



Executive Summary

Overview & Vision

The Municipal Government of Langfang, China has engaged Southworth International and Bestsun Energy Group to plan, design and build a new world-class exhibition and conference center (“the Center”). This will be a world-renowned venue where nations, cities, businesses, organizations and international visitors can meet creating a synergy of talent, culture, technology, education, arts, manufacturing, and services. It will also serve as the showcase for the anticipated Smart City development at the new International Demonstration Park (“IDP”), a 30 square kilometer (18.64 sq. mile) site near the Dragon River in West Langfang.

The existing Langfang exhibition center has outgrown its capacity and must be enlarged to meet future demand. The Center will replace not only the existing buildings, but eventually the surrounding Exhibition Park, an 84-acre (340,000 sq. meters) complex.

Langfang is strategically located 40 kilometers (25 miles) from Beijing and 60 kilometers (37 miles) from Tianjin, one of the largest and most important port cities in China. Because of its location in the center between Beijing and Tianjin, Langfang is one of the most ideal locations in all the world for business and commerce. The city has a total area of 6,429 sq. kilometers (2,482 sq. miles) and a population of over 4 million people. This area has roughly the size and population of the Phoenix, Arizona metropolitan area. Within a 200 km (125 miles) radius, there are seven expressways, two international airports (soon to be three), the country’s second largest port, a high-speed train, subway system and nearly 150 million people.

The Central Government has mandated accelerated development of the Langfang region in order to direct future growth and alleviate the increasing congestion throughout the Beijing metropolitan area. Economic growth in the Beijing area is among the highest in the world, leading to appreciation of real estate values, demand on transportation and infrastructure, and other issues related to population density and growth.

The Government has also stated that the city of Langfang with its strategic location will be the ideal solution to ease the pressure on Beijing because of its close proximity, lower property values, accessibility, and open space. As Beijing continues to expand, both the Center and the IDP are well situated to enable Langfang to become the new gateway for domestic and international business and tourism in China.

Objectives

The principal objectives of this project are to:

- Create the number one exhibition and convention center in the Beijing/Tianjin corridor, with:
 - The ability to accommodate increasing numbers of visitors
 - The capacity to host large, medium, and small events
 - Easy access from Beijing through a developed transportation network
- Establish an international gateway for global commerce by:
 - Facilitating interaction between business people from all over the world
 - Bringing investment to the region
 - Creating a hub for business partnerships
- Create a link to the IDP Smart City development. The Center will:
 - Provide a window to business, cultural, educational, residential and other developments at the IDP
 - Include demonstrations, models and future plans for the IDP
 - Attract domestic and foreign investment for IDP development

Strategy

Partners. In order to accomplish these objectives, Southworth International and Bestsun Energy Group have formed a partnership in the development of the Center. The Center will follow a private ownership model.

These two companies will perform the following duties and responsibilities:

Southworth International: structure and arrange financing for the project; engage business partners for design, development, construction and operations; oversee the entire project for successful completion; implement a global marketing campaign to promote sales and activity surrounding the Trade Mart and the IDP

Bestsun Energy Group: interface with the government, provide leadership and direction for Chinese operations and activities; host investors and other partners; provide due diligence information for the project; consult with Southworth on the best approach for each element of the project

The partners have established a capable team of professionals consisting of industry-leading architect and design firms, project management consultants, engineering, procurement and construction (EPC) firms, hotel and convention center management and investment partners.

Economic Model. The economic model of the Center is benchmarked against some of the best-run exhibition centers in the industry. Two profit centers that are unique to this Center include:

International Demonstration Park (IDP). At the Center, there will be a presentation area illustrating the design and layout of the IDP site, including business centers, office buildings, commercial buildings, and residential housing developments. Sales of IDP property will be a key revenue source in the economic performance of the Center.

Visitors and Cultural Center. There are many world class visitors centers that operate successfully and serve to educate and inform visitors of what to see, how to get there, and how to understand and appreciate the cultural nuances of historic sites. At the Langfang Exhibition Center there will be a small-scale visitors center in anticipation of the larger, full-service travel, tourism, cultural and visitors center being created at the IDP. The visitors center located at the Exhibition Center will point the way to the IDP, where they will find unique and interesting ways to learn and understand all that China has to offer. Careful planning, design and management will produce an unprecedented experience that visitors will not want to miss before embarking on their visit to China.

