

GIANT PANDA (UK) LTD

Confidential Project Briefing and
Strategic Synopsis

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Giant Panda (UK) Ltd

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Contents

<input type="checkbox"/>	Overview of Giant Panda (UK) Ltd	page 2
<input type="checkbox"/>	MODUS OPERANDI - Financing Major Development Projects for Governments and Corporations under Joint Business & Technical Co-operation	page 6
<input type="checkbox"/>	Development Projects	
<input type="checkbox"/>	China	page 9
<input type="checkbox"/>	Russia	page 10
<input type="checkbox"/>	Tanzania	page 11
<input type="checkbox"/>	Myanmar	page 12
<input type="checkbox"/>	Barbados	page 15
<input type="checkbox"/>	Pakistan	page 16
<input type="checkbox"/>	Yemen	page 17
<input type="checkbox"/>	Proposed Organisational Chart for next phase of development	page 18
<input type="checkbox"/>	China further development opportunities.	page 19

An Overview of Giant Panda (UK) Limited

Giant Panda (UK) Limited — a management company having its registered office in the United Kingdom and is a subsidiary of Kuan Holdings with representative offices in Singapore, Hong Kong and in the Provinces of Hainan, Guangdong, Fujian, Zhejiang, Jiangsu, Shandong and Liaoning in the People's Republic of China; Moscow, Mannheim and Vaduz Liechtenstein.

The management of Giant Panda and their group of companies are drawn from experienced personnel from specific fields to provide and to give access to clients a wealth of experience and professional assistance. Such experience ranges from economic planning, banking and finance to architectural, engineering to project management. One can loudly boast that one of Giant Panda's management team is responsible for many major international airport schemes, including Terminal 4 Heathrow Airport.

In terms of manpower, the group and their associates have a total employee base well in excess of 20,000 employees.

The main activities of Giant Panda are:-

- within the United Kingdom, representing and managing private investors' portfolios from the Far East, namely, Malaysia, Thailand, Singapore, Brunei, Indonesia and Hong Kong and managing their investment portfolios in the United Kingdom.
- as representatives to the numbers of Provinces in The Peoples' Republic of China to source and initiate funding for major development projects and to assist and to provide the transfers of technologies for projects implemented.
- With the present break up of the former USSR, Giant Panda sees the need of the new emerging countries and with their existing network and expertise which could be applied, see an expansion of business opportunities with these new emerging countries.

To enable Giant Panda to assist in generating the massive funding for these new emerging countries, a Government and Corporate Resource Division is set up for the purpose, pooling resources and generating funds to finance major economic programmes and in particular reconstruction and infrastructure development projects in emerging economies.

This Division's activities are specifically designed to assess the best method to structure the necessary funding requirements based on what initial Governments or private resources are available.

"Business Success has its basis in the ability to seize opportunity"

Today this opportunity is provided by the Far Eastern markets, but such markets often prove difficult to enter for the Western trader ... different cultures and just plain language problems make commerce difficult enough without the often self imposed barriers of the Eastern World. It is for this reason that Giant Panda has been established, providing a well charted "route" for clients into this new market arena at a level which would often take months or even years to achieve by themselves.

Without such an organisation China will remain to most just another "closed shop". The Chinese people are seldom trusting of strangers and have their own way of conducting business which may seem strange to us in the western world. Simple things like favourite numbers or drinking tea are not properly understood and more complex issues such as power, financial structures and communications are even more perplexing.

Times are now changing as the Pacific Basin establishes itself as the growth region of the 90's, into the next century, with China the "waking dragon" of the Orient leading the growth race, eager to develop links with the west and open up trade in products, ideas and investment to bring it into the modern world; power generation, transportation, construction materials, steel, manufacturing plant, health services, new technology and investment in urban infrastructure all feature prominently in investment plans. Given the growth potential of the Chinese nation such opportunities are worth serious investigation.

Giant Panda (UK) Ltd

Giant Panda has been formed to bridge such barriers. A partnership of East and West business cultures working as an integrated team but retaining specialism in their home markets, China (and the Far East) and Europe respectively. This grouping allows the Company to offer services in two very specific areas

As European representative acting on behalf of Provincial Governments as the principal in all transactions, providing confidence in the projects/ products brought to the table:-

- to source product/ services for Republic of China and act as principal in subsequent negotiations.
- to advise on new technology/service developments

- ❑ to promote opportunities of commercial investment opportunities in China, and assist in raising investment capital.

