandry, and enterprises with foreign investment established in remote and underdeveloped areas may, upon approval by the State Bureau of Taxation, be allowed a 15 to 30 percent reduction on the income tax for a period of another 10 years following the expiration of the period of tax exemption and reduction as provided for above. (Further clarification is necessary)

XI. Project merits

Government Incentives

A national and local government package to include: reduced taxes, wavering of applicable service charges and protection of business rights see above.

Location

Heilongjinag in the north east of China is one of the top 2 principle sugar producing regions of China with a sugar manufacturing history of more than 100 years. It benefits from excellent climate and soil conditions with close proximity to three of the most economically developed area of the province with its subsidiary industries. As such it is an ideal place to locate the factory.

The project includes the acquisition of some 400,000 Square Meters of land and given the strategic location of the project in the middle of the three rapidly developing urban areas mentioned above it is expected that the value of this asset will increase considerably over the years.

Social Impact

Project is designed to maximise rural economic development through joint working with local community farmers. Local farmers have for many years considered the growing of sugar beet as a main source of driving or supplementing income. The project will encourage a series of incentives to support local planters and ensure quality and quantity of output; this output will then be purchased by the project. Measures will include:

- Land for cultivation will be offered by the project to local farmers. The shifting cultivation cycle will be as long as 26 years and thus has positive benefits regarding the protection of local soil quality.
- Sugar beet will be purchased from local farmers at a price linked to the sale price of sugar. While the figure will fluctuate the purchase price will not fall by more than 6%.
- High quality seeds will be sold to local farmers at a competitive price to ensure quality.
- A loan system will be attached to seed purchase where the costs of seeds can be paid from earnings when the beet is sold to the project.
- Planting technique training and other technical services will also be provided to farmers free of charge.
- All sugar beet purchases will be settled by the project in cash on delivery providing liquidity to local farmers.
- Profit share incentives will be awarded to farmers meeting output and quality targets.

As a result of this Anda City has considered this project of key importance in it's plans to stimulate development in the area and has made great efforts to support it. (*See government support above.*)

XII. Current Status - Next Step

A considerable amount of background work has already been done on the project over the preceding few years including the following:

- Project Feasibility Study was undertaken by Heilongjiang Design Institute of Light Industry.
- Environmental Evaluation Report has been completed by Heilongjiang Chemical Institute and approved by Heilongjiang Bureau for the environment.
- Geological Exploration of the Plant site has been completed by Heilongjiang Institute for Exploration of Geology & water Conservancy.
- Approval for land use for the project approved by the Anda Municipal Bureau of Land and Resources and the Heilongjiang Provincial Bureau of Land and Resources.
- Endorsement from the Heilongjiang Sugar Industry Corporation and the Heilongjiang Sugar Association who have also expressed an interest in purchasing the project's sugar output and supplying technical experts for sugar making and equipment acquisition.
- Agreement in principal for the installation, placement and commissioning of equipment and the construction of the power circuit reached with Heilongjiang Provincial Installation Company.
- Supply of raw materials for the Project has been secured by successfully gaining the endorsement and support of the Project by the Municipal Government and the Party Committee of Anda City.

In early 2006 the US Credit Establishment International E&T Development Group made an agreement of intent to investment in the Project however, the company is no longer in a position to proceed with the investment and the Project leader is now seeking a new investor.

A FULL IN DEPTH BUSINESS PLAN IS AVAILABLE ON REQUEST

Interest is welcomed from companies/organisations interested in investing in the project or agencies that specialise in introducing such companies.

All Interest and questions should be addressed in the first instance to **Michael Donovan** of Galliard Lockings Associates, Beijing:

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