Financial Projections. Capital funding requirements are estimated at \$370 million for the entire project. Funding Requirements by phase are as follows:

<u>Phase I:</u>	Exhibition Center/Conference Center and Five-Star 400-room Hotel \$237 million
<u>Phase II:</u>	Executive Office Space/Trade Mart \$38 million
<u>Phase III:</u>	Cultural and Performing Arts Center \$33 million
<u>Phase IV:</u>	Retail Shopping/Restaurant Center \$62 million
TOTAL:	\$370 MILLION

Structure of the capital funding is detailed in the Offering Document and in general will be an 80% debt component with 20% equity. Positive cash flow from operations is estimated to come 36 months after the completion of each phase. This will enable the company to begin debt service payments proportional to the EBITDA generated by phase. By structuring the debt component in a



way that enables the project to maximize revenue in the first 36 months of each phase, it is estimated that the project will be able to provide an ROI of between 15-20% annually for investors. Debt repayment is anticipated to be generally on twenty-year notes with an average of 5.5% finance charges.

Economic Impact. Local and provincial governments are major beneficiaries of exhibition center activities. In virtually all economic models the government provides financial concessions to exhibition center operators to support the economic stimulus being brought to the region. The value of the economic impact is usually three to five times more revenue than is generated at the Center each year. Economic benefit is derived in part from increased tax revenue, tourism spending, job creation, and increased personal spending power of citizens in the Langfang region.

Timeline

In order to meet the growing needs of the greater Beijing area exhibition industry, construction and design on the new Center must begin *immediately*. Langfang is hosting the annual APEC meeting on “Smart City and Intelligent Industry” on May 18, 2011, and would like to hold this meeting in the new facility. In addition, a major exhibition will take place during this meeting. The construction of the new hotel and exhibition center will be Phase I of the project, with the development of the remaining 60+ acres (approximately 243,000 sq. meters) following immediately thereafter. Phase I construction is in the approval stages and will begin by November 1, 2010. The meeting area for the APEC Conference will be completed by May 15, 2011. The Hotel will be completed by December 31, 2012. Design and construction of the subsequent phases will begin concurrently with Phase I. The initial starting date for Phases II-IV is June, 2011, and an approximate completion date of the entire complex is December, 2014.

Summary

The Central Government of China has initiated an aggressive infrastructure construction plan for the greater Beijing area in order to support the growing population demands. Currently under construction is an enhancement and expansion of the following:

1. Freeway systems connecting Beijing, Langfang and Tianjin.
2. Connection of Langfang with the Beijing underground metro system.
3. Fast paced construction of a high-speed passenger train from Beijing to Langfang, then to Tianjin (completion expected by the end of 2011) and ultimately connecting to Qingdao, Shanghai and on to Hong Kong.
4. Construction of a second Beijing International Airport just 3 km from the Langfang IDP site and 10 km from the Center.

Because it is located on the seventh ring road of Beijing, this enhancement plan for infrastructure improvements makes Langfang a highly prized target. Over the past ten years, China has taken over 200 million people from poverty to middle class. This startling accomplishment has fueled one of the fastest growing economies in the world. The new Center and the IDP will become the heart of the economic activity springing up in the Beijing region.

Contact Information

Southworth International is a global project finance and management group with offices in Salt Lake City and Beijing that offers a broad range of financial and opportunity management services. Our clients around the world range from Fortune 500 companies to venture capital businesses to whom we provide services in project finance, asset securitization, receivable financing, counter-trade, emerging asset-backed securities and management consultation.

Southworth employs multiple structures and investment strategies, depending on the unique business conditions and circumstances required. Our innovative financial engineering tools, investment products and creative business strategies have arisen as a continuous by-product of our experience and entrepreneurial drive. Southworth has completed close to a billion dollars in asset-based and project financing worldwide.

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