As pro-active consultant, building on links with the Chinese business and political worlds, and the ability to place people and product to best advantage -

- ❑ providing advice on investment opportunities to far east commercial interests seeking investment opportunity in both public and private sectors
- ❑ acting as independent consultant to commercial interest seeking to export - providing advice on trading, presentation, culture etc and offering direct introductions into important business circles.

The Company's strength lies not only in its understanding of the cross cultural issues that can form barriers to trade (providing invaluable advice on product/service presentation) but also in its direct links with the business world of the Far East and hence its ability to provide direct introductions into the commercial and political circles where trading is the norm.

The cross cultural ethos of the group ensures that all projects are conducted on a fair and reasonable basis, so that fair profits are made by investors; while countries such as China, are afforded the help and respect they deserve. The Group has already has the confidence of the Chinese authorities by which they, the Chinese authorities trust the objectives and abilities of the group.

Whilst Giant Panda prides itself as a leader in the specialist field of Chinese trade it also has links with a number of prominent companies world-wide and through a consortium consultancy can provide services or advice on a wide range of commercial opportunities.

The Team

Giant Panda places great store on its team's mix of experience and abilities. John Tan, Jeffrey Lau, Glenn Nobes, Kevi Levor Phizo, Tommy Lindh, Paul Membrey, Peter Black, Layton Davis, Christopher Soule and Dave Flanagan, bring together a mix of business and project management skills as well as international fund raising and far eastern development experience, allowing the group to bring a wealth of knowledge to bear on a wide range of projects.

Such experience and market insight brings a new perspective to the arena resulting in new opportunities for interconnectivity of projects and hence enterprise. The general individual responsibilities of the team are as follows:-

John Tan -	Chairman and Business Consultant
Jeffrey Lau -	Executive Director and Business Development Manager China
Glenn Nobes -	Director International Investments, Lease Capital, Project Finance and Currency Placements
KeviLevor Phizo -	Asia and Pacific Rim Political/Current Affairs Adviser and Business Development
Tommy C. Lindh -	Director Business Development and Business Finance
Paul Membrey -	Director Project Development and Director Corporate Affairs
Peter Black -	International Architectural Design and Construction Consultant
B.Layton Davis -	International Project Director Transportation and Energy Systems
Christopher Soule -	International Project Development
Dave Flanagan -	East European Corporate/Security and Political Activities

MODUS OPERANDI

Financing Major Development Projects for Governments and Corporations
under
Joint Business & Technical Co-operation

1. PRELIMINARIES

- a. Introduction of principals, namely the Project Promoter/Owner to Giant Panda and identify project development and funding requirements.
- b. Establish firm intent and agreement between principal parties.

2. IMPLEMENTATION — PHASE I

- a. Set up Joint Venture Company or enter into Joint Venture Agreement.
- b. To ascertain serious intent, the Project Promoter/Owner will be required to capitalise the Joint Venture Company, the quantum to be established to defray the preliminary expenses as well as the Feasibility Studies.
- c. Giant Panda with the Joint Venture Partners will organise a technical/engineering team to proceed with preliminary feasibility studies and to draw up Master Plan with estimated costing; or an alternative mutually agreeable strategy depending on the uniqueness or special technical nature and confidentiality of the core technology.

3. IMPLEMENTATION — PHASE II

- a. With the Master Plan completed and an established costing of each project made, set up a steering committee from Joint Venture Company Partners to liaise with the Central Government Departments (if applicable), and all necessary organisations and individuals where appropriate.
- b. Giant Panda will make available US\$ denominated cash backed security from the World's Top 50 Banks, to the Joint Venture Company to facilitate raising of Bank Loans for the planned company development projects.

Giant Panda will take custody of the loan capital for infusion into the planned development projects in a timely and proper fashion through an appointed firm of internationally recognised Cost Accountants. Giant Panda is ready and able to provide this security for substantial loans (in excess of US\$100 million), that the Project Promoter/Owner are able to initiate through their own banking connections.

