

ANJI HOUSING AND RESORT DEVELOPMENT BUSINESS PLAN

Introduction

We are a real estate development company in Colorado, USA. We are joining a venture with Chinese developers on housing development in Anji, China, where the movie "Crouching Tiger, Hidden Dragon" was filmed.

Our Chinese partner owns 320 acres of land in a beautiful mountain setting, among which 33 acres are zoned to develop housing communities. Based on the current market, the profit will be 400%. This is unbelievable compared to the US development profit of 15 – 30%. We are currently looking for development funding and working on the pre-sale marketing materials – master planning, housing design etc. The total amount needed is \$5 million US dollars and two years later this will grow into \$20 million US dollars.

Big Picture

Why China? China's tremendous real estate demand makes it the most dynamic and the best country for investors.

China's booming and familiar urbanization process is forecasted to last for another 20 years. City dwellers represent less than 3% of the current total population. This is far less than the 70-80% averages in the developed world. Even if China's population stabilizes, over a half-billion farmers are expected to swell the cities during the next two decades. No other country presents such a tremendous and sustainable market demand in all aspects of real estate — land, commercial, industrial and residential.

We have worked with a developer in Shanghai, China on a high-rise office building and his profit is 700%.

Why Anji? Development cost in bigger cities like Shanghai are sky high, and the development on the East coast have increased about 19% while the middle and western China development have increased around 30-33% per year. As China's real estate market expands into 2nd-tier cities like Hangzhou, Anji has a great potential with a much lower development cost and high profit.

Bamboo Town Anji

Anji is located in the northwest part of Zhejiang province, China. With 1800 years of history, population 456,700; it is close to major cities -- Shanghai, Hangzhou, Nanjing and Suzhou with convenient transportation via highway, train and ships. Anji is 130 miles from Shanghai; 40 miles from Hangzhou (one of the fastest growing cities for foreign investment); 42 miles from Huzhou. Anji is known for "The garden for Metropolitans". Its beautiful scenery attracts 3.6 million tourists a year, and this number increases at 30% per year.



For its best air, water quality and beautiful nature setting, Anji was named China's best living environment by The United Nations in 2002.



竹子博览园 Chinese Bamboo Museum





Huangpu River Source, the Dam and Forest park in Anji

Market Analysis and Area Potential

INDUSTRY: Anji's bamboo industry is rated 1st in China. Bamboo construction materials, furniture and other bamboo products are exported globally. In 2006, Anji industries signed 50 new contracts with foreign investors, 101 foreign owned companies were actively in production. Anji's bamboo industry GDP was 8.4 billion US dollars in 2006. Anji's tourist industry develops fast, over 3 million visitors per year and is increasing by 30% yearly.

Anji 2006 Economic Statistics:

	Anji General GDP (USD)	Export (USD)	Import (USD)	Manufacture Industries GDP (USD)	Tourist (USD)	Real Estate GDP (USD)
Total	13.4 billion	5.5 billion	0.2 billion	19 Billion	1.6 billion	1.2 billion
Increase from 2005	12.8%	47.9%	67.4%	26.5%	30.3%	1.9%

- LOCATION: Anji is located in the center of Changjiang Triangle,

within 3 hours of the major cities in Yangtze River Delta. A good portion of current buyers of Anji real estate are from surrounding cities like Shanghai, Hangzhou and Nanjing.

1. Shanghai: According to research conducted by *Fortune* magazine, 92 percent of more than 40,000 multinational corporations consider establishing regional headquarters in China and 45 percent among them choose Shanghai as the first choice. By holding the World Expo, Shanghai's image as a cosmopolitan city and financial hub in China will be reinforced.
2. Hangzhou, as one of the rapidly growing cities along the eastern coast of China, plays a very strategic role in the overall economic development of the Yangtze River Delta. The real estate sector in Hangzhou is becoming one of the most dynamic and diverse markets in China and with it only 40 miles away, many people buy houses in Anji.
3. Nanjing: has had a rigid demand increase. Nanjing, capital city of Jiangsu Province, has set records in housing prices when a new project's price jumped by 1,200 yuan (US\$158) per square meter in two hours.

■ DEVELOPMENT IN TOWN:

1. Anji International Bamboo Trading Center is a joint venture between china and foreign investors. Total project cost is \$1.3 billion US dollars. The project sits on 83 acres of land, including retail shops, department stores, hotels, office buildings, warehouse etc. It will become an economic hub for Anji and bring more business to Anji.
2. In the next five years, the industry and real estate development will be fantastic in Anji. Jiu Long street – the commercial street that caters toward tourists with shops, restaurants, bars, nightclubs, hotels etc. will add to the already booming tourist industry.



Jiu Long Street

- PROPOSED LAND AND SURROUNDING COMMUNITIES



Proposed Land Picture – over all



Bamboo Forest on Proposed Land

The land is within 1.9 miles from “Bamboo Museum Park” and “Lingfeng Temple”. It is next to Lilac prime luxury housing community and close to a four-star vacation resort -- Sunny Holiday Resort; these are the two best communities in Anji. Rent for Sunny Holiday resort is \$75 to \$900 US dollars/night.