In effect this will result in the Project Promoter/Owner introducing Giant Panda to any banks which the Project Promoter/Owner may already have received agreement in principle from to lend but lack this quality of security to draw down such funds.

- c. Giant Panda will require the Joint Venture Company to repay the capital on a "Soft Loan" basis, i.e. over an agreed period at a simple annual interest rate between 3% and 7.5% per annum. The annual rate of interest will be determined by the equity Giant Panda is provided in the Joint Venture Company, which in line with good business practice will need to be a minimum 51% during the period of repayment of the loan, which will equate to a 7.5% per annum. At the other end of the scale, if Giant Panda were to hold a 80% of the equity in the Joint Venture, this would equate to a 3% annual rate of interest. The figures are negotiable and we are flexible in our objectives, with the emphasis on making the Joint Venture a successful enterprise.
- d. Steering committee commences upon negotiations with international reputable contractors under negotiated tenders' for development works (where applicable). Successful contractors will be required to place a deposit of an equivalent TEN (10%) PERCENT of the contract value in a 'Blocked Fund' for the duration of the contracted period in favour of the Joint Venture Company. These deposits will be released to the contractor upon successful completion of the contract.

4. IMPLEMENTATION — PHASE III

- a. All works undertaken, construction and otherwise will take place in a coordinated, and timely manner in order to fall in line with the preapproved Master Plan and in conjunction with the general aspirations of the Joint Venture Company and their partners/representatives/associates.

- b. Establish marketing arm within the Joint Venture Company to undertake marketing and sales of planned developed commercial and residential facilities (where applicable), or finished products and to commence repayment of the "Soft Development Loan" to Giant Panda.
- c. Organise the "flotation" of the Joint Venture Company to enable Giant Panda to transfer their equities to local entrepreneurs/investors, or other parties by mutual consent and agreement. This stage is negotiable and our emphasis will be to ensure that the resulting company remains a successful and thriving enterprise.
- d. The 'Bankable Assets' described in 2.b, are released to the Joint Venture Partners/Government free of any liens or encumbrances of any nature.

5. CONCLUSION

The mechanism of funding Project/Infrastructure and Development through a Joint Venture Company described herein, will enable the Joint Venture Company to develop a broad range of facilities under the temporary control of Giant Panda. In return for this vested interest in the project/national economy and the success of the projects concerned, Giant Panda will be providing the necessary security, required by the lending Banks of a substantial value. (with the exception of the initial capital described in 2.b. above).

The benefits to the Joint Venture Company are many fold using this approach, not least of which is the provision of security to facilitate the necessary loans for the projects, which using this mechanism will not be a burden on the Project Promoter/Owner's coffers, or affect in any way shape or form any considerations which would otherwise need to be given to the IMF, World Bank and other relevant entities (where applicable).

The overriding proportion of any risk therefore is borne by Giant Panda, which we are prepared to trade off for majority control of the venture(s), until the soft loans are repaid. After which, the fully developed and financially unencumbered facilities can be transferred to local Joint Venture Company/Government/Entrepreneurs/Investors through a mutually agreeable Buy Back or Share Flotation package.

China

Giant Panda have extensive contacts within China and already instigated discussions on a wide range of infrastructure projects both on a 100% funding and Joint Venture basis. At the time of writing, the four prime projects are listed below and a list of projects under discussion is attached at Appendix A.

Hainan Oil Refinery

- Proposed Joint Venture with the Hainan Provincial Government.
- Letter of Intent has been signed with Giant Panda and the Hainan Provincial Government (which GP can take over).
- Oil Refinery capacity 200,000 bpd
- Petro-Chemical Complex
- Project Cost approx US\$2.5 billion
- Status - site located and ready, feasibility study still to be undertaken. Formal agreement given.

Nanjing City - Jiangsu Province

Coal Fired Power Station

- 2 x 600 MW Turbines
- MOU signed with Jiangsu Provincial Electric Power Co.

Yangjiang City - Guangdong Province

Coal Fired Power Station

- 2 x 600 MW Turbines
- Potential for doubling the installation
- Letter of Intent with City Government of Yangjiang

Quangzhou - Fujian Province

Development Projects

- Port related infrastructure development including oil refinery, chemical plant and a 2 X 600 MW power station.
- Development will provide a major boost to the regional economy.
- Outline planning stage.
- Primary importance should be given to the power generation projects which will form the basis of developing other commercial activities.

Russia

At the time of writing a number of high level discussions are ongoing with a number of parties representing Central European States, needing major investment in infrastructure projects , including

- Airport Facility, including freight terminal, new runway, and main airport infrastructure, Estimated cost US\$100million.
- Synthetic Fibre Plant, funding required to expand facility and build associated infrastructure.
- Oil Blending and Filling Station Chain, throughout the Ukraine, helping to improve the transport infrastructure.
- Hotel Development, Moscow based hotel development.
- Power Station, letter of Mandate (with State Government) for 510 MW gas fired power station State offering 50/50 Joint Venture but seeks 100% funding partner. Feasibility study awaited.
- Bridge and Road Infrastructure, major regional transport infrastructure (6 Km).
- Hospital Development, programme for the development of 250 bed hospitals, programme to start in 1995.
- Telecoms Infrastructure, land based telephone network development.
- Enterprise and Free Trade Zone Complex - Krasnodar

Information is awaited on further projects including Oil Exploration and Refining, Communications Infrastructure, Timber processing and Paper Mills.

Total value of projects under discussion estimated at US\$3.5 Billion

Our Moscow partner has reached formal agreement and commitment with the Ministry of Finance and the Central Bank to Joint Venture in a new bank. This JV has now been 50% capitalised with 10 billion roubles (then US\$5 million), by the Central Bank. The JV bank will ultimately be responsible for the clearing of all earth resource transactions from the Ministry of Earth Resources, i.e. Precious Metals and Gemstones, Fossil fuels etc. It will replace the current uncoordinated role being performed by Vnesheconombank. Giant Panda has 20% of this JV bank.

Tanzania

Ongoing discussions with Tanzanian Government Representatives in respect to a number of essential infrastructure projects, including :-

- Dam and Water Supply for Dodoma (the new capital) some 400 miles east of Dar es Salaam
- Railway Improvement and Development
- Highway Improvement and Development
- Power Stations
- Hospital Development

Funding requirement estimated at US\$3Billion.

UK visit of Tanzanian Finance Minister in early October has moved discussions forward to the formal Government commitment stage. Seed capital for the J.V. has been approved by the Government to the value of US\$100 million and this is expected through in early December 1994.

Additional opportunities we have been invited by the Government to assist with are:-

- Hotels
- Marinas
- Ports
- Mixed ventures including Domestic and International Airline, Gold and Diamond Mining development

Myanmar

(pronounced mee-an-mar; formerly known as Burma)

We have negotiated the opportunity on an exclusive basis to set up a Joint Venture International Sales and Marketing organisation between the Trade Agency of Myanmar (a Private Company with strategic a interest to the Government of Myanmar), ('**TAM**') and Giant Panda (UK) Limited.

This Joint Venture Company will be responsible for the Sales, Marketing and Distribution of the gemstone wealth and reserves of Myanmar (including all Private mining concerns within Myanmar which currently equates to 90% of the export market).

This JV is to be awarded an exclusive arrangement for Ruby, Diamond (white, yellow, red), Emerald, Topaz, Pyrops, Sapphire, Cat's Eye, Jade, Agate, Jasper, Jet, and Natural Pearl (only from the Government).

The value of this opportunity is currently generating a "disclosed" annual turnover of US\$800 million to US\$1 billion, with reports from the Burmese that the undisclosed figure is likely to be double this. Much of Myanmar's gemstone trade (70%) is smuggled out through Singaporean, Taiwanese and Thai 'entities', who rely on Myanmar for the high quality and internationally marketable volumes of gemstones originating from Myanmar for their business. The remaining 30% has been through Myanmar's private dealers.