Housing sale price for Lilac community first phase has increased from \$71.5/sqft USD in 2003 to \$131/sqft USD today. While the construction and land cost is about \$17/sqft USD. The average house (about 3230 square feet) in the second phase of Lilac community is currently offering at \$576,900 USD. Unit price is about \$180 USD per square feet. Based on the market price, the proposed development will generate an unbelievable profit as the market keeps climbing up.



Lilac Housing Community, similar view as our proposed housing community



Lilac Luxury Housing Community

Potential Buyers

This development is in the national AAAA level top tourist area, with its mature real estate investing environment. A bamboo forest resort and mountain living luxury-housing community will attract prime consumers. They desire elegant, quiet nature living, and long for clean air and a healthy life style. They love nature, adore mountains and forest and will enjoy getting away from the busy city. They potentially come from a few categories listed below:

- Investors from surrounding cities like Shanghai, Hangzhou, Nanjing, Huzhou, etc.
- Anji Foreign companies (101 companies) executives and higher officials
- Anji Local industries executives and higher officials
- Timeshare resort buyers from the 3 million tourists in Anji every year

Xuxi Ecology Park

The proposed land is located in Xuxi Forest Park, the only ecology park in Anji that was designed by the famous English firm Atkins. The land is close to interstate highway 04 and Lingshan Reserved Nature Area and is surrounded by gorgeous scenery and luxury residential houses. Based on the market feasibility research, this area will become the prime area for vacation resorts and housing.



Development Vision

This development is more than a housing community; we will partner up with the local government and utilize the surrounding forest resource. This forest park business chain will improve the environment and tourist industry and improve the local economy. We are building a leading name brand community. Along with the development, we will work with the local government to improve the villages and provide the local people job opportunities. Our contribution to the local economy will be rewarded when the land value increases with the economy.

Profit Analysis

Assuming we are building a 5380 square foot house on a 13,990 square foot (1/3 of an acre) land; total 100 houses on 33 acres of land.

1. Construction cost – USD 5,128,200

Number of houses	Cost/house	Total cost		
100	\$64,100 USD	\$6,410,000		

Considering developing it in 3 phases and the construction company will put down the upfront cost for us, the maximum cash needed is around \$5,128,200 USD.

2. Land cost – USD 2,564,000

Cost / acre	Parcel/building	Number of houses	Total land cost	
\$77,835 USD	0.329 acre	100	\$2,564,000	

We are considering applying for an equity loan of \$1,282,000 USD on the land,

In China, based on the confidence of the market, construction companies often absorb the upfront construction cost and the developer pays them after the houses are sold. This will save a tremendous upfront cost for the developer and the construction company makes their profit as well.

Other costs like consultant cost, advertisement and broker cost are relatively minor, and will be calculated as the development goes further.

3. Sales price:

On the conservative side, take Lilac housing community first phase sale price in 2003 as reference. The average house sale price \$384,615 USD, total 100 houses are \$38,461,500 USD ----\$38 million.

4. Total profit --- \$30.7 million USD

$\$38,461,500 \text{ USD} - \$2,564,000 - \$5,128,200 = \$30,769,300 \text{ USD}$

5. Return percentage: 400%

$\$30,769,300 \text{ USD} / \$7,692,200 \text{ USD} = 4$

Risk Analysis:

I have met CBRE Development Consultant executive in China and he said "most developers in China were like Monkeys on the tree, they make money because the market is good in China. "

So why stay on the ground?

Like anything else, this is not risk free. The risk factors that concerns foreign investors are usually as following:

- China is a country you do not know well. We are a US company that has been working with developers in China for years. We will be your bridge.
- As mentioned previously, we have worked with a developer in Shanghai, China on a high-rise office building and his profit is 700%. In the 21st International City high-rise office building that we worked with a developer with in Shanghai China -- 378,100 square feet, 300 feet high with 24 floors, was sold for 1.75 billion USD, with a construction cost around 25 million USD.



High-Rise Office Building In Shanghai, China

- The 21st Century International City, Shanghai, includes 8 high-rise apartment buildings, retail shops, and 5 small office buildings had doubled its value in 3 phases.



The 21st Century International City

- The stability of Chinese government policies – As long as China stays open and well connected with the world, it will be politically stable. There might be policies like the last 2 years that the government stepped in trying to cool down the real estate market. This might cause a temporary market down turn, but the restriction on development will only create a supply squeeze down the road and the market will bounce back much higher. This is exactly what happened with Shanghai luxury housing market right now. The tremendous RE market demand is your assurance of high profit.
- Complication of doing business overseas. This is true, but it also brings you an unbelievable fortune.

So please consider this phenomenal opportunity in China. If you are interested in other types of development, our partner in Anji is also planning to relocate his bamboo factory and develop a resort. Also we have a few other opportunities in Shanghai, China that require much higher capital. We are looking for other opportunities in China through our connection with government officials.

Please contact us at 970-980-8766 or 970-669-0851, or email yguo@chinusare.com, if you are interested.

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