The emphasis and driving force behind this JV is that Private and Government gemstone sources have been realising only a small fraction of the value of their gemstones. A Fair Market Price (FMP), is all that has been sought for many years, however, Government sponsored attempts to set up International Gemstone Emporiums (Auctions), have resulted in bidding cartels between the Chinese, Taiwanese, Thai and Hong Kong dealers, suppressing the FMP to a small fraction of its normal value. Gemtones sold at the Gemstone Emporiums this year at an auction price of US\$30 million have been sold on through China, Taiwan, Thailand, Hong Kong and Singapore for US\$800 million. One can allow a mark-up to traders to cover their legitmate business expenses, retailing and stockholding etc., but this price differential is highly unusual even for the gemstone industry.

Myanmar is perceived to be a dangerous country, and with the JV taking the natural "Rice Bowl" from the organised syndicates which have been controlling the value of the gemstone wealth, this JV has already entered very sensitive territory. Under advise, we no longer communicate via open telephone line or via facsimile; all correspondence is now strictly on a courier to courier basis.

There will be essentially a number of Joint Venture agreements:-

- An exclusive agreement between 'TAM' (supplier) and Giant Panda (exclusive agent)
- Preferred Supply Agreements between Giant Panda and various internationally recognised Gemstone Merchants.

Giant Panda have already reached broad agreement with Backes and Strauss Limited, International Diamond and Coloured Stone Merchants, established in Hatton Garden, London in 1814 and who are also in Antwerp (since 1789), Birmingham, Paris, Pforzheim and Toronto. Backes and Strauss are the coloured stones division of the De Beers corporation but are a private company.

In addition to the lifting and international sales and distribution of gemstones, the Government of Myanmar have strongly indicated that an international bank with gemstone market experience will be required in Myanmar, to provide services to the Myanmar gemstone industry, it's merchants and agents as a part of this JV relationship with Giant Panda. We have been given the necessary authorisation to further this dialogue as this is a national interest.

Backes and Strauss have already begun to pull together the "50 Club" in London who are a group of 50 major gemstone dealers, to syndicate the funds needed to facilitate this venture. We feel that a more structured and commercially secure approach is preferable to the "50 Club" route and view Republic Bank Corporation as one of a small group of international banks who will have experience of this market and strength to enter it.

We have as much time as is required to structure a mutually beneficial agreement between Myanmar and Giant Panda to achieve the required objective. Having said that however, Myanmar is very agitated at the erosion of its gemstone wealth under the current regime and would view an early solution to be not soon enough. Our view is that because of the sensitivity and value of this business, this is a delicate matter that must be handled in the appropriate fashion and this we have conveyed to and has been accepted by Myanmar.

Barbados

Discussions have been concluded directly with Government representatives with respect to:-

Barbados Sporting Club Holdings

- BSCH will be the collective holding company name of the largest tourism and infrastructure development project in the history of Barbadian commerce.
- The business venture will be phased to provide the following facilities -
 - Horse Racing
 - Motor Racing
 - 2 x Hotels (1 x purchase/renovation, 1 x new construction)
 - Marina
 - Conference Facilities
 - Golf Course
- Business Plan completed by Bankers Trust, total project costs US\$250million

Caribbean Airways

- A new airline, encompassing the ageing BWIA, covering the Caribbean and International Long Haul.
- Business development to include -
 - Long Haul carrier, US, Europe, Canada (inc new aircraft acquisitions)
 - Regional and Long Haul Charter
 - Regional Feeder
 - Ground Handling Systems
 - New Airport Terminal
- Proposed outline accepted by the Barbadian Government. GP awaiting fine detail from Ministry of Transport and Department of Tourism
- Estimated cost US\$750million

Pakistan

Discussions at the highest Government level in respect of major Regional railway infrastructure projects to upgrade and improve railway connections between the port facility of Karachi and Lahore and Peshawar, with new links thereon into China, Afghanistan and Eastern European States.

This represents a major infrastructure opportunity for the whole of the sub continent.

Preliminary Feasibility studies for the Pakistan section of the rail links are available.

Giant Panda has already reached tacit agreement with the Pakistani Government and one substantial private investment group through their respective representatives for the entire funding of this project, using our Modus Operandi outlined earlier in this document.

Estimated total project costs are US\$15 billion.

Peripheral developments are to include:-

- Freeport Facility in the Karachi region, or along the Pakistani coast

Yemen

Discussions are currently in progress with the Yemen Government with respect to the following major infrastructure development:-

- Power Stations
- Sewage Treatment Plant
- Water Treatment Projects
- Major Road Infrastructure
- Hospital Services
- Oil Refinery
- Free Trade Zone
- Airport
- Housing

Negotiations are still in early stages with the new administration but Letters of Mandate are expected shortly.

Initial project costings are for US\$10 billion over 15 years.

Further Development Opportunities in China

AVAILABLE PROJECTS

At the time of writing, the following projects have been offered to Giant Panda and are under consideration and assessment.

- COAL FIRED POWER STATION, INNER MONGOLIA
Project with major potential due to existing and future markets, infrastructure and highly competitive costs of local raw materials. 2 X 600 MW
- HYDRO POWER , HANGZHOU, ZHEJIANG PROVINCE
Project considered suitable for early project assessment/summary /marketing due to synergy with other projects within Hangzhou as well as the towns status as a development area. US\$300 million.
- CEMENT MANUFACTURE, FUJIAN PROVINCE
Potential based on growing demand for cement in construction. As with all provinces Fujian has major growth plans and will need cement at reasonable prices to achieve such objectives. US\$200 million.
- CEMENT MANUFACTURE, HANGZHOU, ZHEJIANG PROVINCE
Project has potential as basic feeder of development programme in an area which is zoned for major development. Further information is being sought as matter of urgency. US\$200 million.
- THIRD QIANJIANG BRIDGE, HANGZHOU, ZHEJIANG PROVINCE
SHANGHAI / HANGZHOU EXPRESSWAY, HANGZHOU, ZHEJIANG
Further information is being sought prior to full assessment. Major road infrastructure is important within a growing region though such infrastructure works will only bring investment payback after 15/20 years and must be viewed as a long term (political) investment. US\$300 million.
- INTERNATIONAL AIRPORT, BEIJING
Considered to be worthwhile pursuing because of the growth of air traffic into China and Beijing's existing status as a international city. US\$600 million.

- PLY & CHIP BOARD, YONYAN CITY, FUJIAN PROVINCE
Further information is being sought. Timber is a major product of the region and an important element of modern construction. US\$45 million.
- SHA QI CASCADE HYDRO ELEC and NAVIGATION SCHEME, SANMING, FUJIAN PROVINCE
This project is considered to be a high priority. Its contribution to the growth of central Fujian Province is of prime importance, as well as the communications/trade benefits it will bring to the region. US\$500 million.
- OIL AND CHEMICAL PLANT, HUALIAN, SHANDONG PROVINCE
US\$1.75 billion.
- POWER STATION, PINGLIANG, GANSU PROVINCE
600 MW.
- POWER STATION, ZHUOZOU, HEBEI PROVINCE
2 X 600 MW.
- POWER STATION, SHUANGHAO/HADAWAN, JILIN PROVINCE
600 MW.
- POWER STATION, DONGFENG, HAINAN PROVINCE
2 X 600 MW.
- AIRPORT, SANMING, FUJIAN PROVINCE
Limited information available as to the nature and location of proposed airport, though consideration alongside other projects based on Sanming suggest project worthy of consideration, as Sanming is becoming an important regional centre. US\$250 million.
- POWER STATION, HANGFENG, HEBEI PROVINCE
2 X 600 MW.
- PAPER MANUFACTURE, SANMING/YOUXI, FUJIAN PROVINCE
China lacks quality paper manufacturing capability, though it is renowned for its cheap note books etc., there is room for it to step up a grade within the paper market. The project gains status because of its position within the Sanming area. US\$55 million.

- POWER STATION, HANGZHOU, ZHEJIANG PROVINCE
Further information is being sought. Links with other major infrastructure proposals for area, such as Light Railway suggest that serious consideration should be given to the project. 2 X 600 MW.

- LIGHT RAIL SYSTEM, HANGZHOU, ZHEJIANG PROVINCE
City is seeking proposal and feasibility study, however information suggests that town is expanding and in need of a planned transport system. In view of development policy for region it is wise to develop the project. US\$240 million.

This is not an exhaustive list, rather a selection based on profile of project and groupings within the prime provinces of Fujian and Zhejiang.

- * all projects have base information available.

- ** projects situated in either Fujian or Zhejiang Province considered to be an excellent base for operations within China.